

Presentation By



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Digitalisation Heading Nowhere!

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Digitalisation Law Introduced for -

1. Transparency
 - a) Revenue to Government.
 - b) Pay Broadcasters to get full revenue.
 - c) Correct TRPs.
2. Consumers to get good quality cable service, Broadband, Internet at reasonable rates.
3. A-la-carte choice and lowered billing to consumers.
4. LCO/ LMO not to go out of business.
5. Increase in ARPUs through VAS like VoD, Games, e-Services.

NEW ERA- NAYA DIGITAL ZAMANA

Digitalisation is good but

- Regulations are biased in favour of broadcasters & MSOs
- Method of implementation is WRONG.
- Time lines are not practical/ Prerequisite not done.
- **REVENUE SHARE NOT FAIR FOR LMOS- TOO LESS TO SUSTAIN BUSINESS.**

Before Digitalisation



After Digitalisation



Last mile owner (LMO)
share if you hate this system !!!!!!!!

TRAI's Draconian Regulations that are Dangerous to Cable Operator's Business

- Tariff Order :dt. 30.04.12 (No 3 of 2012)
- Interconnect regulation dt. 30.04.12 (No 9 of 2012)
- Quality of Service regulations: dt:14.05.2012 (No 12 of 2012)
- Consumer Complaint Redressal (DAS) Regulations dt:14.05.2012 (No.13 of 2012)

Telecommunication (Broadcasting and Cable) Services (Fourth) (Addressable Systems) Tariff (First Amendment) Order, No.3 of 2012 dt 30 Apr 2012

- **Revenue share of LCO to be decided by MSO** after mutual negotiations. LCO does not get a fixed revenue per subscriber to survive his business as done in CAS.
- **Clause 4(a) of Tariff Order** : FTA & Bouquet of FTA Channels, Revenue share of MSO-55%, LCO-45% as a fallback arrangement.
- **Clause 4(b) of Tariff Order**: Pay Channels and their Bouquet. Revenue Share of MSO- 65%, LCO- 35% as fallback arrangement.

Tariff Order No. 3 of 2012

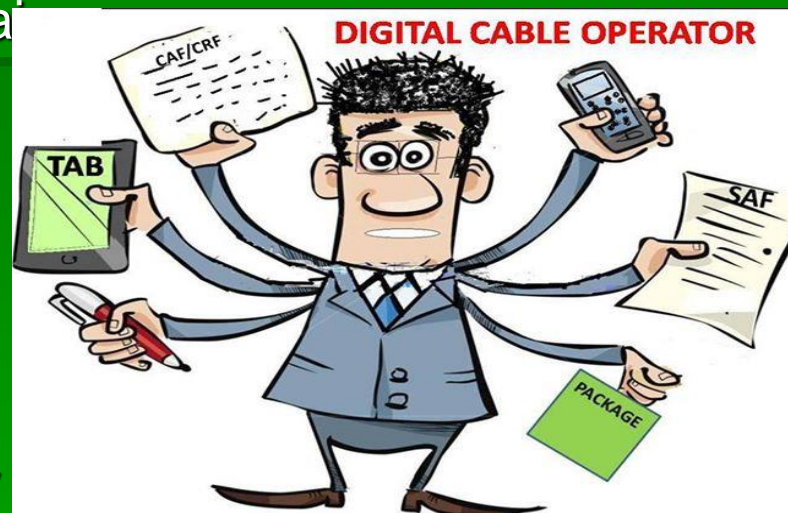
Dt. 30 Apr 2012 (Contd)

- **Clause 6(1) (B) of Tariff Order:** MSO to decide rate of BST Bouquet- Not to exceed Rs 100, can be lower than this, thus revenue share of LCO can also go down lower than Rs 45.
- **Clause 6(1) (D) Tariff Order:** subscriber of DAS to subscribe a basic service tier or basic service tier and one or more pay channel or only free to air channels or only pay channels or pay channels and free to air channels. (Note: If subscriber subscribes only a few pay channels, LCO share will further go down).
- **Clause 6(1) (E) Tariff Order:** MSO will decide rate of Pay channels or their bouquet with a minimum monthly subscription, not exceeding Rs 150 (exclusive of taxes) per month.

Revenue Share

BONE OF CONTENTION

- LCO/LMO Builds, Operates, Maintains Network and provide Service to consumer, collect Tax but **MSO DECIDES HIS REVENUE**
- **LMO/ LMO Share -**
 - **35% of Pay Channels**
 - **45% OF BST (Basic Service Tier**
- NEGOTIATION/ OFFER OF MSO on Revenue share is Temporary, only an EYEWASH to trap and divide LMOs.
- MSOs provide same CONTENT but different offers.
- Payment of Taxes
- TRAI should Relook on MSO/ LCO relationship & Revenue Share.



NOW MSO Negotiations an Eye-Wash. If fails, only 35% for LCO/ LMO

Average Content Cost per Subscriber based on RIO

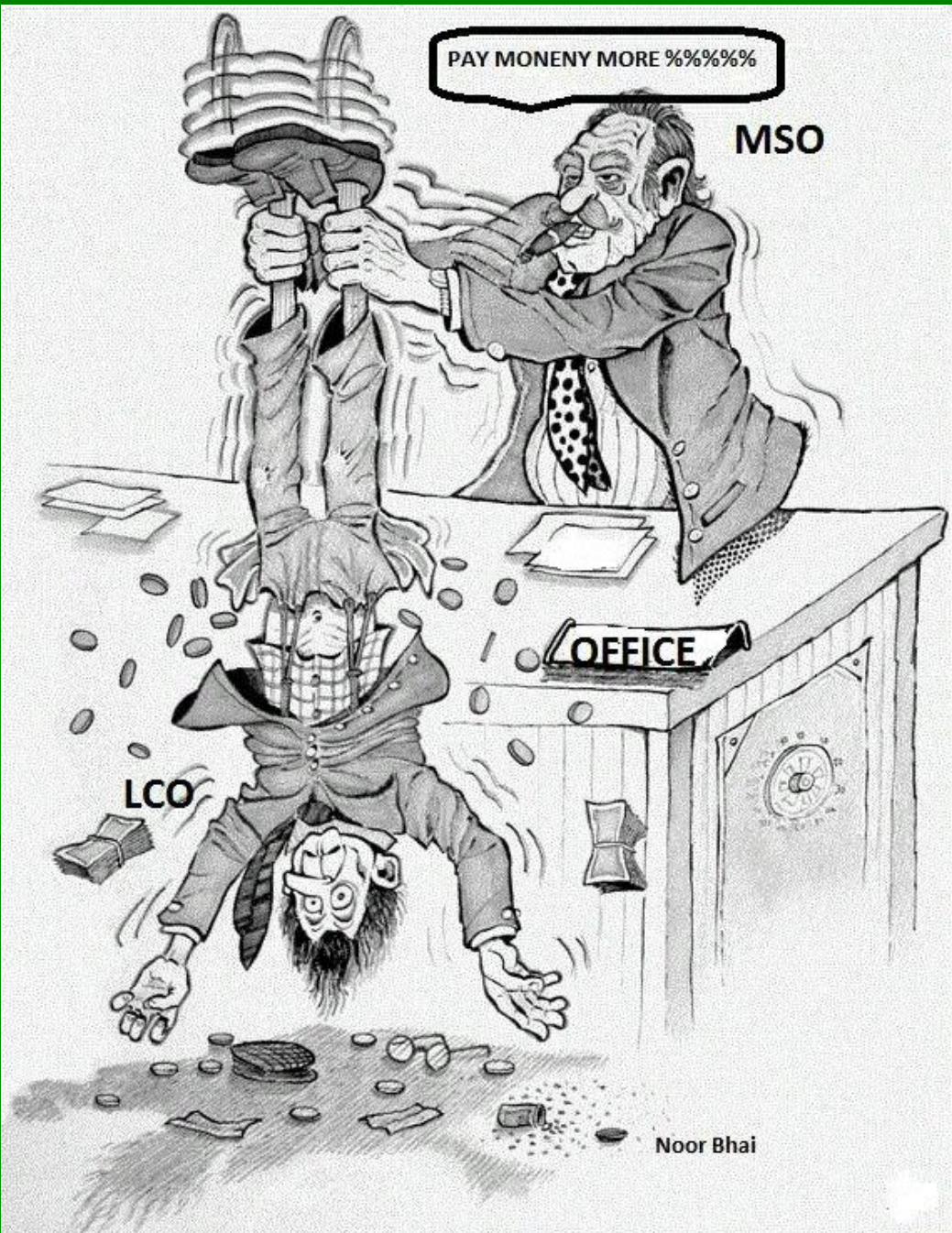
Particulars	In Rs
Total RIO Rate(Without 27.50%)	490
Total RIO Rate(with 27.50%)	625
DTH and Cable Industry Estimated Average Content cost per Subscriber	90-100
% of Total RIO Rate(Without 27.50%)	19-20%
% of Total RIO Rate(With 27.50%)	15-16%
Cable TV estimated average content cost for Pay Broadcaster affiliated MSOs	30-40
% of Total RIO Rate (Without 27.5%)	7-8%
% of Total RIO Rate(With 27.5%)	5-6%
Cost to OTT subscribers for same content	Free

DAS
2013
???

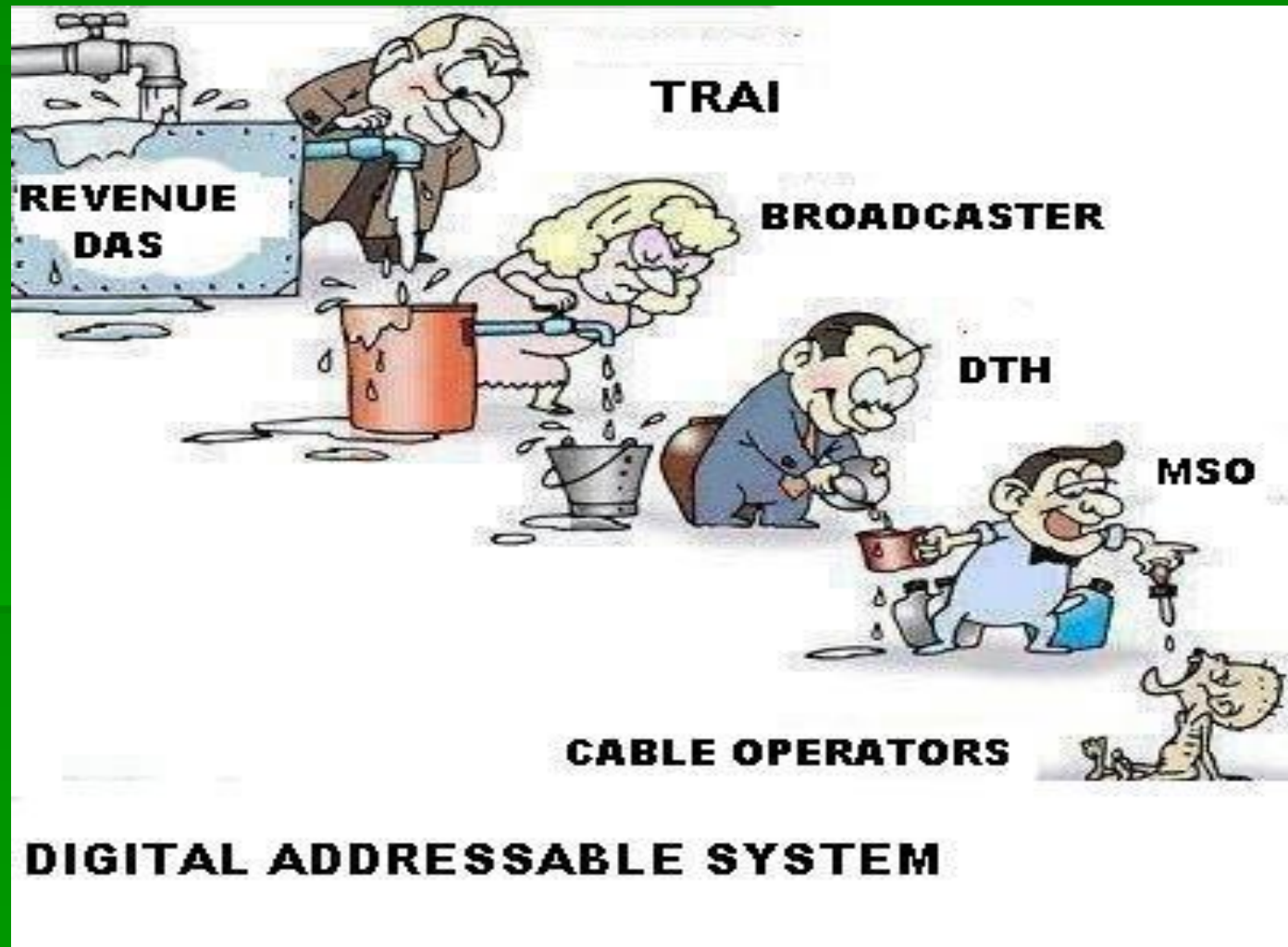
Welcome
2014



Cable TV operators



Unfair Revenue Share



Set Top Box

MSO- Purchased low quality STBs

- No BIS Standards
- No BEE Ratings
- Old MPEG2 technology, not MPEG4
- No Interoperability
- No Local repairs, No guarantee/ Warranty card
- Consumers do not own the STBs
- Regulations demand STBs available in open market
- No receipts given for the cost paid
- Did not sell on paper to avoid tax (VAT)
- Activation fee is not permitted but no action by TRAI on MSOs who refuse to stop collecting it.

Why Such regulations?

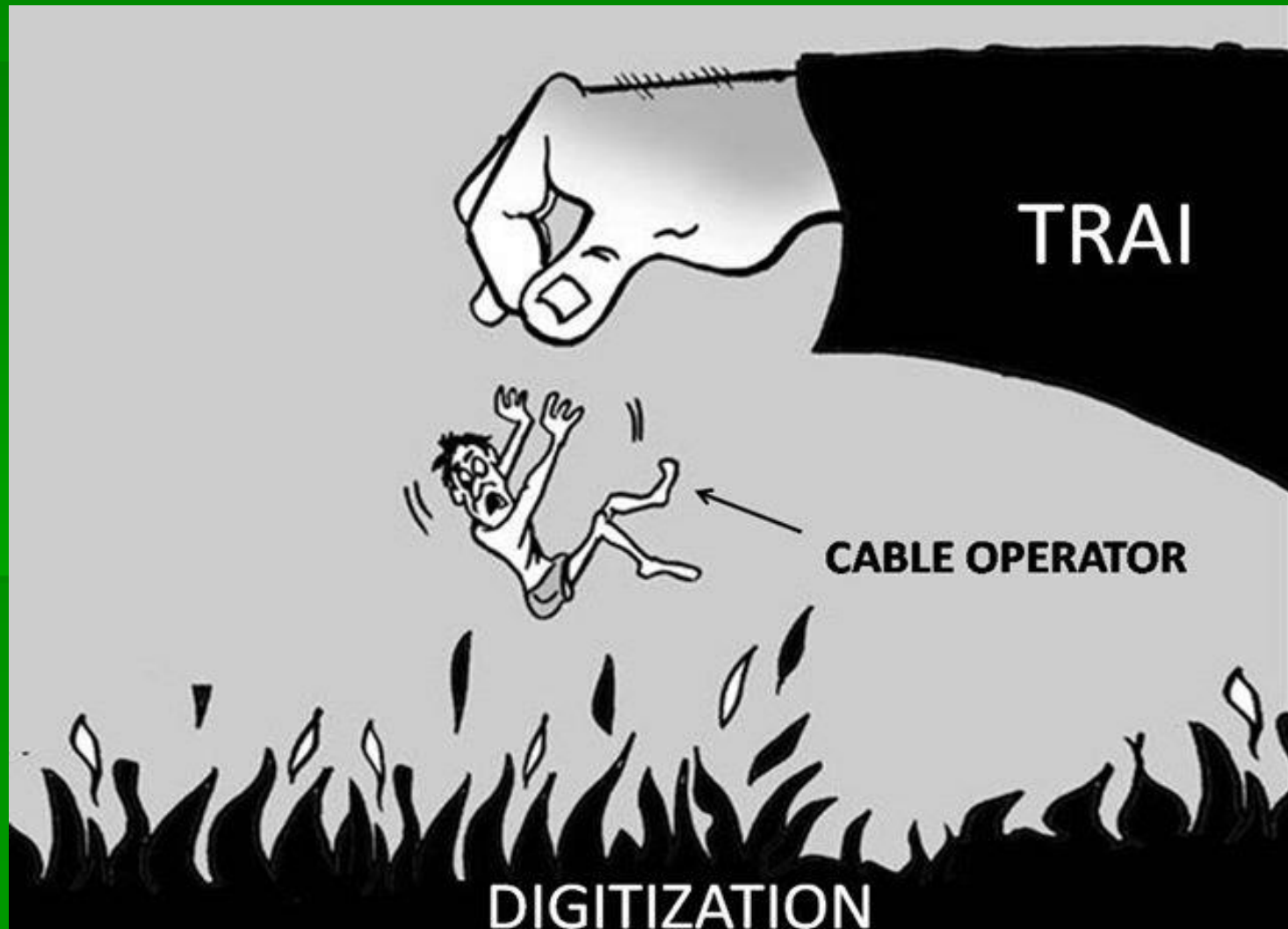
LACK OF KNOWLEDGE of LMOs/ LCOs

- Pay Broadcasters and MSOs are too Active in capturing the ground (game plan)
- Vertical integrated MSOs played Active Role.
- MSOs kept their JV/Distributors too happy and busy –(Foreign Trips/ Parties).

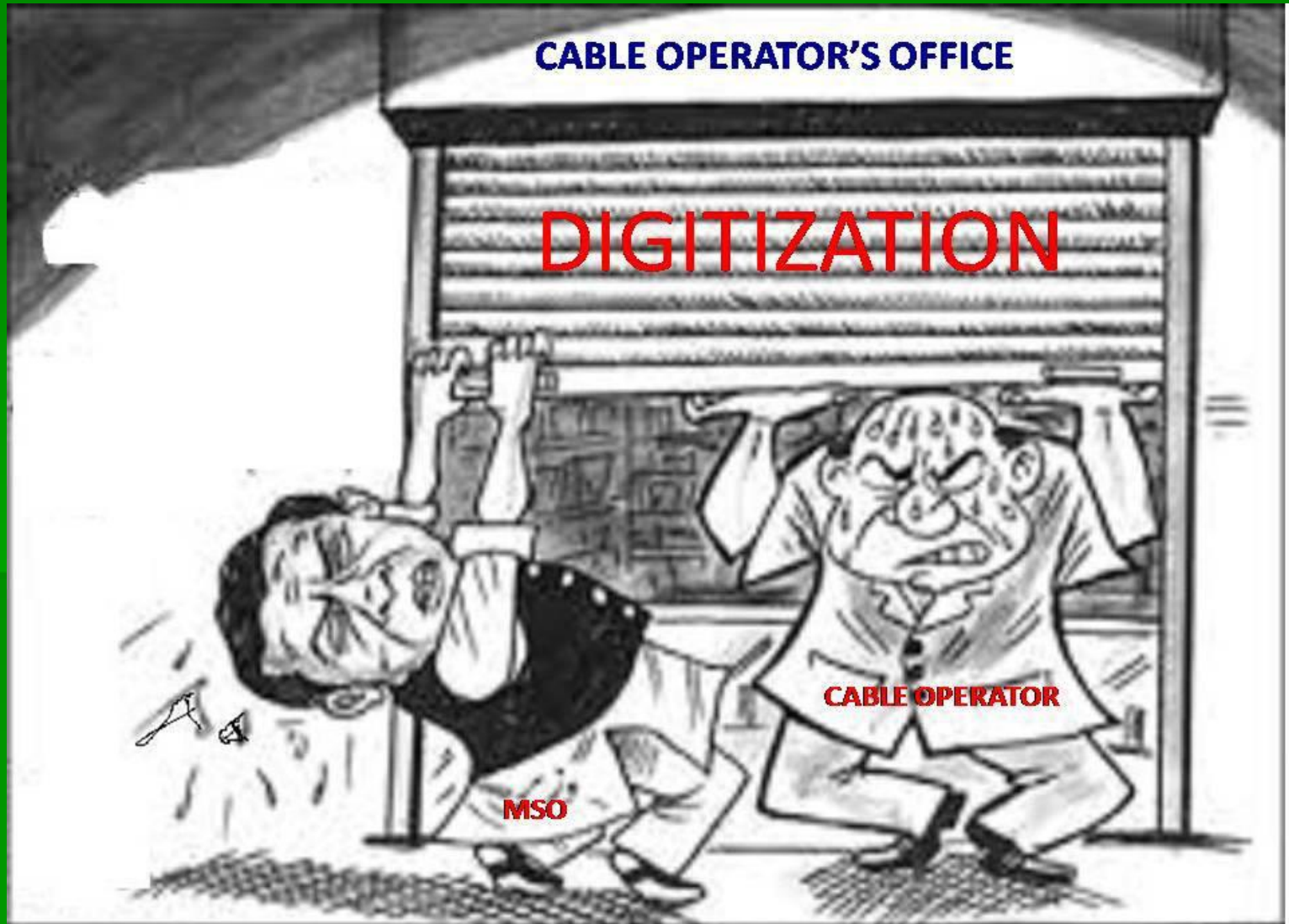
Why Such regulations? (contd)

- They did not pass information to LCO/LMOs.
- **LCO/ LMO – Completely unaware, Fragmented, infighting, Got busy in alternate business as suffering losses**
- Never answered any TRAI consultation or attended any Open House. Government's awareness drive not sincere. LCO representation kept minimum in Task Force
- **Vertical Integrated MSOs took advantage of situation and lobbying in TRAI & I&B.**
- MSOs and Aggregators used '**divide and rule**' on LCOs

This is what TRAI Regulations did



Don't Let This Happen to You





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