CLEAR MEDIA (INDIA) PVT LTD

18.1.2008.

To,
Mr S K Gupta,
Advisor (CN),
TRAI,
New Delhi.
Sub: Consultation paper dated 18.1.2008

Dear Sir,

Thank you for the window of opportunity provided to respond to the Consultation paper dated 8.1.2008.

We have provided our response on the where we believe our comments can ADD THE HIGHEST VALUE to the Regulator. We have, hopefully, added a DIFFERENT PERSPECTIVE to the Regulator (at least we hope we have!).

Issue for Consultation Number 6.1 (3) (Page 64 of Consultation Paper).

Do you feel that present restriction of one channel per city and ceiling of 15% of all channel allocations in the country to an entity needs revision? Give your suggestion with justification.

A. Restriction on Number of Channel/s within a City:

The primary argument presented by the radio broadcasting industry (directly or through FICCI) for permitting multiple ownership of channels is for creating "diversity" in content.

Our Response

There should be a cap of ONE channel that can be owned by one entity within a city (existing norms should continue).

Justification for our Response:

The experiment of permitting one company to own multiple stations within a city is seen to be a failure in the USA and will not succeed in India, for the following reasons:

1. No Innovation in Programming:

Innovation comes when human minds are free to think and ideate. When one company is permitted to own multiple stations (say one third or 33% of the channels), the law of economics results in 3 companies owning 100% of the channels in any city (each of the 3 companies owning one third of the channels each). Thereafter, as a result of trimming down of costs, focus on productivity of employees results in there being no innovation in programming.

2. Harold Hotelling's Theory of Spatial Competition:

Competition under advertiser support tends to produce less diversity and more "wasteful duplication" than is socially optimal. This is a direct parallel to Hotelling's (1929) spatial competition example of "excessive sameness".

3. Do NOT permit creation of Large Radio Duopolies or Tripolies:

By permitting the radio broadcasters to own multiple channels within a city, the regulator will be aiding the creation of large radio broadcasting "duopolies" or "tripolies". This is not the stated intent of our country which believes in widespread & diverse ownership of media assets throughout all media.

4. Lessons from AIR & Radio Ceylon:

AIR & Radio Ceylon (Short Wave) had a defacto duopolistic hold over Indian audiences for decades. This duopoly could not adapt to best practices, build radio personalities & provide innovative programming to India. The failure is exemplified with the reality that there is no current well known Indian radio personality (Ameen Sayani being the last) in comparison to the many personalities who have achieved fame in both press (T N Ninan, Girilal Jain, Shekhar Gupta, Vir Sanghvi, amongst others) and TV (Kirron Kher, *Shekhar Suman, Rajat Sharma, Prannoy Roy, Rajdeep Sardesai, Vinod Dua, amongst others).*

The key lesson is - there is NO, repeat ZERO innovation in radio programming under any duopoly or triopoly, and the regulators should NOT provide any regulatory incentive for creation of such entities that stifle innovation, as most duoploes or tripolies are well proven to stifle.

5. Other Ways to Create Diversity in Programming on Channels:

The debate on ownership of multiple channels in a city has entirely been focused on WHETHER or NOT to permit ownership of multiple channels by a single company. Such a narrowness of debate results in opinion getting polarized one way or the other (at extremes) and has resulted in sparked debates whose arguments are repetitive. The better ways to enforce (read incentivize) diversity in programming & OPTIMIZE use of scarce channels WITHOUT permitting ownership of multiple channels is:

a). Financial Incentives in the form of different OTEF or different percentage revenue share for niche and mainstream channels;

b). Ensure that Phase-3 radio stations are auctioned after specifying the genre of broadcast (as is done in the UK, very successfully);

c). Leave "niche" and non-mainstream programming to All India Radio and Community Radio Stations (special interest stations).

6. NO Guarantee of Diversity by owning Multiple Channels within a City:

It is admittedly extremely difficult to monitor programming of dozens of radio stations within the large cities also. The table below demonstrates how large broadcasters and newspaper publishers launch multiple products within a genre as a "flanking" strategy to protect the main brand:

Channel Name	Genre	Language of Broadcast	Owner
Zee TV	Gen Ent	Hindi	Zee
Zee Next	Gen Ent	Hindi	Zee

Zee Cinema	*Ent (Movies)*	*Hindi*	*Zee*
Star Plus	*Gen Ent*	*Hindi*	*Star*
Star One	*Gen Ent*	*Hindi*	*Star*
Star Gold	*Ent (Movies)*	*Hindi*	*Star*
Sony TV	*Gen Ent*	*Hindi*	*Sony*
Sab TV	*Gen Ent*	*Hindi*	*Sony*
Sony MAX	*Ent (Movies)*	*Hindi*	*Sony*

Thus it is demonstrably clear that there is a REAL RISK that ownership of multiple channels WILL NOT RESULT in DIVERSITY of programming, as claimed by some of the members of the radio broadcasting community.

B. Justification for a 15% Cap Nationwide:

There is no justification of a 15% cap nationwide. If a cap is proposed it should be within a city (as per existing norms).

Issue for Consultation Number 6.1 (5) Page 64:

Do you feel that present FDI cap of 20% and methodology of calculation in FM radio broadcasting needs change? Give your comments with justification.

In TV broadcasting and in Print there are two levels of foreign equity percentages permissible.

A. 26% Foreign Equity Cap:

For TV Channels which have news & Current Affairs Programming;

For Newspapers that are NOT scientific journals.

B. 74% Foreign Equity Cap:

For TV channels that have NO news & Cuurent Affairs Programming

For Newspapers that are defined as scientific journals or non-news print products.

In line with the attempt to create a national media policy in the future, there should be identical levels and laws on foreign equity in FM Radio Broadcasting.

Issue for Consultation Number 6.1 (7) Page 65:

Do you feel that relaxation in present networking guidelines will improve the quality of the programs produced and viewers' experience? Should there be cap on number of programmes which can be networked on regional or All India basis? Give your suggestions with justification.

Networking of programming is a very big negative for the FM Radio Broadcasting business for the following reasons:

a). Non-availability of local programming to the public;

b). Lower local employment;

c). The cultural diversity of India will not be encouraged, and radio is a great low cost means for encouraging.

In any case satellite delivered television has provided national programming in every nook and corner of the country.

Local artistes, in any case have few outlets for performing and earning royalties and promoting their culture and music, networking will steal them of this long awaited opportunity.

<u>Networking is a COST SUBSIDY to commercial broadcasters</u>, nothing else. There are reams of data available on how networking and multiple ownership of radio stations is resulting in the slow death of radio in many countries, including the United States.

Issue Number 6.2 (1). Page 65:

Should there be a cap on maximum number of FM radio stations in a city? If so, what should be the number and basis thereof?

Yes, there should be a cap and that cap should be on the maximum stations possible within the band exclusively reserved for FM Radio Broadcasters. However, within the Band and even outside, <u>specific allocations need to be made for Community Radio Services (like Education), News & Current Affairs Channels, Niche/Specific Channels and General (Unrestricted) Channels.</u>

The following steps may be followed:

A. The frequencies reserved exclusively for FM Radio should be divided into 4 categories, namely:

a). Community Radio Stations;

b). News & Current Affairs Radio Stations (Private, if news is allowed);

c). Radio Stations Devoted to Niche/Specialized programming;

d). Radio Stations Devoted to General Programming (Unrestricted).

An example in a A+ category would be as follows:

Sr No.	***Category***	***Number of Channels***
1	*Community Radio Stations*	*20*
2	*News & Current Affairs Radio Stations*	*3 (one for each Hindi, Eng & local)*
3	*Niche/Specialized programming*	*2*
4	*General Programming (Unrestricted).*	*9 (as per existing in Cat A+)*

B. *In order to optimize & maximize the available bandwith, the following steps, each of the above mentioned categories should be assigned maximum effective radiated power (ERP). For example in Cat A+ cities:*

Sr No.	***Category***	***ERP***	***Category of Channel***
1	*Community Radio Stations*	*20*	*C*
2	*News & Current Affairs Radio Stations*	*150*	*N*
3	*Niche/Specialized programming*	*150*	*S*
4	*General Programming (Unrestricted).*	*150*	*G*

Issue Number 6.2 (2). Page 65:

Do you feel Co-channel spacing 700 to 800 is optimal and necessary? Can this be reduced? Give justifications.

The spacing between channels should be made dependent on the ERP at which the broadcast takes place, subject to a minimum spacing of 400-500KHz between ANY TWO channels, irrespective of ERP. In order to determine the *spacing required between any two channels, firstly, categories of channels as suggested hereinabove should be made. For purpose of clarity, the attached table is provided:*

MINIMUM Spacing between ANY 2 channels in N or S or G Categories	*800 KHz*
MINIMUM Spacing between a channel C Category and any Channel in N or S or G Categories	*400/500 KHz*

WITH or WITHOUT co-location, the number of channels proposed will increase dramatically with spacing between channels reduced ONLY for LOWER POWERED radio stations (mainly used for COMMUNITY RADIO). This will also solve the problem of DIVERSITY in PROGRAMMING WITHOUT PERMITTING MORE THAN ONE CHANNEL PER ENTITY IN A CITY.

International examples in various countries as provided for in the Consultation paper (refer to pages 67, 68 and 69) for various classes of radio stations and the differing ERP and based on the differing ERP, the spacing between 2 channels is determined. Canada & USA examples are noteworthy. ***In BOTH CANADA & USA, the maximum ERP is 100 KW, much less than that provided in the Category A+ cities of India.***

Summing Up:

1. **Nine EXISTING Channels in Cat A+ cities at ERP of 150KW is more than adequate;**
2. **Any additional high power (ERP) radio channels should be focused on News & Current Affairs and/or Niche/Specialized Programming and this should be WRITTEN in the Contract;**
3. **Several dozed lower powered radio channels can create programming “magic” and drive innovation into the markets, provided setting these up is not cumbersome;**

4. **ONE CHANNEL per entity per city is good enough, INNOVATION and Niche Programming will be driven by a BOTTOM UP process NOT a BIG COMPANY process. Examples of TV channels provide a good insight on "<u>COMPETITIVE SAMENESS</u>";**
5. **Channel spacing regulations should budget for "big bang" of radio through dozens of community / smaller radio stations in each city;**
6. **90% of all receiver sets are ANALOG and poorly built. Channel spacing between any 2 high ERP stations should not be less than 800 KHz.**

Thank you.

Rohit Mathrani,
Mobile: +91 98713 11787
Director & President,
HIT 95FM,
Delhi's ENGLISH MUSIC RADIO