
Fwd: RE Consultation Paper on Reserve Price for auction of FM Radio channels

1 message

V K Agarwal <vk.agarwal@traf.gov.in>
To: Gaurav Patel <gkpatel29@gmail.com>

Wed, Nov 6, 2019 at 4:38 PM

----- Original Message -----

From: "**deepak.arora@fever.fm**" <deepak.arora@fever.fm>

Date: Nov 6, 2019 2:42:58 PM

Subject: RE Consultation Paper on Reserve Price for auction of FM Radio channels

To: "vk.agarwal@traf.gov.in" <vk.agarwal@traf.gov.in>

Cc: "Ankur.Neema@fever.fm" <Ankur.Neema@fever.fm>, "abhishek.kapoor@fever.fm" <abhishek.kapoor@fever.fm>

Dear Mr. Agarwal,

At the outset we appreciate the opportunity given by TRAI to stakeholders to provide comments on the Consultation Paper referred in the subject. Kindly absorb our reply to the questions raised in the consultation paper.

Q1. Do you agree with the methodology used in TRAI's recommendations dated 15th March 2015 for valuation FM Radio channels? You may also suggest an alternative approach/ methodology with details and justifications.

HT: We believe the methodology used in TRAI recommendation require significant reconsideration especially on following indicators:

- Today, listeners have multiple avenues for entertainment available, as a result FM is losing listenership and revenue. Being Free to Air, the primary source of revenue for FM Radio broadcaster are the commercial advertisements aired during the broadcast. Apart from the limited inventory for commercial advertisements, in the last 3 years there has been a huge stress on the advertising revenues due to macro-economic situation.
- Fixing Reserve Price ("RP") will work as deterrent for Bidders to participate in the auction as the proposed auction will have high number of Tier 3 or remote areas frequencies. Consequently, Government may not be able to meet its objective of enhancing economic activity, generate employment and promote cultural activity and development of these areas.
- Alternately if Zero Reserve Price cannot be defined as base then the Auction format should allow for both way i.e. upward and downward movement of price
- We believe the time has come where Government let the market forces determine the Reserve Price (value of spectrum), and Government act as 'enabler' and 'facilitator in meeting the larger societal objectives.

Q2. Can the Phase-III policy i.e. the highest bid price received for a city in Phase-II continued to be reserve price for the existing cities? If yes, is there a need to account for the inflation? If no,

please suggest approach/ methodology for existing cities with justification.

HT: We firmly believe that Government must not lose sight of its objective mentioned in point 2.1 of the consultation paper while fixing or determining RP. RP cannot be determined based on decade old factor or study as it will give incorrect picture and may lead to erroneous determination of RP.

- TRAI may collect data from MIB in order to assess the performance in terms of revenue of existing Radio stations in cities where additional spectrum is available for auction before determining RP.
- We believe a fresh study is required from TRAI after evaluating performance of each phase of FM auctions vis-à-vis future outlook of FM Radio Industry and current trend in Digital platforms.

Q3. Do you agree that various technical changes, behavioral changes in listeners, availability of devices for FM Radio listening will be duly captured by the variables – Population, Per capita income, Listenership of FM Radio, and Per capita Gross Revenue (GR) earned by existing FM Radio operators, as recommended by TRAI in 2015, for valuation of FM radio channels in new cities? If not, what additional variables need to be considered for truly reflecting the valuation of FM radio channels in new cities? You may also suggest alternative variables with details and justifications.

HT: Our suggestion is captured in point 1 above

Q4. How should the present listenership of FM Radio in each state be estimated? Please provide your suggestions with justification.

HT: RAM should be used for the four cities of Delhi, Mumbai, Bangalore and Kolkata and for others IRS data must be used conducted to collect listenership information from a cross-section of individuals with geographical and demographic range. For metros, RAM has an advantage over IRS due to the frequency of reporting i.e. weekly and also the depth of coverage.

In cities or towns, where Private FM player are not present, AIR listeners base, can be consider to estimate listenership base.

Q5. In case methodology as recommended by TRAI in 2015 for determining reserve price for FM Radio channels in new cities is adopted, should the reference price be taken as the average of successful bids received in Phase-III auction held in 2015 and 2016? If no, please suggest an alternative proposal with justification.

HT: Our response is captured in point 1 above

Q6. Do you agree with the proposal that the reserve price for FM Radio channels in a new city can be set equal to 0.8 times of the valuation of FM Radio channels in that city? If no, suggest an alternative proposal with justification.

HT: Our view on Reserve price is captured in point 1 and 2 above.

Q7. Should the auction of remaining FM channels of Phase-III be done delinking it from technology adopted for radio broadcasting? Please give your suggestions with detailed justification.

HT: Our view on this point is priority should be given to the current challenge of Digital compatible receivers at the listeners end. For any progress of digital broadcasting, the listeners who are accustomed to no cost or low cost receiver options, need to be provided such options in digital receivers. Since listening through mobile sets is a no additional cost option, the top mobile handset manufacturers in the country should be encouraged to enable FM radio receivers on their phones, including digital receivers, as it develops and expands

Q8. In case auction of remaining FM channels of Phase-III is delinked from technology, whether FM Radio broadcasters who adopt digital technology be permitted to broadcast multiple channels on single frequency? Please give your suggestions with detailed justification.

HT: Once progress is made on digitisation initiative as captured in point 7 above, yes FM broadcasters should be permitted to broadcast multiple channels on single frequency within the same license fee as paid for acquiring the FM license.

Q9. Stakeholders may also provide their comments/ suggestions on any other issue that may be relevant to the present consultation.

HT: Use of Transmission Infrastructure of AIR should not be compulsory for private radio stations. MIB should requested to revisit the high rentals being charged by Prasar Bharti, also applicability of finalized rentals should only be from the date of handing over of infrastructure to private radio operators.

DAVP Advertising Rates for Radio should be revised with immediate effect to ensure economic viability of radio players

- i. Ad hoc rates currently defined for Ph III stations to be increased to reasonable standard rates. The current minimum rate of Rs 52 per 10 sec is too low and the rate should be set appropriately taking consideration of the average commercial rate of all broadcasters in that city.
- ii. Rates for older stations to be increased, preferably on an annual basis to at least cover the rate of inflation.
- iii. Government needs to pay on time, within 60 days of billing. DAVP and NDFC may be suitably advised.

Share of radio advertising should also be increased

Thanking You,

Best regards,

Deepak Arora

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