

RESPONSE TO QUESTIONS RAISED ON HITS

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4.53.1 What should be the scope of HITS operations ? Whether the scope of the HITS Operator should include both the models as stated under heading “scope of HITS operation” in paras 4.5 and 4.6 ?

The scope of HITS operations should be limited model stated in Para 4.5 and to the scenario described in detail in Para 2.13 only which basically means that the HITS operator would work as a typical MSO, wherein the HITS operator aggregates all the channels by downlinking all PAY Channels with or without FTA channels and then uplinking Satellite QPSK Modulation on to one particular satellite such that they can be received throughout the footprint of the Satellite. After receiving, the QPSK signals can be converted into Cable TV modulation (QAM) for distribution to subscribers using Cable TV Systems by use of transmodulators. The other scenario envisaged in 2.15 although theoretically possible is not a practical option. Each MSO would want to use its own Conditional Access and although simulcrypt is theoretically possible, practically implementing simulcrypt with multiple CAS Vendors would be a nightmare. There would be countless other similar problems in such a shared infrastructure. Since the cost for a national level player is not major it would be ideal to let every MSO have its individual HITS Headend just like in the case of DTH.

4.53.2 Whether HITS operations should be allowed in C-Band or in Ku Band or in both

HITS operations should not be limited to either C-Band or Ku band and our recommendation is that both C-Band as well as Ku Band should be allowed for HITS and

the differentiating factor between DTH and HITS should be that any HITS operator should be allowed to use only QAM STBs or in other words only Cable TV Set Top Boxes and whereas DTH players should be allowed to use only QPSK STBs (Satellite STBs) to receive these signals. However, we strongly urge that the DTH players should not be allowed to do HITS because this would cause massive problems on the ground and it would be impossible to resolve the inherent conflicts in DTH operation which basically is designed to compete directly with the Cable operators and therefore cannot work with the Cable operators unlike HITS which is designed to deliver services through Cable TV operators only and not directly to subscribers. In fact the moment we define the use of QAM STBs only for HITS and QPSK STBs for DTH it is automatically ensured that HITS is not suitable in “direct to subscriber mode” because the cost of transmodulators for converting from QPSK to QAM is prohibitive for an individual user.

There are some Ku Band beams which cannot be used by DTH players because of their low power and such beams should be allowed for use in HITS. These beams require large dishes to receive these signals and therefore they are not practical for DTH use. Keeping in mind the scarcity of transponders these should not be allowed to go waste, and can be allowed for HITS. The reverse situation of using C-band for DTH can be allowed as well but this would not be acceptable to DTH players.

4.53.3 Whether a HITS operator should be restricted to offer services only to the cable operator ? Alternatively, should HITS operator be allowed to serve the end customer also directly ? If yes, then whether the restriction on DTH to service end customer only needs any review ?

As per our earlier suggestion the moment HITS players are restricted to use only QAM boxes they will automatically need someone like a Cable operator to build and service the Cable network to reach the ultimate subscriber. This could be an existing operator or a new one. With QAM STBs it will be practically impossible for HITS players to provide service directly to a subscriber. Similarly, a DTH player should be restrained from providing services to a Cable operator, for reasons explained in the previous answer.

4.53.4 What should be the limit of Foreign Direct Investment (FDI) for HITS licenses? Should there be any restriction on the maximum limit on the composite figure of FDI and FII ?

Since HITS is part of MSO operations, limits of FDI should be at par with that of Cable TV FDI limit which at the moment is 49%. If Cable TV limit is increased to 74% then HITS limit should also be increased to 74% and we recommend that this increase should be allowed to bring parity with Telecom players where the FDI limit is 74%. There should not be any restriction on the maximum limit on the composite figure of FDI and FII.

4.53.5 What should be the entry fee and the annual license fee for HITS ?

Since HITS is basically MSO operation there should not be any entry fee, however since HITS enables a PAN India footprint versus a limited geographical area for MSO operations we recommend that an entry fee of Rs. 2 Crores be imposed for HITS to ensure that only serious players enter into this. However, there is no question of any annual license fee similar to 10% revenue share in case of DTH because if any such fee is imposed on HITS it would become totally unviable business proposition. HITS operators

would have tremendous disadvantage as compared to DTH in the sense that they also have to pay revenue share to Cable operators and Distributors which is not so in DTH. Also the infrastructure cost which includes the cost of transmodulators and the Cable Network to reach the subscribers is higher in case of HITS. Thus there is no question of any annual license fee being imposed on HITS.

4.53.6 Whether HITS operator should be allowed to uplink from outside India also ?

HITS operator may temporarily be allowed to uplink from outside of India, to kick start operations. However, they should be mandated to shift to India within one year from start of their operations.

4.53.7 If yes, what are the safeguards needed for monitoring the system ? What are the checks and balances required to be put in place to address the level playing field issue with the operators uplinking from India ?

In case HITS operators are allowed to operate from outside of India they should be subject to the Programming code and Advertising code as applicable in India. They should also be subject to all the other applicable laws of India.

4.53.8 Should any interconnection issues be addressed in licensing conditions ?

We strongly recommend that a mandatory interconnection regime similar to the one operational in CAS areas should be enforced. HITS is an addressable platform and can be used to extend the benefits of addressability and digitization at very fast pace

throughout the country. But if revenue sharing and interconnection is not mandated just like any CAS area, then it is quite likely that broadcasters with vested interest will defeat the purpose by denying and/or delaying the content by offering impractical commercial terms.

4.53.9 Should spectrum charges be recommended to be done away with for HITS service provider ?

Yes, we strongly recommend that spectrum charges should not be levied for HITS service provider. HITS is a technology which will enable rapid spread of digitization at relatively low cost and therefore needs to be encouraged.

4.53.10 Should there be any cross holding restriction ? If yes, please suggest the nature and quantum of restrictions.

Cross holding restrictions have not prevented broadcasters from holding stake in DTH. They are able to by-pass such restrictions by minor restructuring in their corporate structure. Therefore we believe that there is no need for any cross holding restrictions.

4.53.11 Should HITS operator be allowed to offer value added services ?

Yes, HITS operator should definitely be allowed to offer value added services like Video On Demand, EPG and other such services. Any restrictions on this account would be retrograde step and definitely not in the interest of consumers.

4.53.12 Whether “must carry/must provide” conditions be imposed on HITS operation ?

“Must carry” is limited by the capacity available on the Satellite and therefore cannot be imposed both on DTH as well as HITS players. However, “must provide”, must be retained for HITS operators, otherwise broadcasters of popular channels could deny content to HITS operators which would be detrimental to the subscribers of the HITS service provider. Thus the provision of “must provide” directing the broadcaster to provide content to HITS operator must be retained.

4.53.13 Whether a stipulated networth of specified amount be made as an eligibility criteria to avoid any non-serious applicant ?

It is obvious that HITS is a high investment venture and only serious players with funding ability will enter in. Therefore there is no need for an artificial networth barrier to be imposed.