COMMENTS FOR THE CONSULATION PAPER ON FOREIGN INVESTMENT LIMITS FOR BRODCASTING SECTOR

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Indian economy is on a fast track since the last 2-3 years. We are now among the fastest growing economies of the world. The GDP has grown by 8.1 per cent in the year 2007-08, helped by a strong growth of 10 per cent in the Services Sector and 8.7% in Manufacturing Sector. IT and Telecom Sector have made substantial contribution to the growth of the economy. The growth of Telecom Sector in particular has been phenomenal. We have crossed 300 million subscriber mark now and have the third largest subscriber base. We have progressed from a very credible growth of 5 million subscriber additions per month at the beginning of 2006 to a stupendous addition of about 8-9 million subscribers per month for the past 3 months. In fact, we are adding one customer per second during the working hours. Now the growth of Telecom Sector in India has surpassed that of China.

It is true, Broadcasting sector is backbone of any nation today. It is an important human development indicator. TRAI has circulated a consultation paper on ‘Foreign Investment limits for Broadcasting Sector’ which will be used as a base for increasing FDI in telecom and broadcasting sector.

1. Para A of Sub-section 4.11 strongly emphasizes on the FDI increase and its various means. It clearly states that ‘26 per cent will be owned by resident Indian citizens or an Indian company.’

   Submission: I think people of India have not forgotten ill-treatment meted out to Mr. K.L Chug of ITC by its parent company when he opposed parent company’s plans. Even though ITC has been officially under the operation of Indian citizens.

   One should not forget the case of Maruti Udyog Limited. Parent company SUZUKI refused to upgrade its much-needed and promised technology in the Indian plant(s). Its Japanese Board did not listen even to the Indian Government.

   In both cases, these foreign companies either humiliated Indian citizens or the Government. Apprehensions are always there and same sort of treatment in future could not be ruled out.

2. It is easy to manipulate and apply unfair means, once license of operation is granted to any entity. There are numerous instances when foreign companies have circumvented rules and regulations through unfair means.
3. Will these companies with 74 per cent foreign equity be made responsible to India as a country? Answer is direct NO because they will first protect interests of their own country. Evidences are a many.
4. Government and the TRAI should strongly look into those areas of concern, especially legal matters, where interest of the country are not compromised, subletted or diluted.
5. Various clauses usually appear as just paperwork which no one is really expected to follow, the new rules say the compliance with the license agreement will now be included in the company's Memorandum of Association and any violation of the license agreement shall automatically lead to the company not being able to carry on its business. But it may not happen due to various pressure tactics applied by their respective (foreign) governments.
6. There are security concerns. Data related to the national security and armed forces should be kept out of this periphery. Government till today could not provide internet security of its own till date even after more than a decade. Government can allow remote access on a case-by-case basis, with safeguards such as ensuring such access is done only by affiliates of the licensee, by authorized personnel that are security cleared by the host country's government.
7. These broadcasters have different set of viewer-ship and they package it differently for each set of customer. What they broadcast in India may not be same in any other (un)friendly country. It may become a source of propaganda for them at international platforms against the country.
8. Broadcasting is a subjective matter. What is good for oneself, may not be same for other. Further, TRAI should not try to flood the Indian sky with so many broadcasters.
9. Sub para 5.2.1 of para 5.2: Given above discussion, it appears that time and market is not **mature enough** for such a FDI limit revision in the broadcasting sector. We should wait and watch, and monitor this sector for another 2-3 years. Second, foreign investment may be revised by allowing another 4-5 company / investor or more FDI/ FII instead of single FDI FII to avoid its monopoly .
10. Sub para 5.2.2 & 5.2.3 of para 5.2: There is no question of accepting proposed limit. In the given fluctuating scenario, we feel that present limit is more than satisfactory. Let the Indian market develop on its own feet. Government should support Indian companies (no harm in supporting even individuals of integrity and promise). We can have Chinese model. When our own companies will not be strong, they will be always prone to be preyed by MNCs.

11. Sub para 5.2.4 – 5.2.5 of para 5.2: FDI limit of 49 per cent is more than enough. All these questions are anyway intended for approval by the TRAI proposed FDI limit in the broadcasting sector.
12. Profit sharing: No mention has been made in the draft. It should be made mandatory that 75 per cent of profit should be re-invested in India only with maximum job opportunities to Indian nationals.

It would be better if, TRAI, first assists Government in formulating a suitable comprehensive policy for the sector. FDI is a secondary issue for the moment. TRAI should understand that there are some sectors which should remain with the Government only. TRAI should act as an agency for protecting cultural roots of the country. Disinvestments are not good for each and every sector. It should be considered case-by-case basis.

Further, 'transfer of technology in a shortest possible time frame and regular updating of transferred technology so as to meet international standards' should be made a mandatory clause. Usually, foreign companies shy away or donot comply when this clause is inserted in any agreement. If they do not comply, their license should be cancelled with immediate effect and all investment should become property of the TRAI / Government of India.

13. Sub para 5.3.1 of para 5.3: TRAI should classify various segments of the broadcasting sector in terms of diversified carriage services. It may be considered on the case-by-case basis.
14. Sub para 5.3.2 – 5.3.4 of para 5.3: It is another oblique support. It may be considered on the case-by-case basis but nowhere it should be 100 per cent at any situation. It would be harmful to the country in long run. Future generations would accuse us of selling out of the country.

DTH (Direct to Home) broadcast service has grown tremendously during 2007-08. It is available through National Broadcaster and private DTH service providers/TV broadcasters. For better quality of TV reception (Digital Video Broadcasting DVB) is available to the people of India on their TV sets just by adding a small dish antenna and a DTH Set Top Box (STB). Do we still need FDI?

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