

Comments of MCOF on Pre Consultation On Infrastructure Sharing in Broadcasting TV Distribution Sector, dated 23rd May , 2016

CONSULTATION PAPER ON INFRASTRUCTURE SHARING

We are indeed grateful for TRAI for having taken up our CVNO concept and pilot effort in Mumbai for deep diving into multi-faceted analysis and evolution into a robust Model

MCOF is pleased to participate in the process and utilize the Platform for airing its views on the topic of great interest to the Cable TV Sector

Preamble:

At the outset, we would like to affirm that the Views are holistic and pro-consumer in nature and not against any Player or Class of Players. We believe that a Service Provider has to keep Consumer interest above all else since his own interests cannot survive to the exclusion of Consumer interests. Similarly the Business Eco-System to needs various Players as may be need of the hour. At the same time, any transformation driven by Technological advances or Economic Reforms are likely to result on disruption in the eco-system

The TRAI Consultation on Infrastructure sharing has come at the most opportune time since-

- Numerous Analog head-ends are shutting down
- New stand-alone DAS Licensees are clueless on the Business economics
- The inflow of Investments into Cable Sector seems to have dried up

Against these negatives, we see positives in the form of Technology coming to the rescue of the Sector that first went on **Me Too** in Analog Days and saw over 8000 Head-ends and **Only Me** domination attempts by few Players in DAS days

Technology will enable if not crate **Head-end as a Service** Model that will address most of the issues that have made everyone bleed for years on provided the Regulations support the transformation.

We are indeed once again grateful to TRAI for the initiative.

Our humble request is that the transformation should factor in the needs of the LMO, often called as LCO, who is the most critical part of Wireline Services Delivery mechanism plays the most important role in Electronic Distribution from Seller and Buyer perspectives thanks to highest QoS(Quality of service) and economies of scale with mini-infrastructure sharable by his Customers

We sincerely wish and entirely believe that the new Model and our suggestions will also make the MSOs viable and thus not erode Investor interests in the Distribution business

Our suggestions may appear drastic and futuristic yet may be seen in the light of need to change being more acute than ever and the opportunity costs the Sector is playing for having stuck to out-dated model

MCOF VIEWS:

We believe that the benefits of Technological advances are denied to LMO (LCO) the MSME Players and Consumers alike by Regulations for Cable TV Sector as under-MSO-LMO hierarchy that was a necessity in Analog era with Bulk Licensing of Pay Content led to a Business Model skewed in favour of the MSO in more than one way viz.

- Revenue share disproportionate to CAPEX on Head-end on which number of end-Customers has no bearing. Cable TV is unlike Telecom where the number of Towers across country is well over 300,000 and found inadequate with One Tower per 3000 Subscribers(Approx.) who use the Infra for less than 1 Hour a day on talk time and about 1200 of them for 2 hours a day for Data Services
On the Cable TV side, with less than 1000 Digital Head-ends, over 120Mn STBs will be serviced, reflecting average of 1.20Lac STBs per Head-end on an average enjoying over 2 hours of Content consumption on a Day
- Carriage Fees for delivering Signals to Local Distribution Points being left entirely to the MSO with no benefits percolating to the Last Mile Players who are in reality delivering the Numbers based on which the Fee quantum is arrived at

This Model resulted in Valuation being confined to Distribution Hubs instead of Retaining Networks and engaged both MSO and LMO is non-productive adversarial positions leaving the ground open for external poaching

The Broadcasters and Content Aggregators are now servicing Customers via IP Route and thereby competing with the very Investment heavy Distribution chain that sunk in Thousands of Crores into HFC Network creation across India

All they do is to leverage the Digital addressable technology to tap identifiable Devices (IP Address and/or Mac Id Binding) and retail their Content either for a Fee or Free with indirect Advertisement revenues to fund the same

To MCOF the signs are ominous with trends of diverting linear TV Spend to Digital Advertising and Consumption on the go enabled by IP Networks including 4G

We therefore believe that the Regulations need to be Pro-Consumer, Pro-traditional Players and at the same time ensure equitable ROI to the Value Chain

The background that leads to our suggestions and anticipated benefits are placed below for your due consideration-

1) IPR Monetization Mechanism:

Background

The addressability is in reality enforced by a combination of CAS and SMS installed at MSO or HITS set up

The STB options and the costs thereby are determined by this choice in which neither the consumer nor the LMO (LCO) have any say

Suggestion

Digital Depositories with Industry acceptable Encryption replace the Head-end level individualized CAS

The Digital Depository would transmit IP Format Signals that the Head-end would receive and Trans-modulate into RF Signals to the sub-distribution points

Head-end to only host the Subscriber Management System and provide access to LMO (LCO) in respect of his sub-universe

CAS Keys be made available by the Digital Depository to the MSO

MSO would, in turn pass on the same to each LMO based on STBs' in use

Benefits

Head-end CAPEX and OPEX going down considerably

The Business Model getting fine-tuned as per actual effective role played by each Player

STBs becoming inter-operable

Accountability devolving upon directly connected Intermediary

1) Licensing:

Background

Currently MSOs are licensed by MIB while LMO (LCO) is not

The HITS Operators permit the LMOs to sign up directly with Broadcasters but both expect Volume commitments and CAS mechanism which is economically unviable for LMOs

LMO is not entertained by CAS and SMS Providers being a Registered Outlet without any License to undertake the business with finer nuances that are part of the Licensing terms and conditions

Suggestion

The LMO (LCO) should be granted License by MIB and placed on par with MSO so far as capability to enter into Content Redistribution Rights are concerned

Benefits

LMO would be in a position to get the best deal and Content suitable for his Network on the terms that benefit his Customers

Localization of deals and content selection is need of the hour since the average Customer spends less time on TV and does not consume more than 20 Channels yet is forced to pay for 200+ Channels pushed to his STB

The decoupling of Content deals from Head-end would reposition the MSO as a Head-end Service Provider

2) Scope of Services:

Background

MSO-LMO are bound by ICA with Content Providers where the Content distribution mechanism of One to Many in linear fashion is permitted.

The Appointment Viewing and Time-tabled consumption pattern is no more acceptable to Consumers nor is the limitation on Screen Options.

The LMOs are mandated to collect and provide CAF per Customer and thus the entire Customer Data is available to the MSO and through him to any Agency for Audit

Currently on the STB is mapped to the LMO (LCO) but not the Customer

The LMO (LCO) is thus placed in disadvantageous position to claim Revenues from Customers acquired by him but serviced directly by MSO via OTT Services or for that matter by Broadcasters bypassing both MSO and LMO (LCO)

Suggestions

It is therefore suggested that-

- Broadcasters be directed to allow Content retailing via DAS in linear mode with Local PVR (Catch up TV) and OTT to set of respective Customers
- Broadcasters be prohibited from offering a Pay Channel on Free basis on any Platform
- MSO be directed to map the Customer to LMO and not merely the STB

Benefits

- Enhanced Customer experience
- Non-discriminatory pricing on the basis of Distribution Platform
- A fair and equitable revenue sharing without poaching on Customers
- Eliminates disguised competition

Best regards,

For MCOF
(MAHARASHTRA Cable Operators' Foundation)

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