WITHOUT PREJUDICE

Date: 11th August 2013

To

Mr. Wasi Ahmad, Advisor (B&CS),

Telecom Regulatory Authority of India,

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Re: "TRAI's Consultation paper No. 07/2013 dated 30/07/2013 on Foreign Direct Investment in Broadcasting Sector in India" **("CP")**

Sub: Star India Private Limited's Response to the CP.

Dear Sir,

We are thankful to the TRAI for affording us an opportunity to tender our views on this important topic of profound national significance. The said draft proposals are well thought out and are clearly steps towards the right direction. The Draft proposals would also be having tremendous international implications as world-wide,investors are looking at India as an opportune destination for parking funds with long term commitments.

There is today an urgent need to revisit the FDI dispensation in so far as it concerns the Broadcasting sector. While the TRAI had come up with authoritative recommendations in 2008, the same were however not acted upon.

TRAI came up with its fresh set of proposals in 2010 and the Government implemented the same in right earnest, however the electronic news segment lost out on a clear opportunity as the status quo on FDI caps for the news media segment continued unabated with the earlier FDI limit of 26 percent remaining unvisited.

Over the years the news media space has been inundated with issues owing to a pressing lack of funds and viable business models. The TRAI's recommendations on digitalization and the consequent implementation of the same by the Ministry of Information and Broadcasting did come as a fresh breather to the E News sector and the Distribution space, however the glut on funding is still continuing with domestic and international players sitting it out unsure and uncertain of policy fluxes and implementation issues- given some unfortunate experiences in the past with CAS being a failure and the first phase of DAS being protracted.

The latest consultation paper on Media ownership issues has also resulted in a lot of questions among potential investors as they are looking out for consistency and coherence in policy frameworks informing the investment narrative of the broadcasting sector.

Accordingly the draft proposals though well-meaning would also have to be backed by policy corrections in other areas particularly on the issues of ownership if it were to result in meaningfully contributing to the desired goals of attracting long term committed investments into the broadcasting space.

Our considered submissions for your kind consideration are as follows:

1. **FDI limits in Carriage Services:**

Our Recommendations: We are in complete agreement with the draft proposals that seek to ensure level playing fields between telecommunication and broadcasting services. However we believe that in order to make thesepolicy formulations attain its desired goal and further in order to be rendered effective, it is all the more imperative that the extant ownership restrictions pertaining to vertical integration**("VI")** be dismantled forthwith.

Rationale: In particular we have the following suggestions for your kind perusal to ensure that any course correction in foreign investment policies are duly accompanied with concomitant changes in ownership regulations for such policies to be rendered efficacious:

A. **Need for withdrawing VI restrictions**: VI would ensure genuine committed players in the media space or else there would hardly be any entity that would have any incentive to invest in the media sector. On the one hand we agree with the concerns voiced by the Ministry and TRAI about certain entities like political parties, central and state governments, religious bodies, other business corporates etc populating the media space. But there ought not to be any misplaced concerns on allowing genuine stakeholders like broadcasters to invest into distribution and vice versa. Today India is facing a huge current account deficit and the existing 20 per cent equity cap or any other proposed caps on the media industry will stifle investment opportunities. It will also act in cross purposes with the recent liberalization initiatives of the government where FDI in distribution has been relaxed to 74 percent.

B. **VI will facilitate FDI infusion**: There are many global players who want to be in this market and avail the liberalized investment regime but they are wary of the extant vertical integration rules and are hence not forthcoming. It must be appreciated that major stakeholders in the media space abroad are all vertically integrated as there are hardly any restrictions on vertical integration. The government has raised the FDI limits in the distribution space to 74 percent but still there is hardly any perceptible investments flowing into the sector. With the raising of FDI limits the Government should also look at removing VI restrictions for FDI to freely flow in the media space.

C. **Internationalexperience**: There is hardly any country in the world that has an outright ban or restrictions on vertical integration in media. Abroad VI has always been allowed by competition regulators and they have only cared to ensure conduct hygiene, the recent Comcast NBC merger being a case in point (besides others). In India unlike other countries, 'conduct issues' are in any event taken care of through ex ante regulations like the 'Must Provide' obligations. Also to be noted is that media regulations if at all in some countries - are primarily targeted to terrestrial networks as then there are spectrum issues involved unlike in India where networks are primarily cable or DTH based that have hardly anything to do with terrestrial spectrum.

D. **Few Stakeholders having misplaced concerns**: There are few stakeholders like certain Cable operators and Multi System Operators and a telecom company that have gone on record opposing vertical integration. We submit that most of these concerns are misplaced and unwarranted in the circumstances and stem from a protectionist mindset to safeguard respective turfs.

E. **Why such concerns are unwarranted**: Cable operators are concerned that once broadcasters gain control over distribution companies they might deny content to rival cable operators. Such fears are entirely unfounded as broadcasters have every incentive to reach the length and breadth of this country through as many distribution vehicles as possible rather than restrict themselves by being carried only by platforms that are vertically integrated to it. Some have also expressed concerns on carriage related issues apprehending that a vertically integrated entity shall not have any incentives to carry rival content. We reiterate that such concerns are altogether misplaced as today there is a genuine capacity crunch and indecision on the part of authorities to allocate bandwidth that is clogging carriage.[1] These are hardly issues which have anything to do with VI. Today there is a glut in regulatory permissions like bandwidth allocation, satellite capacity et al which have to be resolved and it would be specious reasoning to say that absent market power, (given India's fragmented media-scape) vertically integrated entities would deny carriage to other channels or force customers to only watch their channels or force other operators out of business. Any vertically integrated entity that restricts the carriage or distribution of its content offerings will never be able to withstand the rigors of competition posed by other platforms offering a highly diversified content portfolio.

F. **Internet and PrasarBharati are examples of VI already in place**: Also it needs to be understood that the internet has broken all such artificial boundaries. There is hardly any division of content and distribution when it comes to online internet. Further

[1]Annexure IV, Article by VanitaKohliKhandekar : We might have to go legal against ISRO: HaritNagpal

PrasarBharatithe government broadcaster is the living embodiment of State Sponsored vertical integration – so why prohibit the same in private enterprise?

G. **Disclosure Norms may be mandated**: We however agree that there should be appropriate disclosure norms, subject to reasonable confidentiality requirements to be adhered to by the government. This is all the more important because of the fact that the Government's departments/wings are also at times present in the same business as private companies and, as a result, are competitors with private enterprise in the same space necessitating level playing fields.

H. **The reality today**: Also we will have to appreciate that there is no VI restriction in cable for the last 20 odd years, yet broadcasters have not been running in droves to invest in cable. Neither has FDI of any worthy significance come into Cable. These facts clearly establishthat whether a broadcaster or distributor will invest in each other or whether FDI shall be coming into the sector is therefore purely a decision grounded on business and market realities and it would be a mistake to believe that such entities start off with anti-competitive intent. Further the Competition Commission has on several occasions (Walt Disney – UTV, Reliance – Network 18, Star – ESPN) alluded to the vibrancy and competitiveness of the broadcasting sector, accordingly any concerns on VI restricting or hampering competition are entirely erroneous. In the event of any anti competitive practices or abuse of dominance both the TRAI as well as the CCI have abundant powers to step in and take corrective measures. We have already witnessed instances of regional domination and abuse by certain entrenched domestic players in Tamil Nadu, Punjab and West Bengal - thereby clearly establishing that extant vertical restrictions are not the correct antidote for such anti competitiveor illegal behavior. Such abusive conduct usually stems from political, regional or other insidious collateral affiliations rather than investment patterns, combinations or vertical integration. For this as TRAI has correctly pointed out time and again, certain eligibility guidelines will have to be laid down to prevent undesirable elements from populating the broadcasting space. Very clearly, regulating investments by genuine players is not the right answer.

2. FDI limits in Content Services:

Our Recommendations: We agree with the principles enshrined in the draft proposals that seek to revisit the FDI limits for News Channels. However we believe that it would be in the fitness of things to allow automatic route for FDIupto 49 percent for uplinking News Channels from India.Any proposed equity infusion beyond 49 percent may be made through the Government route. This is because the Electronic News segment in this country is in a precarious state that is calling out for immediate action.[2]While the print media has by and large been witnessing some growth particularly on the regional side, the same cannot be said of News broadcasters and also such growth has been uneven

[2] Annexure I – Article by VanitaKohliKhandekar: India's Broken News Business

and skewed in favour of larger players leaving small newspapers in the lurch.[3] **While we agree with most of the conditions specified in Clause 17 of the Consultation Paper, however we submit that we do not deem it prudent to insist that the remaining Indian shareholding(51%) would have to be with a single Indian shareholder. This could adversely impact plurality and could also lead to arbitrary and unilateral decisions being taken by the single Indian shareholder that could lead to oppression of minority and small shareholders and further result in total mis-management. We have indeed had several instances in the past where Indian shareholders have held their minority foreign counterparties to ransom vide Press Note 1 of 2005 that materially impaired FDI inflows into the country. The government eventually realized the malady and was accordingly compelled to scrap the said Press Note. It should be sufficient that the remaining 51 percent stake be held by Indian shareholders rather than a single Indian shareholder. Also the 49 percent cap should only apply to FDI in equity and not include any FII component in it. In fact it should be left to the discretion of the investee to determine its source of funds be it FII or FDI. Further 49% foreign investment inflow must not cover all forms of funding like warrants, bonds, debentures, preference shares etc and instead should confine itself to equity alone as it is only equity holdings that determine ownership or control.**

Rationale: Following are our submissions in support of our aforesaid recommendations:

A. **Issues in News**: It needs to be appreciated that the health of electronic news media sector is in an extremely poor shape.[4] While there is no dearth of players in the e-news space, however concerns persist on the nature and intent of players entering the news media sector. Apprehensions have been voiced in civil society about specific entities entering the news media space owing to collateral motives in unrelated sectors and for securing their own vested interests.Concerns also abound on the lack of journalism and responsible reporting. Today there is no business model for E News in this country that is based on subscription and with greater fragmentation of the media market there has also been a corresponding shrinkage in the advertisement pie. Funding E News by genuine players who believe in having a stake in news gathering and news dissemination has become all the more elusive owing to lack of monetizing opportunities. Instead we find entities from real estate, Chit Fund companies, and other undesirable bodies having interests in completely unrelated fields entering the E News fray.

B. **Industry View on News:** The preponderant view of the industry is supportive of FDI in News. The only exceptions at the national level opposing FDI in News in this regard are two deeply entrenched groups that are obviously concerned about protecting their home turfs. However the majority of players namely NDTV, TV Today, CNN, IBN, Exchange 4 Media**,** Network 18, have come out openly in support of FDI in News appreciating the under

[3] Annexure II – Article by Ashish Sinha: Regional dailies draw big bucks as TV revenues trail

[4] Annexure I - Article by VanitaKohliKhandekar: India's Broken News Business and Annexure V – Article written by Ashish Sinha:Media firms push for higher FDI cap as govt mulls review of limits

capitalization in the News sector and the sheer dearth of genuine investors in the News industry.

C. **Ailments affecting the news space**: There is no need to go deep and examine the malice affecting the electronic news media since a mere surfing of Indian news channels will bring out major ailments plaguing the integrity of News space[5] viz.:

- "Institutionalisation of Paid News by Indian news media" riding on the back of an unhealthy nexus with vested interests – political and business
- "Running extortion rackets and invading privacy"
- "Unbalanced and biased reporting – behaving like Judge, Jury, Executioner"
- "Sensationalism and commoditised content"

D. Analyzing Solutions:

(a) **Increasing the level of competition and plurality:**

(i) **For resources**: The need of the hour is to attract quality talent for the Indian news media by creating the necessary environment for effective competition. Given that other sectors have become much more attractive in terms of compensation and offer career growth and good job profiles the news segment has lost out in the talent hunt. News company owners need to focus on investing in quality talent by hiring from the top Business schools and Universities and then providing them focused training on media and journalism. They also need to support the growth of specialized media & journalism institutes. This can only be facilitated if investments including FDI are freely allowed to come into the sector.

(ii) **For technology**: News internationally has also evolved on the technological front where state of the art technologies are deployed across the value chain which experience however has been lost on India again on account of lack of investments. The News space is the only sector that has been kept immune from competition through FDI caps thereby protecting the turf of home-grown media powerhouses.[6]Even a sector as vital as defence faces competition from foreign firms when it comes to procurement. Other vital sectors namely Pharma, Banking, Power, Construction, Telecom, etc also enjoy a very liberal FDI regime.There are talks of opening up sectors like multi product retail, but there is hardly any forward movement in News. This lack of competition in the news space has resulted in the stunted and skewed growth of news channels in India where though the overall number of channels has grown; the same has not been matched with a corresponding increase in the number of news bureaus. No Indian news channel maintains an international bureau and even domestic and local news bureaus have been shut down even though penetration has increased 10 fold to rural and semi urban India. These can only be accelerated by way of relaxing further the investment and FDI norms.

[5] Also refer to Annexure III, Article by VanitaKohliKhandekar: The ugly face of Indian News Media
[6]Annexure VIII - Should FDI in media be enhanced? Sans Serif

(iii) **For level playing fields**: The small and medium newspapers have for a long time been clamouring for an upward revision of the FDI limits in order to effectively compete with large domestic print media conglomerates.[7] These home grown media houses in tandem with protectionist voices within the national polity have been trying to subvert the process of liberalization that has worked wonders in those sectors where FDI has been allowed unhindered. Curiously these very media houses have been arguing for greater FDI infusion in other sectors while advocating an obscurantist view in so far as Print Media and News Broadcasting is concerned. However off late some large print houses have also been supporting greater FDI in the sector realising that their future growth prospects were shunted otherwise. Today there are more than 800 channels from numerous broadcasters being retransmitted by MSOs/Local cable operators, IPTV and DTH. In all there are about 82000 publications already in place as per a recent finding of TRAI. Also there are 7 DTH Operators. There are more than 6000 MSOS who redistribute content among more than 60000 LCOs. With such a state of fragmentation It would be impossible to have anticompetitive tendencies even if FDI is freely allowed in News particularly when where there are already more than 300 news channels populating the E News space. If at all, FDI would only serve to spur competition in this field. The Print Industry as stated has also learnt that their next level of progression can only be achieved through raising FDI caps.[8]

(iv) **Economic Spillovers and other benefits**: FDI can intensify the competition in electronic news by unlocking the competitiveness inherent in the Indian media space benefitting consumers, and facilitating access to better technology and editorial best practices It will also lead to other benefits ranging from news syndication and editorial assistance to marketing and technological inputs leading to an improvement in overall product quality. The economy would be enriched given the rise in employment and income levels brought about by increased competition that would result from introduction of foreign players in this space.

(b) **Due Caution:** However it is not anybody's case that countries like Pakistan and China be allowed a toe hold in the news media landscape of this country. The government can always evolve a negative list of countries that could be prohibited from having interests in the Indian news space depending upon sensitivities of and considerations involving national security, sovereignty and integrity of the country. In the decade gone by, prior to the FDI caps setting in, Star News had set high benchmarks for news in India. Star was the broadcaster and NDTV was the Producer. Facilities that were deployed were world class and practices adopted were in keeping with international standards. However very few domestic cartels finding their monopoly position being threatened put a spoke in the wheel of competition by lobbying for a blanket prohibition for FDI in news media raising the false bogey of national security that resulted in a paltry 26 percent cap being imposed on FDI. A low FDI cap of 26 percent now inhibits and disincentivizes the infusion of foreign funding resulting in perpetuating the monopoly power of Indian news conglomerates. Today few entrenched entities have built monopoly power and have extended a vice like grip in print which they protect by all means, drowning all other voices in the process. The electronic entertainment space on the other hand has seen wide spread and healthy

[7] Annexure II– Article by Ashish Sinha: Regional dailies draw big bucks as TV revenues trail
[8] Annexure VI – INS votes overwhelmingly in favour of raising FDI cap in Print Media to 49% BestMediaInfo Bureau

competition together with a fair level of plurality and diversity because of the liberal FDI regime being pursued there. However the same is not the case with electronic news.[9]

E. Misplaced fears on FDI: National security as an argument against FDI is indicative of a paranoid, siege, control, mindset which assumes that as a nation India is too weak and incapable to filter information that is relevant. The real threat today is more from within. It is Indian news conglomerates that are now seen to be holding the government to ransom by providing singular, unbalanced viewpoints sometimes seriously compromising national security and also leading to erosion in the credibility and ability of such Indian news channels to report objectively.

F. Economic and Social Opportunities: There are a number of foreign companies who would be keen on developing India as a 'home market' particularly in News Broadcasting, i.e. both as a major domestic sales market and a global production hub in its supply chain. Such companies are only concerned with the quality of news, their brand objectives and economic viability and are not at all concerned with local political turf wars. A world class media company would not take sides with any political party and thus jeopardise their brand reputation, image and credibility which they have painstakingly built over the years. Foreign news companies would be only concerned with running an organisation in a professional and efficient manner without being concerned at all or having any vested interests in local politics or business.

G. Why FDI*:* Plurality and diversity of viewpoint was never under threat in an ethnically and socio-economically diverse country like India and hence all bogies of national security threats and public opinion are unfounded and misconceived. Both the Planning Commission[10] and the Telecom Regulatory Authority of India have dismissed such fears as unfounded and have recommended further opening up of FDI in News. The lack of infrastructure and training competencies are the most pressing needs for the electronic news industry today and infusion of foreign funds would lead the news sector to build on professionalism, transparency and accountability.

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[9] Annexure VII – Article by Anil Singh: Media needs FDI to deliver

[10] Planning Commission, "*Report of the Steering Group on Foreign Direct Investment*", August 2002:

> ".....Our experience with the opening of TV media demonstrates the strength of Indian culture in that most foreign companies have been forced by the market to increase content based on Indian cultural and entertainment traditions and reduce transplanted foreign culture sensitive programs......Over time a more liberal policy that focuses on controlling dominance in terms of share of the market for news and current affairs is desirable. Thus FDI equity limits in terms of individual companies in this field could eventually be replaced by limits to the aggregate market share (25 per cent-49 per cent) that can accrue to foreign controlled news/current affair companies taken together....."

H. **TRAI Recommendation Of 2008 On FDI In Electronic News :** TRAI had in its 2008 recommendations dispelled all misgivings with regard to FDI in News channels by holding and reiterating that :

> "The Uplinking guidelines also prescribe a number of terms and conditionsfor news & current affairs channels regarding employment of resident Indians in key positions (CEO of theapplicantcompany, 3/4th of the Directors on the Board of Directors, all key Executives andEditorialstaff), prescribing that the largest Indian shareholder should hold at least 51% of the total equity, reportingrequirements when any persons who is not a resident Indian is employed/ engaged etc. News & currentaffairschannels uplinked from abroad are not subjected to any foreign investment limits. An increase in foreign investment limit for news & current affairs channels will enableaccess to more resources forthese channels. Moreover, an increase in the foreigninvestment limits to 49% will not result inmanagement or editorial controlgetting transferred to foreign entities. The better way to ensure thatsubversive content is not broadcast through TV channels is by having propercontentmonitoring andregulation through content code, instead of using foreign investment limits as the tool for thispurpose. However, in the first instance, the Authority recommends that the foreigninvestment limit for news & current affairs channels in the Uplinking guidelines may beincreased from 26% to 49%."

I. **Report of the Sectoral Innovation Council :**The Sectoral Innovation Council under the leadership of SmtAshaSwarup submitted its report in July 2012 which in a forthright manner spelt out the way forward for FDI in news media for both print and electronic recommending that FDI in News should be increased to atleast 49 percent and the time had come to do away with the VI restrictions.

In conclusion, we would like to state that our contentions herein are without prejudice and does not abrogate, negate or in any way or manner derogate from any of our previous position in the matter that may have been submitted earlier to TRAI.

In the unlikely event of any of our previous comments that were submitted to TRAI being in contradiction to our instant positioning herein, we submit that the latter shall prevail and in any event the instant submissions herein are to be read harmoniously and congruously with any of our previous submissions to TRAI on the identical or similar subject matter.

We further reserve our rights and also crave liberty to submit any further materials on the subject that may be relevant for the purpose of more meaningfully appreciating the issues covered herein.

Yours Truly

For Star India Private Limited

Sd/- Pulak Bagchi

Senior Vice President – Legal and Regulatory

ANNEXURE I

Business Standard

VanitaKohli-Khandekar: India's broken news business

The business of news is in bad shape ? and it seems things will only get worse

VanitaKohli-Khandekar / March 25, 2011, 0:34 IST

Why on earth would anyone want to launch a news channel in India? Going by the latest TAM Media Research figures, there are 122 news channels in the country, the highest in the world. They are fighting over an ad pie that has been stagnant between Rs 1,800 crore and Rs 2,000 crore for two years now. Worse still, the viewership of news channels shrank by one whole percentage point nationally between 2008 and 2010. Of the five listed TV news companies, only Zee News and TV Today made post-tax profits in March 2010. Most of the unlisted ones, except perhaps for Star News, are barely recovering their operating costs. Yet, many more news channels await permission to launch.

Where is this business headed?

“Nowhere,” quips Ashok Venkatramani, CEO, MCCS, the holding company for Star News and other channels. He may well be right. Advertisers have been downgrading news. “Earlier news was meant to offer a credible environment to convey a message; today credibility is a big question mark,” says C V L Srinivas, managing director, StarcomMediaVest Group. “Consumption is not driving this growth in channels,” says I Venkat, director, ETV (Eenadu).

The issue is not competition, argue broadcasters. The issue is non-serious competition. Many of the new players have come into the market because they want to use a news channel as a tool of influence, favour or threat. These could be builders, politicians or even large companies from other industries.(Click here for table & graph)

A cursory analysis of the list of 122 channels shows that roughly one-third are owned by companies or individuals not interested in building a news brand. “Many of the regional channels are just political vehicles,” says one industry insider. As a result, those who want to make money end up competing with those who have money to burn and no shareholder questions to answer. “Because of non-serious players, TRPs are not increasing,” says B Ravindra Nath, managing director, Shreya Broadcasting. It entered the market in 2007 with Telugu news channel TV5.

The Telugu news market is, in fact, a great case in point.

In 2007, there were five news channels in Andhra Pradesh. In January this year, there were 17. Many joined the fray because Eenadu and Gemini were doing so well. There came the private equity-backed TV9, the corporate family-backed TV5, the political family-backed Sakshi TV and the media owner-backed ABN News. In the first few years, from 2007 to 2010, the news ad pie almost doubled to accommodate these channels.

But now, growth is slowing. From Rs 130 crore currently, advertising on Telugu news channels is expected to hit just about Rs 140-odd crore by March 2012. In a market where four more channels are expected, this will hardly sustain anything. The results are evident on air. "Standards are not what a news channel should have; there is a lot of content piracy and use of film content and a few of them resort to creating news sometimes when there is nothing much happening," says Sanjay Reddy, senior vice president of Sun Network and business head of Gemini TV.

That, incidentally, is the story nationally too, especially in hyper-competitive markets such as Hindi. As a result, "rates have been stagnant or have gone down over the last two or three years. A few large advertisers are managing without news. Earlier they bought news as a frequency builder, now they use other genres like music and movies to do the same thing", says Venkatramani.

In a normal business situation, there are three ways in which this would have been resolved.

One, there would be consolidation. But it is not happening. Take the example of Andhra Pradesh. "All the 17 (channels) are not surviving because of advertising. They have adequate funds so they will not sell out. Therefore, there is every possibility of an increase in operating costs," says Reddy. That is exactly what is happening. Vynsley Fernandes' Castle Media helps companies set up a news channel on a turnkey basis. He estimates that over the last two years, the capital expenditure to set up a language news channel has gone down to Rs 30-Rs 50 crore from Rs 50-80 crore. However, operating expenses have rocketed from Rs 15-20 crore a year to Rs 24-30 crore.

Two, there would be cost cutting. In the last two or three years, distribution and talent costs (a huge chunk of operating costs) have more than doubled. Till digitisation takes place, distribution costs will remain out of control. So will talent costs, since everyone vies for the same pool of producers, reporters, technicians or anchors. "About 70 per cent of the operating costs in this business are not controllable, then what levers does one have to make money through cost cutting?" asks Venkatramani.

Three, there would be revenue augmentation, which shows some promise. For instance, currently 10 per cent of TV Today's topline comes from international and domestic pay revenues. "If I can increase it by even 2X [twice], it will be a significant change," says G Krishnan, executive director and CEO, TV Today Network. Star News is working on its mobile and online offerings. And media buyers approve. "Serious news seekers have started looking at alternate ways of getting news," says Srinivas.

What also works is doing long-term deals for revenue stability. For instance, Maruti Suzuki spent Rs 40 crore or so on advertising on news channels in 2010-11. “In news if something happens then you [an advertiser] get disproportionate ROI [return on investment],” says Shashank Srivastava, chief general manager, marketing, Maruti Suzuki. So a deal over one or two years works best. Over that period, some event or the other, which gets a huge spike in viewership, is bound to bring the “disproportionate ROI”.

Also, some strong lobbying to make two policy changes could help. One, at present any channel that broadcasts news for even a few seconds is defined as a news channel. Actually, many channels broadcast several hours of pure entertainment programming every day. Just changing the definition will weed out the non-serious players.

Two, only 45 of the 122 news channels are members of the News Broadcasters Association (NBA) and are bound by its strict content code. The non-member channels are the worst offenders on content standards and piracy. Therefore, making a news channel licensee a mandatory member of the NBA would weed out a few more of the troublemakers.

What would really help tackle major problems is an autonomous media regulator à la Ofcom or Federal Communications Commission. However, this need has been ignored by all governments.

Despite the gloom, most broadcasters still believe that the fundamentals of the market – large audiences with growing purchasing power, a hunger for news and lots of unaddressed genres – remain sound. A lot of people still want to watch plain old news, reckons Barun Das, CEO, Zee News. He claims that in spite of a “zero sensationalism” policy, Zee News commands a premium from advertisers.

“It is a demand-supply thing. Every few years there will be some equilibrium,” adds Sunil Lulla, CEO, Times Television Network. “There is some slowness. But other revenue streams such as subscription and sharing feed with mobile operators will start kicking in,” says Krishnan. And so will consolidation. “Eventually, this will become a market with three or four players and 30 to 40 channels,” says Das.

If it does happen, it is hoped that the consolidation would be worth all the trouble.

ANNEXURE II

THE FINANCIAL EXPRESS

Regional dailies draw big bucks as TV revenues trail
Ashish Sinha
Posted online: 2010-07-22 23:56:58+05:30
New Delhi

New York Times sold its Times Square headquarters for $225 million while Washington Post merged its business section into the main edition to save newsprint. In London, The Independent sold itself to a former KGB agent for £1, while Rupert Murdoch erected paywalls to check revenue leakage at The Wall Street Journal and Times websites.

However, Indian print media seems to be in the pink of health, led by cash-rich regional media players, leaving domestic TV channels way behind. Attracted by their smart returns on investments, investors have flocked to media companies.

The sector is buzzing with activity, witnessing diversification, consolidation, new launches and acquisitions. Regional print media companies like DainikJagran, DainikBhaskar, Amar Ujala, Hindustan Media Ventures and Sandesh, among others are increasingly focussing on the regional belt with fresh investments. Leading regional print media groups are estimated to have Rs 1,500-crore cash reserves for their expansion plans.

In the last two months, DainikJagran and Hindustan Media Ventures have raised a combined Rs 575 crore of foreign investments. The Jagran group also acquired the publications business of Mumbai-based Mid Day Multi-media in a share swap deal. However, in television, such transactions are conspicuous by their absence. Experts attribute the regional push to stagnation in advertising revenue growth at the national level. In regional markets, a higher cover price more than makes up for the low advertising revenue.

“Notwithstanding big circulation numbers posted by national newspapers, margins are extremely low whereas in the regional market, the companies can recover a large part of costs from circulation revenue alone even if they sell 50,000 to 1 lakh copies. This is the main reason why most regional players are getting aggressive now,” says SmitaJha, associate director, media and entertainment practice at PricewaterhouseCoopers.

According to Jha, advertisers too will take notice of this shift in their next media plans by allocating more of their advertising budgets to regional print dailies. DainikBhaskar has already spelled out its intention to expand in Jharkhand and Bihar. Hindustan Media Ventures—the Hindi arm of HT Media now listed as a separate entity—says it will expand in the Hindi belt after consolidating its position at its 16 centres in Uttar Pradesh, Bihar, Jharkhand, Uttarakhand, Punjab and Delhi NCR.

For Jagran, the acquisition of Mid-Day’s publication business is just the beginning. The group intends to seek more strategic partnerships where it can acquire stakes in regional media companies, says CFO RK Agarwal. Newspapers in India annually generate about Rs 10,000 crore of advertising revenue with more than 35% coming from regional markets. Experts say this share may gradually increase as major regional newspapers expand. Some, though, feel this will benefit a handful of regional newspapers. Compared to around 550 television channels and over 5,000 cable operators, there are around 70,000 registered newspapers in the country, according to the Registrar of Newspapers for India.

Sensing a threat to their existing businesses, the Association of Small and Medium Newspapers of India is pushing for increasing 26% cap on foreign investment in newspapers. “We have informed the I&;B ministry that we want FDI levels to increase from 26% to 49% in order to give us a chance to fight the big players,” said a senior association executive.

According to JehilThakkar, media analyst at KPMG Advisory, there is some appetite for mergers and acquisitions. “The industry is still recovering, not recovered. So, people who need to cash out will see it as an opportunity to do so in the next few months,” Thakkar said.

ANNEXURE III

Business Standard

Monday, Jul 04, 2011

VanitaKohli-Khandekar: The ugly face of Indian news media

India has long prided itself on a free press, but some media houses are showing utter lack of training and judgement

VanitaKohli-Khandekar / New Delhi February 15, 2011, 0:46 IST

Is Indian media ill-equipped, both morally and materially to deal with competition? Do we need to control the number of news outlets to control the quality of news?

For a hardcore libertarian, that is a difficult thought to deal with. Yet it has been building up for a year now. The last straw was the latest issue of Open magazine. AarushiTalwar's murder is the subject of an essay by author Patrick French. It is an intestine-curdling read.

In 2008, Aarushi, the daughter of a doctor couple, was murdered. The couple has been hounded — by both the authorities and the media — ever since. The essay is the stuff of middle class nightmares. It tells you the story of bad policing. It also shows the truly ugly face of Indian media.

In a country that has long prided itself on a free press and high journalistic standards, the complete lack of training and judgement from some of the top newspapers and television stations is startling. So, while media freedom has brought justice for Jessica Lall or PriyadarshiniMattoo, it has also ensured that the Talwars' personal and professional life is more or less over.

Disclaimer: This is not just about the Aarushi case. But after years of defending the news media at every public forum and talking about how all the mistakes are about evolution, not intent, I am increasingly coming to the conclusion that maybe it isn't so. My assumption was that the TV news industry is just about seven years old. Evolution will bring maturity and things will settle down. But to what? Ill-trained dolts passing judgements on issues they haven't researched? Editors under perpetual pressure from owners?

Television news is a case in point. There are 115 news channels in India, the largest anywhere in the world. As competition increases, some amount of tabloidisation is normal, even good because it makes news more relevant. But competition has also stretched resources. There aren't enough trained people to handle this growth — on the business or the content side.

The result is evident on air. If a reporter is the sort who cries loudly when someone dies, she assumes that a mother who is dry-eyed while talking about her murdered daughter is faking it. And she says that, on air, with a halo of moral superiority.

For long, media critics have blamed entertainment television of being regressive, but watch half an hour of Hindi news on some of the most popular channels to see truly regressive opinions being spouted freely on air. The whole context of right and wrong, on how women should behave or families should operate comes from an orthodox, regressive mindset. So a doctor couple that is friends with other couples is surely into “wife swapping”, and a teenage girl who has “sleepovers” is basically having it off with someone, by implication.

Most TV reporters are imposing their half-baked moral judgements on the audience because editors are allowing them to. Editors and publishers simply don’t have the time, energy or money, or all three, to take them through the ropes.

The result: In a market where the context of news was set by some really good brands, the drop in standards has been nauseatingly dizzy.

Most of it shows in the numbers. News viewership has actually fallen by one whole percentage point over the last two years, ad revenues are stagnant at about Rs 1,500 crore and some channels go for as little as Rs 300 per ten seconds. Margins are in a free fall because costs, especially those of distribution, have gone through the roof. You could argue that this shows a market ripe for consolidation. That, however, will not solve the problem of falling standards. So, a market solution is out for now.

On the policy front, three things could help. One, pushing digitisation so that pay revenues become a reality and channels can invest it in content. Two, tightening licensing norms, which is already happening.Three, making the content code applicable to anyone launching a channel, not mandatory currently.

These, however, will only facilitate a better news-gathering environment. A more practical solution, arguably, lies in setting a benchmark that is above the market — commercially and content-wise.

The BBC, a high-quality and popular news channel, is funded by the British taxpayer. As a result, it has pushed up standards of programming, forcing private stations to do the same if they want audiences.

Maybe it is time for Doordarshan (DD) to do the same thing. That can happen if it is given real autonomy but with all the taxpayer money and legislative support it already gets. If audiences flock to DD or any other good broadcaster which has the luxury of ignoring competitive pressures, private broadcasters too will up the ante on content quality. And those who can’t compete on it will move out.

Write to me if you can think of any other democratic solution.

ANNEXURE IV

We might have to go legal against ISRO: HaritNagpal

VanitaKohli-Khandekar

The Business Standard

New Delhi

June 18, 2013

Interview with MD & CEO, Tata Sky HaritNagpal, the managing director and CEO of Tata Sky, is upset. In a rapidly digitising television market, he is not able to offer more channels to the company's 10 million subscribers because it doesn't have satellite space. The Rs 1,590-crore Tata Sky was the second operator to launch DTH or direct-to-home services, way back in 2006. At that time, it decided to use an ISRO or Indian Space Research Organisation satellite as policy favoured that. Since then, the market has grown to a total of about 53 million homes or roughly one-third of the total 153 million Indian TV homes. VanitaKohli-Khandekar spoke to him on what holds back Tata Sky's growth in the Rs 39,000-crore television market. Edited excerpts:

Why doesn't Tata Sky have satellite space?

In 2005, we (Tata Sky) signed a contract with ISRO for provision of satellite space. At that time, we took 12 transponders on INSAT 4A. Under the terms of the contract, if we wanted more space anytime in the future, we had to write to ISRO and they would meet our additional requirement in two years.

In 2007, one year after our launch, we asked for 12 more transponders. We should have got those by 2009. But the launch of GSAT 10 kept getting delayed. In September, 2012, the GSAT 10 was launched; it went into orbit and was tested. But today in June, 2013, seven months after the satellite was launched, we still haven't been given the 12 transponders.

We have written to ISRO, met them and written to the Department of Space that manages ISRO. Since the Department of Space reports directly to the Prime Minister, I have personally written to the Prime Minister's Office thrice, requesting for our contracted satellite space to be given to us. But to no avail.

What are the implications?

It costs $200-250 million to put a satellite in space. ISRO stands to make $1 million a month from Tata Sky alone. In these seven months, it could have made $7 million. Plus, the government makes 33 per cent from my topline, so it is losing all that revenue.

Also, a satellite has a finite life of 12-14 years that cannot get extended. So, on one side, a contracted party is suffering and on the other, the government is losing revenue.

What pressure points does it create for your business?

The Ministry of Information and Broadcasting has given licences to 800-plus channels, of which, 650 are operational. However, my capacity to carry the increasing number of channels is limited to about 250 with 12 transponders. My competitors, on the other hand, can offer more (300). So, I stand to lose customers and revenues if I cannot add capacity.

Why did Tata Sky choose ISRO?

The DTH policy says that between an Indian and foreign satellite, the operator should give preference to the Indian satellite. In fact, Dish TV, the first DTH operator, started with ISRO and switched to a foreign satellite within six months, ditto for Airtel in 2010. Sun Direct lost customers when INSAT 4C, the satellite it was on, lost power all of a sudden (in 2010). But we stuck to ISRO.

Why can't Tata-Sky shift to another foreign satellite?

The choice of satellite is a lifetime decision, you can't change it just like that. A satellite operates in a certain orbital slot towards which the antennae of all my 10 million customers are turned. If I shift to another satellite, we have to physically go to each of these homes and shift the antennae towards the other satellite. That is why these contracts run for so long. GSAT 10 is in the same orbital slot as INSAT 4A, the satellite on which we launched the service. Therefore, offering more channels to my customers is possible only from that.

What are the options for Tata Sky now?

If all else fails, I am within my rights to approach the judiciary, since ISRO is four years behind the contracted date. There is a good chance that we will have to use the legal option. Meanwhile, we are migrating to MPEG4 boxes (MPEG refers to a compression technology). When we launched in 2006, MPEG4 was not available, MPEG2 was. So we are spending close to $200 million and changing all the boxes that subscribers now have, to MPEG4. This will increase capacity, in the short term, by 70 per cent.

ANNEXURE V

Media firms push for higher FDI cap as govt mulls review of limits

Ashish Sinha

The Financial Express

New Delhi

Jun 19 2013

With the government reviewing the current foreign direct investment norms and a possible hike in FDI caps across telecom, defence and other sectors, media companies too have joined the bandwagon making a case for increasing the FDI cap in news channels from 26% to 49%, and a further hike in the DTH FDI cap from 74% to 100%.

Broadcasters and media houses — both national and regional entities — have pointed out to the growing losses of both news and DTH companies due to limited revenue earning opportunities.

Making a case for increasing the FDI cap for news channels, a leading broadcaster said the health of the Indian electronic news media is in an extremely bad shape. "The news channels are not able to invest adequately on quality content creation, journalistic talent, introduction of new technologies and also innovation. Infusion of funds from abroad will create enabling grounds for quality journalism and it will also entail a healthy transfer of global best practices in news reporting," the broadcaster said in a letter written to the commerce and industry minister Anand Sharma recently.

The letter, written on behalf of some of the leading broadcasters, further said the move will ensure greater employment and increased income generation culminating in inclusive growth for the entire country.

Using various industry platforms like the confederation of Indian industries (CII), federation of Indian chambers of commerce and industries (Ficci) and various industry associations, media have submitted their demands to the department of industries policy and promotion (DIPP) for consideration.

Incidentally, increasing the FDI cap in news broadcasting from 26% to 49% was also recommended by an in-house government panel constituted by the information and broadcasting ministry.

Putting its weight behind the proposal, industry chamber CII and Ficci too have said there are adequate checks and balances that exist in the extant uplinking and downlinking guidelines and regulations playing out at the sectoral level. "Therefore, there is no harm in increasing the FDI limit to 49% for television news business," said a senior functionary in the industry body. He said in an age of internet and social media, the cap on FDI for news media business does not serve any meaningful purpose.

Last year, the Sectoral Innovation Council under the I&B ministry too had supported increasing the FDI cap in news broadcasting space to 49% in order to support the growth of news channels.

According to one estimate, between the six private DTH operators, the combined losses are expected to be above R6,000crore while most of the 400-plus news channels are clocking losses.

ANNEXURE VI

INS votes overwhelmingly in favour of raising FDI cap in Print Media to 49% BestMediaInfo Bureau Delhi July 31, 2013

At the Executive Committee Meeting of INS held on July 29, called at the request of the Ministry of Information & Broadcasting, 22 of the 31 board members voted in favour of the higher FDI limit

At an Executive Committee Meeting (ECM) of the INS (Indian Newspaper Society) held on Monday, July 29, 2013, an overwhelming majority of the board members present voted in favour of enhancing the FDI limit in Print Media from 26 per cent to 49 per cent.

It is reliably learnt that of the 31 board members present, 22 voted in favour of raising the FDI limit to 49 per cent, seven voted against, while two abstained from voting. Most of the large media houses present at the ECM voted in favour of the higher FDI limit, it is learnt.

The Ministry of Information & Broadcasting (MIB), which has begun the process of holding discussions with stakeholders on the subject of FDI in Print Media, had invited INS, through a letter dated June 27, 2013, to attend a meeting on June 29, 2103, called by the I&B Minister. In response, INS pointed out that a two-day notice was too short for INS to carry out any purposeful consultations amongst its member publications and arrive at the industry point of view on an important subject such as FDI in print media.

INS had sought 30 days' time for holding wider consultations. Accordingly, the ECM was held on July 29 in New Delhi.

The Print Media business in India in the last few decades has grown exponentially and the prospects of further growth in the corning years are enormous. To sustain this growth, print media companies need an inflow of funds to expand and reach every comer of India. In this context, there is an urgent need for enhancing the FDI cap in print media from the existing 26 per cent to 49 per cent.

ANNEXURE VII

Media needs FDI to deliver
Anil Singh
Millennium Post
New Delhi

<u>The author is Executive Editor, ABP News</u>

Artificial govt-imposed FDI cap on electronic media in era of internet and social network seems untenable.

Presently the electronic news media in India faces a vast array of challenges, which are both financial and intellectual in nature. On the one hand, there has been a mushrooming growth in the number of electronic news media on other, the credibility and quality of news is deteriorating. Known as the conscience-keepers of the people at large and for serving as a link between the rulers and the ruled; electronic news media also acts as the fourth pillar of democracy. Loss of credibility of electronic news media would be detrimental to the growth of democratic polity, rule of law, equality, secularism and inclusive growth.

Regrettably, this sordid state of affairs afflicting electronic news media is attributable to its existing skewed business models which have made society bear the brunt. Resultantly, the society at large has started questioning electronic news media's role and its relevance. Other concomitant outcomes of this scenario are discernible in the commodification of news content, sensationalism, paid news and in the growing diminution of ethical and journalistic standards. Being a capital-intensive enterprise, electronic news media requires lot of investment for the deployment of state-of-the-art technologies and new talents to deliver quality and credible news. News channels are largely unable to garner subscription revenues and thus depend mostly on advertising. The sector is losing money heavily and is subsidising these losses by an over-reliance on ad sales (20-22 minutes per hour devoted to ads for some channels). Slashing down of official advertisement tariff has further dried up revenue resources of the electronic news media. The resultant impact is discernible in the diminution in the quality of the viewer experience, which is further compromised by the increasing tendency of some Indian news channels to rely on sensationalism in order to grow viewer-ship and ad sales. A limited subscription fee also means that the world news coverage by local broadcasters is often inferior due to lack of resources.

Plurality of viewpoint is currently almost missing in electronic news media, since most news channels are 'free to air' and therefore driven by advertising revenues. Consequently, content of news channels are TRP-driven, which means more sensationalism less facts, almost no investigative journalism and irresponsible reporting. In other words, content on news channels have become commodified and biased. There is absence of any government policy to bail out the ailing electronic news media. Under these circumstances, raising the FDI cap from existing 26 per cent to 49 per cent seems to be the rational and viable solution to salvage the electronic news media from catastrophe. The artificial cap imposed by the government for FDI on the electronic media in the era of internet and unprecedented growth of social media seems untenable for this sector's survival. TRAI, the sectoral regulator, in 2008 recommended increased FDI from the present level. It dispelled all misgivings with regard to FDI in news channels by recommending ‘that the foreign investment limit for news and current affairs channels in the up linking guidelines may be increased from 26 per cent to 49 per cent’. The government however has not implemented the recommendation. In 2012, the I&B ministry’s sectoral innovation council headed by former I&B Secretary had also suggested that FDI limit for the print media be enhanced from the existing 26 per cent to 49 per cent.

At a time when other vital sectors of Indian economy namely Pharma, Banking, Power, Construction, Telecom, etc are enjoying a very liberal FDI regime, then the question arises as to why the electronic news media is the only sector that has been kept immune from competition through FDI caps. This raises the apprehension of a deliberate move to protect the turf of home-grown media powerhouses. A low FDI cap of 26 percent now inhibits and dis-incentivises the infusion of foreign funding in the electronic news media resulting in perpetuating the monopoly power of Indian news conglomerates. Concomitantly, lack of competition in the news space has resulted in the stunted and skewed growth of news channels in India. Accordingly, Indian news channels are unable to invest in content creation, news gathering, and maintenance of bureaus at both national and international centres merely for want of adequate resources. Broadly speaking, a simple comparison between general entertainment channels – where 100 per cent FDI is allowed – with the state of affairs of electronic news media amply underlines the need for increased FDI regime for the electronic news space. FDI can enhance competition in electronic news with the introduction of best practices and act as the voice of the people, bring out diverse view point and thus strengthen India’s unity and diversity. As the fourth pillar of Indian democracy media can play a meaningful role. It will also lead to other benefits ranging from news syndication and editorial assistance to marketing and technological inputs leading to an improvement in overall product quality. The economy would be enriched given the rise in employment and income levels brought about by increased competition. The apprehensions of national security threats and public opinion being raised by vested interests on increasing FDI caps on news media are unfounded and misconceived and are already dismissed by the TRAI and the Planning Commission.

However while considering increased FDI norms for the electronic news media the government can build-in necessary checks and balances to prevent entry of undesired and anti-national elements to get into the news segment. Granting liberalised FDI regime in electronic news media is the dire need of the hour to salvage this sector. Such an initiative would transform the Indian broadcast industry into a world class industry and help India become the broadcast hub of the world.

ANNEXURE VIII

Should FDI in media be enhanced?
Sans Serif
22nd July 2013

With the economic downturn threatening to turn into a full-blown recession and with the finance minister reduced to going around the world with a hat in hand, the Congress-led UPA government last week increased foreign direct investment (FDI) in telecom, defence, petroleum refining, etc, but…But, not the media.

On the issue of enhancing FDI in media from 26% to 49% under the automatic route as proposed by a finance ministry panel, two separate ministries swung into action. First, the ministry of information and broadcasting sought the views of the telecom regulatory authority (TRAI) and the press council (PCI).

And then, the home ministry opposed the hike, favouring control of media houses by Indians. The Press Trust of India (PTI) quoted official sources as saying:

"Opening up of current affairs TV channels, newspapers and periodicals dealing with news and current affairs may lead to meddling in India's domestic affairs and politics.

"Increase of FDI in broadcasting and print media may also allow foreign players to launch propaganda campaign during any national crisis as well as when interests of any particular country is harmed through any government decision.

"Big foreign media players with vested interests may try to fuel fire during internal or external disturbances and also can encourage political instability in the country through their publications or broadcasting outlets."

These reasons have been touted for 22 years now and will surprise nobody. Last week, The Hindu (which was initially at the forefront of the opposition to FDI hikes in media) reported that the industry was divided on the FDI issue:

"While certain big networks like Times Television Network, Network 18 and NDTV are broadly supportive, others like India TV, Sun, Eenadu and MalayalaManorama group have objected to an increase in FDI caps."

The Centre's decision to not go-ahead with FDI in media in an election year will not surprise anybody. After all, it wouldn't want to rub promoters and proprietors on the wrong side, especially when powerful corporates (potential election donors) have substantial stakes in the media.

Still, the question remains whether the media can be given this preferential treatment and, if so, for how long? Will the home ministry's fears ever vanish? Or, will the media which talks of competition and choice as the great leveller in every sphere of life, seek the protection of politicians in power to protect its turf?