

## Siti Networks Ltd. comments on the consultation paper Related on Issues Related to New Regulatory Framework for Broadcasting and Cable Services

### A. Background

Before responding to the specific questions of the Consultation Paper, we would like to submit as below;

As has been acknowledged in the consultation paper there is a constant decline in the subscriber base of the MSOs and DTH operators. This trend is indicating that the present environment is not conducive for the cable television industry specially the DPOs. The presence of alternative platform of OTT with the same content and even the additional content which is not regulated at all has resulted in the churn of the subscriber from the linear platform and is migrating to the OTT.

All the major Broadcasters have come up with their own OTT platform and are promoting their OTT Applications at the cost of DPOs. There is no level playing field for the DPOs in terms of pricing as in linear service every channel has a regulated price. This has resulted in the substantial reduction to the business of DPOs and this sector is witnessing continuous declining of business and is a great threat to the cable tv industry. Any further increase in the channel pricing will further impact the industry.

As is evident from the RIOs published by the broadcasters that all broadcasters have increased prices of their driver channel by more than 30% making it greater than Rs.20 for each channel which will be out of the bouquet. As can be seen even if a subscriber opt for **10 popular channels**, the bill would be to the tune of approximately Rs.400 (Including tax) whereas **all the channels** of major broadcasters is available in their OTT application at a aggregated price of averagely Rs.225 (including tax) for HotStar, Zee5, SonyLiv and Voot.

This practice of the broadcasters coupled with regulations will lead to further erosion of the subscriber base which we have already witnessed during implementation of NTO and only broadcasters have benefitted out of the NTO.

The RIO published by the broadcasters in compliance of the NTO 2.0 is indicating that the consumer price is further going to increase and this entire exercise of the Authority will be derailed.

### **Response to issues raised in consultation paper**

**Q1. Should TRAI continue to prescribe a ceiling price of a channel for inclusion in a bouquet?**

**a. If yes, please provide the MRP of a television channel as a ceiling for inclusion in a bouquet. Please provide details of calculations and methodology followed to derive such ceiling price.**

**b. If no, what strategy should be adopted to ensure the transparency of prices for a consumer and safeguard the interest of consumer from perverse pricing?**

**Please provide detailed reasoning/ justifications for your comment(s).**

**Response:**

Yes. Rs.12 is the reasonable price for a channel. This cost has been already prescribed by the Authority for a channel to be included in the bouquet. However only prescribing the price for inclusion in a bouquet will not suffice the purpose an overall capping in the channel price is required in the overall interest of the consumer and the industry. It is notable that the said broadcasters are selling the entire content along with some exclusive content which is not available for the linear platform at a much lower price in the OTT application.

Any channel even if priced above the said limit of Rs.12, the same should be made compulsory Ad Free channel. If the broadcaster believes that their main stream of revenue for such high price channel is subscription and they can sell their channel at such higher price to the subscribers then there is no relevance of earning the Ad revenue from such channels.

**Q2. What steps should be taken to ensure that popular television channels remain accessible to the large segment of viewers. Should there be a ceiling on the MRP of pay channels? Please provide your answer with full justifications/reasons.**

**Response:**

As submitted in the response to question no.1, the ceiling of Rs.12 on the channel pricing will ensure that the channels are priced reasonably and are available to the large segment of viewers.

Also as suggested above, any channels priced above the said ceiling of Rs.12 should be mandatorily an Ad Free channel to provide customers value for their money and they are not paying to watch the advertisement and promotion.

**Q3. Should there be ceiling on the discount on sum of a-la-carte prices of channels forming part of bouquets while fixing MRP of bouquets by broadcasters? If so, what should be appropriate methodology to work out the permissible ceiling on discount? What should be value of such ceiling? Please provide your comments with justifications.**

#### **Response**

- i. Yes, the ceiling on the discount on sum of a-la-carte prices of channels forming part of bouquets while fixing MRP of bouquets by broadcasters should continue and also linkage of Bouquet price and a-la-carte prices should be there.
- ii. The maximum limit of 33% discount should be there for both broadcasters and the DPOs.

**Q4. Please provide your comments on following points with justifications and details:**

- a. **Should channel prices in bouquet be homogeneous? If yes, what should be an appropriate criteria for ensuring homogeneity in pricing the channels to be part of same bouquet?**
- b. **If no, what measures should be taken to ensure an effective a-la-carte choice which can be made available to consumers without being susceptible to perverse pricing of bouquets?**
- c. **Should the maximum retail price of an a-la-carte pay channel forming bouquet be capped with reference to average prices of all pay channels forming the same bouquet? If so, what should be the relationship between capped maximum price of an a-la-carte channel forming the bouquet and average price of all the pay channels in that bouquet? Or else, suggest any other methodology by which relationship between the two can be established and consumer choice is not distorted.**

Response:

On the issue of homogeneous, we would like to submit that as we have submitted in our response to the question no. 1 and no.2, the capping of channel price to Rs.12 will ensure that popular content is available to the subscribers. The twin conditions methodology prescribed in the current regulation is sufficient to define the relationship between pricing of a la carte and bouquet price of a channel. Apart from the price, there should also be a cap on the number of bouquet offered by the Broadcasters. It is pertinent to mention that due to system limitation only a specific number of bouquet can be provided by the DPOs.

**Q5. Should any other condition be prescribed for ensuring that a bouquet contains channels with homogeneous prices? Please provide your comments with justifications.**

Response:

As submitted above, the Pricing cap of channels at Rs.12 will be sufficient to take care of the bouquet pricing.

**Q6. Should there be any discount, in addition to distribution fee, on MRP of a-la-carte channels and bouquets of channels to be provided by broadcasters to DPOs? If yes, what should be the amount and terms & conditions for providing such discount? Please provide your comments with justifications.**

Response:

The present limit of 20% distribution fee is not sufficient for the DPOs to meet the operating requirement of the platform. The trend of constant reduction in the numbers and revenue of the MSOs has been noticed by the Authority in the consultation paper also. The present limit of 15% discount being provided by Broadcasters to MSOs is being linked to the penetration of the channels of the broadcaster in the customer base of the MSO which is not in the direct control of the MSOs, however in order to be eligible for the discount, MSOs has to force sell such channels of the broadcasters to the viewers.

The discount of 15% on the MRP of the channel should be given to the DPOs on compliance of certain terms of the interconnect regulations rather than linking the same to the penetration of the channels.

**Q7. Stakeholders may provide their comments with full details and justification on any other matter related to the issues raised in present consultation.**

**Response:**

The DPOs should be allowed to offer bouquet to the subscribers as they understand the subscriber choice better than the broadcasters and they should be allowed to form bouquet out of the total channels being transmitted by the broadcasters.

All linear channels which are available in the OTT Applications shall be Price in line with the MRP declared for the linear platform and should not form a part of the package offerings of the said OTT applications which means that the linear channels should be subscribed separately by the OTT subscribers and should not be bundled with the OTT subscription.