New Regulatory Framework:
Engendering Fairplay – Dissuading Disputes

TDSAT Seminar, Goa
9th February 2019
Broadcast & Cable TV

- Satellite TV channels
- Teleport
- Cable TV
- DTH
- HITS
- IPTV
- Terrestrial TV

- FM Radio
- AM (MW/SW) Radio
- Digital Radio
- Community Radio
Broadcaster
- Charges for content
- Offers channels or bouquets of channels
- Has ad revenue too

Distribution platform
- Charges for carriage and distribution
- Can create own bouquets

Consumer Needs
- Relevant and quality programmes
- At a fair and transparent price
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**Broadcaster** tries to saturate the pipes with fat bouquets to crowd out competition
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**Distribution platform** charges arbitrarily, even for FTA channels
Broadcaster
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Distribution platform
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- Can create own bouquets

Consumer Needs
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Distribution platform: seeks carriage fees
Poor outcomes for consumers and others due to problematic relationships.
Challenges in the sector

- Lack of transparency
- Discriminatory practices.
- Large number of disputes
- No choice to Consumers
- No focus on quality content at affordable prices

Necessitated a thorough review of the Regulatory Framework. Hon’ble TDSAT also observed in NSTPL Case
Aberrations in the Sector

Broadcasters

- Focus on Advertisement, not content
- Try to push bouquets, with few driver channels
- Lure DPOs with fixed fee/CPS deals
- Block competition
  - by exhausting capacity of distributor with fat bouquets!

Consumer:
Limited Choice or no-control; bouquets being pushed
Practices by Broadcasters

- **Offer**: Pay channels at exorbitant à la carte price
- **Negotiate**: Fixed or cost per subscriber deals to push all their channels, with no consideration of consumer choice
- **Be opaque**: Force non-popular channels into the most popular package

Customers buy bouquets, paying for channels they don’t view
> 95% discount?

59 Channels
- à la Carte prices: Rs 971.67/-
- CPS Price for Distributors: Rs 30.85/-

45 Channels
- à la Carte prices: Rs 536.35/-
- CPS price for Distributors: Rs 21.75/-
Practices by distributors

- **Push Bouquets**: to meet penetration targets, choking available platform Capacity
- **Misuse forbearance**: by charging exorbitant à la carte prices at retail
- **Charge for free**: FTA Channels are also priced, sometimes higher than pay channels
<table>
<thead>
<tr>
<th>Plan</th>
<th>À la Carte</th>
<th>Package</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TATA Sky Dhamaal Mix</strong></td>
<td>Rs. 1860</td>
<td>Rs 320</td>
</tr>
<tr>
<td><strong>Value Prime Kids + Prime MAGIC HD</strong></td>
<td>Rs 3695</td>
<td>Rs 408</td>
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</tbody>
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80-90% discount
FACT:

50% households view < 30 channels

90% households view < 50 channels

including free to air
There was a pressing need to address these problems

Why did TRAI come up with the new framework?
“.. We are, therefore, clearly of the view that the Regulation and the Tariff Order have been made keeping the interests of the stakeholders and the consumers in mind and are intra vires the regulation power contained in Section 36 of the TRAI Act.”

the Supreme Court of India
30th of October 2018

New Regulation and Tariff Order

AFTER CONSULTATION WITH STAKEHOLDERS IN 2016

JUDICIAL SCRUTINY UP TO THE HIGHEST LEVEL
Implementation plan by TRAI

- Conducted comprehensive outreach to allay fears
  - In public meetings
  - In one-on-one interactions
  - In writing, through the media and on our website

- Answered the questions of each stakeholder
  - In public meetings
  - In one-on-one interactions
  - In writing, through the media and on our website

- Explained the benefits to the consumers and the stakeholders
  - There is widespread support

- Provided sufficient time for implementation and discussed it with the broadcasters and distribution platforms
Benefits
Benefits

**Transparent Tariff**
Consumer Choice and Market Discovery of price

**Economic Growth**
Transparent and symmetric Regulation for better Growth of the sector

**Higher TAX**
Proper Bill generation – for better compliance of GST

Estimated GST loss from 25 - 30% Consumers (~10 crores): ~ Rs 900 to 1080 Crores
A balanced, Transparent and Market based regulation aimed to address the root-causes that instigate conflicts.
Broadcasters and Distributors

Dispute areas in Interconnection in old framework

- Negotiations
  - Discriminatory discounts
  - Non level playing field
  - Fixed Fee deals

Provisions in new framework

- Standard non-discriminatory RIO
  - Quantifiable Parameters based Discounts
  - Transparent level playing field
  - Conditions based on fair practices
Distributor and Broadcaster

Dispute areas in Interconnection in old framework

- No uniformity
- Marketing fees/ Placement fee
- No target market defined

Provisions in new framework

- Carriage fee capped
- Diminishing Carriage Fee
- Target Market based
MSO and LCO

Areas of disputes

- Non-standard agreements
- Alleged exploitation of LCOs
- Revenue share issues

Provisions in new framework

- MIS/ SIA
- Flexible revenue share
- Choose your work

Network Capacity fee
Distribution fee
Payment Issues

Areas of disputes
- One Reading of Subs Base
- Deviations Allowed

Provisions in new framework
- Subscription report - 4 times
- Audits by Third Party
- Revision of invoices (~ > 0.5%)
- Penal interest (if outstanding increases)
- Broadcasters audit
Thank you!