

CAS
* 288 2003
18/02/03

**CABLE OPERATORS FEDERATION OF INDIA
(COFI)**

13/97, Near Rajouri Apartments, Subhash Nagar, New Delhi 110027
Ph: 25139967, 25131540 Fax: 25139967

Date: 22nd April, 2003

**CHAIRMAN STANDING COMMITTEE
FOR I & B MINISTRY
LOK SABHA SECTERATE
PARLIAMENT ANNEXE
NEW DELHI-110001**

Kind Attn: Mr. Somnath Chatterjee

Sub: CAS Implementation- FTA/PAY TV Pricing

Dear Sir,

This has reference to the Cable Television Regulation Amendment Act 2002 on mandatory use of Conditional Access System for all pay channels in the country.

This is to submit that we are a member of the Task Force formed by the Ministry of Information and Broadcasting for the implementation of Conditional Access representing the small cable operators working as franchisee to the MSOs or independently and wish to highlight the futility of this exercise of CAS implementation in the present circumstances where some members of the Task Force having vested interests, have influenced the government representatives to make everything go in their favour rather than to achieve the aim of the Task Force of enabling the subscribers to choose a programme (channel) of their choice on cable television paying the least amount of money.

The main objective of the government for bringing in Conditional Access for all pay channels and to fix up a maximum rate for Free-to-Air (FTA) package was in the interest of the consumers who were being harassed every now and then due to increase in the rate of pay channels subscriptions and subsequent increase in the monthly subscription of cable TV services. The government decided to have a Task Force comprising of all segments of industry including broadcasters, MSOs, Cable Operators, Hardware Manufacturers and Consumers. However, it has been seen that the major agenda of fixing up the FTA prices is held up as except the cable operator/ franchisees everyone else is talking of keeping it as low as possible to meet their vested interest which the cable operators, who actually run the networks find it difficult to accept being totally unrealistic. Infact, one can question the basic intention of fixing up a highest price for a minimum number of FTA channels by the government as it is totally a business decision of cable operator depending on the type and quality of service he is providing and the type of area he is operating in.

Contd: 2.....

We found that most of these other parties have no experience in running a cable network to serve the subscribers and being from large companies including MNCs, have a strong and powerful lobby to influence the government. Although regular meetings are being held to expedite the methodology of implementation, yet the basic problem of fixing up the FTA price has not been resolved so far because of the following reasons:

- a) **Broadcasters** want the FTA price to be as low as possible so that they can have enough room to increase their pay channel prices.
- b) **MSOs** want the FTA price to be as low as possible so that the franchisees' business becomes **unviable** and they capture subscription market directly.
- c) **Hardware Manufacturers (CETMA)** not interested in the FTA price but have a lobbying force to go with the heavier side as they will be selling their hardware to them.
- d) **Consumers** obviously want the FTA price to be lowest but do not visualise yet that their main revenue will go to the pay channels.

As given above, broadcasters, MSOs, CETMA, all have mutual interest along with the government in getting rid of the small operators/ cable service providers who provide the last mile services and actually raised this industry since 1990. A low FTA price may render more than 12 lakh persons **unemployed** and create **MONOPOLY** for the big companies making the consumers suffer in the long run by paying a heavy price for all pay channels which is **highly** against the national interest.

The pay channels broadcaster on the other hand had started free broadcasts in the beginning and now demanding as high as Rs. 50 per channel in the post CAS scenario which we feel is and against the interest of the consumers. More over, the pay channel broadcasters are once again resorting to **bouquetisation** of channels after CAS implementation, so that because of the tremendous cost difference their bouquet of channels consisting of all of their channels is forced down on the subscribers, defeating the very purpose of bringing in Conditional Access to give a better choice to the customer in selecting the desired channels. For example, a sample channel package plan of major broadcaster after 14th July 2003 is attached as Annexure I. The cost to be paid by the customer in demanding in the whole bouquet as against individual channels is highlight below:

	Channels	Bouquet Price	A la carte Price	Remarks
Basic Tier	Star Plus	35	50	
	SET			
Basic Plus Tier	Star World, Channel V	45	245	
	News Discovery, NGC,			
	Animal Planet, Adventure			
	One			
Premium Tier	Star Gold, MAX, Star	50	280	
	Movies, HBO, Hallmark,			
	AXN, FTV			
Sports	ESPN, Star Sports,	60	200	
	DD Sports,, Ten Sports			
Language	Vijay, KTV	10	16	
Zee-Turner Package (With CNBC)		55	NA	
		<u>255</u>	<u>611+</u>	

Contd: 3.....

FTA Price (proposed)	Rs. 71.33
E. Tax (Delhi)	Rs. 20.00
Service Tax	Rs. 26.00
	Total- <u>Rs. 372.33</u>

Compared to the above cable operators, depending on their actual working of distribution network have demanded Rs. 180 as monthly subscription from subscriber for the FTA package, which has been proposed to be Rs. 71 by the cost committee of Finance Ministry. So, as seen from the above, the Task Force is completely busy in fighting for reducing the FTA price from Rs. 180 to Rs. 71 concentrating only on 20% of the total subscription rather than reduce the cost of pay channels that make 80% of the cost to the subscriber.

In view of the above we wish to present before you our case for the following:

- a) A reasonable & practical FTA price of approximately Rs. 180 so that thousands of cable operators and lakhs of their employees continue earning a decent living. This can be worked out on per channel basis, which will satisfy all. For example, with a FTA price of Rs. 5 per channel in the metros, a network with 30 FTA channels will charge Rs. 150 and a network with 20 FTA channels will charge only Rs. 100 as basic price. The FTA channels can be selected as per the demand of the subscribers in an area based on social, economical, religious, lingual preferences.
- b) Fix a limit for a-la-carte pricing of various channels considering the consumer interest, which may be based upon the existing popularity (TRP rating) of these channels.
- c) Not to permit selling of bouquet of channels post CAS so that the consumers is given total freedom of choice.

We, therefore, request you to kindly give us some time as per your convenience to make the presentation as soon as possible.

Thanking you

Yours truly,

Mrs. Roop Sharma

**CC: MR. RAVI SHANKAR PRASAD
HONOURABLE MINISTER
MINISTRY OF INFORMATION & BROADCASTING
SHASTRI BHAWAN, A. WING
NEW DELHI 110001**