

# The Digital Accelerate

**New regulatory framework:  
Implementation guide**





## Background

In March 2017, the Telecom Regulatory Authority of India (TRAI) released an update to the existing regulatory framework for digital television services comprising the following:

- 1 The Telecommunication (Broadcasting and Cable) Services (Eight) (Addressable Systems) Tariff Order, 2017 (the Tariff Order 2017)
- 2 The Telecommunication (Broadcasting and Cable) Services Interconnection (Addressable Systems) Regulations, 2017 (the Interconnection Regulation 2017)
- 3 The Telecommunication (Broadcasting and Cable) Services Standards of Quality of Service and Consumer Protection (Addressable Systems) Regulations, 2017 (the QoS Regulation 2017)

This is collectively referred to as the Regulatory Framework 2017.

# Transition to the Regulatory Framework 2017

As per the revised regulatory framework, direct-to-home (DTH) operators and multi-system operators (MSOs) and other distribution platform operators (DPOs) had to publish the revised price lists for channels and bouquets by 29 December 2018, a timeline given by the TRAI.

Market players, through the television content delivery chain, are gearing up as we approach the extended timeline for transition to the Regulatory Framework 2017. As per the new framework, most DTH operators and MSOs have already announced their revised channel and bouquet price lists, as well as the network capacity fee (NCF). Various broadcasters have also announced their revised channel bouquets and price lists, which the DTH operators and MSOs are also offering in addition to their own channel bouquets.

Now, the subscribers have to select the channels and channel bouquets they want to watch. After the subscribers have taken their pick, the entire television content delivery chain will transition to the new regime. As per the initial schedule, all the DTH operators and MSOs had to be ready for migration to the Regulatory Framework 2017 by 28 December 2018, as the new framework was to come into force the next day; however, the TRAI extended the migration timeline to give ample time to the subscribers to choose from the various channels and channel bouquets, and facilitate a smooth transition. The subscribers' selections will be collated by DPOs, and will be made effective from 1 February 2019 onwards, thus completing the migration process.

To make the process easier, the TRAI had advised the DTH operators and MSOs to devise their own ways to reach out to their subscribers. Broadcasters, on the other hand, are regularly advertising their channel bouquets and price lists to bring them to the viewers' attention. The details of the channel bouquets offered by the broadcasters are also available on their web portals. The DTH operators and MSOs have also put the details of their channels and channel bouquets on their websites and mobile apps. In order to cater to the walk-in subscribers, MSOs have also shared these lists with the connected local cable operators (LCOs). Subscribers can also reach their service providers on customer helplines to get information about the price lists and channels and channel bouquets on offer.

The subscribers have the option to enter their selections on their service provider's website or app. They can also get their selection recorded by calling the service provider on its customer helpline. In case the service provider is an MSO, the selection can be communicated to the related LCO as well.



The TRAI had also mandated that free-to-air (FTA) channels should be chosen by the subscribers as well, and an NCF will be charged for it. This means that the viewers can subscribe to FTA channels or a bouquet of FTA channels by paying only the NCF. In addition to the NCF, the subscribers will be required to

pay for their selection of paid channels or a bouquet of paid channels. Thus, on migration to the Regulatory Framework 2017 (w.e.f. 1 February 2019), the subscribers will be billed for both the selected paid and bouquets of paid channels, including the NCF for the FTA channels selected.

## Scenario

To understand this better, let us look at an example of a DTH operator which has the following offerings under the Regulatory Framework 2017:

<p><b>NCF</b></p> <ul style="list-style-type: none"> <li>• For the first 100 channels: INR 130 per month</li> <li>• For every additional slab of 25 channels: INR 20 per month</li> </ul>	<p><b>Pay channels offered</b></p> <ul style="list-style-type: none"> <li>• Channel X: INR 10 per month</li> <li>• Channel Y: INR 8 per month</li> </ul>	<p><b>200 FTA channels offered: Only NCF to be paid</b></p>
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Consider the following two scenarios to determine the monthly outflow:

- i. Subscriber S subscribes to only 100 FTA channels
- ii. Subscriber T subscribes to 100 FTA channels and channel X

In scenario (i), Subscriber S will have to pay only NCF of INR 130 for subscription to 100 FTA channels.

In scenario (ii), Subscriber T's monthly charge will be determined as follows:

NCF for the first 100 channels	INR 130
NCF for an additional slab of 25 channels	INR 20
Subscription charge for the paid channel subscribed (channel X)	INR 10
<b>Total charge</b>	<b>INR 160</b>

In scenario (ii) above, if Subscriber T drops 1 FTA channel, the subscriber can save on the NCF for an additional slab of 25 channels, and the monthly charge will be as follows:

NCF for the first 100 channels	INR 130
Subscription charge for the paid channel subscribed (channel X)	INR 10
<b>Total charge</b>	<b>INR 140</b>

## Our view

One can expect the New Regulatory Framework 2017 to bring in the much needed transparency required to promote the sector and empower the subscribers by providing them channel/bouquet options to select from.

Broadcasters and most DPOs have by now released their channel and package offerings, which subscribers can choose from based on their preference and cost. In the meantime, broadcasters and DPOs are in the process of finalising their arrangements, and MSOs are also expected to finalise their arrangements with LCOs simultaneously. Broadcasters and DPOs may also need to put in place a robust mechanism to capture their subscribers' selections and ensure smooth transition to the new regime. As a result of this new framework, one may expect some re-distribution of income amongst the entire value chain, which is expected to cause some resistance in the short term.

Broadcasters and DPOs may also align their internal processes and systems with the Regulatory Framework 2017. There may be a need to revisit the business plans and projections in light of the revised average revenue per user and revised cost structures. New revenue arrangements, revenue sharing arrangements, and other arrangements may also need a careful assessment for their accounting implications.

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