1.10 STATEMENT OF THE PROBLEM

As per industry estimates there were about 74.75 million Cable TV households as on 31.3.2012 all over India. As per the roadmap laid down by the Government for transition from analog cable to digital addressable cable services, about 22.7 million (30.4%%) cable STBs have already been installed by 31.12.2013 during Phase-I&II in 42 cities with a population of one million and above, leaving a balance of 52.05 million to be installed by Dec 2014. This implies a rate of installation of 4.33 Million STBs per month in the balance 12 months. This phenomenal task poses a number of challenges not only for the Government but also for MSOs and LCOs. While there was a larger presence and availablility of digital ready infrastructure of reputed MSOs in the metros and larger cities, the digital infrastructure capable of implementing DAS may need to be created from scratch in smaller towns and rural areas as one moves to Phase-III and IV. The business models and practices of small time cable operators and consumption patterns of consumers are in for a drastic change. The journey so far therefore needs to studied in detail to do any course corrections for future.

1.11 PURPOSE OR OBJECTIVES

The study is proposed to be undertaken keeping in view the following objectives:

(i) To understand the Government and Regulatory efforts in managing the transition of cable services from an analog mode of delivery of content to a digital addressable mode;

(ii) To assess the impact of migration on various stakeholders especially the local cable operators and the consumers; and

(iii) To identify problem areas and make suggestions for midterm course correction

1.12 RATIONALE OR JUSTIFICATION

Mandating compulsory migration of cable services from analog mode to digital delivery with addressability has been considered as a panacea for the television broadcasting industry and a much needed Government intervention for paving the path for its accelerated growth. It has therefore been considered important to do a concurrent evaluation of this transition after two Phases have been completed and about 30% task has been accomplished. As this transition is going to affect the consumption patterns of about 74.75 million cable viewers and a Rs 370 billion television industry it is important to understand whether we are moving in the right direction or some mid term course corrections are required.

1.13 RESEARCH QUESTIONS:

The endeavour of the study is to find answers to the following Questions:

(i) Whether introduction of DAS has brought transparency in the number of subscribers and led to an increase in the Tax collections of the Government?

(ii) What has been the impact of the introduction of Digital Addressable Systems on the business, business model and role of the Local Cable Operators?

(iii) Whether and to what extent have the stipulations laid down by TRAI in its Tariff Order, Quality of Service Regulations and Consumers Complaint Redressal Regulations for protecting the interest of the subscribers have been complied with by MSOs and LCOs?

(iv) What is the perception and level of satisfaction of the consumer about the transition to digital viewing and its perceived benefits?

1.14 SCOPE/LIMITATIONS/DELIMITATIONS

While Census 2011 provides that out of a total of 246.7 million households , the number of TV Households is 116.5 million, it does not give any further bifurcation as to the number of households receiving signals through cable/DTH/IPTV or through terrestrial means. No authentic Government figures are available on the exact number of Multi System Operators or Cable Operators in India. Going by the Industry estimates there are about 74.75 million Cable TV Homes, 6000 MSOs and 60000 local cable operators in India. Any study entailing consumers or MSOs or LCOs thus necessarily has to be conducted on a sample as conducting a census on the population is not possible.

In Phase-I and II implemented so far, a total of 22.7 million STBs have been installed[16]. As the regulations required MSOs to seek registration from MIB, as per MIB figures provisional registration has been issued to 152 MSOs in these

[16] Source:MIB

42 cities[17]. The number of LCOs served by these MSOs and their details are still unknown. Going by the national estimated ratio each MSO can be taken to serve about 10 LCOs. Thus the number of LCOs might be in the range of about 1520.

Looking into the constraints of limited time and financial constraints the scope of the field study and data collection has been limited to the neighbouring Ghaziabad district only. It is learnt from MIB that permissions have been given to four MSOs in Ghaziabad and a total of 1.65 lakh STBs have been installed. As Ghaziabad is in the NCR it is expected that collection of primary data from LCOs and Consumers would be possible.

The policy envisages a number of benefits for the broadcasters and MSOs in terms of increase in subscription revenues accompanied by a reduced dependency on advertisement revenues, reduction in carriage fees paid to MSOs, transparency about their viewership, greater incentive for investing in production of quality content and starting niche channels. However these benefits are supposed to be realised over a medium term rather than in short term. Moreover broadcasters would not be willing to part with the financial details. Hence Broadcasters and MSOs have been left out from the purview of this study. If during the course of study any secondary data is found available that would be relied upon to draw inferences.

1.15 LITERATURE REVIEW

While some of the countries have achieved complete switchoff of analog services, many others have also prescribed deadlines for achieving the same.

[17] http://digitalindiamib.com/Registered_MSOs_as_on_30th_Dec_2013.pdf last accessed on 19.03.2014

maintaining the status quo on ARPUs may be one of the factors that helped MSOs retain a large share of their analogue subscriber base.

We also note that at current ARPU levels, most of the newly digitised customers would qualify for a 'base pack'. Hence, it is likely that the consumer may have to pay more for the same set of channels or may not get all the channels at the earlier price. In such a scenario, cable TV operators will have to aggressively compete with DTH operators to retain their subscriber base, while providing the customer with a better value proposition.

Thus it is apparent that the transition so far has led only to the deployment of STBs and addressability is yet to be achieved. Instead of collecting individual preferences from the subscriber and making available customised pack, consumers are still being given the basic pack perhaps at the charges which they were paying earlier. The full impact of digitalisation seems yet to be disclosed to the subscriber and the prices may increase for him as and when the same is done and may lead to increased opposition from him. While TRAI has issued directions setting deadlines for collecting Consumer Application Forms the addressability and full impact is yet to manifest. The opposition from the LCOs and consumers may increase and hence a course correction may be required.

1.16 METHODOLOGY ADOPTED

The study is empirical and data has been collected from both primary and secondary sources. The latter has been collected from the Industry and other Reports, Sources in the Ministry of Information and Broadcasting and TRAI and their websites. The primary data has been collected with the help of

questionnaires and interviews with the LCOs in Ghaziabad DAS area, and with the help of questionnaires from a sample of consumers in the Ghaziabad DAS area. Views of the representatives of associations of MSOs and Cable Operators, interviews and discussions with the MIB and TRAI officials, officials of Ghaziabad, Kanpur and Unnao district incharge of the cable. The primary data collected has been analysed to draw conclusions using Statistical Tools like SPSS.

The District was chosen considering the paucity of time , proximity to Delhi (NCR Region), administrative convenience in closely being able to supervise the survey, likelihood of better cooperation from the district officials in sharing data as I belong to UP cadre, a representative district with an Urban Rural mix and availability of a large sample.

As per the list obtained from Ghaziabad entertainment tax department, it has only 2 MSOs namely Den Networks Ltd and Hathway 142 LCOs are with DEN and 30 LCOs are with Hathway. About 25 LCOs included in the DEN figure, have signals both from DEN and Hathway. The total number of STBs installed is about 1.65 lakhs. The actual subscriber numbers would be less due to multi TV homes. A sample size of 1041 consumers have been surveyed which comes to about 0.63 %.

Out of 172 cable operators, survey could be completed for 60 leading to a sample size of 35 %.

The Questionnaires were then compiled using the SPSS software and the results analysed.

1.17 CHAPTERISATION SCHEME

Chapter 1: Introduction

This Chapter gives a background information about the current status of the Broadcasting sector, the problems being faced due to analog nature of cable services, detailing the need for digitalisation. It goes on to enlist past experience of government to digitise the sector and the results so far. It then goes on to detail what thinking went into the formulation of the present policy and what procedures were followed.

Chapter 2: Policy Framework For Digitalisation

This Chapter brings about certain relevant details about the recent amendments to Cable Act and Rules made by the Government as also the recent Tariff Orders, Quality of Service Regulations, Consumer Complaint Redressal Regulations, Orders and Directions issued by TRAI for defining the regulatory policy for DAS cable.

Chapter 3: Managing the transition- Implementation Structures and Mechanisms

The management of this transition requires close coordination amongst the Central Government, the State Governments, Broadcasters, Multi System Operators, Local Cable Operators, Equipment Manufacturers and Consumers. A close monitoring is required to ensure adequate supply of Headends and STBs and networking equipment, ensuring timely issuance of permissions to MSOs for working in the notified areas. A massive public awareness campaign is required to be coordinated to enhance public awareness about

the benefits and improve accessibility by the consumer. The chapter focuses on how this task has been managed by the Government

Chapter 4: Changing Business Model of Local Cable Operator- Issues and Challenges

This chapter analyses the response of LCOs of Ghaziabad to the questionnaire, how migration has affected the business and revenue model of the Local Cable Operator. It also attempts to analyse how his role has changed and what factors are leading to an opposition from them.

Chapter 5: Consumer Perception and Response

This chapter analyses the response of the consumers in Ghaziabad to the questionnaire, how his consumption pattern has changed, whether and to what extent have the benefits envisaged for the consumer while going in for digitalisation have manifested and the extent of satisfaction of the consumer. It will also evaluate whether the safeguards provided for protecting their interests have been able to achieve the desired objective.

Chapter 6: Impact on Tax Collections

This Chapter compares the receipt of Entertainment Tax collections from DAS areas in the State of UP in the pre DAS and post DAS scenario. It also attempts to analyse the impact on other central government tax collections post DAS.

Chapter 7: Conclusion and Recommendations

The conclusions of the study on various research question stated above will be summarised. An attempt will also be made to suggest any midterm course corrections that may be required in the policy framework or its implementation