

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

We had set out to seek the answers to a number of research questions in this dissertation as referred in para 1.13. Let us now take up each question and summarize our findings.

7.1 Research Question (i): Whether introduction of DAS has brought transparency in the number of subscribers and lead to an increase in the Tax collections of the Government?

From the discussion above it is evident that while SMS has been operationalised by MSOs following deficiencies are still to be taken care of before complete transparency in subscriber numbers and their details is achieved:

- 1) CAF/PAF filling is yet to be completed and the details fed into the SMS. From the survey of LCOs it comes out that 97.5% of the consumers have got their forms filled. This has become possible due to continuous pressure and monitoring from the regulator and the government. The data/forms should be expeditiously fed into the SMS so that mapping of each STB whether installed at the consumer premises or lying in stock or as a service box or damaged or handed over from one LCO to another during transition and still being shown against the earlier LCO is completed.
- 2) The SMS should be so designed as to be able to capture multiple STBs in the same household irrespective of the fact whether the PAF/CAF form gets filled in the name of a father or mother or any other member of the same household. This can easily be done by giving each subscriber an alphanumeric ID so that any new addition of STB or any replacement of the

STB gets identified with the same subscriber. This will not only help in bringing transparency in the number of Subscribers accounting for multi tv homes. This will go a long way in enabling passing on the benefits of multiv household schemes of discounted subscription of MSOs to consumers. This will also help in clarifying the correct liability of entertainment tax in states where there is a fixed entertainment tax per subscriber instead of per STB.

3) As has already been done by one of the MSOs, the SMS needs to be so designed so as to authorise the LCOs to be able to view full details relating to a subscriber through the web based portal and modify any details relating to the subscriber. The SMS should maintain a full trail of changes made in relation to a subscriber so that any mischief by any party can be detected if required. At present there appears to be a lack of confidence of MSO in the LCO and he does not seem to be willing to empower the LCO to have complete access to SMS. Lack of social capital in the cable business is not allowing the efficiencies to manifest and is dragging the growth rate of the cable business.

4) Lack of access to SMS is the key bottleneck in letting correct consumer bills to be generated as past payment details do not get captured. What the MSO is doing at present is generating the current month payment details of a subscriber depending on the choice of packages opted by him which get passed on in some cases to the LCO. The LCO then keeping into account past payment details of the subscriber, maintained separately by the LCO, calculates the liability of each subscriber for recovery. Authorisation to LCO to fill in the payments made by each subscriber in the SMS is essential in capturing details of monthly revenue collections. Once the monthly revenue

details are captured, it will not only help in making a correct assessment of Entertainment Tax liability where the rate has been specified as percentage of revenue collections but it will also enable the MSOs and LCOs to move from a fixed fee payment to MSO per STB by LCO regime, to a revenue sharing regime based on actual collections. This will help address the present grievance of the LCO that he has to pay the fixed fee (Rs 62 per STB) according to the number of active STB irrespective of the fact as to whether he has been able to recover it from the subscriber or that it is a case of multiv home where the second and third connections are discounted.

5) The webportal linked to the SMS should also enable the consumer to be able to login using his subscriber ID number and view complete details about his subscription, the channels opted by him for viewing, his billing and payment details and the terms and conditions of the equipment installed at his premises. At present no copy of any CAF/PAF or any other form is being left with the subscriber and he seems clueless about any details relating to his connection. The transparency at the subscriber end is missing which needs to be brought in if the satisfaction level of the consumer with cable services is to be enhanced and his migration to DTH prevented.

6) While there is a lack of willingness on the part of MSO to authorise complete access to LCO, there is also a lack of willingness amongst LCOs to fill in details of exact payments made by the subscriber as he fears that his liability both towards MSO and government may increase. Thus regulatory intervention is required to enforce this if the desired transparency is to be achieved.

7) From the discussions in chapter 6, it is evident that entertainment tax collections have shown a drastic increase of 48.77% upto feb 2014 in the current FY over the same period last year.

8) As regards the Service Tax receipts though the data about 11 MSOs shows a decline in terms of payment of Service Tax by cash, the overall tax collections taking into account the payment of custom and excise duties paid towards procurement of STB, Headend and networking equipment for the delivery of services entitling them to avail CENVAT credit has certainly gone up.

7.2 Research Question (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?

1) Digitalisation has led to a decrease in the subscriber base of a majority of cable operators (para 4.3). While there has been some increase in the subscriber base due to detection of unauthorised connections given by their own staff, about 9.5% (para 4.4) of their subscribers have migrated to DTH services. One saving grace has been that about 14% of the homes turned out to be multi-tv homes (para 4.5) enabling them to check the reduction in monthly subscription to a certain extent. The penetration of BST subscribers (para 4.7) and those who exercised a-la-carte option (para 4.8) has been low and most of the subscribers have opted for packages. Consumers and LCOs want the package costs to be reduced. With the increase in subscriber numbers and a subsequent increase in monthly subscription for both MSOs and Broadcasters there is a case for bringing down the a-la-carte rates and package costs as has been demanded by many

LCOs and consumers. Formats of application forms of some of the MSOs need to be modified to clearly tell the consumer that an a-la-carte option is available and can be exercised. Publicity campaigns for next Phases also need to emphasize that such a choice is available.

2) While 97.5% of the CAF/ PAF forms have been filled (para 4.9) regulatory pressure should continue to ensure that they get fed into the SMS expeditiously . As a majority of the cable operators mentioned that they were not aware of the requirement to fill these forms the media campaign should focus on the importance of filling these forms by the consumer prior to release of DAS connection. It should also be directed towards LCOs to ensure capture of details. It is essential that each subscriber premises/household is given a unique identity number as stipulated by TRAI and all details of multiple STB in the same household gets captured and linked. This will not only enable the consumers to avail the benefits of multi-TV discount schemes but also enable the LCOs to claim reductions in their monthly payouts to MSO for such households. Though discount schemes for multi-tv homes have been announced by the MSOs on their forms and as such consumer expects certain deductions from LCO, which have to be offered by LCO. As the MSO is charging a fixed fee of Rs 62 per STB from the LCO and offers no reduction in his receipts for the second or third STB, the margins available with LCOs are only getting reduced . The MSO argument is that fixed fee regime is an interim arrangement and discounts will be available to LCO once package rates are implemented and recovered from the consumer. MSO further argues that he is not getting any discounts from the broadcaster on multi-tv homes and hence can not be expected to offer any deductions. . There is a need on

the part of the broadcaster and the MSO to understand the business and field compulsions of LCO, who is making a desperate effort to retain his customer base, and pass on discounts on multiple connections to LCOs.

3) MSO does not seem to be willing to offer or publicise STBs on TRAI mandated STP rates. His entire focus is on recovering the maximum cost upfront from the subscriber coupled with the CENVAT credit set off. In most of the cases such schemes are not even told to the subscriber by either the LCO or the MSO. This gap should be addressed through the publicity campaign of the government. Consumer perception on high acquisition costs of STB needs to be addressed and he need to be told that there is a way out provided by law. As any rental scheme is to be offered by the MSO and not the LCO, the PAF forms need to be filled much in advance of the transition date so that the MSO can then be approached by LCO to provide the benefit of such schemes to desiring subscribers. Under duress subscriber is forced to somehow acquire the STB. It may also be noted that while in Ghaziabad only 36.7 % of the LCOs lifted STBs after making full upfront payment of activation charges to the MSO, 33.3 % lifted STBs after making part payment and 28.3% LCOs did get them without any upfront payment, in Kanpur 81% were allowed to lift after making full payment of activation charges and another 14.3% after making part payment. If such is the case an LCO being a small operator can only be expected to recover his investment at the earliest and cannot be expected to push any rental scheme. Though one should also recognise a practical difficulty of the MSOs. There have been instances where the LCOs who were allowed to lift STB without any upfront payment despite having collected the money from the subscriber has pocketed the money and not

returned it to MSO. While the consumer says he has paid, the LCO says he has not and MSOs are finding it difficult to recover their money. Looking at the complications it is important that the seeding should start in Phase-III and IV cities right away, CAF/PAF forms should get filled and STBs installed much in advance of the transition. The LCO will then be have to be allowed by the MSO to lift STBs as per the scheme opted by subscriber. This will also prevent any extra money recovered by LCO over and above the rates prescribed by MSO as reported in some cases.

4) Investments by LCOs in upgrading their network have been low (para 4.12) and this has resulted in most of the consumer complaints being either of no signal or with pixilation of picture due to weak signal (para 5.17) . It is evident (para 4.12) that investments by LCO have come in either from their own savings or through a private financier and bank finance has only been availed by 5%. Digitalisation needs investment in upgradation of network without which the LCO subscriber base will only reduce with time till the operations become unviable. In case he wants to take his cables underground the required level of investment shoots up further. In case it is to be readied for triple play of voice, data and video the investments can only go higher. With reducing margins with LCO after digitalisation and lack of cheap credit from banks it becomes imperative that government should intervene to ensure availability of cheap credit to him. This can be done through various self employment schemes of Urban Development Ministry , Rural Development Ministry and various employment schemes for SC/STs, BCs, Tribals, Minorities, women run by various Ministries. Standard Project Reports for upgradation of Cable Network can be developed by MIB with the help of

BECIL and concerned Ministries asked to provide credit for such projects by existing or prospective cable operators. Matter also needs to be taken up with the Department of Financial services for them to take it up with Banks to channelise credit availability. A long pending demand of the cable services to be granted industry status also needs to be looked at to channelise benefits available to industry. An LCO in small towns with low paying capacity of its subscribers will find it impossible to upgrade his network in the absence of credit.

5) Another issue to be addressed is that even though RoW provisions have been added in the Cable Act , the guidelines have not been issued by the MIB for their implementation by the States. The states then have to stipulate/ streamline procedures for expeditious approvals. It has been found that even the MSOs are finding it difficult to obtain permissions from municipal authorities to lay underground cable. No banker/financial institution will give funding for a project where the fate/legality of cable network is not known. MIB thus needs to follow it up with the States after issuance of guidelines.

6) While the SMS has been installed by the MSO, its access has not been given to the LCO. For the SMS to correctly reflect consumer details, for MSO and LCO to appear as one seamless service provider to the consumer and not blame each other for the problems being faced by the consumer, the call centres to be able to give correct payment and billing information to the subscriber and be in a position to tell him the correct status of a complaint or its redressal, for curtailing delays in restoring services after a faulty STB is replaced, for curtailing unnecessary paperwork generated due to digitalisation, for bringing efficiency in service delivery, LCO should have complete access

to SMS and full power to activate or deactivate STBs. SMS can maintain a complete audit trail of any changes made to catch hold of any mischief . The sooner it is done the better it is.

7) The SMS should have complete information about past payments for the correct bills to be generated from the SMS. The bills may then be printed by the MSO with the LCO name also on it and handed over to LCO for collection of cash or cheques in LCOs name so that he continues to retain his dignity as a service provider. LCOs should also shed their reluctance to share collection details and let them be fed into the SMS. Businesses can only run and grow if the level of trust in each other is strengthened by creation of systems. On one side the grievance of the LCOs' is that MSO is ruthless and does not reduce his billing even if the LCO is not able to recover money from the subscriber. On the other LCOs are not facilitating migration to a revenue sharing regime based on actual collections. Grievances with the Entertainment Tax department will also get addressed once true collections are captured and the department also is able to trust the details provided by the LCO.

8) While the requirement to maintain the signal quality in the network and quick redressal of consumer grievances has gone up, the employment level in the cable sector (para 4.20) seem to be going down. This is partly due to the unavailability of trained / skilled manpower for setting up and maintaining a digital network. The matter thus needs to be taken up by the government on priority. A stock taking of courses being run in government ITIs and Polytechnics is required so as to introduce appropriate course on maintenance and upkeep of a cable TV network. The skills of existing

manpower employed in the cable sector need to be improved by giving them short duration trainings. Services of BECIL, which has already created a training infrastructure and invested around Rs 1 crore for the same, can be taken by Government. BECIL Training programmes could not continue earlier due to high cost of training and SCTE certification. During discussions with BECIL officials it emerged that if SCTE certificate is not given and the boarding and lodging is arranged by the participant, the training cost per participant for a 5 day programme can be brought down to Rs 8500 per participant (excluding service tax). The suggested course contents may be seen at Annexure-IV. Of this one-fourth may be charged from the participant and three fourth may have to be borne by the Government keeping in view that PCOs esp. in Phase-III and IV areas will not be able to bear even this reduced cost. As the requirement of training is huge, the government may also enter into partnerships with major MSOs providing them part funding to train the manpower available with their LCOs according to their needs. The training of trainers can be done by BECIL for which full cost can be borne by MSOs. The skill gap needs to be addressed on priority esp when we are moving to small towns and rural areas where the scarcity of such manpower will be grave. Switchover in small towns may prove counterproductive if the LCO is not able to maintain the network to the desired standards.

9) There is a strong case for rationalising the Entertainment Tax regime and more so in UP. There should be separate tax rates for analog and DAS cable services with lower rates for DAS as there is transparency in subscriber base. Levying of tax receipts on gross rates is creating a legal problem of tax on tax. Entertainment tax should be allowed to be recovered in tot from the

subscriber and as such should be prescribed on monthly subscription rates (excluding taxes). As the E Tax collections have gone up to the extent of 49% the government should allow some benefit to be passed on to the LCO and consumer by reducing the tax rates. This will motivate the LCO to remain in business by increasing the margins available to him.

10) Another area which will need attention is how to make available aggregated digital signals to cable operators in Phase II and IV areas unserved by MSOs. Small cable operators will not be in a position to setup a digital headend. MIB has stipulated HITS policy to enable cable operators esp in such areas to receive such HITS signals via satellite for further distribution. It is understood that there are only two valid license holders namely NSTPL and Incable . While the former has operationalised its services the latter is yet to start. More private players need to be motivated to set up such a platform. Even BECIL through a government funded plan scheme can be tasked to set up such a platform through plan funding which can be shared by different private players. As the platform is cost intensive private players seemed hesitant in coming forward. Availability of such platforms will also save LCOs in Phase-I and II areas from the possibility of exploitation from land based MSOs.

11) It also came out from the discussions with LCOs and MSOs that in their eagerness to capture and expand their subscriber base, MSOs have been poaching into each other's subscriber base. If an LCO becomes a defaulter of one MSO, the other MSO offers to replace all the STBs of the previous MSO at no cost to LCO or consumer and further offers him relief for a few months from payout to MSO. Such practices vitiate the business environment. While

healthy competition is desirable such malpractices should be avoided. The stakeholders thus need to mend their ways if the business is to survive. In Ghaziabad 25 out of the 172 MSOs have double feed, one from DEN and the other from Hathway. On enquiring as to the reasons for multiple feeds, it was mentioned that poaching problem is avoided once each the dominant MSOs also get some subscribers. Getting signals from both keeps everyone happy.

7.3 Research Question (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?

From the discussions in chapters 5 and 6, the following conclusions can be safely drawn from the data generated.

1) TRAI stipulated four rental schemes referred to as standard tariff packages for STBs, which were meant to protect the interests of the subscribers, have only been offered by MSOs on paper and website to complete the compliance of regulatory norms. The data shows that 96.3% (para 5.6) of the subscribers were not even told by cable operators about any other scheme. As a result 94.1% of the consumers got the STB installed on making an upfront payment of activation charges which have continuously been increased from time to time. The rights of the subscribers in terms of transfer of ownership of the STB after certain period or refund of amount on return of STB in case they want to discontinue or switchover have

not been specified in such STB tariff schemes. Regulatory intervention is required to bring clarity on these issues under such widely prevalent schemes to safeguard the interests of the subscribers. Regulatory intervention is also required to make their websites and consumer application forms more informative in educating the consumers about their entitlements.

2) (ii) While the MSOs have complied with offering BST, packages and have also specified a-la-carte rates for both FTA and pay channels, the consumer as yet lacks awareness about the availability of a-la-carte choice and BST. Therefore government and stakeholder publicity needs to be directed to cater to this gap.

3) The MSO webportal should be so designed so as to enable a consumer to know complete details of his subscription, number and names of channels subscribed, details of STB installed, payment and billing details and other entitlements pertaining to the service to bring in complete transparency at the subscriber end.

4) While the customers seem to be getting their faulty STB repaired or replaced, the delay in replacement or activation after replacement is there and needs to be addressed as suggested above.

5) One of the key reasons in STB becoming faulty is the power supply mechanism failure due to power supply variations. Manufactured in China STB, where there is no problem in the input supply, seem to be unable to handle the Indian conditions. While now there has been a move to provide external power adaptor instead of an inbuilt power supply in STB, the imported STBs of each brand need to be sampled and tested in a lab

authorised by Bureau of Indian Standards (BIS) as regards their conformity to BIS standards STB IS 13252 : 2010, esp of the power supply unit, by the appropriate authority as provided under *Department of Electronics and Information Technology (DeitY), Electronics and Information Technology Goods (Requirement of Compulsory Registration) Order no. SO 2357 (E) dated 7.9.2012*²⁶ issued under the Bureau of Indian Standards Act, 1986 and rules thereunder. The Order prohibits sale or storage for sale or manufacture or import or distribution of electronic goods specified in the Schedule to the order which are not in conformity with the standard. It further provides that such goods should be deformed beyond use by the manufacturer and disposed off as scrap. Matter should thus be taken up with DeitY by MIB to do the needful so that only BIS compliant STBs get seeded.

6) There are defaults in maintaining the QoS standards as regards the quality of signal and signal strength as can be concluded from a large number of consumer grievances regarding no signal, pixilation and audio quality. The requisite investments need to be facilitated to help the LCO in upgrading his network.

7) The fact that a large majority (71.1% para 5.18) of the subscribers feel that there has been an improvement in the grievance redressal system means that the stipulations laid down by TRAI are working fine and are largely being complied with. The onus of redressing the grievance is largely being borne by the LCO only.

²⁶ <http://deity.gov.in/content/gazettes> (last accessed on 19.03.2014)

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

1) While the monthly rental of a residential consumer has increased by about Rs 50 from the earlier median of Rs 200 (para 5.13) , 43.9% of the subscribers are of the view that they dont mind paying the increased subscription considering the benefits. 28.5% felt satisfied with the switcover but felt increase in monthly rental as unjustifiable. Another 23.8% felt unhappy with the increase but would like to continue with digital services.

2) Consumer views regarding the benefits from digitalisation have been captured in detail in para 5.12. As an overall view (para 5.19) on the switchover, an overwhelming 77.5% of the subscribers seem to be either satisfied or very satisfied with the switchover at the moment. However this perception may change adversely as the consumers are being pushed to pay according to package rates. 13.5% feel that switchover has made no difference to them. 3.9% feel that while they are not satisfied with the digital services but would like to continue with them. Only a small percentage of 5% subscribers prefer the earlier regime and want to revert back.

3) As demanded by some subscribers the utility of EPG for subscribers will enhance drastically if it is made available in Hindi and other regional languages. MSOs need to take it up with middleware firms/manufacturers.

Summing Up:

Task before the Government, Regulator and the cable operators is huge. An installation rate of STB @ 4.33 million per month or 1.45 lakh per day is

required to complete the balance task. This requires tremendous cooperation from LCOs and consumers in addition to MSOs. Gaps identified above will need to be bridged if the gains from Phase-I and II are to consolidate and manifest and if the likely opposition to digitalisation from LCOs and consumers while moving towards implementing Phase-III and IV is to be addressed. While MSOs may be in a position to raise resources from the market, the LCOs may need hand holding and support from the Government as detailed above. It will have to be ensured that consumers rights are protected and he also comes out as the ultimate gainer. Broadcasters instead of looking at immediate gains will also need to support the transition with an intent to benefit from the transition in the medium and long term. Let us hope that all the stakeholders play their role well for the benefit of the industry and the consumer.