



Broadcast platforms

Raising the FDI Cap

Technological developments and convergence of telecommunications and broadcasting industries is triggering off exciting new developments in the distribution platform sector, leading the government to revise foreign direct investment norms, says **Rajiv Pai**.

The television distribution platform sector, including direct-to-home (DTH), headend-in-the-sky (HITS), digital cable systems and teleports (companies that provide broadcast up-linking platforms), is heading for exciting times. The government is considering a proposal to raise the cap of composite foreign investment limit to 74 per cent in broadcasting infrastructure services, a significant jump from the prevailing cap of 49 per cent. Composite investments encompass both direct investments and institutional investments.

The lifting of the 49 per cent cap on foreign investment is expected to bring the broadcast services industry on par with the telecommunications industry. This is what the Telecom Regulatory

Authority of India (TRAI), the telecom sector regulator, had earlier recommended to the government on the basis that digital convergence is attracting telecom players to broadcasting.

"Broadly speaking, our aim should be to phase out analog transmission by 2017," says Asha Swarup, secretary, Union Information and Broadcasting Ministry. "We have looked at the TRAI recommendations and are largely in agreement with it. We are looking at C-band for HITS."

DTH players like Tata Sky and Bharti Airtel have informed TRAI that multi-system operators (MSOs) who provide this service must do so only through cable operators and not directly to the end-subscriber. Bharti has urged TRAI to disallow providers of HITS service

A HITS operator's area of coverage spans the whole country, whereas the MSO's area of coverage is confined to a limited geography.

Rupert Murdoch's Star, is considered one of the fastest growing DTH platforms in the country. The Sky brand, owned by the UK-based British Sky Broadcasting Group, had launched DTH broadcasting in 1989, digital satellite broadcasting in 1998, and interactive television services in 1999.

TRAI's recommendations on HITS are currently being examined by the I&B ministry in consultation with other ministries and departments to formulate policy guidelines.

HITS is a digital delivery platform to distribute multiple channels via satellite straight to cable operators. The essential difference between a HITS operator and an MSO is that the former transmits the bundle of channels to cable operators

using a satellite, whereas the latter does the same through a cable.

A HITS operator's area of coverage spans the whole country, whereas the MSO's area of coverage is confined to a limited geography, typically a town or a city, close to the 'headend'. The infrastructure provider downlinks all the pay channels and decodes them; these signals are then scrambled according to the requirement after going through the conditional access system (CAS). They are then multiplexed and up-linked again to a satellite, which acts as a 'headend-in-the-sky' and beams these signals to all the headends at the local cable operator's end, or directly to the subscriber.

Cable operators subscribing to HITS

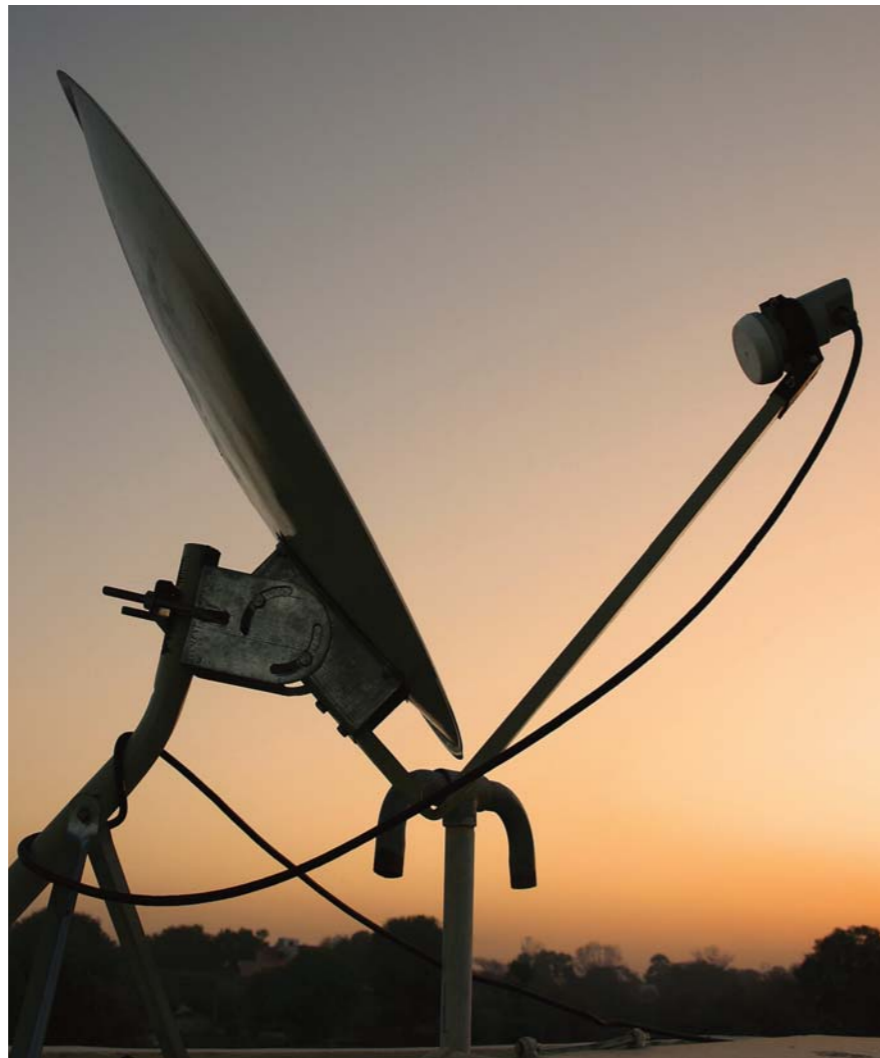
from providing signals directly to end-consumers, to maintain the distinction between HITS and DTH operators.

Dish TV managing director Jawahar Goel, however, stresses there is no difference between HITS and DTH, save for the fact that HITS is direct-to-operator while DTH is direct-to-home to a consumer. Dish TV, promoted by the ASC group, and Tata Sky are the main DTH players in the country, while Tamil Nadu's Sun TV recently threw its hat into the ring as well. Anil Ambani's Reliance Entertainment and Bharti Telemedia are set to launch their DTH services shortly. Public broadcaster Prasar Bharati offers a free-to-air DTH broadcasting platform.

Tata Sky ceo and managing director Vikram Kaushik believes DTH has enormous potential in the country; he projects the DTH market to surge to 25 million subscribers by 2015. "I expect rapid conversion of the existing cable market into DTH," he adds.

Vikram Mehra, chief marketing officer of Tata Sky, regards DTH as a proven technology that has performed admirably in the West. He believes that the internet protocol TV (IPTV) and HITS bogey have been raised far too often without anything having transpired on that front. "If and when they do come, the kind of services, including the interactivity that DTH offers, will give it the upper hand," he mentions.

With a million subscribers within a year of commencing operations, Tata Sky, a joint venture between the Tata Group and



SCANNING THE SKIES: The DTH market is expected to surge to 25 million subscribers by 2015

services will hence be able to provide a large number of channels with better picture quality and choice of channels to their subscribers than the conventional analog services.

The introduction of HITS services is also likely to speed up the process of migration from analog to digital mode of transmission and distribution of television signals. This may result in benefits to all stakeholders, including subscribers, cable operators, broadcasters and the government.

"At one go, cable can go all-India and become digital as well as addressable if HITS is allowed," says Ashok Mansukhani, president (corporate affairs) of Hinduja TMT that operates the InCable network.

According to J.K. Jain, whose Delhi-based Jain Studios runs a news and current affairs channel, "We have an earth station in Greater Noida and can easily launch operations." Five years ago, Jain Studios and Zee Group's ASC Enterprises got permission to launch HITS. Entry fee for a HITS licence is \$2.5 million, and a bank guarantee of \$10 million.

Broadcasting companies and/or DTH licensees will be disallowed from collectively holding over a fifth of the total paid-up equity in a HITS company. The government is also planning to steward a bill in Parliament for the setting up of an independent broadcast regulator, after consulting various stakeholders. Once it materialises, a new regulator – to be

called the Broadcasting Services Regulatory Authority – will soon be established. TRAI has been overseeing certain broadcasting issues such as digital distribution and channel pricing in the absence of a broadcast regulator.

The foreign investment cap has been placed at 74 per cent for satellite radio also, where there had been no regulations till now. The foreign investment ceiling of 49 per cent will continue for cable TV service providers, as also the 26 per cent cap for news and current affairs TV channels.

Rapid technological changes in the electronic entertainment industry are likely to trigger amendments to existing legislation to facilitate growth in a fast-evolving sector.

COUNTLESS WAYS OF DISTRIBUTING CONTENT

The rapid pace of technological changes in fast-growing sectors like telecommunication and broadcasting – combined with the inevitable convergence of technologies – is proving to be a regulatory minefield.

The past few years have seen the emergence of an astounding range of broadcasting platforms that confound not merely ordinary viewers, but even

regulators, lawmakers, bureaucrats and even the service providers.

Not surprisingly, broadcasting being a sensitive subject globally, there are a number of restrictions on foreign investments in the sector, including in the US. Many countries do not allow foreign direct investment (FDI) in media and content distribution platforms, or restrict it to low levels. India has been

far more liberal in this regard.

'Content' – which includes news, information and entertainment – is distributed across a variety of 'electronic' platforms including radio (FM, satellite and even internet), television (cable, conditional-access-system and direct-to-home), internet (Internet Protocol TV) and increasingly even cell phones (mobile TV).

Both the Indian government and the Telecommunications Regulatory Authority of India – the telecom industry watchdog, which has been doubling up as a broadcast industry regulator in the absence of a separate body – believe the time is now ripe to rationalise FDI norms in the various sub-sectors of broadcasting to bring it at par with the telecom industry.

At present it varies across different sub-segments, ranging from 20 per cent to 100 per cent. The TRAI wants to remove all caps on FDI in satellite radio. While FDI in distribution platforms like DTH and HITS is likely to be raised to 74 per cent, it will remain restricted to 49 per cent in the cable TV segment, as there are about 70,000 operators (mostly small-time) across India. In fact, the response from international investors to the cable sub-segment has been lukewarm and even the 49 per cent limit has not been fully met.



CONTENT IS KING: There are about 70,000 cable operators across India, piping in content to millions of homes