



By Gerry Oberst

Indian Satellite Broadcasting

Combining one of the world's largest untapped markets for satellite broadcasting with national instincts for bureaucracy and home-grown solutions, the Indian direct-to-home (DTH) market presents both a challenge and an opportunity. Throughout the last year, the churn in regulatory approaches shows an unsettled situation that is hard to read.

Figures from the India Television Summit 2005 in October describe India as the third largest market in the world with 109 million television homes. DTH subscriber revenue projections vary widely, ranging from estimates of 4 million pay households to 8.6 million by 2010.

India first authorized DTH in 2000, and today, India is the only country in the world to have four DTH players, with a fifth on the way. The incumbent national broadcaster Prasar Bharati (formerly Doordarshan) introduced free-to-air DTH in December 2004. It was followed by pay-TV DTH from ASC Enterprises Dish TV, Tata Sky and Sun Network of Chennai. In recent months Reliance Bluemagic also received a license.

For several years now, analysts have claimed there is room for the Indian broadcasting business model to change, so that the ratio of advertising to subscription revenue shifts from 80-20 toward more subscription revenues. The only way this will happen is for DTH to become more prevalent and for pay-TV to become more viable on cable networks — and for subscribers to pay for programming.

A problem in India for pay-TV and subscription revenues is the prevalence of piracy and underreporting by cable systems of the number of subscribers. The Cable and Satellite Broadcasting Association of Asia and CLSA Asia-Pacific Markets released a study in October showing massive losses from unauthorized cable access as well as theft of programming. Another 2005 estimate claimed that as many as 84,000 hotel rooms in India show pay-TV without paying subscription fees.

On the regulatory side, the rules are in a state of flux. It

is said that in 2005 there are about 350 channels operating in India, of which 164 are uplinked from outside the country — a figure that likely will decrease due to recent regulatory limits imposed on foreign uplinks.

Indian politicians have been talking about a comprehensive broadcasting act for almost ten years (if not longer). An effort to adopt such a law failed in 1997. A second government effort in 2000 on a Convergence Bill also was unsuccessful. Reports are that the government will try yet again in 2006.

Absent the comprehensive broadcasting law, the Telecom Regulatory Authority of India regulates carriage issues for broadcast and has focused on price controls since it obtained this authority in early 2004. DTH rules were amended in June to add ownership and exclusivity rules. In November, the Indian government adopted new uplinking and downlinking guidelines with a number of policy changes, including a ban on foreign news channels beaming “India-specific” content from outside the country.

The new rules show a strong Indian desire to control news and current affairs programming, and they also guarantee that the national broadcaster has access to important sports events. Under the rules, all channels must be registered. Anybody providing channels downlinked from other countries must obtain permission. No cable or DTH service operator is supposed to carry any channel not registered under the guidelines later than 180 days after the notice, or around mid May.

Another big issue in protectionist-minded India is control of foreign direct investment. Rules remain cumbersome for investment in India, with strict limits on the nationality of controlling management and the amount of foreign money invested in media and print entities.

India also keeps a tight rein on news and affairs material from outside the country. For example, in August, the government rejected an application by Reuters India to offer content services within the country. That decision, based on a decision dating back to 1956, has a fine pedigree, as it was based on the Press and Registration of Books Act, 1867.

A series of other rule also are in play, including rules on adding channels to DTH bouquets, must-carry rules, continued controversy over sports rights, exclusivity, content rules and conditional access rules.

To safely navigate the Indian mass media scene requires an appetite for regulation and an appreciation for risk. Given the size of the market potential and the number of DTH ventures, it appears that risk is worth the effort. ▽

Gerry Oberst is a lawyer in the Brussels office of the Hogan & Hartson law firm.