

## 10th CII Big Picture Summit

Plenary 5: How Does India Watch TV? | 18 November 2021, 1400 – 1500 hrs

Speaking Notes by Pradeep S Mehta, Secretary General, CUTS International

Ladies and Gentlemen, it is my privilege and pleasure to speak on the topical issue, which is very relevant and affect consumers of Television, stemming from uninformed regulatory approach and action. In March 2017, the Telecom Regulatory Authority of India (TRAI) notified regulations called the New Tariff Order (NTO), to provide choice to consumers and intended to reduce TV bills.

Specifically, the NTO attempted to allow consumers to choose individual channels instead of the channels bouquet recommended by the TV service providers, assuming that consumers would have better choice and lower costs. However, despite well intentioned, the NTO created a position where consumers had to pay more for fewer channels.

Such unintended consequences are result of a structural symptom of a policy design, which are often created with consumers' interest in mind, but without understanding consumer preferences and backed by research and evidence. Before, I delve deep into the structural symptom, let me discuss briefly about behavioural economics and the concept of choice architecture, which the NTO reportedly attempted to introduce.

Choice architecture is a process of designing the choices and options that consumers would face to influence or nudge their choice towards a specific decision. In the case of NTO, the choice architecture intended to give more agency to a consumer to select and pay for individual channels instead of a bouquet of channels, which could be more expensive. However, clearly, the regulation did not make use of the principle of behavioural economics in totality.

Specifically, while putting out such a regulation, the regulator did not attempt to understand consumer and their preferences. First, there was lack of clarity on the desired outcomes of the NTO and the nature of consumers' behaviour. There was no basis or evidence that substantiated the mechanism or degree of choice that consumers desired.

Most importantly, an average TV consumer in India is not an individual, but a household of 4.8 people with diverse preferences. The NTO forced the household to decide on a television budget and allocate it amongst different family members, effectively only able to choose a handful of channels, as against the earlier convenience of bouquet of channels.

Second, TRAI did carry out a public consultation, but assumed that the NTO would benefit consumers with more choice and cheaper bills and without any evidence, consumer survey or impact analysis. Technically, TRAI made a consumer household to pick 40 channels amongst the 900-plus channels, while hoping to decrease their bills. It did not achieve the intended objective, and made consumers to pay more for TV than earlier.

There are consumer impact studies done in the United States and Canada, which have found that unbundling could make several TV channels unviable. Unfortunately, for India, there has been no such consumer impact study of the NTO and we saw exit of operations of AXN and HBO channels from India. Incidentally, consumers lost their favourite channels, while paying more for fewer channels.

TRAI amended the NTO in January 2020, towards making TV channels cheaper for consumers, but seems to further micromanage consumer preferences. Although, this amended NTO was earlier scheduled to come into effect from 1<sup>st</sup> December 2020, but after many concerns highlighted that the order could adversely increase the pay-out for consumers, TRAI have postponed the effect date to 1<sup>st</sup> April, 2022. There were reports that suggested that TV could have increased by as much as 50 percent from December, if the amended NTO would have come into effect.

Furthermore, TRAI must strengthen its understanding of cross-subsidisation business models, and how it benefits consumers. To give an example, a Harvard Business School research suggests bundling of complementary products attracts more consumers, while incentivise existing customers to consume more content.

However, the larger argument remains of consumer interest, which is also the primary regulatory objective of TRAI. In the past, CUTS had done many consumer surveys including one on the cable TV industry in India and among others such as on the status of consumer rights in India, urban mobility, digital payments, data privacy and

protection, OTT services, e-commerce, etc. with the larger objective to understand consumers' perspectives, concerns, and challenges.

Regulators can also periodically commission consumer surveys to understand evolving consumer perspectives, preferences, concerns and challenges when dealing with consumer facing policies and regulations.

While, TRAI is already a frontrunner in public consultation, by calling for comments and counter-comments. It should go a step ahead by also institutionalising frameworks like Regulatory Impact Assessment including sunset clause, which mandates review of regulations within a specified period and.

Moreover, the encompassing media and entertainment (M&E) industry could thrive well under light-touch and self-regulation models. This need was also highlighted by Mr K Madhavan, President of the Indian Broadcasting and Digital Foundation, yesterday, in the inaugural session of this Summit. It is also heartening to note that the Secretary of the Ministry of Information and Broadcasting, Apurva Chandra, in the same session, too recognised the need for light-touch regulatory approach for the M&E industry. While the industry would be benefit from such a progressive regulatory approach, but it will ultimately favour consumer interest.

In my concluding remarks, I want to emphasise that we are more than happy and willing in supporting TRAI to undertake consumer impact assessment study on television and associated issues.

Thank you!

\*\*\*