

## CHAPTER II: MINISTRY OF INFORMATION AND BROADCASTING

### 2. Management of Commercial Time by Doordarshan

*Doordarshan is one of the largest terrestrial public service networks in the world. Its viewership increased from 296 million in 1997 to 403 million in 2000. It opened to commercial service in 1976 by trading in commercial time. Audit scrutiny of the system and procedures of management of commercial time revealed serious deficiencies in its managerial practices coupled with administrative negligence and economic imprudence in tariff setting and faulty billing. The decision making process was faulty and failed to protect the best interests of the organisation. The Sports Marketing Consortium set up in 1998 was a flawed arrangement resulting in loss in recovery of opportunity cost, under selling of commercial time, manipulation in acquisition of rights, non-recovery of dues, payment of inadmissible refunds, errors in accounting of commercial time, non-levy of penal interest on delayed payments and absence of proper billing procedure and collection system. Test checked cases revealed loss of Rs 186.85 crore besides non-recovery of outstanding dues of Rs 16.98 crore.*

#### Highlights

- Doordarshan suffered a loss of Rs 140.88 crore in the marketing of international sports events through the consortium due to under selling of commercial time, loss of opportunity cost, manipulation in acquisition of rights, non-recovery of dues, payment of inadmissible refunds.
- Doordarshan did not charge pro-rata rates for telecast fee and Free Commercial Time for five minutes news based programme of 'Ankhon Dekhi', 'Dopahar Ankhon Dekhi' and 'India the Awakening'. This resulted in undue benefit of Rs 12.08 crore to the sponsors of the programmes.
- Doordarshan allowed commercial time of 655 seconds per episode against admissible commercial time of 560 seconds to the sponsor of the programme 'Super Hit Muqabla' which resulted in giving undue benefit of Rs 8.05 lakh per episode for 56 episodes telecast during September 1995 to October 1996. The total undue benefit to the sponsor on this account works out to Rs 4.51 crore.
- Director, Doordarshan Kendra Kolkata allowed the sponsor Rainbow Productions Private Limited unauthorised concessions like utilisation of excess Free Commercial Time, undercharging of sponsorship fee and spot buy rate in contravention of the extant rules. This resulted in undue benefit of Rs 3.02 crore to the sponsor.

- Doordarshan lost Rs 9.44 crore due to late booking of satellites and non-billing of commercials in the telecast of India-Sri Lanka cricket series and Wimbledon 1997.
- Doordarshan failed to raise a claim of Rs 8.93 crore on account of short accountal of commercial time utilised and non-billing of uplinking and space segment charges from airtime selling agencies engaged for Bangladesh Independence Cup 1998 and French Open Tennis Tournament 1997.
- The additional facility of 30 seconds for the repeat programmes telecast on international channel to be utilised within seven days on other national channels where the monetary value of commercial time was higher resulted in loss of Rs 1.94 crore to Doordarshan. On re-consideration this facility was withdrawn by Doordarshan in August 1996.
- Outstanding dues from the advertising agencies of Doordarshan Kendra Mumbai inclusive of interest as of July 2000 was Rs 16.98 crore. Despite non-payment of fees of Rs 85.87 lakh for the telecast of three Tamil serials during December 1997 to March 1999, Director Doordarshan Kendra Chennai did not take any action for cancelling the accreditation of the sponsors.

## 2.1 Introduction

Doordarshan (DD), the national television service of India, devoted to public service broadcasting, is one of the largest terrestrial networks in the world. DD opened itself to commercial service in 1976 with the object of earning revenue from trading in commercial time. The operation began with modest revenue of Rs. 0.7 crore in 1976-77 and went up to the level of Rs 572.7 crore in 1996-97. During the subsequent two years i.e. 1997-98 and 1998-99 gross revenue fell by 14 to 30 *per cent* in comparison to the year 1996-97. The figures for 1999-2000 showed that the gross revenue earned by DD again registered an increase. However, the increase in revenue during 1999-2000 has been barely Rs 37.6 crore over the last peak year 1996-97. This has to be seen in the background of the fact that the media share in terms of value of advertising has almost doubled during the corresponding period, and DD's viewership increased from 296 million in 1997 to 403 million in 2000. Evidently, the systems and procedures of management of commercial time by DD would need to be looked at with the object of identifying why the full commercial potential could not be realized. One specific area is the trading methods by which commercial time was sold to the programme producers to market their programmes to the advertisers and the revenue sharing arrangement with the producers. With this end in view, a clutch of programmes relating to popular prime time segment were test checked in audit to examine the manner in which commercial time was marketed during the period 1997-99 that showed negative growth. For establishing context some programmes of the earlier period as well as few programmes telecast through

regional kendras were also examined. The most important aspect of scrutiny by audit related to the marketing of international sports events through a consortium of airtime selling agents, an arrangement that proved counterproductive, landing DD in huge losses. The reasons for large-scale losses and commercial failures of DD were found rooted in its own managerial practices, which have ranged from administrative negligence and economic imprudence to incorrect tariff setting and faulty billing. The entire process has allowed itself to be exploited at the expense of the Government.

The findings of audit are brought out in the succeeding paragraphs.

## **2.2 Working of the Sports Marketing Consortium**

**2.2.1** Chief Executive Officer (CEO), Prasar Bharati in December 1997 placed before the first meeting of the Prasar Bharati Board, a proposal to authorise him to finalise arrangements for the telecast of international sports events in the background of his perception that only private channels are able to secure the transmission rights and the bulk of the population are deprived of viewing opportunity. Though the proposal did not define the scope of the arrangements the Board authorised the CEO to finalise the arrangements. In January 1998, in the second meeting of the Board the CEO disclosed the shape of the arrangement. He informed the Board that he had in the meantime persuaded a group of airtime selling agencies to form a Consortium to bid for these sports events collectively, while DD would provide the carrier and share the commercial revenues on a mutually agreed basis. The Board approved the proposal without asking for or ascertaining the basis for revenue sharing. The idea was to make DD capable of acquiring the telecast rights of the international sports events without staking its own financial resources and yet reap the revenue generated by the operation. Providing the carrier however meant trading in time, and hence the balance of advantage for DD had to be reckoned with reference to the loss of opportunity cost of the time traded.

In February 1998, three marketing agencies, namely M/s. Stracon India Private Ltd. (Stracon), M/s. Nimbus Communications Ltd. (Nimbus) and M/s. Creative Eye Ltd. (Creative) formed a Consortium by entering into an agreement for cooperation and joint collaboration for acquisition of rights and marketing of international sports events live for DD. In March 1998 they entered into an agreement with DD for obtaining exclusive marketing rights. In late March 1998 M/s. UTV Software Communications Ltd. was inducted into the Consortium. Operation of the Consortium was discontinued from July 1999.

Operation of the Consortium arrangement for the acquisition of telecast rights and marketing of the international sports events, was examined in audit with a view to evaluating the strategic advantages and the commercial results accruing to DD during the currency of the arrangement.

During the period of operation of the Consortium, 13 live international sports events and highlights of one event were telecast on DD network between April 1998 and June 1999 (**Annex-I**). Audit scrutiny of the records and

transactions relating to the operation of the Consortium and telecast of the events, involved examination of the payment of the rights fee, calculation of opportunity cost and management of commercial time.

### **2.2.2 Flaws in the agreement**

**By giving retrospective effect to the agreement DD lost US\$ 3 million (Rs 12.75 crore).**

The agreement of the Consortium with DD was signed on 24 March 1998 but was made retrospectively operational from 1 February 1998. Examination of the rationale of retrospective application showed that while there was no advantage for DD, it favoured Stracon by assigning the overseas rights of ICC Knockout without deciding any cost on 20 February 1998 whereas DD had submitted its bid on 24 February 1998. Subsequently, Stracon got these rights at a cost of US\$ 3 million, which DD had bought at US\$ 6 million.

The terms and conditions of the agreement constituting the Consortium did not have the approval of the Prasar Bharati Board. No reasons were recorded for departing from the normal procedure of inviting open tenders.

The members of the Consortium were hand picked without pre-qualifications, and their financial capabilities were not ascertained. The Consortium was a cartel dominated by Stracon, a novice in the field, who was registered with DD on 28 May 1997 and was accredited on 5 June 1997, barely eight months before it formed and led the Consortium.

**The agreement did not provide specific commercial terms, not even the minimum guarantee (MG), normally insisted upon in airtime transactions.**

The agreement neither contemplated any capping of rights fee, nor did it leave scope for DD to reject a non-viable transaction. The passive role of DD was apparently worked out on the premise that DD was gaining without any investment of its own. It was forgotten that in terms of time invested, it was the stake of DD that was both critical and substantial. Further, it was not as if DD's own resources were not used at all. In the cricketing events DD staked as much as Rs 2134.90 lakh of its resources in five events, whereas Consortium (Stracon) spent nothing from its own resources but kept funds generated from the events. Evidently the premise of resource constraint was a convenient stratagem to allow the private air-time agencies to benefit at the expense of DD. Creation of the Consortium in the manner detailed proved a flawed and irregular decision which benefited a cartel of airtime selling agents at the expense of the government.

### **2.2.3 Manipulations in the acquisition of rights**

Audit examined the process of acquisition of telecast rights of the major events in the background of the consideration that profit was to be shared between DD and the Consortium after deduction of the TV rights fee and other expenses from the advertisement revenue (**Annex-II**). In other words, any economy in acquiring the rights would automatically increase the profitability of the venture, and conversely higher rights fees would necessarily cut into the profit. Thus, telecast of an event would be profitable if the rights fees were not excessive, and if the advertisement revenues generated were not lower than the cost of the event and the DD's revenues sacrificed.

**The rights for Cricket and Tennis events were acquired without any estimation or justification, which led to wide fluctuations in the cost of rights fee per match.**

During the period April 1998 and June 1999, ten major events in cricket and three major events in Tennis were staged. In the acquisition of the rights of four out of the ten major events in cricket DD was involved, even though under the Consortium arrangement it was not required. Further, it was seen that there was no basis to cap, even estimate, the justification of the rights fee demanded by the holder of the rights and actually paid by the bidder. This led to wide fluctuations in the cost of rights fee per match of the cricket varying from Rs 30 lakh to Rs 425 lakh. Incidentally, DD's own procurement cost was the highest at Rs 425 lakh per match. In tennis, the rights were acquired by the Consortium for the three events (Wimbledon, French Open and Australian Open). Comparison of the Rights Fee paid by the Consortium with the Rights fee paid by DD prior to the creation of the Consortium brought out that the rights fee paid by the Consortium was higher by 45 percent (from US\$ 1.90 lakh to US\$2.75 lakh) for Wimbledon and 122 percent for French Open (from US\$ 90,000 to US\$ 2,00,000). A reference to the details of revenue generated by the agency showed that for these events the revenue generated became less than the rights fee paid and DD earned no revenue for the events. Evidently, exorbitantly high rights fee wiped off the revenue and made the event unprofitable. While it is true that the Consortium and not DD paid the higher rights fee, the abnormal increase in the fee which deprived the DD of revenue could be indicative of some undercutting to profit at the expense of DD. Audit apprehension is based on the fact that in earlier years when DD bought the rights and there was no Consortium arrangement in place, the events were always revenue surplus.

**While rights fee for one match of Coca-Cola Cup Series (May 1998) was paid by DD, revenue generated was kept by Stracon.**

In one event Coca Cola Cup May 1998 even though the rights had been acquired by the Consortium (Stracon) for Rs 120 lakh for four One day international matches, DD paid Rs 30 lakh directly to holder of rights ESPN when one more match was taken by DD. Since this match was out of the agreement with the Consortium (Stracon) and its cost was borne by DD, the marketing of it should have been done on MG basis in order to recover cost of the match. However, the revenue was credited to Consortium and this caused a net loss of Rs 30 lakh to DD.

**Rights of Sri Lanka Independence Cup were sold to a competing channel in violation of Consortium agreement.**

In Sri Lanka Independence Cup, June-July 1998 DD allowed the Consortium (Stracon) to sell the simultaneous telecast rights to ESPN (for the first six matches) without assigning any cost on the face of the provisions of the Consortium agreement that dealing with competing channel was prohibited, thereby losing the exclusivity, viewership and consequent revenue. DD bore the loss to the extent of pro-rata rights fee of US\$ 0.9 million (Rs 3.83 crore), while Consortium profited from the sale and ESPN from the telecast.

In February 1998 DD bid for acquiring the telecast rights of ICC knockout tournament involving 9 major cricketing nations, scheduled to be held at Dhaka during October-November 1998. DD made a bid for US\$ 8 million. ICC Development International Ltd. (IDI) who had the rights fixed a bid

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**DD bid high for the rights fee of ICC Knockout Tournament without ascertaining its revenue generation potential.**

guarantee of 10 *per cent* of the bid amount. DD sought the assistance of Stracon, a private air-time selling agent, to arrange payment of the bid guarantee on the assurance that Stracon would be allowed to acquire the overseas rights. Stracon arranged the payment through WorldTel (WT), an international rights marketing company, by offering in turn the overseas rights of the event at a consideration of US\$ 3.5 million. Minutes of the proceedings of the negotiations were not put on record by DD. It was however found from notings in the related files that negotiations were held with IDI on 3-5 March 1998 in Calcutta. Stracon was also present at the negotiations even though until that time the Consortium arrangement had not materialised. The retrospective application of the Consortium was an after thought to regularise the entry of the private agent into the commercial world of DD. During negotiations, DD, it appears was left with no option but to raise its bid to US\$ 10 million (plus US\$ one million-production cost) which comprised US\$ 6 million for overseas rights and US\$ 4 million for India rights. An examination of the notings and the bid papers revealed that Stracon had, on 3 March 1998 clearly informed DD that it would raise US\$ 11 million by the use of India rights for US\$ 8 million and by the use of overseas rights for US\$ 3 million. Thus DD was aware prior to the closing of bid that overseas rights would not fetch more than US\$ 3 million. Even then, the very next day DD went ahead offering US\$ 6 million for the overseas rights in the bid. This implied that DD, in disregard of the ordinary standards of economic prudence, committed itself to a lost deal. As it turned out Stracon covered the bid in the manner undertaken and DD was presented with the *fait accompli* of reduced revenues to the extent of US\$ 3 million (rupee equivalent Rs 12.75 crore). The manner in which the Consortium agreement signed on 24 March 1998 was retrospectively made applicable with effect from 1 February 1998 was questionable.

**DD accepted an inadmissible claim of Rs 2.13 crore towards refund of rights fee in ICC Knockout Tournament 1998**

DD bought the overseas rights and the India rights of the ICC Knockout Tournament in May 1998 from the ICC Development (International) Limited (IDI) at a cost of US\$ 10 million. DD arranged the payment by entering into prospective commercial agreements with a few air-time selling agents who were at that point of time in the process of forming a Consortium for marketing international sports events at the instance of DD. As it turned out all other parties backed out and only Stracon remained in the field. Two agreements were executed by DD with Stracon, one for overseas rights and the other for domestic rights to raise the funds and for marketing. The overseas rights were sold to Stracon by DD at a MG of US\$ 3 million. Stracon in turn raised the funds by selling the overseas rights to WorldTel for a sum of US\$ 3.5 million with the instructions that the amount should be paid directly to IDI. As per agreement WorldTel made the payment of US\$ 3.5 million directly to IDI. In November 1998, Stracon realised that it had made excess payment of US\$ 0.5 million to IDI (calculated with reference to MG of US\$ 3 million, which was incorrect) and made a claim for the refund of the

amount from DD. The claim was rejected on initial scrutiny (July 1999) as the excess payment was made to IDI and not to DD and DD had no liability in this regard. But the CEO, Prasar Bharati accepted the claim in August 1999 without assigning any reason and authorised Stracon to adjust the amount against pending dues. This resulted in a loss of Rs 2.13 crore to DD.

**DD's negligence in quoting its offer for the rights of World Cup Cricket 1999 led to acquiring of lesser number of matches at a substantially higher cost.**

DD had shown its interest in telecast rights of all 42 matches of World Cup Cricket 1999 to Test & County Cricket Board (TCCB) London in September 1996 and again in July and August 1997. As DD failed to quote its offer by April, 1997 the TCCB assigned telecast rights to ESPN in August 1997. DD ultimately settled for simulcast with ESPN for US\$ 6 million for live telecast of 11 matches only. DD had entered into an agreement with Stracon in September 1998 for marketing and financial participation. Nimbus challenged that agreement in the Bombay High Court and the Hon'ble High Court allowed open bidding by Stracon and Nimbus under its supervision and accepted the terms offered by Stracon as the best offer. As Stracon failed in furnishing the Bank Guarantees, DD awarded the marketing rights to Nimbus. DD entered into an agreement with Nimbus on 13 May 1999. It was observed in audit that DD acquired the simulcast rights for only 11 matches at a considerably high cost of US\$ 6 million. Due to negligence of DD, it failed to quote its offer to TCCB even after lapse of seven months' time from September 1996 to April 1997. If DD had quoted offer of US\$ 6 million as rights fee in April 1997, DD would have got exclusive terrestrial rights for all the 42 matches and revenue generation would have been approximately four times more. Interestingly, the cost of rights fee paid for 11 matches simulcast for the World Cup Cricket 1999 was much higher as compared to rights fee of US\$ 4.75 million paid for 32 out of 37 matches of World Cup Cricket 1996.

#### **2.2.4 Loss of Opportunity Cost**

When a new programme replaces the existing programme, Opportunity Cost is realised by way of telecast fee from the sponsors of the new programme. Even though introduction of new programmes by replacement has been a regular feature of programme management, DD had not developed any rational basis for the realisation of Opportunity Cost. It was only in November 1997 that the Ministry of Information and Broadcasting decided that the full Opportunity Cost should be recovered, putting an end to the practice of charging only two third of the telecast fee as Opportunity Cost. It was however, noticed in audit that DD persisted with the calculation of Opportunity Cost at a reduced rate on the grounds that telecast of international sports events was mandatory for DD and this resulted in a loss of at least Rs 10.84 crore in the events covered by the Consortium, as detailed in the table below:

**DD failed to develop a rational basis for calculation of opportunity cost which led to widespread losses.**

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*Rs in lakh*

Sl. No.	Name of the event	No. of Matches		Opportunity cost calculated on the basis of telecast fee	Opportunity cost recovered as per agreement.	Loss
		Day & Night matches	Day matches			
1.	Pepsi Triangular Series April 1998	-	7	174.00	100.00	74.00
2.	Coca Cola Cup May 1998	4	---	46.20	27.00	19.20
3.	French Open 1998	14 matches in 6 days Q.F. onwards		50.60	29.00	21.60
4.	World Cup Soccer 1998	64 matches in 27 days		258.00 (213 for live matches and 45 for highlights)	62.00	196.00
5.	Sri Lanka Independence Cup June-July 1998	4	6	38.35 (D/N) 36.38 (D) (74.73)	50.00	24.73
6.	Wimbledon 1998	14 matches in 6 days Q.F. onwards		49.05	33.00	16.05
7.	Hero Cup Sept. Oct 1998	3 & test highlights	---	45.60	Nil	45.60
8.	ICC Knock out Oct. November 1998	8	---	124.00	Nil	124.00
9.	Coca Cola Cup Sharjah 1998	7		183.75	104.55	79.20
10.	Coca Cola Cup Sharjah 1999	7	--	523.00 (on actual basis)	88.67	434.33
11.	Pepsi Triangular Series March-April 1999	2	3	49.00 (D/N) 42.10 (D) (91.10)	51.62	39.48
12.	Australian Open 1999	Q.F. onwards		23.01	13.04	9.97
13.	Indo-Pak Test Series	10 highlights of one hour		Not available	Not available	Could not be ascertained
<b>Total</b>				<b>1643.04</b>	<b>558.88</b>	<b>1084.16</b>

It will be seen from the table that in respect of item No.10 of the table Rs 523 lakh has been calculated as the Opportunity Cost based on the actuals. This calculation was made at the instance of the CEO of Prasar Bharati in April 1999. The CEO in his orders dated 12 April 1999 had categorically recorded that Opportunity Cost should be properly calculated to protect the commercial interests of DD by taking the actual telecast fee for the existing programmes which are replaced by the telecast of the event or as per the DD's rate card for the air-time, whichever might be higher. The CEO also recorded that audit



had objected to the fixing of lower Opportunity Cost for realisation from the sponsors in replacement programmes. As an indication of magnitude of the difference, it was observed by audit that the Opportunity Cost calculated by DD by taking two third of telecast fee was Rs 88.67 lakh while the Opportunity Cost calculated on actual basis as mentioned worked out to Rs 523 lakh. It may also be seen from item No.6 of the table that Rs 49.05 lakh was calculated as the full Opportunity Cost for Wimbledon 1998. For Wimbledon 1997 however, the Opportunity Cost was calculated as Rs 2.06 crore when there was no Consortium arrangement.

### **2.2.5 Mismanagement of Commercial Time**

Management of Commercial Time involves fixing the sale price per 10 seconds of Commercial Time (Spot Buy Rate or SBR), actual sale of Commercial Time and realisation of revenue as per agreement on the basis of telecast certificates. Thus management of Commercial time necessarily includes the availability of SBR determined on a rational basis, an agreement giving the conditions of sales with the marketing agency and proper maintenance of telecast records

**DD abandoned its responsibility of fixing the SBRs and allowed the Consortium, the buyer, to fix the rate.**

The SBR is governed by the DD's rate card, which categorises events taking into account various factors such as participating teams, timing (Day, Day-Night, weekdays, weekends etc.) and the exclusivity or non-exclusivity of the telecast rights. As per DD's rate card all the international live sports events and highlights thereof are generally categorised as 'A Special' with SBR of Rs.70, 000 (gross). Some special events and highlights thereof, to be intimated in advance, are categorised as 'Super A' with SBR of Rs.80, 000 (gross). DD awarded the marketing rights of all the live sports events covered under Consortium arrangement without categorisation or fixation of SBR.

The agency fixed SBRs arbitrarily without consulting DD, nor did DD question the actions of the agency. The agreement facilitated indiscriminate exploitation of the commercial opportunity by the agency, by providing for flexible rates which precluded reference to the norms. SBRs fixed for 'A-Special' category events, were found to be lower than 'A' and 'B' categories. This resulted in a loss of revenue of Rs 46.05 crore as detailed in the following table:

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**(Time in seconds) (Rs in lakh)**

Sl. No.	Name of the Event	Commercial Time		Net Revenue		Surplus/Deficit		DD's share if any	
		consumed	accounted for	as per Consortium Statement	as per Rate Card & actual CT*	as per Consortium Statement	as per Rate Card & actual CT	as per Consortium Statement	as per Rate Card & actual CT
1.	Pepsi Triangular Series April 1998	42705	33910	815.51	2540.95	65.51	1790.95	45.86	1253.66
2.	Coca Cola Cup May 1998	16380	12155	158.46	974.61	6.54 (-)	809.61	Nil	566.73
3.	French Open 1998	6710	5315	67.17	399.24	59.93 (-)	272.14	Nil	190.50
4.	World Cup soccer 1998	40225	36805	391.06	2393.39	236.23	2117.34	165.36	1482.14
5.	Sri Lanka Independence Cup 1998	34405	26055	897.87	2047.10	618.37 (-)	530.85	Nil	371.59
6.	Wimbledon 1998	8840	6710	113.82	525.98	54.88 (-)	357.28	Nil	250.09
7.	Hero Cup 1998	16275	13585	478.72	968.36	136.59	626.23	Nil	436.36
8.	ICC Knock Out 1998	52446	42120	2007.49	3120.54	1127.30(-)	14.25(-)	Nil	Nil
9.	Coca Cola Cup 1998 (Sharjah)	41201	33865	1290.50	2451.46	815.80 (-)	345.16	Nil	241.61
10.	Coca Cola Cup 1999 (Sharjah)	46820	37430	2775.65	2785.79	160.09	206.62	80.04	103.31
<b>Total</b>		<b>306007</b>	<b>247950</b>	<b>8996.26</b>	<b>18207.42</b>	<b>2084.40(-)</b>	<b>7041.93</b>	<b>291.26</b>	<b>4895.99</b>
11.	Pepsi Triangular Series March – April 1999	21745	Not available	Not available	1293.83	Not available	1293.83	Not available	Not available
12.	Australian Open 1999	The agency had not submitted the revenue generation statements							
13.	Indo-Pak Test Series (Highlights only)								

\* Commercial Time

It will be seen from the table above that in ten events DD earned Rs 291.26 lakh against the rightful share of Rs 4895.99 lakh calculated on the basis of the rate card stipulation for 'A-Special' category events. It will also be seen that in seven out of ten events DD's share of revenue was nil and for three events (11,12 and 13) neither were details recorded nor were the revenue generation statements were available.

In ten events, the Consortium accounted for only 2,47,950 seconds of commercial time while actual consumption worked out to 3,06,007 seconds. Non-accountal of 58,057 seconds knocked off Rs 40.64 crore from ambit of revenue sharing arrangements.

In respect of the Pepsi Triangular series (item 11) the telecast rights were granted to the Consortium without an agreement and the Consortium did not submit any details of time consumed or revenue earned. Audit calculated the time consumed and found that the Consortium had consumed 21,745 seconds valued at the 'A-Special' category rate that worked out to Rs 12.94 crore. It is interesting to observe that in this case the rights were obtained by DD at a cost of US\$ one million, in deviation from the Consortium arrangement without assigning/recording any reason for the deviation. The beneficiary, however continued to be the Consortium (Stracon) and DD never claimed its share of revenue which calculated in the 70:30 ratio, would have worked out to at least Rs 8.69 crore after adjusting Rs 51.62 lakh but without taking into account the recovery of the rights fee. Interest up to June 2000 alone works out to

**DD acquired the rights for the event but revenue was retained by Stracon in the absence of any agreement or revenue sharing arrangement.**

Rs 156.42 lakh. DD, when it acquired the rights outside the Consortium arrangement, should have gone for open bid for marketing. By deviating from the Consortium arrangement for acquisition of rights with the sole purpose of making the marketing rights available to the Consortium, DD endangered its own revenue earning potential and eventually bore the loss. The fact that the agency used the commercial time without explicit authorisation from DD on its own terms and DD promoted the violation of settled norms indicates that private airtime selling agents were benefited at the expense of government.

**Highlights of various events were telecast without fixation of any commercial terms.**

In addition to live matches there was provision of highlights in some of the events. However, opportunity cost was not worked out for such highlights nor were any separate bills raised against the agency. In the accounts submitted by the agency (Stracon) the commercial time aired during the highlight was not accounted for. The scrutiny of log books maintained at DD's Studio revealed that though the highlights had been telecast in some events no commercial time telecast was logged. In a few cases where the details of commercial time telecast were available 3005 seconds were telecast in three one hourly and one half hourly highlights in two events valuing Rs 210.35 lakh taking the highlights in "A Special" category. The agency had neither accounted for the commercial time in its revenue generation statement nor had DD raised the bills for Rs 1.47 crore (gross) being its 70 percent share.

**DD suffered a loss due to non-accountal of actual commercial time consumed during World Cup Cricket 1999 in terms of the agreement.**

This was noticed in audit with reference to the marketing of the World Cup Cricket 1999 which was kept out of the Consortium arrangements by the orders of the High Court of Bombay (refer Para 2.2.3), Nimbus had undertaken that it would generate a minimum revenue of Rs 77 crore (Gross) from which it would pay a minimum profit of Rs 14.25 crore and carriage fee of Rs 12.31 crore to DD. Surplus revenue beyond Rs 66.50 crore would be shared between DD and Nimbus in the ratio of 70:30. Nimbus however paid nothing on the plea that the revenue generated fell below Rs 66.50 crore and was hence not sharable. This was not disputed by DD. The plea of Nimbus however was examined in audit and it was found that Nimbus showed a gross revenue generation figure of Rs 71.17 crore against the minimum revenue of Rs 77 crore it had undertaken to generate. Nimbus deliberately furnished depressed figures of time consumption, which went unchecked by DD. Audit calculated from the logbooks of DD that Nimbus had actually used 1,01,416 seconds while it had accounted for only 71,855 seconds. Thus it had depressed its revenue generation figure by Rs 29.28 crore calculated on the basis of average SBR of Rs 99,040 per 10 seconds. Had the correct calculation been shown, then the gross revenue generated by Nimbus would have worked out to Rs 100.45 crore. On the basis of the undertaking given to the court net revenue in excess of Rs 66.50 crore was sharable and hence the net surplus revenue of Rs 33.95 crore should have been available for sharing between DD and Nimbus in the ratio of 70:30. On this basis, DD's share would have been worked out to Rs 23.77 crore. Instead of claiming this share DD allowed Nimbus to violate its commitment and allowed itself to be put to loss.

### **2.2.6 Non-recovery of dues**

In the absence of any stipulated time limit for payment of DD's dues, in the MOUs, Stracon did not make the payments within the stipulated period as per DD's manual i.e. even after availing a credit period of 60 days succeeding the month in which the event was telecast. For eleven out of the thirteen events held during April 1998 to April 1999, an amount of Rs.964.62 lakh was payable by Stracon. Stracon submitted the revenue generation statements in March 1999 for 9 events and for one event, Sharjah, 1999 in June 1999. For the remaining 3 events no revenue generation statement was submitted as of June 2000. The agency paid Rs.623.55 lakh during May 98, September 98, December 98, February 99, August 99 and February 2000. An amount of Rs 331.00 lakh was adjusted against rebate for Sharjah 99 and refund of ICC Knockout. Balance amount of Rs.10.07 lakh is still outstanding against the agency. The interest for the period of outstanding payments works out to Rs.54.13 lakh @ 18 percent per annum up to June 2000.

**Stracon did not repay the rights fee paid by DD in respect of Coca Cola Cup, Sharjah 1999**

The rights fee of Rs. 7.25 crore for Coca Cola Cup Sharjah 1999 was paid from the Canara Bank Account by diversion of Government money. Stracon deducted the amount from the revenue generated from the event but did not remit it to DD. Interest on this amount at the rate of 18% works out to Rs 1.49 crore up to June 2000.

Stracon adjusted Rs. 3.22 crore as the cost of withholding taxes from the revenue generated from the Coca Cola Cup Sharjah 1999 but the same is still to be paid to the Income Tax Authorities. Interest on this amount at the rate of 18% works out to Rs 0.58 crore up to June 2000.

### **2.2.7 Loss due to lack of insurance cover**

As per clause 6 of the Consortium agreement each member was responsible for payment of right fee inclusive of insurance cost, production cost, satellite feed cost and any tax for the event they acquire. However it was seen from the records that no provision of insurance was provided in the MOUs to safeguard DD's interests in case of abandonment of matches due to bad weather or otherwise. This was a serious failure on the part of DD.

In Sri Lanka Independence Cup three matches were abandoned but the full right fee of US\$ 3 million had to be paid as the same were not insured. WorldTel had provided in its agreement with Stracon that Stracon would be responsible for getting proper insurance against abandonment of matches. No such provision was made by DD in its agreement with Stracon which resulted in a loss of Rs 3.83 crore (US\$ 0.9 million) as the ultimate outgo was from DD's revenues.

### **2.2.8 Unauthorised operation of Bank Account**

Though not authorised, Prasar Bharati opened a current account in Canara Bank in May 1998 for ICC Knockout Tournament. All revenues from sale of

airtime were to be credited to this account for making payments towards rights fee. No amount was however credited into this account.

During June 1998 to January 1999 DD unauthorisedly diverted Rs 8.5 crore from its revenue receipts to this account. From this corpus, Rs 5.12 crore was paid towards withholding tax and Rs 0.07 crore was spent on travel expenses of DD functionaries. In March 1999, the account was squared by recouping the amounts so spent by crediting Rs 8.5 crore into revenue. It is significant to note that revenue of Rs 5.19 crore was recouped through an expenditure sanction. Effectively Rs 5.12 crore of revenue was utilised for providing unauthorised financial accommodation to the private agent who was responsible for paying the withholding tax. The unauthorised bank account was operated to facilitate this unauthorised financial deal. Once the deal was through, Rs 8.5 crore was credited back to revenue, but the account remained open.

The Consortium (Stracon) deposited Rs 26.75 crore received from advertisers for World Cup Cricket 1999 into this account during February to April 1999. Out of this, payment of Rs 12.75 crore was made to England and Wales Cricket Board (ECB) towards 50 percent of the rights fee of World Cup Cricket 1999 (US\$2.55 million) and taxes thereon in March 1999. In April 1999 a Letter of Credit (LC) for US\$ 2.5 million was opened in favour of WorldTel through this account for payment of 50 percent of rights fee of Coca Cola Cup Sharjah 1999. Remaining 50 percent rights fee of Rs 10.70 crore (US\$ 2.5 million) was also paid from this account during April 1999 even though it was the sole responsibility of the Consortium (Stracon) to pay rights fee and taxes thereon. For making payment against the LC the balance in the account fell short by Rs 7.55 crore. As such a sum of Rs 13 crore was withdrawn from government account ostensibly for the payment of balance 50 percent rights fee of the World Cup Cricket 1999. The deficit was met actually out of these funds. As ECB was pressing hard for balance rights fee amount of Rs 13 crore (US\$ 3 million), another sum of Rs 8 crore was withdrawn from government account and payment of Rs 16.70 crore including taxes was paid to ECB in May-June 1999. In the meanwhile, marketing rights of the World Cup Cricket 1999 were awarded to Nimbus as per orders of the Hon'ble Bombay High Court. Consequently Nimbus had to pay DD Rs 30 crore on account of rights fee and taxes thereon. In the changed scenario only two advertising agencies agreed to continue with Nimbus for telecast of their commercials. Thus Rs 26.75 crore originally collected by Stracon from advertisers on account of World Cup was reduced to Rs 12.48 crore. Nimbus deposited remaining Rs 17.52 crore in three instalments during May June 1999 fulfilling contract agreement of Rs 30 crore. Balance Rs 14.28 crore left in the Canara Bank account at the credit of Stracon was used against payment of Rs 21.53 crore for rights fee of Coca Cola Cup Sharjah 1999. The shortfall of Rs 7.25 crore was made good from the money withdrawn from government account which is still outstanding against Stracon. DD paid into government account Rs 14.25 crore by August 1999. Rs. 6.75 crore is yet to be reimbursed to government account as of January 2001.

**Though it was the responsibility of Consortium (Stracon), the rights fee of Coca Cola Cup, Sharjah 1999 was paid from this account by diverting government funds.**

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It will be seen from the manner in which the account was used that the sole purpose of the account was to facilitate unauthorised transactions. Prasar Bharati during the relevant period was within the government budgetary system and it had not been authorised by the government to open a Letter of Credit.

**2.2.9 Loss Due to Irregular payment of withholding taxes**

DD paid an amount of Rs 5.12 crore as withholding tax on rights fee and production cost even though as per its agreement with the Consortium, the Consortium was liable to pay taxes incidental to the acquisition of the right and cost of production of ICC Knockout Tournament 1998. This amounted to giving a direct pecuniary benefit to a private party at the expense of Government.

**2.2.10 Loss due to irregular payment of promotional expenses**

Against Stracon's bills of Rs 44.26 lakh for press publicity expenses of ICC Knockout Tournament 1998, DD paid Rs 23.26 lakh (as per available records), which was incorrect as publicity was the responsibility of marketing agency and in any case that expenditure should have been recovered from revenues of the event. This resulted in a loss of Rs 23.26 lakh to DD

**2.2.11 Loss due to payment of irregular compensation**

Stracon acquired the exclusive live telecast rights of Coca Cola Cup Sharjah 1999 held in April, 1999 at a cost of US\$ 5.11 million (net of taxes) inclusive of cost of production and up linking cost from WorldTel for telecast on DD network. As per agreement of January 1999, Stracon was given exclusive marketing rights of the event

**DD allowed a compensation of Rs 1.18 crore against admissible compensation of Rs 7.91 lakh.**

The final match played on 16 April 1999 was telecast only on DD-II Metro Channel due to live telecast of a Parliament debate on DD-I National Channel and during the news hour the match was telecast only on DD Sports Channel. Stracon filed a claim of Rs 3.25 crore for cost of the event of one day on the ground that DD failed to fulfil its obligation of showing the match on National Channel which resulted in loss of revenue. DD, in August 1999 allowed a compensation of Rs 1.18 crore against the admissible compensation of Rs 7.91 lakh calculated by DD on the basis of opportunity cost. Higher compensation paid resulted in a loss of Rs 1.10 crore to DD.

**2.2.12 Admission of irregular refund of Rs.5.87 crore**

**DD admitted incorrect refund of Rs 5.87 crore as production cost.**

Observations regarding acquisition of rights, loss of revenue etc. relating to the World Cup Cricket 1999 event have already been made in para 2.2.3. A case of admission of irregular refund of Rs 5.87 crore was also noticed in audit. Prior to the award of the telecast rights to Nimbus, Stracon on the assumption that it would enjoy the right, had prepared some programme software and promotional material on its own without having been

commissioned by DD. After the court awarded the marketing rights to Nimbus and Stracon was removed from the field, Stracon filed a claim in June 1999 for the reimbursement of expenditure incurred on these items. This was inadmissible but in August 1999 DD decided to admit the claims by interpreting these items as commissioned programmes. Although the amount is yet to be paid, the liability stands accepted. Investigation by audit revealed that payment of cost of production of live matches and highlights of World Cup Cricket 1999 did not arise as the telecast rights were awarded to Nimbus. In regard to payment of the cost of production of “Runup to World Cup 1999”, the programme was never telecast hence there was no basis for the claim. In regard to the payment of cost of production of promos for World Cup Cricket 1999 these were telecast under the sponsored category wherein DD would have no liability towards cost of production. Thus by admitting the claims DD had allowed the irregular refund of Rs 5.87 crore.

### **2.2.13 Marketing without contract**

In deviation from the Consortium arrangement DD procured rights of 10 daily Highlights of one-hour duration from ESPN for Indo Pak Test Matches held during January-February 1999 at a cost of US\$ 95,000. Only eight highlights were telecast by DD and the prorata cost was worked out to US\$ 76000. Stracon was allowed to market the event without any agreement or contract and without any SBR for the time used. Rs 12 lakh was realised from Stracon by adjustment against refunds allowed. Examination by audit however, brought out that DD was not in a position to furnish either telecast certificates or log book readings. It transpired that commercial time was not logged in. Thus while DD paid US\$ 76,000 (excluding tax) equivalent to Rs 33.44 lakh to acquire the rights and Rs 4.85 lakh towards tax, it realised a revenue of only Rs 12 lakh from the agency resulting in a loss of Rs 26.29 lakh including the liability for tax.

**DD allowed Stracon to market the highlights of Indo Pak Test Matches 1999 without any agreement.**

### **2.2.14 Conclusion**

It would be seen from the audit observations contained in the preceding paragraphs that the Consortium arrangement for both acquiring the rights and marketing the events was a failure. As has already been brought out in the preceding paragraphs the conceptual framework itself was flawed, the event specific agreements were deviant, the acquisition processes were manipulated, huge opportunity cost was foregone, dues remained unsettled and irregular payments were admitted. DD let itself be put to loss and failed to protect the best interest of the government. A summary of the magnitude of financial losses incurred by DD due to the reasons explained in the preceding paragraphs is as follows:

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1.	Mismanagement of commercial time (Para 2.2.5)	46.05
2.	Mismanagement of commercial time (Unclaimed share of DD-World Cup Cricket 1999) (Para 2.2.5)	23.77
3.	Manipulations in acquisition of rights (Overseas rights acquired at a cost of US\$ 6 million but sold for US\$ 3 million – ICC Knockout Tournament 1998) (Para 2.2.3)	12.75
4.	Loss of opportunity cost (Para 2.2.4)	10.84
5.	Mismanagement of commercial time (Grant of telecast rights without an agreement-Pepsi Triangular Series-1999) (Para 2.2.5) Loss of Interest	8.69 1.56
6.	Non-payment of Rs 7.25 crore to DD (rights fee of Coca Cola Cup Sharjah-1999) (Para 2.2.6) Loss of Interest	7.25 1.49
7.	Admission of irregular refund of Rs 5.87 crore (cost of promotional material in respect of World Cup Cricket 1999) (Para 2.2.12)	5.87
8.	Loss due to irregular payment of withholding taxes (ICC Knockout Tournament 1998) (Para 2.2.9)	5.12
9.	Manipulations in acquisition of rights (Non recovery of rights fee from ESPN-Sri Lanka Independence Cup-1998) (Para 2.2.3)	3.83
10.	Loss due to lack of insurance cover (Sri Lanka Independence Cup 1998) (Para 2.2.7)	3.83
11.	Non Payment of Rs 3.22 crore towards income tax (Coca Cola Cup Sharjah 1999) (Para 2.2.6) Loss of interest	3.22 0.58
12.	Manipulations in acquisition of rights (Irregular refund in ICC Knockout Tournament 1998) (Para 2.2.3)	2.13
13.	Mismanagement of commercial time (Loss due to non-accountal of commercial time utilised during highlights) (Para 2.2.5)	1.47
14.	Loss due to payment of irregular compensation (Coca Cola Cup Sharjah 1999) (Para 2.2.11)	1.10
15.	Loss of interest (Para 2.2.6)	0.54
16.	Manipulations in acquisition of rights (Payment of rights fee by DD for additional match-Coca Cola Cup-1998) (Para 2.2.3)	0.30
17.	Marketing without contract (Highlights of Indo Pak Test Series 1999) (Para 2.2.3)	0.26
18.	Loss due to irregular payment of promotional expenses (ICC Knockout Tournament 1998) (Para 2.2.10)	0.23
<b>Total</b>		<b>140.88</b>



### 2.3. Loss of Rs 25.44 crore due to undue benefit to the sponsors

#### 2.3.1 Undue benefit to the sponsor of a news-based programme

DD allotted a five minutes programme on news from remote areas titled 'Ankhon Dekhi' to M/s Nalini Singh Associates in September 1996. It was scheduled to be telecast from October 1996 for six days a week from Saturday to Thursday at 8.55 p.m. to 9.00 p.m. on Metro Channel of DD under Super-A category.

In October 1996; Director General (DG), DD fixed its telecast fee at Rs 7,500/- with Free Commercial Time (FCT) of 50 seconds per episode on provisional basis on the grounds that Doordarshan Commercial Service (DCS) was in the process of revising rates of all channels and the agency was informed that regular charges would be intimated after three months. The programme went on air from 18 November 1996.

DD introduced its revised rates from 15 November 1996. According to these rates, telecast fee for half an hour programme of this slot was Rs 1.50 lakh with FCT of 150 seconds. Therefore, prorata fee and FCT for five minutes would be Rs 25,000/- and 25 seconds respectively. From 8 May 1997; the Daily News and Current Affairs programmes were allowed additional FCT of 30 seconds. Accordingly, additional prorata FCT for five minutes programme worked out to five seconds making total prorata FCT as 30 seconds. But the DG, DD continued to allow the low rates for one year on the ground that this would provide the time for building up the slot.

After one year DG, DD revised the rates and fixed the telecast fee as Rs 37,500/- and FCT as 40 seconds per episode from November 1997. Even this offered 10 seconds per episode extra beyond the prorata FCT of 30 seconds. The inadmissible extra time is valued at Rs 30,000 against extra telecast fee of Rs 12,500 per episode. Thus, an undue benefit of Rs 3.87 crore accrued to the sponsor up to May 2000 as follows:

Period		No. of episodes	FCT per episode (In seconds)			Value of excess FCT per episode @ Rs. 30,000 per 10 seconds	Undue benefit (Rs in lakh)
From	To		Due	Allowed	Excess	Rs.	
18.11.96	7.5.97	147	25	50	25	75000	110.25
8.5.97	17.11.97	147	25+5	50	20	60000	88.20
18.11.97	31.5.2000	782	25+5	40	10	30000	234.60
<b>Total 'A'</b>							<b>433.05</b>

**Telecast Fee**

Period		No. of episodes	Telecast fee per episode			Undue benefit
From	To		Due	Charged	Excess(+) Short(-)	
			Rs.	Rs.	Rs.	(Rs in lakh)
18.11.96	17.11.97	294	25000	7500	(-)17500	(-)51.45
18.11.97	31.5.2000	782	25000	37500	(+)12500	(+)97.75
<b>Total 'B'</b>						<b>(+)46.30</b>
<b>Total undue benefit</b>		<b>A-B</b>	<b>=Rs 433.05 lakh minus Rs 46.30 lakh =386.75 lakh</b>			

Further, the Controller of Sales, DD in February 1998 had observed that the programme was not sticking to the approved five minutes duration and had already utilised 4350 seconds extra beyond its five minutes duration between August 1997 to February 1998. The value of 4350 seconds utilised extra worked out to Rs 130.50 lakh at SBR of Rs 30,000/-per 10 seconds but DD raised bills in April 1998 only for Rs 112.72 lakh. The producer represented against it. Although, DG, DD did not find merits in the sponsor's arguments, yet he reduced the amount to 20 per cent i.e. Rs 22.54 lakh treating it as penalty. Even before this could be implemented, DD arbitrarily reduced the claim further down to Rs 1.87 lakh treating the excess time as five slots of 15 minutes each. The loss on this count worked out to Rs 1.29 crore.

DD also allotted another slot of 5 minutes at 1.25 p.m. to 1.30 p.m. to the producer for another news based programme 'Dopahar Ankhon Dekhi'. Its telecast started from 8 September 1998 for five days a week from Monday to Friday on National Channel of DD.

As per the rate card, the slot falls under 'B-category' with telecast fee of Rs 25,000 and FCT of 180 seconds for 30 minutes per episode with SBR of Rs 20,000/-. Accordingly, prorata fee and FCT worked out to Rs 4167/- and 30 seconds respectively per episode. But DD charged the telecast fee of Rs 12,500/- and allowed FCT of 90 seconds per episode. Thus DD sold the commercial time of 60 seconds (90 seconds – 30 seconds) at Rs 8,333/- (Rs 12,500 – Rs 4,167) against its commercial value of Rs 1,20,000/- at SBR of Rs 20,000 and sustained a loss of Rs 1,11,667/-(1,20,000-8,333) per episode. Thus in this programme DD suffered a loss of Rs 4.80 crore on 430 episodes run till 31 May 2000, while bringing in inadmissible benefits to the producer.

**DD gave undue benefit of Rs 9.96 crore to the sponsor of news-based programme by deviating from norm.**

Overall total undue benefit of Rs 9.96 crore (Rs 3.87 crore plus Rs 1.29 crore plus Rs 4.80 crore) accrued to the producer up to May 2000 on both the programmes, and correspondingly the DD lost as much. Neither has any investigation into the matter been carried out by DD, nor has the DD replied to the observations of Audit as of February 2001.

### 2.3.2 Loss of revenue – India Sri Lanka One-day International Cricket series.

Stracon India Pvt. Ltd, (Stracon), proposed to DD in October 1997 to market the live telecast of India-Sri Lanka One-day International Cricket Series (3 matches) scheduled on 22, 25 and 28 December 1997. The agency asked for FCT of 6000 seconds per match and agreed to pay licence fee, production cost and carriage fee equivalent to opportunity cost calculated as per norms of DD. This worked out to Rs 3.56 crore including Rs 1.56 crore opportunity cost, Rs 1.50 crore Rights Fee and Rs 0.5 crore production cost. Considering the revenue normally generated by telecast of live one-day cricket series, MG should be more than Rs 3.56 crore. As such DD considered levying MG of Rs 5 crore with FCT of 5000 seconds per match at spot-buy rates for the first innings and the second innings as Rs 90,000 and Rs 1,12,500 respectively.

However, after discussion among officers of Directorate General, MG was reduced to Rs 3 crore, taking opportunity cost as Rs 0.75 crore being 50 *per cent* of the actual opportunity cost. The ground for reduction in opportunity cost was that DD had to cover the event for its viewers and to make the proposal financially viable for the sponsor. Additional Secretary and Financial Advisor (Ministry of Information & Broadcasting) (AS&FA (MIB)) did not agree for reduction in opportunity cost and the Ministry also approved for recovery of entire amount of opportunity cost and for laying down conditions with regard to limitations on FCT and other conditions.

**DD awarded the marketing rights for the series to the agency on MG of Rs 3 crore.**

The file containing the approval of the Minister was withdrawn on the plea that with the formation of Prasar Bharati, it was Prasar Bharati alone, which had to decide the matter. The matter was discussed by Director General (DG) with Chief Executive Officer (CEO) in the presence of Deputy Director General (DDG)s and DD awarded the marketing rights for the series to the agency on MG of Rs 3 crore (net) and instead of limiting the commercial time to 5000 seconds, maximum time was made available for commercial purposes subject to the condition that the live telecast should not be affected in any manner. Five minutes of commercial time was also allowed before and after each innings. DD's share of revenue was to be calculated @ Rs 60,000/- per 10 seconds instead of Rs 90,000 and Rs 1,12,500 respectively for the first and the second innings as was proposed. The revenues generated in excess of MG amount was to be shared between DD and the agency in the ratio of 70:30 on net basis. Only two out of the three matches were telecast while the match scheduled for 25 December 1997 was abandoned after bowling of five overs.

The *pro rata* MG for the two matches telecast works out to Rs 2 crore on the basis of MG of Rs 3 crore for which the rights were awarded. DD incurred expenditure of Rs 3.20 crore in telecasting these matches. This resulted in a loss of Rs 1.20 crore due to the fixing of lower MG.

Further, there was a loss in revenue sharing. As per DD Rate Card, live telecast of International Sports events/highlights fall under 'A- Special' category and attract spot-buy rate of Rs 70,000/- per ten seconds. The gross value of commercial time of 12655 seconds, excluding branding charges and

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the commercial time utilised during highlights, works out to Rs 885.85 lakh and DD's net share of Rs 587.08 lakh (inclusive of MG amount) against which the agency paid only MG amount of Rs 2 crore (net) resulting in a loss of Rs 3.87 crore on the telecast of 2 matches.

Total loss to DD on account of lower MG and reduced share of revenue worked out to Rs 5.07 crore (Rs 1.20 crore plus Rs 3.87 crore).

The losses would even be more if revenue generation statements and details of commercial time consumed are analysed further. Such analysis could not be undertaken by audit as revenue generation statements and the details of total commercial time consumed by the agency in one hourly highlights were neither submitted by the agency nor called for by DD although a period of more than two years had already elapsed since the event was held. On being pointed out by Audit, DD has now called for the same.

**2.3.3 Loss of revenue due to undue benefit to the sponsor.**

Nimbus Communications sponsored a film-based programme, 'Super Hit Muqabla' from 1993 at the Sunday 9.00-10.00 PM slot on Metro Channel of DD. The sponsor submitted in March 1995, a proposal to DD for availing the facility of the Minimum Guarantee Scheme introduced by DD. The proposal sought 655 seconds of commercial time including 180 seconds of FCT, against a MG of Rs 40 lakh per episode to DD. While accepting the MG offer of Rs 40 lakh (including telecast fee), the DD agreed for only 560 seconds of commercial time including 180 seconds of FCT. DD maintained that commercial time was valued at premium for calculating the MG. (Calculated at premium the value of Additional Spots of 380 seconds (560-180) of commercial time worked out to Rs 32.94 lakh and by adding the sponsorship fee of Rs 6.80 lakh the total would come to Rs 39.74 lakh. So DD accepted the MG at Rs 40 lakh by providing 560 seconds of commercial time). As the agency did not agree for 560 seconds, DD re-examined the request of the agency for the grant of 655 seconds and made it clear in July 1995 that it would get only 560 seconds of commercial time per episode against the MG of Rs. 40 lakh.

The sponsor, in turn, persisted with its own calculation of commercial time at the flat rate of Rs 70,000 per 10 seconds and arrived at a figure of Rs 33.25 lakh for 475 seconds (655-180) to which it added the sponsorship fee of Rs 6.80 lakh to offer the all inclusive MG of Rs 40 lakh per episode. The calculation of sponsor was not in conformity with the prevalent rate structure and any relaxation in favour of the sponsor would result in benefiting the sponsor at the expense of DD's revenue. In fact DD had already charged these rates (premium rates) for another super 'A' category serial 'Junoon' and thus there was no case for relaxation of the norm in this case. But still DD accepted in September 1995 to allow 655 seconds against MG of Rs 40 lakh. Evidently by using flat rate basis the sponsor adopted a tactic to extract more benefit than the scheme contemplated. The valuation of 655 seconds as per the rate structure computes to Rs 53.85 lakh. Even by excluding the FCT of 180 seconds the value of 475 seconds (655-180) of commercial time comes to

**DD allowed commercial time of 655 seconds per episode against the admissible 560 seconds to sponsor of the programme.**

Rs 41.25 lakh and by adding the sponsorship fee of Rs 6.80 lakh the total comes to Rs 48.05 lakh against a MG of Rs 40 lakh charged in this case. The sponsor thereby gained Rs 8.05 lakh per episode.

The decision of allowing the sponsor Nimbus Communications, the use of 95 seconds of additional commercial time per episode resulted in giving undue benefit of Rs 8.05 lakh per episode for 56 episodes telecast during September 1995 to October 1996. The total undue benefit to the sponsor on this account works out to Rs 4.51 crore. DD revised the MG amount and spot buy rates upwards from November 1996, and the sponsor continued with the serial till 30 November 1997, when the programme finally ended. Examination of records of outstanding bills for the period from January 1997 onwards revealed that the sponsor was yet to pay Rs 5.50 crore out of Rs 23.16 crore billed by DD for 47 episodes run during 1997. Interest on this outstanding amount worked out to Rs 3.04 crore as of September 2000

Audit reported the matter to the Ministry in January' 1997. The Ministry in their reply of March 1997 had not contested the facts and figures mentioned in the observation.

#### **2.3.4 Undue benefit to a sponsor.**

The DG, DD approved telecast of 'Janmabhoomi' a non-film based serial produced by Rainbow Productions Private Limited from 14 January 1997. The DG, DD further approved telecast of 'Khaskhabar' a news and current affairs programme produced by the same sponsor from 5 October 1998. DD telecast the programmes on both DD-1 and DD-7 channels. The Director, DDK extended undue financial benefit of Rs 3.02 crore to the sponsor in these two programmes as detailed in the succeeding paragraphs.

##### **(i) Undue benefit of Rs 1.78 crore to the sponsor by excess grant of FCT**

- (a) As per rate card, for a daily serial, five telecast days per week is considered as one episode and a sponsor can utilise upto 100 seconds of banked FCT per episode. The DG, DD enhanced the duration of the serial 'Janmabhoomi' from 30 minutes to 45 minutes with effect from 19 January 1998 in DD-1. Due to increase in duration the Controller of Sales, Prasar Bharati enhanced the banked FCT utilisation limit to 150 seconds in April 1998. But the Director, DDK allowed the sponsor to utilise banked FCT in excess of the admissible 100 and 150 seconds in 36 episodes of Janmabhoomi consisting of five days of telecasts in contravention of the rate card resulting in undue benefit of Rs 1.25 crore to the sponsor as detailed below:

**Director, DDK  
allowed the sponsor  
to utilise banked FCT  
in excess of  
admissible limits.**

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Channel/time	Period	No. of episodes	Admissible FCT (Seconds)	FCT utilised (Seconds)	Excess FCT utilised (Seconds)	Rate per 10 seconds (in Rs)	Total amount (Rs in lakh)
DD-1 6.20 p.m	24.2.97 to 19.11.99	30	87705	102175	14470	7500	108.53
DD-7 8.30 p.m	24.2.97 to 18.9.98	6	6060	9695	3635	4500	16.36
<b>Total</b>							<b>124.89</b>

- (b) The news and current affairs programme Khaskhabar started telecast on the DD-1 and DD-7 channels from 5 October 1998. As per commercial terms approved by Doordarshan Commercial Service (DCS) in August 1998, the programme would have continuous banking of unutilised FCT with a proviso that no single telecast would go beyond the admissible FCT plus 50 seconds of banked FCT.

The Director, DDK did not maintain any register of Banking of FCT in respect of Khaskhabar. However, it was noticed from the logbook that during December 1998 to March 2000 the sponsor in 208 episodes enjoyed the benefit of excess utilisation of banked FCT ranging from 5 seconds to 245 seconds in contravention of norms approved by the DCS.

**Director, DDK did not charge additional fees at prescribed rate for the use of excess commercial time.**

But the Director did not charge the sponsor additional fees at prescribed rate for the use of excess commercial time. This resulted in undue benefit of Rs 52.70 lakh to the sponsor during December 1998 to March 2000 in DD-1 and DD-7 calculated on the basis of the spot buy rate approved by DCS in August 1998 as shown below:

Channel	Period	FCT admissible (Seconds)	FCT utilised (Seconds)	Excess FCT utilised (Seconds)	Rate per 10 seconds (in Rs)	Value of excess FCT (Rs in lakh)
DD 1	19.3.99 to 30.3.2000	23920	27445	3525	5000	17.62
DD 7	11.12.98 to 21.11.99	20930	28725	7795	4500	35.08
<b>Total</b>						<b>52.70</b>

- (ii) **Short levy of Rs 80.15 lakh in sponsorship fee in a repeat programme**

**Director, DDK did not charge 50 per cent premium on sponsorship fee for repeat telecast on DD-I.**

- (a) As per rate card if any programme is repeated from DD-7 to DD-1 50 per cent premium will be added to sponsorship fees of the slot for DD-1 with no change in FCT. The daily serial, Janmabhoomi was first telecast on DD-7 on 14 January 1997 and repeated on DD-1 from 15 January 1997.

The Director did not charge premium for repeat telecast of this serial on DD-1 from the very first episode. This resulted in short levy and consequential loss of revenue to the tune of Rs 72.12 lakh as shown below:

Period	Duration	No. of telecasts	Sponsorship fees per day of telecast		Short-levy (Rs)	Total short levy (Rs in lakh)
			Chargeable (Rs)	Charged (Rs)		
1 <sup>st</sup> to 52 <sup>nd</sup> Episode (15.1.97-16.1.98)	30 minutes	213	15000+7500 =22500	15000	7500	15.98
53 <sup>rd</sup> Episode onwards (19.1.98-31.3.2000)	45 minutes	499	22500+11250 =33750	22500	11250	56.14
<b>Total</b>						<b>72.12</b>

**Director, DDK did not charge 25 per cent premium on sponsorship fee for repeat telecast on DD-7.**

- (b) As per provisions of the rate card, if a programme is repeated from DD-1 to DD-7 a premium of 25 *per cent* is to be paid in addition to the sponsorship fee of Rs 5000 for 10 minutes programme and Rs 10000 for 20 minutes programme on DD-7 with no change in FCT. The news-based programme, Khaskhabar, which began to be telecast on 5 October 1998 is first telecast on DD-1 and subsequently repeated on DD-7 on the same day.

The Director did not charge premium for repeat telecast of Khaskhabar on DD-7 resulting in short levy or sponsorship fees of Rs 8.03 lakh as shown below:

Period	Duration	No. of telecasts	Sponsorship fees per day of telecast		Short-levy (Rs)	Total short levy (Rs in lakh)
			Chargeable (Rs)	Charged (Rs)		
5.10.98 to 19.12.99	10 minutes	436	5000+1250 =6250	5000	1250	5.45
20.12.99 to 31.3.2000	20 minutes	103	10000+2500 =12500	10000	2500	2.58
<b>Total</b>						<b>8.03</b>

**(iii) Grant of excess concession in Minimum Guarantee Scheme resulted in loss of Rs 44.44 lakh**

In minimum guarantee scheme, the sponsor can avail of concession on the rate of additional spot buy time at the rate of 35 *per cent* from first episode, at the rate of 30 *per cent* from 14<sup>th</sup> episode and at the rate of 25 *per cent* from 27<sup>th</sup> episode. Thereafter the rate is fixed at the discretion of DD.

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Khaskhabar, which was telecast from 5 October 1998 on DD-7, came under this scheme from 20 September 1999. But the Director, DDK allowed the sponsor 35 per cent concession on the rate of additional spot buy time though by that time more than 40 episodes had already been telecast. Further, though the programme was telecast in prime time slot, the Director charged the rate of additional spot buy time for non prime time slot. This resulted in loss of Rs 44.44 lakh as detailed below:

Period	Duration	No. of days	Cost of Additional Commercial Time		Short levy (Rs)	Total short levy (Rs in lakh)
			Chargeable (Rs)	Charged (Rs)		
20.9.99 to 19.12.99	10 minutes	91	35438	20475	14963	13.62
20.12.99 to 31.3.2000	20 minutes	103	70875	40950	29925	30.82
<b>Total</b>						<b>44.44</b>

Thus, the total undue benefit given to the sponsor amounted to Rs 3.02 crore as detailed in table below:

Particulars	Amount (Rs in Crore)
Excess grant of FCT	1.78
Short levy of sponsorship fee in a repeat programme	0.80
Grant of excess concession in Minimum Guarantee Scheme	0.44
<b>Total</b>	<b>3.02</b>

**2.3.5 Undue benefit allowed to the sponsor of the programme 'India the Awakening'.**

DD telecast a sponsored programme titled 'India the Awakening' of 5 minutes duration from 18 August 1997 for five days a week at 9.20 p.m. on its National Channel in 'News and Current Affairs' section.

The 9.20 p.m. slot falls under 'Super-A' category for which the telecast fee was Rs 3.00 lakh per episode with FCT of 90 seconds and additional FCT of 30 seconds for a 30 minutes programme. Therefore, pro-rata telecast fee and FCT for a five minutes programme worked out to Rs 0.50 lakh and 20 seconds respectively per episode.

DD charged telecast fee of Rs 37,500 and allowed FCT of 45 seconds instead of following *pro rata* rates. The basis for charging lower telecast fee was not on record. It was an arbitrary executive decision taken on the face of the fact

**DD did not charge prorata for a five minutes programme.**



that the *pro rata* option was very much available. Thus, an undue benefit of Rs 2.125 lakh was granted to the sponsor in each episode by charging lower telecast fee and allowing higher FCT. 98 episodes were telecast upto January 1998 and the undue benefit amounted to Rs 2.08 crore.

Besides, bills amounting to Rs 3.38 lakh were not raised against the agency for 9 episodes telecast in August-September 1997.

The department stated in September 2000 that DD had considered charging pro-rata fees for such programmes and a structured Rate Card had been developed and was being implemented. It also stated that bills for 9 episodes would be raised on obtaining confirmation of telecast from the Kendra.

On verification it was noticed that the *pro rata* rate card was issued only in September 2000 even though the need for the rationalisation of rates on *pro rata* basis was emphasised repeatedly in audit. Delay in the introduction of *pro rata* rates, resulted in allowing undue benefit of Rs 2.08 crore to the sponsor at the expense of the Government.

### 2.3.6 Undue benefit to a feature film sponsor.

DG Doordarshan entered into an agreement on 16 January 1997 with Multi-channel (India) Limited for telecast of a Hindi feature film 'Sadma' on Channel-I of DD on 25 January 1997 at 9.30 PM. As per terms and conditions of the contract Multi-channel was entitled for 2100 seconds of commercial time subject to the condition that Multi-channel would not market the same below the following rates :

- (i) 700 seconds during the first hour of feature film at the rate of Rs 1.20 lakh per ten seconds.
- (ii) 700 seconds during the second hour of feature film at the rate of Rs 0.75 lakh per ten seconds.
- (iii) 700 seconds during the third hour of feature film at the rate of Rs 0.50 lakh per ten seconds.

The agreement also provided that agency would adhere to the commercial time as above; and in case it exceeded in any slot the rate would be charged at three times the rate for first hour slot i.e. Rs 3.60 lakh per 10 seconds. The agreement further laid that total revenue would be shared between DD and Multi-channel in ratio of 70:30 subject to a MG amount of Rs 100 lakh (net) of the agency commission irrespective of the total revenue.

The film was telecast on Channel-I of DD on 25 January 1997 at 9.30 PM to 12.30 AM and Multi-channel utilised 700, 905 and 700 seconds of commercial time during the first, second and third hour respectively i.e. it exceeded the limit by 205 seconds in second hour. The gross value of permissible commercial time of 2100 seconds worked out to Rs 171.50 lakh and those of 205 seconds consumed extra worked out to Rs 73.80 lakh at higher rate of

**The agency utilised excess commercial time of 205 seconds.**

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**DD's share worked out to Rs 175.95 lakh but it billed the agency only Rs 100 lakh.**

Rs 3.60 lakh per 10 seconds. Thus the gross revenue was Rs 245.30 lakh (171.50 + 73.80). Out of this, DD's share at 70 *per cent* of the amount arrived after allowing 15 *per cent* agency commission worked out to Rs 175.95 lakh including M.G. Against this, DD raised bills only for Rs 122.96 lakh in two instalments, one for Rs 100 lakh against the permissible commercial time of 2100 seconds and the other for Rs 22.96 lakh for 205 seconds utilised in excess of permissible commercial time.

However, the sponsor approached Deputy Director General (DDG) and obtained a letter from him for lenient view. In view of this, DD allowed extra commercial time of 205 seconds to be adjusted against its short utilisation in an earlier film 'Karz' by the agency and cancelled the bill of Rs 22.96 lakh. The reason of allowing this adjustment was given that the film 'Karz' was telecast on 10 November 1996 just at two day's notice.

The adjustment of extra commercial time utilised in film 'Sadma' against its short utilisation during telecast of earlier film 'Karz' was not justified as the commercial terms for telecast of 'Karz' were already relaxed on the ground of short notice. For this film, the MG was lowered to Rs 50 lakh against the usual charges of Rs 100 lakh and the requirement of 25 *per cent* of its payment in advance was also waived. Not only this, but a concession of 20 *per cent* on the spot buy rate was also allowed. In addition, the sharing of revenue between DD and agency was also reduced to 60:40. When the matter was referred to DD, it reiterated its stand and added that agency might have not been able to sell the commercial at the rates at which Audit made calculations. The reply of DD is not tenable because as per provisions of DD manual, no agency can sell commercial at a rate lower than those of DD's rates and with such an exorbitant relaxation, the agency in fact got 43.28 *per cent* of the revenue of Rs 1.26 crore generated from the film as per practice for commercials of 1615 seconds.

Thus, against its share of Rs 175.95 lakh, DD billed Multi-channel for Rs 100 lakh only entailing an undue benefit of Rs 75.95 lakh to the agency.

## **2.4 Loss of Rs 9.44 crore due to late booking of satellite.**

### **2.4.1 Loss of revenue in the telecast of India-Sri Lanka cricket series.**

DD acquired exclusive terrestrial telecast rights for the territory of India and the exclusive cable and satellite rights for the entire territory of Asia from World Tel Inc. USA for telecast of India-Sri Lanka cricket series held in Sri Lanka from 2 to 24 August 1997. These rights covered live telecast of two test matches, three one day Internationals and one hourly highlights of both the events for a license fee of US\$ 1.4 million (net) equivalent to Rs 5.04 crore at Rs 36/- a US dollar. While the test matches were to be televised on DD-II, the one-day international matches were to be televised on both DD-I and DD-II.

DD gave exclusive marketing rights to World Tel Sports India Pvt. Ltd, an Indian affiliate of World Tel. Inc. This agency awarded it further to UTV.

**DD awarded exclusive marketing rights to World Tel Sports India Pvt Ltd on a minimum guarantee of Rs 6.75 crore.**

The World Tel. Sports India Pvt. Ltd. was to pay a MG of Rs 6.75 crore to DD which covered the rights fee, production cost and the opportunity cost. DD's agreement with the agency also stipulated that it would share revenue in excess of Rs 6.75 crore on 50:50 basis. The MG of Rs 6.75 crore was firm and not subject to any refund if the event matches were cancelled due to inclement weather etc. World Tel or their assigned marketing agency was to furnish to DD an irrevocable bank guarantee of Rs 6.75 crore on or before 9 August 1997. The bank guarantee was to remain valid for a period of six months.

DD incurred an expenditure of Rs 6.32 crore on acquiring the signals the breakup of which was Rs 5.04 crore on license fee, Rs 75.60 lakh as 15 *per cent* tax on license fee and Rs 52 lakh as cost of up linking the signal at Sri Lanka and down linking it at Delhi. It excluded the cost of bringing the signal from site to uplink station in Sri Lanka. Besides this, DD worked out an opportunity cost of Rs three crore for the event.

A scrutiny of the case revealed the following:

- (a) Rights fee of Rs 5.04 crore (net) paid for live telecast of two test matches and three one day Internationals was very high particularly in view of the facts that DD had felt that the five day long test matches might not attract much viewer-ship interest, besides very limited commercial potential and it had initially offered rights fee of Rs 1.5 crore for three one day International matches and highlights thereof.
- (b) DD worked out opportunity cost as Rs three crore for the events to be telecast, but took into account as Rs 1.75 crore only while fixing the MG. No reason was recorded for doing so. Further, technical charges amounting to Rs 52 lakh (excluding cost of bringing the signal from site to the uplink station in Sri Lanka) and income tax component of Rs 75.60 lakh were also not taken into account while fixing the MG.
- (c) While no revenue was generated from live telecast of two test matches of five days and high lights thereof as well as high lights of one day matches, Rs 7.16 crore (net after 15 *per cent* agency commission) were generated from live telecast of three one day International matches.
- (d) Commercials of 4770 seconds worth Rs 4.16 crore were missed because of non-telecast for which DD allowed a rebate of Rs 2.08 crore to the marketing agency. The reason of non-telecast was indicated as "due to DD's exigencies". But the examination of records showed that the commercials could not be televised due to non-availability of satellite. This happened because of delay in finalising the proposal as the decision to take the satellite up-linking was taken at a very late stage. Since INTELSAT bookings are done on first come first served basis, booking was required to be done sufficiently in advance for getting an assured time slot for covering events like cricket matches. For the three one-day matches booking of satellite was done only on 4 August 1997. As such some of the time slots requested were

**DD missed telecast of commercials worth Rs 4.16 crore due to late booking of satellite.**

not available due to prior commitments. After allowing above rebate DD share worked out to be Rs 4.87 crore against the MG of Rs 6.75 crore, but it claimed only Rs 4.67 crore.

- (e) The third one-day match played on 23 August 1997 was abandoned after 41<sup>st</sup> over of second innings and was replayed the next day. A total of 2200 seconds of commercials worth Rs 2.27 crore telecast on 23 August before abandonment of the match was not billed since DD was of the view that same commercials were repeated on 24 August 1997, so commercials which were run during full match on 24 August 1997 only were accounted. This reply is not tenable because commercials run on earlier day i.e. 23 August 1997 had served the purpose of "Commercial" even if these were repeated next day.

Thus, DD could get only Rs 4.67 crore against the expenditure of Rs 9.32 crore (Rs 6.32 crore on acquiring signals and the opportunity cost of Rs 3 crore). This resulted in a loss of Rs 4.65 crore excluding loss of Rs 1.14 crore due to non-billing of DD's share of commercials telecast on 23 August 1997. Thus a total loss to DD amounted to Rs 5.79 crore.

#### **2.4.2 Wimbledon 1997 – Loss due to negligence.**

**DD awarded the marketing rights to M/s Stracon India Ltd at MG of Rs 3.03 crore.**

DD acquired telecast rights for Wimbledon tennis tournament held in July 1997 at US \$ 2.47 lakh (including component of income tax at 30 *per cent*) equivalent to Rs 0.89 crore at Rs 36 per US dollar. After calling bids, DD awarded exclusive marketing rights to the highest bidder M/s Stracon India Ltd. at MG of Rs 3.03 crore (gross).

**DD delayed the booking of satellite time and allowed a reduction of Rs 1.64 crore in MG to the agency.**

DD was to telecast the match from 1 to 6 July 1997 but they telecast it only from 3 to 6 July 1997. Accordingly, the agency sought reduction of Rs 1.01 crore in the MG amount to compensate the loss of revenue due to loss of opportunity. DD allowed a reduction of Rs 1.64 crore in MG based on the value of commercials booked for 1 and 2 July 1997 due to non-availability of satellite on these days. However, from the records it was observed that Director General, Doordarshan (DG) had decided on 15 May 1997 that the matches would be telecast on 1 to 6 July 1997 and accordingly DDK was required to book satellite time which is provided on first come – first served basis. DDK delayed the process and sought satellite time only on 24 June, 1997. By that time the required satellite time slot was not available and the earliest slots were available from 3 July 1997. DD, therefore, could not carry the live telecast on 1 and 2 July. Had prompt action been taken on the orders of DG, occasion for loss due to reduced MG would not have arisen. Further, DD allowed a relief of Rs 0.13 crore to the party on account of missed spots and without verification with reference to logbook which did not corroborate the missing spots.

The cue sheets which show the use of commercial time showed that the agency utilised a total of 10360 seconds of commercial time in the matches telecast from 3 to 6 July 1997 and paid only Rs 1.07 crore. The value of 10360 seconds on the basis of slot wise spot buy rates worked out to Rs 4.87 crore.

Thus, the gross revenue due was Rs 6.64 crore and DD's net share inclusive of MG was Rs 4.72 crore, against which the agency paid only Rs 1.07 crore. When pointed out by Audit, DD revised the gross revenue to Rs 3.85 crore and raised a further claim of Rs 1.54 crore but did not confirm its receipt. This leaves Rs 2.11 crore still unclaimed. The basis on which gross revenue was calculated as Rs 3.85 crore instead of Rs 6.64 crore is not apparent as no records could be produced.

Thus, DD has so far lost Rs 3.65 crore in this case due to negligence in booking satellite time and errors in verification of log books and cue sheets.

## **2.5 Loss due to short-accounting of commercial time**

### **2.5.1 Bangladesh Independence Cup.**

DD decided to telecast live on its network Bangladesh Independence Cup (Coca Cola Cup-1998), a cricketing event, held at Dhaka during January 1998. DD procured telecast rights of the event by entering into a tripartite agreement on 3 December 1997 with M/s Stracon an Indian agency, and M/s World Tel Inc. West Part USA (M/s World Tel), the original holders of telecast rights on following terms:

**DD entered into a tripartite agreement for the telecast of Bangladesh Independence Cup.**

- (a) Stracon would pay the right fee of US\$ 2.0 million to M/s World Tel (net of taxes).
- (b) DD would pay £ 20,000 to M/s World Tel towards uplinking charges. DD would also pay space segment cost to PanAm Sat @ US\$ 650 per hour for the usage of satellite.
- (c) Stracon would become the sole marketing agent by paying the full rights fee solely by itself.
- (d) Event would be deemed as a DD marketing event and commercial schedule would not interfere with live matches.
- (e) Spot Buy Rate (SBR) was fixed at Rs 90,000 per ten seconds.

The agreement provided the sharing of revenue between DD and agency in the following manner :

- (a) First Rs 111 lakh (net) was to be credited to DD towards opportunity cost.
- (b) Next rupee equivalent of £20,000 and actual payment towards space segment cost was also to be credited to DD.
- (c) Next rupee equivalent of US\$2.0 million (net) was to be recovered by Stracon towards license fee.
- (d) Balance revenue, if any, was to be shared between DD and Stracon in the ratio of 70:30 net.

Audit found that the Controller of Sales revised in January 1998 the fixed SBR of Rs 90,000 per ten seconds to three tier SBR at Rs 90,000, Rs 76,500 and

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Rs 63,000 per ten seconds without the approval of Director General (DG), DD.

**According to DD telecast certificates, the agency utilised commercial time of 27852 seconds whereas the agency accounted for only 13440 seconds**

According to DD telecast certificates, the agency utilised commercial time of 27852 seconds. DD also observed that due to too much commercials, first ball of most of the overs could not be shown in contravention of provision of the agreement that commercial schedule would not interfere with live matches. But the agency accounted for only 13440 seconds and exhibited revenue generated as Rs 10.66 crore (gross) on three tier SBR and showed deficit instead of surplus while gross revenue for 27852 seconds worked out to Rs 25.07 crore at Rs 90,000 per ten seconds. Accordingly, though the agency worked out DD's 70 *per cent* share of surplus revenue as NIL, it actually worked out to Rs 8.34 crore.

Audit further observed that as per Memorandum of Undertaking (MOU) the agency was to credit (i) Opportunity cost (Rs 1.11 crore), (ii) Uplinking charges (Rupee equivalent of British £ 20,000) and (iii) Space segment cost for using satellite PAS-4 (Rupee equivalent of US\$ 37,375) to DD's account and pay the rights fee (Rs 8.00 crore) direct to M/s World Tel by charging these expenses to the revenue generated. But the agency did not make provision for recovery of space segment charges of US\$ 37,375 (equivalent of Rs 0.15 crore at Rs 40/- per US\$) and also did not credit DD by £ 20,000 (0.14 crore) for uplinking charges, while charging various expenses to revenue generated from the event.

DD intimated in January 2001 that it had received payment of Rs 111 lakh, Rs 1.91 lakh received on 07 September 1998 and Rs 109.09 lakh on 09 February 1999 from the agency. Out of its total share of Rs 9.74 crore being total of Rs 1.11 crore as opportunity cost, Rs 0.14 crore as uplinking charges, Rs 0.15 crore as space segment cost and Rs 8.34 crore as 70 *per cent* of share of surplus revenue. DD only got Rs 1.11 crore and suffered a loss of Rs 8.34 crore due to short accountal of commercial time and the agency had not made provision for space segment charges of Rs 0.15 crore and also had not credited to it by Rs 0.14 crore for uplinking charges. In sum, DD failed to raise the balance claim of Rs 8.63 crore even after a lapse of three years of telecast of an event.

**2.5.2 Loss due to incorrect billing.**

Without executing an agreement, DGDD awarded the marketing rights for telecast of French Open Tennis Tournament 1997 from 5 June to 8 June 1997 to a party on payment of MG equivalent to telecast fee applicable as per slots allotted on DD-I and DD-II. As per award letter, DD and the agency were to share the revenue generated from commercials beyond admissible FCT at applicable spot-buy rates in the ratio of 70:30 after deducting 15 *per cent* agency commission. DD raised a net demand of Rs 45.99 lakh against the agency i.e. Rs 41.74 lakh as net MG and Rs 4.25 lakh (net) as DD share for utilising 90 seconds in excess of FCT. The agency paid it in four instalments during June 1997 to November 1997.

Log Book of DD for the said event, however, revealed that the agency actually utilised 725 seconds of extra commercial time and not 90 seconds as billed by DD. DD's share for the same worked out to Rs 32.13 lakh.

Besides, the MG with reference to actual time slots used for the event worked out to Rs 44.07 lakh (net).

**Due to raising of the incorrect demand, DD had foregone Rs 30.21 lakh.**

Thus total revenue due to DD was Rs 76.20 lakh (Rs 32.13 lakh for extra time utilised + Rs 44.07 lakh, the telecast fee). Against this, DD demanded and received only Rs 45.99 lakh forgoing Rs 30.21 lakh in the process.

DD stated in August 2000 that calculation of gross telecast fee was based on actual time slot on DD-1 and DD-2 indicated by telecast certificates issued by DDK and that agency had used 60 seconds of extra commercial time while DD charged for 90 seconds.

Reply of DD is not correct as the extra time compiled by Audit is based on the entries of the log book of DD and the figures have been cross checked and certified by the Duty Officer, DDK. Evidently the figures on the basis of which the claim was preferred are manipulated. An indication of the manipulation is apparent from the DD's reply itself, which advances the specious argument that DD actually claimed and got paid for 90 seconds, while the party had used only 60 seconds. Had the basis been the actual entries in the logbook no difference on this count would have arisen. The brazen manner in which manipulations are being defended, point at the possibility of existence of organised complicity.

## **2.6 Loss due to faulty decision**

DD in May 1995, modified the rates for the marketing of commercial time on its international channel. Accordingly it fixed the sponsorship fee for repeat programmes telecast on international channel at Rs 5,000 per half an hour with FCT of 90 seconds. Additionally, it also provided FCT of 30 seconds to the sponsor which the sponsor could bank and utilise in other national channels within seven days, without considering the impact it would have in using up the higher-priced commercial time available for marketing in national channels. The additional facility was subsequently withdrawn in August 1996.

The impact of the decision of providing additional FCT with banking facility for the period May 1995 to August 1996 was worked out in audit. It was found that during this period the sponsors of 594 episodes of DD-produced programmes telecast on national channels had encashed 12950 seconds by invoking the banking facility. Valued at the spot buy rate of Rs 15000 per 10 seconds this amounts to Rs 1.94 crore. In comparison DD earned only Rs 29.37 lakh. Low earning by DD was due to the reason that 12950 seconds of available commercial time was used up by the sponsors by encashment of

**DD incurred a loss of Rs 1.94 crore due to encashment of accumulated unused time of international channel on national channels.**

the accumulated unused time of international channel, taking advantage of the banking facility. Had this commercial time been marketed by DD, it would have earned Rs 1.94 crore at the spot buy rate of Rs 15000 per 10 seconds. Thus, due to the faulty decision, DD incurred a loss of Rs 1.94 crore. It was further observed that out of 12950 seconds of banked time encashed by the sponsors 2190 seconds valuing Rs 32.85 lakh should have been disallowed as these were used after seven days.

DD in reply to the audit observation accepted the facts but stated in September 1999 that since the international channel was likely to take time to establish itself, attractive package was offered to make the channel a success. The reply is not tenable in as much as the intention of the Government in the first place was not to stabilise the international channel at the expense of its revenue-earning national channels, and secondly the additional facility was eventually withdrawn after exposing the system to manipulation.

## **2.7 Loss of revenue in telecasting a commissioned programme on sponsorship**

A 13 episode commissioned programme “Anugoonj” was telecast by DD on Channel I from 6 March 1997 on every Thursday in the 9.30 P.M. slot which falls under Super-A category. After running three episodes, DD telecast the remaining ten episodes on sponsorship basis from 27 March 1997. The last episode was telecast on 29 May 1997.

**By lowering category of the programme, DD allowed undue benefit of Rs 22 lakh to the sponsor**

The Rate Card of DD provides for charging a telecast fee of Rs three lakh with FCT of 120 seconds per episode for commissioned programme run on sponsorship basis under Super-A category. But instead of charging that rate, DD lowered the category of the slot for this programme to ‘A-special’ and charged the rates for this category. The rates for this category are : telecast fee of Rs two lakh with FCT of 120 seconds per episode. Besides lowering the category, DD increased the FCT from 120 seconds per episode to 150 seconds per episode when five episodes had run on sponsorship. Thus, besides lower telecast fee; the sponsor enjoyed additional FCT of 30 seconds per episode for remaining five episodes without paying any additional fee for this. Therefore, the sponsor got an undue benefit of Rs 22 lakh as per details given below:



1.	Loss in telecast fee @ Rs one lakh per episode for 10 episodes	Rs 10 lakh
2.	Loss of value of FCT a) In five episodes additional FCT allowed = 5x30=150 seconds. b) Value of 150 seconds at Rs 80,000 per 10 seconds = $\frac{150}{10} \times 80000$	Rs 12 lakh
<b>Total</b>		<b>Rs 22 lakh</b>

An examination of the records showed that DD had taken the plea for lowering the category of slot that the programme was pitted against a popular serial "Hindustani" at the same slot on DD-2. The record further showed that FCT was increased at the request of the agency due to the reason that it was a good thing if commissioned programmes were sponsored. These reasons are not tenable because it was DD who decided the slot for the telecast of the programme and they could have easily avoided pitting of slot against a popular serial.

While admitting the facts, the Ministry stated in February 2001 that in deciding the commercial rates of the programmes, the endeavour of DD is to recover the maximum revenue from the commissioned programmes by giving some concessions so that they may earn something rather than nothing. This argument is not tenable as the point at issue is grant of benefit beyond the commercial rates at the expense of DD.

## 2.8 Non-recovery of dues from advertising agencies

As per provisions contained in DD Manual and the Rate Card prescribed by Ministry, fees are collected by DD from accredited agencies for sponsored programmes and from advertising agencies for commercials, as listed below:

(a)	Sponsored programmes	Fees payable by accredited agencies
		(i) Sponsorship fee (ii) Fees for Additional Spot Buy under "Minimum Guarantee" (iii) Spot Buy Fee for extra commercial time (iv) Branding Fee
(b)	Commercials	Fees payable by advertising agencies
		(i) Sponsorship fee for films – Rs 2,00,000/- (with 60 Seconds Free Commercial time) (ii) Branding fee (iii) Spot Buy Fee for extra commercial time

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The Directorate General, Doordarshan (DGD), New Delhi transferred the collection of commercial revenues from the advertising agencies to the regional Kendras effective from January 1995. The agencies had, however, the option to pay both at New Delhi and at the Kendra till December 1998. Afterwards, the DGD, New Delhi entrusted collection of revenues solely to the Kendras.

According to the Manual, DD is to submit monthly bills and payment is to be made by the accredited agencies within 60 days from the first of the month, following the date of telecast. If the accredited agencies fail to make payment of monthly bills by the due date on more than three occasions in a year or within 45 days after expiry of credit period, it shall automatically lose its accreditation. DD is also entitled to charge interest at 18 *per cent per annum* on all such defaulted amounts.

**2.8.1 Outstanding dues at Doordarshan Kendra, Mumbai.**

Audit found that the system of billing and collection at the DDK, Mumbai was deficient and outstanding dues from the agencies remained unreconciled for long. The outstanding dues up to March 2000 as audit could ascertain from the records of DDK, Mumbai, were Rs 16.98 crore inclusive of interest as of July 2000 and arrears of Rs 9.11 crore for period upto December 1998.

Audit noticed that 15 out of 44 agencies having outstanding dues during January 1999 to March 2000 who defaulted in payment on more than three occasions in a year should have lost their registration on account of persistent default, per rules. Yet neither did the DDK Mumbai nor the DGD, New Delhi take any action for de-registration of persistent defaulters. They also did not take any action to levy interest on delayed payment of dues.

Earlier reports of the Comptroller and Auditor General of India, No. 2 of 1998 and No. 2 of 2000 had also mentioned about deficiencies in the system of billing and collection at DDKs of Chennai, Lucknow, Kolkata and Thiruvananthapuram, resulting into heavy outstanding dues from advertising agencies. The Ministry needs to take immediate corrective action, including fixation of direct and constructive responsibility for negligence leading to persistent heavy outstanding and possible loss of revenue to the public exchequer.

**2.8.2 Non-payment of fees for the telecast of three Tamil serials and consequent undue benefit to the sponsor.**

The DDK, Chennai telecast on DD 1 (Regional) Chennai three Tamil Serials titled “*Innoru Seethai*”, “*Thiruvalluvar*” and “*Thirumathiyin Thirumanam*” on the days indicated below under sponsored category.

**Absence of proper billing and collection system resulted in outstanding dues of Rs 16.98 crore as of March 2000.**

Sl. No.	Name of the Serial	Period of Telecast	Number of episodes	Time and day of telecast	Name of the sponsors
1.	Innoru Seethai	11.12.97 to 23.04.98	17	7:03 pm to 7:30 pm Thursday	Multi Channel (India) Limited for episode I Kinescope (India) Pvt. Ltd. For episodes 2 to 17
2.	Thiruvalluvar	05.12.97 to 15.05.98	21	7:03 pm to 7:30 pm Friday	Multi Channel (India) Limited for episode 1 and 2 Kinescope (India) Pvt. Limited for episodes 3 to 21
3.	Thirumathiyin Thirumanam	18.09.98 to 01.03.99	17	7:03 pm to 7:30 pm Friday	Kinescope (India) Pvt. Limited

The Kendra entered into a contract with the sponsors under "MG System". The MG is the sum total of telecast fee and value of additional spot buy. Under this system, the sponsors were entitled to utilise a FCT of 120 seconds per episode for commercial purpose. Also, the sponsor could utilise Additional Commercial Time (Additional Spot Buy - ASB) equivalent to normal FCT for commercial purpose by making a lump sum payment at the rates fixed by the Director General, Doordarshan.

The rate payable for the serials by the sponsor was as follows:

Sl. No.	Nature of Fee payable	Rate for the serial "Innoru Seethai"	Rate for the serial "Thiruvalluvar"	Rate for the serial "Thirumathiyin Thirumanam"
(i)	Sponsorship Fee/Telecast Fee	Rs 16,000 per episode for 17 episodes less 15 per cent commission	Rs 16,000 per episode less 15 per cent commission	Rs 16,000 for episode 1 to 13 Rs 10,000 for episode 14 less 15 per cent commission for both
(ii)	MG Fee for one Additional Spot Buy (ASB) for episode 1 to 17	Rs 2,16,000 per ASB for 17 episodes less 35 per cent commission upto 3/98 & 30 per cent commission from 4/98	Rs 2,16,000 per ASB per episode less commission*	Rs 2,16,000 per ASB less 50 per cent commission for episodes 7 to 13
(iii)	MG Fee for second Additional Spot Buy	-	Rs 2,16,000 per ASB for 9 episodes less commission @ 15 per cent for episode 1 and @ 45 per cent For episodes 14 to 21	Rs 2,16,000 per ASB for episodes 7 to 13 less commission @ 65 per cent
(iv)	Spot Buy rate for extra FCT	Rs 18,000 for 10 seconds less commission at 30 per cent	Rs 18,000 per 10 seconds less commission at 45 per cent	Branding Fee Rs 18,000 for 10 seconds for episode 3 to 10 less commission at 15 per cent

\* Less 50 per cent commission for episode 1, 35 per cent commission for episodes 2 to 13 and 45 per cent commission for episodes 14 to 21

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**DDK, Chennai did not take action to cancel the accreditation of the sponsors.**

Test check of the records of DDK, Chennai revealed that the sponsors for the above serials continuously defaulted in payment towards MG Fee. Yet, the Director, DDK, Chennai allowed the sponsors to enjoy the benefit of the credit facilities continuously. DD had not so far taken any action to cancel the accreditation of the sponsors in terms of the agreement. The amount towards MG fees for the three serials recoverable from the sponsors stood at Rs 85.87 lakh as of November 2000. DDK did not raise any demand for the interest on defaulted payments.

The sponsors of these three serials earned revenue of Rs 126.09 lakh by marketing the extra FCT of 7005 seconds for the three serials while defaulting on the fees due.

The Director of the Kendra replied in October 2000 that he allowed the credit facilities as per the directions of the Directorate General at New Delhi for accepting the booking on credit basis in respect of M/s. Kinescope (I) Pvt. Ltd., Mumbai with effect from 28 November 1997. This is not acceptable because the Chennai Kendra should have taken up the matter for cancellation of accreditation for this agency when it again defaulted on more than three occasions as per the terms of the contract.

**2.8.3 Non-collection of interest on belated payment of fees by sponsors leading to loss of revenue**

**DDK, Chennai did not raise demand for penal interest on delayed payments.**

Test check, in DDK of records pertaining to the period from January 1997 to November 1999 revealed that 56 accredited agencies delayed payment of dues ranging from three days to 365 days. Director, DDK, Chennai did not raise any demand for penal interest on such delayed payments. The interest so recoverable from the accredited agencies worked out to Rs 81.92 lakh as of November 1999. The following agencies were the major defaulters:

<b>Name of agency</b>	<b>Interest on defaulted payment of dues (Rupees)</b>
United Television	2718180
Hansavision	904425
HTA Fulecrum	1233995
Multi Channel	131249
ABCC	306000
Life Insurance Corporation of India	111080
MCCANN Erickson	153440
Prime Time	1296432
Vision Time	104461
RKS/BBDO	136171
RK Swamy	268927

As the bills pertaining to advertisements telecast from the station were raised by them, the demand for the interest from the defaulting agencies, in terms of agreement, ought to have been raised and realised by the Director, DDK, Chennai.

Matters arising out of the review were referred to the Ministry individually in respect of each observation during May to November 2000. Replies in respect of two observations were received which have been incorporated in the review at relevant places. Replies to remaining observations, which were referred to the Ministry were awaited as of February 2001.

**Annex-I**  
**(Refers to paragraph 2.2.1)**

**List of events covered under Consortium arrangement**

<b>Sl. No.</b>	<b>Name of the event</b>	<b>Month of the telecast</b>
1.	Pepsi Triangular Series 1998	April 1998
2.	Coca Cola Cup 1998	May 1998
3.	French Open 1998	June 1998
4.	World Cup Soccer 1998	June-July 1998
5.	Sri Lanka Independence Cup 1998	June-July 1998
6.	Wimbledon 1998	June-July 1998
7.	Hero Cup 1998	Sept. Oct 1998
8.	ICC Knock out 1998	Oct. November 1998
9.	Coca Cola Cup (Sharjah) 1998	November 1998
10.	Australian Open 1999	January 1999
11.	Indo-Pak Test Series 1999 *	January - February 1999
12.	Pepsi Triangular Series 1999	March-April 1999
13.	Coca Cola Cup (Sharjah) 1999	April 1999
14.	World Cup Cricket 1999	May-June 1999

\* **Highlights only**

**Annex – II**  
**(Refers to paragraph 2.2.3)**

**Statement showing rights fee paid in respect of cricketing events**

*Rs in lakh*

Sl. No.	Name of the event	No. of Matches		Exclusive or Non-exclusive	Rights procured from.	Rights procured by	Right fee cost	Cost per match.
		Day and Night matches	Day matches					
1.	Pepsi Triangular Series April 1998	-	7	Non exclusive	ESPN	Stracon	500.00	71.43
2.	Coca Cola Cup May 1998	4	-	Non exclusive	ESPN	Stracon	120.00	30.00
3.	Srilanka Independence Cup June-July 98	4	6	6 N/Exclusive 4-Exclusive	World Tel	Stracon	1275.00	127.50
4.	Hero Cup 1998 Sept - Oct 98	3	-	Exclusive	C.S.I Ltd.	Stracon	286.88	95.63
5.	I.C.C. knock out	8	-	Exclusive	I.C.C.	D.D.	3400.00	425.00
6.	Coca Cola Cup Nov.98 (Sharjah)	7	-	Exclusive	World Tel	Stracon	1700.00	242.86
7.	Coca Cola Cup April 99 (Sharjah)	7	-	Exclusive	World Tel	Stracon/ UTV	2148.04	306.86
8.	Pepsi Triangular Series March/April 99 (India, Pakistan, Sri Lanka)	2	3	Non-exclusive	ESPN STAR SPORTS	D.D.	425.00	85.00
9.	World Cup cricket-99	11+31 highlights	-	Non-exclusive	ECB	D.D.	2560.96	170.73 (Approx)
10.	Indo Pak Series Test Matches	Highlights only	-	Non-exclusive	ESPN STAR SPORTS	DD	33.44	-