

**GOVERNMENT OF INDIA
INFORMATION AND BROADCASTING
LOK SABHA**

STARRED QUESTION NO:137

ANSWERED ON:21.08.2007

ENTERTAINMENT INDUSTRY

Appadurai Shri M.;Rao Shri Sambasiva Rayapati

Will the Minister of INFORMATION AND BROADCASTING be pleased to state:

- (a) the details of the various incentives extended to the entertainment industry during each of the last three years;
- (b) the details of the increase in revenue earned by the entertainment industry during each of the last three years;
- (c) whether there is any Board to co-ordinate with the entertainment industry for the purpose of resolving their problems;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefore and the steps taken/proposed to be taken to resolve the problems of entertainment industry?

Answer

THE MINISTER OF INFORMATION & BROADCASTING AND PARLIAMENTARY AFFAIRS (SHRI P.R.DASMUNSI)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF THE LOK SABHA STARRED QUESTION NO.137 FOR ANSWER ON 21.08.2007.

(a) (i) The entertainment industry has been receiving continuous support from the Government of India. The salient policy incentives received by the sector in earlier years are as follows -

In 1998, Ministry of Information & Broadcasting granted the status of "Industry" to the film sector, in September 2000, entertainment industry, including film, was declared as an approved industrial activity for institutional and commercial loans, Foreign Direct Investment Policy in the film sector was liberalised in 2002 with FDI being permissible up to 100% investment on automatic route.

Government of India has earlier provided several fiscal incentives to bring the film sector at par with the Information Technology sector by including a new section under the Income Tax Act to provide up to 100% deduction for companies and individuals in the entertainment sector exporting software, extending tax holiday for setting up multiplexes outside municipal limits, reduction of customs duty on cinematographic cameras, projectors and certain related equipment used by the film industry and exempting audio CDs from excise duty in order to deter piracy of music. During 2007-08 fiscal budget, for projects on Digital cinema, basic import duty has been reduced to 7.5% from 10%. The Government has also exempted cinema distributed through satellite means from Service Tax.

To boost its export potential, the Government in partnership with industry associations has been actively supporting film industry to participate in international film markets, such as Cannes, American Film Market, etc. A film market is being held alongside the International Film Festival of India to attract foreign and domestic buyers. The Directorate of Film Festivals holds the International Film Festival of India each year and participates regularly in film festivals in India and abroad.

Government permits concessional customs duty for temporary import of film related equipment and exempts Indian and foreign films to be shown in non-commercial film festivals from censorship certification.

(ii) No direct incentive has been extended to the Broadcasting industry during the last three years. However, some policy initiatives have been undertaken which have facilitated the growth of the Broadcasting industry. These are as follows -

(1) Government of India for the first time opened up the FM Radio sector for private participation in the year 1999 by adopting a policy. However, the policy had limited success and only 21 channels could be operationalised under the FM policy Phase-I. The main reason for its limited success was that the licence fee was decided on the basis of open auction. Taking into account the recommendations of the Amit Mitra Committee and TRAI, as well as other relevant factors, a new policy for expansion of FM Radio Broadcasting Services through private agencies was notified on 13th July, 2005. The new policy provides for permission on the basis of one time entry fee and annual fee as revenue share in contrast with the earlier fixed annual license fee regime. It also permits a total foreign investment level of 20% in the applicant company. It also permits the licencees of Phase-I to migrate to Phase-II regime. As a result of the new policy initiative out of a total of 337 channels put on bid in the year 2005-2006 a total of 245 channels were successfully bid. As of now 87 channels are already in operation and the remaining are expected to be operationalised by the end of March, 2008.

(2) Uplinking policy initiatives: In the year 2003 only FDI, upto 26%, was permitted in News & Current Affairs TV channels. This also was modified subsequently in December, 2005 to allow FII investment to be included along with FDI in the overall cap of 26%. The Ku band of frequencies was also opened up for uplinking of television channels along with the C-band already permitted. In addition, the downlinking policy was notified which permitted a total foreign investment level up to 100% in the applicant company and provided for a regulatory regime for the foreign broadcasters to streamline their investments in India.

(b) This Ministry does not maintain any record regarding revenue earned by the Entertainment Industry. However, as per FICCI PricewaterhouseCoopers report, the revenue earned by the entertainment sector is estimated as follows -

2004 2005 2006 (Rs in million)

Entertainment 66,600 75,100 91,700
Sector
tentative figures.

(c) & (d) No Sir, there is no Board to coordinate with the entertainment industry. However, Telecom Regulatory Authority of India constituted under the TRAI Act 1997 has been designated as the regulator for broadcasting services. Apart from various roles assigned to TRAI with respect to the problems of service providers Telecom Disputes Settlement and Appellate Tribunal has also been designated to adjudicate disputes between the Government and the service providers and also between two or more service providers.

(e) Regarding the film industry, as per the Union List of the Constitution of India, the Union Government can sanction/certify cinematograph films for exhibition. Other areas regarding cinema are in the State List. However the Ministry itself takes on the role of facilitator in the matter and has taken a number of steps to address the problems being faced by the Industry. Some of the steps are as follows -

(i) Constitution of five Core Groups, comprising of representatives from the Film Industry, to look into different aspects/ problems being faced including taxation and duties applicable to the film sector. The recommendations of the Core Groups are under examination and implementation.

(ii) This Ministry organizes State Information Ministers' Conference (SIMCON) to bring to the notice of the State Governments about the problems being faced by the Entertainment Industry.

(iii) The National Film Development Corporation, a public sector undertaking under this Ministry provides limited funding for films and oversees the integrated growth of the film industry in tune with the objectives of National Economic Policy.

(iv) Audio-visual co-production agreements have been signed with Republic of Italy, United Kingdom, Germany, France and Brazil.

(v) In order to strengthen piracy related laws, a proposal for enactment of Optical Disc Law is being drafted. It is envisaged that the Optical Disc Law, as and when enacted, would be able to contain video piracy to a large extent. Moreover, the requests received from the industry for amendment of the Copyright Act have been forwarded to the Ministry of Human Resources Development, which is the nodal Ministry for Copyright matters.

(vi) In order to provide funds to the Film Industry to promote Indian films abroad, Government of India has requested the stakeholders of the entertainment industry on 6th March, 2006 to consider the desirability of setting up of an Export Promotion Council/Forum for the film and television sector in terms of the guidelines of Deptt. of Commerce.