Over-The-Top Platforms and E-Commerce Policy

What is the issue?

Over-the-top (OTT) platforms such as Netflix, Hotstar and Amazon Prime have raised concerns with the proposed e-commerce policy of the Department for Promotion of Industry and Internal Trade (DPIIT).

What is the concern?

- OTT platforms provide film and television content via a high-speed Internet connection rather than a cable or satellite provider.
- The central problem now is the definition of goods and services to be covered by the e-commerce policy.
- The draft policy defines e-commerce as “buying, selling, marketing or distribution of goods, including digital products and services, through electronic network”.
- Once this definition is taken in conjunction with the foreign direct investment (FDI) rules, the situation becomes complex.
- India does not allow FDI in e-commerce companies in inventory-based model wherein companies hold their own inventories/stocks.
- It allows 100% FDI in the marketplace model wherein companies only facilitate the online sale process for other vendors and do not hold stocks.
- This is why Amazon, primarily inventory-based, had to change its business model to become a marketplace player in India.

Why are regulations ineffective?

- E-commerce firms often take the back-door channel to reroute investments and ownership to escape from the complex FDI rules.
- They changed their essential business models on paper while found imaginative ways to bypass the rules.
- The firms created sellers, with significant ownership and control, on their marketplace platforms.
- These sellers emerged to be the dominant ones till the government took note of the aberration and again tweaked the rules.
- The government should thus take note of this while imposing similar complex guidelines on OTT players.

Why is restriction on OTTs unsound?

- Classifying OTTs as e-commerce firms will lead to many complex problems and the DPIIT should be mindful of that.
- Netflix, Hotstar and Amazon Prime are increasingly gaining popularity in India.
- The government should not hamper this growth by micromanaging ownership and control issues in the sector.
- OTTs may license some content from different production houses.
- But original content gives them better control over their intellectual property.
- Original content, a concept introduced by Netflix in 2011, has become the key to success in the online video-streaming industry.
- All the OTT majors have planned heavy investments to produce original content focused on Indian audiences.
- Any move to stop that would send a wrong signal to the multinationals and also deprive many Indian viewers of their favourite shows.

What should be done?

- In the case of e-commerce, the government has often been guided by the Indian traders' lobby protesting the deep discounts offered by the foreign-owned online firms.
- If a similar stance is taken for the digital content streamed by OTTs, it will be a retrograde step.
- It is better that policymakers revisit the concept of the inventory model which was barred to have uniformity between online and offline commerce.

Source: Business Standard

SHANKAR IAS PARLIAMENT
Information is Empowering