



21 August 2015

Jane Goldwater
Australian Competition & Consumer Commission
Level 35, The Tower, 360 Elizabeth Street
Melbourne Central
MELBOURNE VIC 3000

By Email: fixedservices@acc.gov.au

Dear Ms Goldwater

Consultation on proposed change to the pricing of AGVC/VLAN and implications for the prices of other fixed services

We refer to the ACCC's letter of 14 August 2015 seeking comment from stakeholders on its proposal to adjust the AGVC/VLAN charge for the wholesale ADSL declared service.

M2 is concerned by the ACCC's proposal to depart from its position in the June 2015 further draft decision, in which the ACCC proposed a uniform reduction of 9.6% across all declared fixed line services.

Each Access Seeker will have a different 'mix' of fixed line declared services in their service portfolio for a number of possible reasons, including the extent to which an Access Seeker is able to utilise its own network to deliver 'on net' services. Each Access Seeker will therefore be impacted differently in the event that the price reductions are not uniform across these services. If there was to be a departure from the originally proposed uniform 9.6% reduction in declared pricing, this will inevitably create winners and losers amongst Access Seekers.

Furthermore, a bias toward AGVC price reductions appears to overlook the fact that access seekers requiring ULLS services will have to bear the cost of their own backhaul and inter capital transmission services. These Access Seekers will not benefit from a reduction in the AGVC prices thus exacerbating the relative impact on these Access Seekers and their ability to compete for new or retain existing services.

By way of example, M2's portfolio is more heavily weighted towards the acquisition of other declared fixed line services (such as WLR, LCS and ULLS) rather than towards the AGVC/VLAN service. M2 believes the current and expected weighting of its portfolio to be consistent with many other second tier and third tier Access Seekers which have a fixed line voice service bias.



Despite the increasing levels of AGVC/VLAN utilisation driven by the increased consumption of video and streaming content, the level of acquisition of the other fixed line declared services by such second tier and third Access Seekers is likely to be markedly greater.

M2 considers that the specific disadvantages of the ACCC's current proposal outweighs, and will in future outweigh, the advantages to a significant number of second tier and third tier Access Seekers.

M2 strongly encourages the ACCC to revert to the position in its June 2015 further draft decision.

M2 appreciates the ACCC inviting it to comment on its current proposal.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Geoff Horth', with a stylized flourish at the end.

Geoff Horth
Chief Executive Officer
M2 Group Ltd