



Submission by TPG Telecom Limited (TPG)

to

Australian Competition and Consumer Commission (ACCC)

Fixed line services Final Access Determination inquiry
Further Draft Decision

1. TPG supports the ACCC's draft decision for a one-off 9.6 per cent decrease in the primary prices of the declared fixed line services, for the four-year period 1 October 2015 to 30 June 2019.
2. In particular, TPG agrees with the decision made by the ACCC to adjust the fixed line services model (FLSM) to ensure that access seekers do not incur higher charges associated with Telstra's loss of economies of scale due to the NBN. In TPG's view, Telstra has been more than sufficiently compensated for this by its agreements with NBN Co for customer migration (**Definitive Agreements**) and users of the fixed network should not have to bear such costs.
3. TPG considers that the ACCC's push to seek further information to improve transparency of Telstra's cost allocation methods has allowed the ACCC to establish a robust, fully allocated approach for the FLSM and the resulting reduction to regulated pricing will promote the long term interest of end users. Among other things, the reduction in pricing will allow access seekers to compete more aggressively and improve their offerings to end users.
4. TPG notes that the Department of Communications has made a submission to the ACCC on the question of fixed line prices. We are concerned to note that the Department submits the following:
 - (a) that the ACCC should give the "highest possible priority to pricing stability";
 - (b) that the ACCC should not make the proposed price decrease because "this could lead to significant price shock for customers migrating to the NBN"; and
 - (c) the interests of end users are best served by maintaining higher prices for copper based services so that customers won't be shocked by having to pay up to 10% more for services after they migrate to the NBN.
5. If the draft pricing is confirmed, competitive forces should result in a price reduction for fixed line services for end users. All carriage service providers will seek to use those reduced costs to win as many customers as they can prior to the migration to the NBN. However, the long term interests of end users are of course best served by a cheaper price today, regardless of what the cost of the NBN will be to them. Carriage service providers will not have an incentive to not promote migration to NBN. The migration event is an important one and all carriage service providers are competing heavily to make sure that they get their share of the NBN migrations. Even today, the costs of supplying an NBN service are higher than the costs of supplying a copper based service but this is not stopping all carriage service providers from trying to win customers to their NBN services.
6. The fundamental principle should always be that Telstra is paid a reasonable cost recovery on assets. TPG submits that Telstra has long over-recovered and that it is probably significantly over-recovering from the Definitive Agreements. If the pricing is not reduced, this will result in the continued transfer of wealth from the end users of copper based services to Telstra shareholders. Such a position cannot be reasonably maintained having regard to the principles that the ACCC is obligated to consider.