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ASX ANNOUNCEMENT: DRAFT DECISION FOR LSS
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ACCC Provides Draft Decision on iiNet/Telstra Line Sharing Service Dispute

iiNet, through its subsidiary Chime Communications, was notified on 6 October 2006 by the ACCC of a Draft interim determination in respect of an Access Dispute lodged regarding the monthly charge payable for Telstra's Line Sharing Service (LSS). The Draft indicates a monthly rate of \$3.20 is being considered by the ACCC and calls on the parties to make further submissions.

iiNet lodged a formal dispute with the ACCC in November 2005, arguing that the rate should be closer to \$3. The pricing of LSS was the subject of an unsuccessful appeal by Telstra to the Australian Competition Tribunal earlier this year.

"It is important to note that this is a Draft decision," said Mr Steve Dalby, GM Regulatory for iiNet. "There is still a considerable amount of work required by all parties and the final rate may vary from the \$3.20 Draft determination."

LSS is required in order for iiNet to deliver its own high speed broadband service. iiNet presently has over 115,000 customers on its own network using LSS. The rate iiNet currently pays Telstra for this service is \$9 per service per month.

"The pricing for LSS is highly material for iiNet," said iiNet CEO Mr Michael Malone. "The decision is strictly Draft, but with over 115,000 customers on our own network, and growing, this is likely to have a significant impact on our costs for this financial year. We would expect that the final rate will be backdated, with the date of effect to be determined."

The Draft currently has no effect. The ACCC will decide whether to release an Interim Determination, and if so, the amount of the LSS monthly rate. Prior to that time, the ACCC has advised the parties that a period of consultation is required. The ACCC has yet to set a timetable for this consultation process.

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