

30 March 2007

ACCC Draft Final Determination on LSS Pricing

iiNet today received the draft final determination from the Australian Competition and Consumer Commission ("ACCC") for the arbitration of the access dispute between iiNet (Chime) and Telstra relating to the supply of the line sharing service ("LSS").

The pricing contained in the draft final determination is \$2.50 per LSS per month. This has the effect of reducing the Company's network costs by approximately \$800k per month compared to the previous rate of \$9.00 per month.

The rate of \$2.50 is \$0.70 per service per month lower than the \$3.20 pricing indicated in the interim determination received in December 2006.

The new pricing will be applicable from 28 November 2005 being the date that iiNet lodged its access dispute with the ACCC. This will result in Telstra reimbursing \$8.8 million to iiNet for the period from 28 November 2005 until 30 March 2007. The amount applicable to the first half of FY07 is \$4.2 million with \$4.4 million applicable to FY06.

In addition the final determination has confirmed the LSS connection charges which will result in iiNet recouping a further amount of approximately \$1.8 million for this service. This item is a capital cost so it will have the benefit of reducing the Company's depreciation charge.

The draft is subject to 28 days consultation between the parties before the final determination is issued.

Yours Sincerely



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Company Secretary

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