

## CORPORATE PARTICIPANTS

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**Dvai Ghose**

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**Nima Billou**

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*Beacon Securities*

**John Henderson**

*Scotia Capital*

**Chris Li**

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## PRESENTATION

**Operator**

Good morning ladies and gentlemen. Welcome to the Bell Aliant Regional Communications Conference Call. I would like to introduce your speaker for today, Zeda Redden, Vice-President, Investor Relations. Please go ahead, Ms. Redden.

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**Zeda Redden, Vice-President, Investor Relations**

Thank you, Michelle. Good morning everyone and welcome to the call.

Last evening we issued our news release with our unaudited 2007 annual results, our 2008 guidance, and our fourth quarter 2007 MD&A. This information, along with our notice concerning forward-looking information, is posted on SEDAR and also on our website. Today on our call we'll be taking you through a slide presentation, which can also be accessed on our website, which pertains to our Q4 results and our 2008 guidance.

Where we expect to spend a fair amount of time on guidance today, we caution you that today's comments will contain forward-looking information related to the finances and operations of the Company and our discussion is qualified by the cautionary statement at the beginning of the slide presentation and those contained in the various documents filed on SEDAR last evening. And while the audited financial statements are not fully completed, they will be filed in early March on SEDAR; however, we do not expect our audited results to vary materially, if at all, from those we present today.

And now I'll pass the call over to Bell Aliant's President and CEO, Stephen Wetmore.

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**Stephen Wetmore, President & Chief Executive Officer**

Thank you, Zeda. Good morning everyone. Thank you very much for joining us.

Glen LeBlanc, our Chief Financial Officer, and Heather Tulk, our Senior Vice-President of Marketing, have joined me today to go through our fourth quarter results and then our guidance for 2008.

Before I get into a discussion of performance for the quarter I would like to briefly mention our distribution increase.

As we announced last evening, our Board of Trustees has approved a 2.8 percent increase in our distribution rate, bringing the annualized distribution per unit to \$2.90 beginning with the February 2008 distribution, which is scheduled to be paid in mid-March.

With regard to our fourth quarter performance, we were in line with our expectations and our annual performance was within the guidance ranges we laid out for you in early 2007. In the fourth quarter our revenue growth was at the high end of our expectations as were our productivity improvements. We met our distributable cash targets and completed our accelerated fibre-to-the-node program.

Revenue in the fourth quarter grew \$2.6 percent or \$21 million over the same period in 2006 as a result of strong internet, wireless, IT, and product sales. Our total annual revenue grew \$74 million or 2.2 percent, driven primarily by the strength in internet and information technology.

As you know, in 2007 our Board authorized a \$35 to \$45 million in additional capital to accelerate our FTTN build. During the year we spent approximately \$40 million on this accelerated program and as of year end we've passed over 188,000 homes. This enables higher broadband speeds, delivery of our Aliant TV offering, and other IP applications to these customers.

The accelerated FTTN program was the primary reason for the \$26 million or 4.9 percent increase in capital spending over 2006, which caused our reported distributable cash to be down from 2006. Excluding the FTTN spend distributable cash for the year was up 2.6 percent, as you can see on slide six.

On slide seven you can see the success we are having in mitigating the revenue impact of NAS losses. During the quarter local revenues declined by 2.3 percent versus the same quarter in 2006 despite a 3.2 percent decline in NAS. Included in the revenue decline is a retroactive contribution revenue adjustment of \$3.5 million. Without this adjustment our local revenue decline in the quarter would have only been 1.3 percent, similar to the declines experienced in previous quarters in 2007.

The competitive footprint expansion continued in the fourth quarter and at year end 48 percent of the households in our territory were passed by cable telephony. Eighty percent of this competitive footprint is now forborne for residential local service.

Fourth quarter NAS losses at 42,000 were higher than previous quarters this year, driven primarily by the significant competitive footprint expansion in the second

and third quarters of this year. These losses were in line with our expectations, taking into consideration the footprint expansion and normal seasonal disconnects. Specific to the residential market, NAS declines in the fourth quarter of 2007 were almost identical to that of the fourth quarter of 2006.

With respect to the business local market, business NAS declines were 7,500, just over 7,500 in the fourth quarter of 2007 compared to 2,850 in the fourth quarter of 2006. The increase is largely related to the removal of lines associated with the provincial election in Ontario, some wholesale line losses, and one of our large business customers converting from traditional Centrex to Voice over IP.

In the business market we received good news last week, the ruling that Centrex services will be included in business market local forbearance. Given the high penetration of centric services in our customer base, this will be important to us as competition continues to unfold across our territory.

Moving to slide eight on long distance revenue, our performance in the quarter was very good versus industry trends and prior periods. The long distance business continues to be affected by many factors, which you're all very familiar with. In the quarter, new plan introductions, selected price increases, and some changes to our base rate structures helped mitigate a 5.6 percent minute decline, holding revenue decline to only 1.7 percent from the same quarter in 2006.

Moving to slide nine on information technology, xwave had revenue growth of seven percent for the quarter over the same period in 2006; however, unlike previous quarters, in 2007 growth in services revenue outpaced that of fulfillment sales. xwave continues to be a key component of our total service offering to business customers and during 2007 we have done a lot of work in improving the cost structure and focusing the organization to improve profitability. So we expect that xwave will be a larger contributor to our bottom line in 2008.

Slide ten shows continued growth in internet revenue last quarter, with total internet revenues up 7.7 percent over the same quarter in 2006, driven by a 17.1 percent increase in the high-speed internet customer base. In the quarter we passed 38,000 more homes with high-speed internet and our total homes passed stands at 72 percent. During the quarter we also improved average revenue per residential high-speed customer through a reduced proportion of customers on promotional pricing

and through sales of higher-tier packages and value-added services.

As you know, TV is an integral component of our product suite aimed at owning the customer home, whether it be with ExpressVu, which can be purchased throughout our entire territory, or with Aliant TV, our IP TV product, which is available in select markets in Atlantic Canada. Keeping in mind that Aliant TV is only available in a small footprint and it is only currently available with high-speed internet inside a value package, this product is performing extremely well. During 2007 we added about 9,000 Aliant TV customers, ending the year at just over 11,000 customers, or a penetration rate of approximately 6 percent of homes passed and approximately 25 percent penetration of our high-speed internet customers in this footprint. Aliant TV is also doing very well in attracting new customers for other services as well, with approximately 55 percent of our TV customers new to our high-speed internet service.

I want to comment very quickly on our acquisition of the assets of Kenora Municipal Telephone System. In early January we announced that we had made an offer to purchase the assets from the city of Kenora. On February 1<sup>st</sup> we successfully closed this transaction. In terms of size, KMTS is just under 10,000 NAS with an annual revenue in the \$10 to \$15 million range. KMTS is a well-run telco with a strong customer franchise and we look forward to working with the KMTS employees and servicing their customers in the upcoming months.

So turning our attention to 2008 guidance, before we get into the specifics let me start off by saying that we remain committed to the strategy and the growth objectives we adopted with the creation of Bell Aliant. As we told you when we launched Bell Aliant, the business model is a combination of scale coupled with an ability to focus on the unique needs of the customers in the communities we serve. Strong marketing programs tailored specifically for our customers and a superior customer experience are the cornerstones of our strategy for building customer loyalty and are key to our future success.

With the acceleration of competition and pressure on margins due to our changing revenue mix, productivity is a critical element in ensuring stable financial performance. We have had good progress in this area in 2007 and look to continue the trajectory in 2008.

Looking at slide 13, we are projecting an increase in total revenue of up to 2 percent in 2008. Internet, IT, wireless, and Aliant TV revenues will continue to grow in 2008 and are expected to more than offset anticipated declines in voice and other revenues. Included in other revenue is

an anticipated reduction in revenue from the Bell Mobility outsourcing contract of \$15 to \$20 million.

Moving to slide 14, we expect the percentage of households in our footprint with the cable telephony offering to continue to expand to over 55 percent in the next 18 months. At the end of 2007 approximately 80 percent of the competitive footprint was forborne and we expect this to continue to grow and eventually equal the competitive footprint.

Referring to slide 15 on our local and access revenue, our rate of NAS decline in 2007 was 3.2 percent and we are forecasting a slightly higher but not materially different rate of decline in 2008. We are targeting to hold the revenue decline rate to less than the NAS decline rate, as we did in 2007. We will continue to use our value packages and bundles as an incentive for customers to buy more from us and we'll take advantage of the increased regulatory flexibility to tailor offers that protect our highest value of customers.

As we all know, long distance is in decline due to the increased usage of other services like email and VoIP and continued competitive pricing pressure. As slide 16 shows, our long distance revenue declined 3.2 percent in 2007 from a year earlier and we expect a similar rate of decline in 2008. We will continue to use LD as part of our bundling promotions with local features and internet, which should help retain NAS customers and attract new internet customers.

With respect to our internet business on slide 17, sustaining double-digit growth in both customers and revenue will be a key objective in 2008. We will continue to close the gap between internet penetration in our market and the Canadian average. We will do this through footprint expansion and our industry-leading programs to help customers get online, such as the PC purchase plans and our DSL Today program. We will also introduce a new higher tier of services to further increase our average revenue per customer such as the 10 megabit service which we have recently launched in St. John's, Newfoundland. We will continue to add to our value-added services portfolio with new applications and services such as the Aliant Expert suite of support services, which we launched in 2007. We'll also improve average revenue per customer through selected pricing increases where market conditions allow. As the size of our internet customer base grows, trend management becomes increasingly important, and in 2008 we'll implement new retention and loyalty programs.

Moving on to capital, in 2008 our total capital intensity is expected to return to a more normal level of 14.5 to 15.5

percent, down from 16.1 percent in 2007. As we told you last year, the pace of FTTN expansion would be an annual decision. Coming into 2007 we had cash reserves of \$139 million and a very small FTTN footprint. Our 2007 program was a significant initiative for us and was completed as planned and under budget. For 2008 we are planning a modest expansion of the FTTN footprint, with most of our focus on developing and delivering an expanded line-up of higher bandwidth services. We believe this course of action will allow us to ultimately provide the best value and service to our customers.

And now I'll pass the call over to Glen, who will provide you with the details of our financial guidance for 2008.

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**Glen LeBlanc, Chief Financial Officer**

Thanks Stephen, and good morning everyone.

As Stephen mentioned, our 2007 performance met our expectations and the guidance that we provided to you on investor day last February.

Tuning your attention to slide 20, our financial model for 2008 remains the same, with modest revenue growth expected and stable margins. This margin stability should continue to be achieved despite a change in revenue mix through our productivity programs.

In 2007 we exceeded our productivity objectives that we set for the year, with our annual program savings reaching \$87 million versus our target of \$75 to \$85 million. Our 2007 productivity program also included initiatives that will deliver about \$55 million in run-rate savings which will provide productivity benefits into 2008. These savings, along with additional benefits realized from new 2008 initiatives, are expected to allow us to maintain margins in 2008 as we did in the latter half of 2007. Going into 2008 we aim to maintain investment-grade debt ratings for our debt investors and we are maintaining an appropriate capital structure to support that objective.

You will recall that in February 2007 we placed \$1 billion of medium-term notes, terming out most of the remaining debt on revolving bank lines that had been established as part of the reorganization creating Bell Aliant in July 2006. Although we have a small amount of about \$250 to \$300 million that we intended on terming out in 2007, we were able to continue to carry that on our revolving facilities and it has not adversely impacted our results.

We will continue to strive to provide stable, growing cash returns to our unitholders as we have done since the

formation of Bell Aliant through two distribution increases and a normal course issuer bid, which was completed in October of 2007 from the proceeds of the Aliant Directory Services divestiture.

Looking at slide 21, in 2008 we expect our distributable cash to be in the \$720 to \$740 million range. With our announced 2.8 percent distribution increase, the payout in 2008 is expected to be approximately 90 percent, consistent with the targets we set out when we established Bell Aliant. The balance of distributable cash generated is expected to fund pension deficit payments and cover other sundry cash costs such as capital taxes that are projected to be non-recurring over the longer-term.

Slide 22 gives you an update on our pension funding status. I draw your attention to the non-cash pension write-off of \$21.4 million in the fourth quarter of 2007. This is a year-end adjustment required under Canadian GAAP. One of our pension plans moved into a surplus position for accounting purposes at year end and as a result we were required to write off this surplus against the balance sheet asset. You can read the details in our MD&A but suffice it to say that this is a non-cash balance sheet adjustment and does not affect cash funding requirements.

Our current service portion of our pension funding, which is included in distributable cash, is projected to be slightly higher in 2008 than 2007. The required deficit payments for 2008 are expected to be between \$50 and \$60 million. These may be funded from our excess cash after distributions or we may use our dedicated credit facility to fund these deficit payments to provide us with more flexibility in our day-to-day financing requirements should the capital markets not improve from their current state.

On the annual funding chart on slide 22 you will note an increase in deficit funding in 2008. Prior to Bell Aliant's creation, Aliant had made voluntary pension plan contributions in excess of the minimum requirements. In 2007 we used a portion of these excess contributions from prior years to reduce our 2007 funding contributions. As with prior years, these estimates will be confirmed when actuarial valuations are finalized around mid-year.

Finally, on slide 23 you will see from our guidance that we are forecasting consistent, stable growth for 2008. Our revenue guidance is \$3.37 to \$3.44 billion, for an expected increase of up to 2 percent over 2007. Distributable cash is expected to be \$720 to \$740 million and capital intensity is expected to return to a level of 14.5 to 15.5 percent.

And with that I will open the call up for questions.  
Operator?

## QUESTION AND ANSWER SESSION

### Operator

Thank you. We will now take questions from the telephone lines. If you have a question and you are using a speakerphone, please lift your handset before making your selection. If you have a question, please press star one on your telephone keypad. If at any time you wish to cancel your question, you may press the pound sign. Please press star one at this time if you have a question. There will be a brief pause while the participants register for questions. Thank you for your patience.

The first question is from Jonathan Allen from RBC Capital Markets. Please go ahead.

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### Jonathan Allen, RBC Capital Markets

Thanks very much. Good morning. Question about the dividend strategy. I know we've talked about this before but now we've got two years, two consecutive years of increasing the distribution and from your guidance and from discussions when the company becomes taxable there's the anticipation that there'll have to be a cut at some point in 2011 instead of growing into the current distribution. On that subject I've got three sort of individual questions for you.

The first is: is the Board strategy just to sort of bird-in-the-hand give the money to shareholders early as possible and increase the present value for investors?

Second question is in the past, in the last year you had a large normal course issuer bid just using the directory sale proceeds, it looks like you haven't refilled for the NCIB and from Glen's remarks it seems like a lot of the money will be actually used for pension funding. Will the pension funding continue to eat up that extra 10 percent of remaining free cash flow for the next few years or is there a possibility to minimize some of the distribution cut by repurchasing shares?

And the third question for Glen is on the tax rate. In your assumptions in the release last night you assume that there's a 30 percent statutory tax rate in 2011 and I'm curious now that we've had about a year or so to look at the CCA pools and other tax strategies, will you actually be able to either delay the cash taxes beyond 2011? Should we expect perhaps a ramp-up, maybe 10 percent effective tax rate in the first year and increasing after

that? Just something to minimize some of the distribution cut. Thanks.

**Stephen Wetmore, President & Chief Executive Officer**

Thanks, Jonathan, it's Stephen. To question number one, looking out to 2011, you have to be, you have to look at it in the following way, that our structure here in terms of what our distribution percentages are within the trust have to be kind of maintained, otherwise if you retain too much cash in the trust all you'll be doing is paying taxes currently as opposed to sticking with the kind of formula that we have leading up to 2011 to protect those funds within the trust structure. So retaining money is not the right thing to do from that aspect.

If you look at us starting Bell Aliant at \$2.74 annual distribution rate and you look out to 2011, to try to maintain that \$2.74, let's say you're going to have to increase that, and this is an estimate, but you'd have to increase it to, say, \$3.50 or \$3.60 and then take off whatever the effective tax rate would be in 2011. So as you work towards 2011, in order to maintain a dividend stream consistent with a \$2.74 distribution stream then you should be driving as hard as you can to be able to achieve, say, \$3.50, \$3.60 distribution around that time. And that has to come through being capable of sustaining that type of cash distribution on an ongoing basis. So you wouldn't want to retain the cash in the company currently just to pay it out at that point in time on a one or a two-year basis. So what we're striving for obviously, in our productivity initiatives and in our operations in general, is to try to make the company as efficient as possible as we lead to 2011. So that's the answer to number one.

In terms of the NCIB renewal, it still has some time to go, but what we're really looking at is the cash that is in excess if you will, the 10 percent that we're retaining, we can use the line going forward. We have used that cash to this point in time to pay down the pension deficit. But allocating a lot of that to NCIBs is not a huge amount of money using the potential distribution increase for NCIBs. So we'll take a look at that over the coming weeks, coming months—

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### Jonathan Allen, RBC Capital Markets

Stephen, let me just ask you a quick question there. You said if you hoard the cash then you might have to pay current taxes but if you were actually just using that money for share repurchases would you then still be taxable on it or would that be perhaps a better use?

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**Stephen Wetmore, President & Chief Executive Officer**

No, you'd still be taxable. So it's really optimizing your tax structure from now to 2011, obviously, to get as much tax savings as is possible. But the real key here I think for us, and I mean maybe it's how to characterize a very simple strategy maybe, is how hard can you drive the company in order to be able to protect that dividend distribution in 2011.

And with our tax fortune teller here, I'll hand it over to Glen to talk about future rates.

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**Glen LeBlanc, Chief Financial Officer**

Thanks, Stephen, and I'll build a little bit, Jon, upon what Stephen said, so good morning.

As Stephen alluded to, we're very focused on 2011 and a strategy that is going to mitigate the inevitable tax hit. When this would have been announced on October 31, 2006 we would have said that it was our anticipation that about a 32.5 percent effective tax rate is what we were headed for and now we see some relief and that being probably 30 or slightly less than 30. And as we see potentially the provinces follow the way of the federal government maybe that will come down even lower towards 26 percent between now and 2011. But in the very simplest of terms, if that's \$0.80 or \$0.85 in tax expense, that would have to be, you'd have to draw from your distributions, as Stephen said, our focus between now and then will be to do everything we can to mitigate as large a portion of that tax impact as we can.

Now do I think we can do some planning that would allow us to have a lower effective tax rate coming out of the gate? Yes. Do I think that that's sustainable for a long period of time, meaning a year or greater? No. So we need to deal with the inevitable \$0.80 to \$0.85, and that's our goal. As Stephen said, drive the organization as hard as we can, continue to pass along the success we have in distributable cash growth in the form of distribution increases, as we've done now for two consecutive years, and that is the way to take advantage of the tax efficiency of an income trust structure. And as far as focused strategy for 2011, do everything we can to mitigate that, and I think we are making roads to just that.

**Jonathan Allen, RBC Capital Markets**

Well thank you very much for handling a tax question so early in the morning. Appreciate it.

**Glen LeBlanc, Chief Financial Officer**

You're welcome.

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**Operator**

Thank you. The next question is from Vince Valentini from TD Newcrest. Please go ahead.

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**Vince Valentini, TD Newcrest**

Shifting gears to the operations on a couple of things, you mentioned this shift from Centrex to IP for a large business customer, obviously that had a negative impact on NAS. Can you flesh out a bit more what that does to you in terms of revenues and EBITDA, because obviously there's a different cost structure and pricing structure for those type of services.

The second question I'll let you think about while you're answering that, if there is a fourth wireless carrier in your territory, and most notably I guess in Atlantic Canada, have you thought about how that could impact you as a wireline-only provider? You wouldn't be hit directly but are you fearful that there'd be an indirect hit if some of your cable competitors for example had that wireless as part of their bundle?

And lastly, can you give us any update on the Halifax market after you've been forborne for a few months now? Are you starting to see a stabilization in your lines there or perhaps even some net win back from EastLink? Thanks.

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**Stephen Wetmore, President & Chief Executive Officer**

Thanks, Vince. It's Stephen. In terms of the reference to the VoIP customer, just let me give you a little bit of background.

I just wanted to mention it because obviously the increase in our business line losses in Q4 07 over Q4 06 deserved a little bit of explanation and it was broken down into those three categories. But the particular customer that we're referencing, and in fact it's primarily one customer, has been an ongoing thing, and it's just

their movement of Centrex over to Voice over IP, then the traditional count here is in NAS as opposed to commenting on Voice over IP, so I guess this will be an ongoing reconciliation of NAS lines to IP conversion, but the customer is still ours.

Overall, an IP conversion to a customer means that your traditional pricing models I guess for the individual lines and the service changes, what we're finding is that given the customer's moving into a totally different type of service, we're able to negotiate with the customer to provide other addition of value-added services, managed services, these sort of things, which traditionally you wouldn't have to do in a more traditional Centrex environment. So we're doing everything we possibly can to mitigate any obvious re-price on these things, but you're never going to avoid it totally. But you try. And this I think, especially in the markets where we can use our IT business, we're finding that much more opportunity as we convert our customers over to IP to be able to wrap in many more sort of service elements for them. So good news from that side.

In terms of wireless, I suppose our markets could get a little bit more competitive, but I can't imagine it. We've got the best sort of wireless competition in the country head-to-head with us and have had it for many years. As you know, in New Brunswick and in Newfoundland and Labrador we face Rogers and full wireless operations and obviously you know the situation in our central territory. Nova Scotia has been very competitive from both kind of Rogers teaming up with EastLink as they want and TELUS being in the market for quite some time. So I don't see a very large impact at all, if any in fact, with a fourth wireless carrier or a fifth.

And in terms of the market shares and performance in the Halifax market, I guess I'll ask Heather Tulk maybe to make a comment or two, but it was really related to forbearance in Halifax and are we seeing any difference.

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**Heather Tulk, Senior Vice-President, Marketing**

We're certainly, obviously Vince we don't get into community disclosures, but certainly we are seeing a lot of benefits there from forbearance to take in terms of both our acquisition offers and winbacks. We would've mentioned, I believe last quarter, that we had seen a 17 percent sequential quarter improvement in win back, we actually did a little bit better than that Q4 over Q3, just a bit above 25 percent further improvement sequential quarter over quarter.

The other thing I'd say is that our win back to loss ratio is improving quite dramatically and in fact has doubled since before forbearance to afterwards in terms of the win backs that we're seeing losses. So we're really pleased with how we've been able to use the new flexibility both in the new regulatory regime in the regulated territories as well as in the forbearance territories, and we're seeing improvements across the entire territory in terms of our performance. So obviously a big area of focus for us in the future.

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**Vince Valentini, TD Newcrest**

Okay, thanks.

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**Operator**

Thank you. The next question is from Dvai Ghose from Genuity Capital Markets. Please go ahead.

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**Dvai Ghose, Genuity Capital Markets**

Yes, thanks very much. Stephen, I wonder whether this is the time to cut capital intensity to 14 to 14.5 percent of sales from 16 percent in '07? You're installing your fibre-to-the-node strategy, you only cover 188,000 homes---if you could also tell us what percentage that is. While it may help distributions in the near term, isn't this a bit of a dangerous strategy when you have a tiny footprint in terms of your FTTN and cable telephony's footprint is growing exponentially every year?

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**Stephen Wetmore, President & Chief Executive Officer**

Good morning, Dvai. What you're saying is a very, very good strategy. I'm not disputing that whatsoever. This FTTN investment takes us, while it completes the market, and we're not cutting it, I mean we're continuing—Aliant had a program about three, four years ago that trajectory got off kilter and '07 brought it back on trajectory, and that's what I was trying to kind of clear in '07 to say it was a one-off. But this now takes us, and with the investment next year it will give us about another 20,000 or 30,000 more homes passed, but allows us to be fully, fully competitive so nobody has to move out of footprint in our two really competitive cities of Halifax and St. John's, Newfoundland.

So to get it to there, what I would like to concentrate on in 2008 is taking a little bit more capital, which we have done, and invest it in some productivity programs, primarily driven by our IT shop, to give us a real jump into '09 and '10.

So with the kind of stress that we put on the organization by taking a lot of our people off sort of focused on provisioning if you will, and allocated them to capital in 2007, and also the same for our IT shop, I want to get back to try to get our service elements provisioning of TV, the quickness of it, the cost of it, down, and really drive productivity. So that was kind of my thinking on the capital allocation and the best return for it.

And then we only have 6 percent penetration of those households, so the combination of product that we want to put together, as you know we do it only with, to date, only wrapped with high-speed internet, so we want to try an awful lot of things during the course of early 2008 to really understand the reduction in churn in high-speed to understand the value packages that we should be putting together.

We're also spending money in 2008, as you probably know, to ensure that the service development for our TV product keeps pace with the market, i.e. three TVs and High Def and things like that all have to be part of the capabilities for 2008. So I didn't see driving more fibre-to-the-node being extremely beneficial for 2008 fiscal year.

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**Dvai Ghose, Genuity Capital Markets**

Okay so, sorry, just to clarify, so 6 percent is your penetration in terms of customers to homes passed currently?

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**Stephen Wetmore, President & Chief Executive Officer**

Yes.

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**Dvai Ghose, Genuity Capital Markets**

And what is the 188,000 homes as a percentage of total homes covered?

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**Stephen Wetmore, President & Chief Executive Officer**

Well we would probably, in the major cities in Atlantic Canada, Dvai, never go much more than between 400,000 and 450,000 homes probably.

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**Dvai Ghose, Genuity Capital Markets**

So there's about 400,000 to 450,000 homes in the major cities.

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**Stephen Wetmore, President & Chief Executive Officer**

Yeah.

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**Dvai Ghose, Genuity Capital Markets**

And then last question on efficiencies, obviously that's a big focus for 2008 again. You don't talk much about the master services agreement with Bell anymore; is that because they're sort of in a state of, ah, what shall we say, holding pattern with the LBO process, or has there been issues with the master services agreement?

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**Stephen Wetmore, President & Chief Executive Officer**

No, the lack of reference to it is probably just the fact that it's operating very well.

In the master services agreement, as you may recall, we have a built-in productivity percent that Bell will pass on to us each year, so it's 3 percent, and it'll be roughly \$10 million or \$11 million if you take, you know, as we've told you before, this contract is well in excess of \$300 million a year. So that will come through in 2008 as usual. Very, very pleased with the overall operation of the outsourcing agreement. There was a lot of things that we had to deal with in past 12 months or so and I kind of think we're there and, you know, very, very happy with it, thanks.

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**Dvai Ghose, Genuity Capital Markets**

Thank you very much.

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**Operator**

Thank you. The next question is from Nima Billou from Bloom Investment Counsel. Please go ahead.

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**Nima Billou, Bloom Investment Counsel**

Actually most of my questions have been answered but along the same lines, you'd mentioned with respect to the capital decision for FTTN, are you just trying to assess the pace and progression of the television offering as to your year-to-year decision whether to allocate more capital in terms of perhaps increasing intensity next year or is it a matter of, as you said, allocating capital and maybe some investment on the expense side to improving your existing product? So just want to get a sense of that trade-off.

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**Stephen Wetmore, President & Chief Executive Officer**

It's more ensuring that we truly know the product that we have, the importance of that product in relation to our existing suite, and ensuring that the cost of installation, the repair side of it, the service development, etcetera, are all up to the standards that we want to see.

The more complex products that you get into with customers, i.e. when we entered the internet business and now in the TV business and products of that I guess, quantity of labour for install, you have to be very, very efficient. Our network is actually processing more transactions now than it did last year and it processed more last year than it did the year before. That's where we see a lot of our productivity coming through, by being able to process more transactions with the same level of wages and same number of truck rolls. So I think all these things are very important for us to concentrate on as we go into 2008 to ensure that everything associated with our Aliant TV service is as good as we can possibly make it. And, like I say, we've got a 6 percent penetration and got 94 percent of those customers that we can go after and perfect it. So it's more along that line as opposed to saying let's just drive the network out as fast as we possibly can.

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**Nima Billou, Bloom Investment Counsel**

And finally, for the 11,000 customers, it's small now, but was that ahead of plan, in line with your expectations in terms of the television rollout?

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**Stephen Wetmore, President & Chief Executive Officer**

I would say overall that it's ahead of our expectations. Here's kind of some of the issues that we have is that we only wanted this to be combined with high-speed Internet initially. I think 55 percent—Heather will correct me if this number is wrong, but I think 55 percent of our new TV subscribers are new to high-speed internet. All these factors are very important. How does it affect our churn? So we manage that.

If you don't finish a footprint however, i.e. take a city and you're only offering it in 75 or 80 percent of the city, then your churn rates are going to be higher because people are moving outside of footprint. So it was very important for us to finish those footprints and now to understand truly what's involved in retaining the customers and meeting their expectations.

So I think overall this product, and its positioning in the market remember, I mean we didn't position this, we have Bell ExpressVu as the ultimate product and this one was to fill a very specific market niche for us, is working extremely, extremely well. Very, very pleased with it.

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**Nima Billou, Bloom Investment Counsel**

Thanks very much.

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**Operator**

Thank you. Once again, please press star one on your telephone keypad if you have a question.

The next question is from Michael Mills from Beacon Securities. Please go ahead.

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**Michael Mills, Beacon Securities**

Good morning guys.

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**Stephen Wetmore, President & Chief Executive Officer**

Good morning.

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**Michael Mills, Beacon Securities**

One more on the FTTN spending I guess. Can you release an amount you're looking to spend in '08 to add the 20,000 to 30,000 more homes?

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**Stephen Wetmore, President & Chief Executive Officer**

Yeah, I don't have a problem. I mean it's probably around \$20 million. It's always difficult to...well if you give an FTTN number and you give dollar spend and you give an FTTN in terms of homes passed, then everybody divides the two in and wonders whether 'oh my goodness' it's now 775 home passed or it's 525. But roughly speaking it's that, which would be our kind of normal trajectory.

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**Michael Mills, Beacon Securities**

Okay. And on a personal note, I'm just hoping it's going to come to more of peninsula Halifax this year. So you guys can work on that.

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**Heather Tulk, Senior Vice-President, Marketing**

We'll give you a call, Michael—

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**Michael Mills, Beacon Securities**

Excellent. I'm looking forward to trying it.

In terms of productivity savings, you gave us a number for '07 of \$75 to \$85 million; again, can we get a number for '08?

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**Stephen Wetmore, President & Chief Executive Officer**

Michael, here's how I looked at that. The productivity numbers, when you disclose an absolute, I thought it was very important for us in 2007 to try to give you an idea of what we were going after because of the opening up of our, ah, primarily our residential markets, and say this is where we're after, this is where we're trying to track in order to get our margins in. That number, in many cases, it's a huge—well it's very difficult for you to follow, because you don't even know how we've calculated it in many cases, and for us to report on it ever quarter, I don't

know, I really didn't think that anybody was getting any value out of the reporting of the amount on a quarterly basis, so rather than saying I'm after X amount of money we just said well this is kind of the revenue picture, this is what we're after in terms of margin and DC growth, and leave it at that for 2008.

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**Michael Mills, Beacon Securities**

Okay, fair enough. And, sorry, I missed the subscriber metrics for KMTS; could you just repeat those?

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**Stephen Wetmore, President & Chief Executive Officer**

10,000. 10,000 to 11,000, Michael.

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**Michael Mills, Beacon Securities**

10,000? Okay.

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**Stephen Wetmore, President & Chief Executive Officer**

Normally speaking, you know, in this business, well it works out to about \$1,000 in NAS, you know, when you add up the top-line revenue, so \$10 million to \$15 million revenue pretty much normally gives you the number of NAS that you have.

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**Michael Mills, Beacon Securities**

All right, okay. Thank you.

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**Operator**

Thank you. The next question is from Dvai Ghose from Genuity Capital Markets. Please go ahead.

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**Dvai Ghose, Genuity Capital Markets**

Hi. Can I just ask a follow-up on TV? And this is more a sort of technical question. Can you remind us what sort of platform are you on? Have you migrated to VDSL yet? And your vendor choice, MTS announced yesterday a new relationship with Microsoft, or recently anyway, and

their IP TV strategy. Could you just remind us of your software and middleware providers?

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**Heather Tulk, Senior Vice-President, Marketing**

Nothing's changed for us, Dvai. We're still on the Alcatel platform that you're quite familiar with.

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**Dvai Ghose, Genuity Capital Markets**

So you're still on the Alcatel platform.

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**Heather Tulk, Senior Vice-President, Marketing**

Yes, that's right.

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**Dvai Ghose, Genuity Capital Markets**

But that has to be changed at some stage because they're discontinuing, right?

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**Heather Tulk, Senior Vice-President, Marketing**

That's right. And we will be evolving the platform before that, but we're on the Alcatel platform currently.

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**Dvai Ghose, Genuity Capital Markets**

Okay, so you're still offering a broadcast rather than a switch platform?

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**Heather Tulk, Senior Vice-President, Marketing**

Yep, that's right.

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**Dvai Ghose, Genuity Capital Markets**

And it's on ADSL2+, is that right?

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**Heather Tulk, Senior Vice-President, Marketing**

We're just migrating to that now. We would have just launched, coincident with that migration actually. We just launched a 10-megabit service in St. John's, Newfoundland for high-speed internet and we'll be

improving our high-speed Internet services over the network as well. It's different than the TV platform.

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**Dvai Ghose, Genuity Capital Markets**

So where you do offer TV currently you have less than 10-meg apart from Saint John and so, what, two channels. Is that right?

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**Heather Tulk, Senior Vice-President, Marketing**

St. John's. At this point that's correct.

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**Stephen Wetmore, President & Chief Executive Officer**

But I think by the end of March/April I think we're finished.

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**Dvai Ghose, Genuity Capital Markets**

In the other territories.

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**Stephen Wetmore, President & Chief Executive Officer**

Yes.

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**Dvai Ghose, Genuity Capital Markets**

Okay, thanks a lot.

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**Stephen Wetmore, President & Chief Executive Officer**

Thank you.

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**Operator**

Thank you. The next question is from John Henderson from Scotia Capital. Please go ahead.

**John Henderson, Scotia Capital**

Hi. Just wondering if you'd comment on the EBITDA impact of the IP TV or FTTN build and expansion in 2007. We've got kind of a cap-ex understanding but I wondered what the EBITDA impact would have been.

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**Stephen Wetmore, President & Chief Executive Officer**

Well I'd love to tell you that we're making a whole bunch of money on that, John, but we're not making a whole bunch of money yet. It obviously has to be scaled and so we're not, it's not costing us very much at all, so that part's very good, but it's just not a bit enough contributor yet to make any significant nor would we ever design this to have a significant hit on EBITDA either.

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**John Henderson, Scotia Capital**

Okay. I just thought it might have depressed results in the near-term and lead to, you know, better results as you scale it.

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**Stephen Wetmore, President & Chief Executive Officer**

Well the answer to that's yes, but not materially yet.

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**John Henderson, Scotia Capital**

Okay. And would there be any mechanism in the master service agreement to get Bell to kind of work towards some fibre-to-the-node platforms?

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**Stephen Wetmore, President & Chief Executive Officer**

Well the investment in our territory, if you will, are kind of up to us. So if we wanted to invest then we could. I mean it's our territory, our network if you will.

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**John Henderson, Scotia Capital**

Okay.

**Stephen Wetmore, President & Chief Executive Officer**

So it would be up to us to make that decision when and if we were ready.

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**John Henderson, Scotia Capital**

I thought you were distinguishing between Aliant territory and sort of the Bell Aliant territory in terms of construction of FTTN.

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**Stephen Wetmore, President & Chief Executive Officer**

We are really, only because, you know, we're up and ready in the four Atlantic Provinces to build the FTTN out to those markets and then put another service over the top of it, which is our TV product. So we've got the head-end in. We have everything ready and raring to go, you know. With the exclusion of course of Nordiq. I mean Nordiq territory we have TV in. But in the broader Bell regional territory if you will in Ontario and Quebec, I'm distinguishing between those.

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**John Henderson, Scotia Capital**

Okay, great. Thanks.

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**Operator**

Thank you. The next question is from Chris Li from Merrill Lynch. Please go ahead.

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**Chris Li, Merrill Lynch**

Hi, good morning. Most of my questions have been answered I just have one left on the pension. With interest rates starting to come back down again, can you maybe remind us what is the sensitivity of your pension deficit funding and also the annual funding requirement for, say, every 25 basis point change in your discount rate assumption?

**Stephen Wetmore, President & Chief Executive Officer**

Good morning, Chris. How are you?

**Chris Li, Merrill Lynch**

Good thanks.

**Stephen Wetmore, President & Chief Executive Officer**

As we would have shown you in the slide deck, our pension deficit, I'll just take us back a little bit, was \$450 million when we created Bell Aliant, and now we're projecting that deficit to be around \$325 million in 2008. And I think every 25 basis points would have an impact of about \$125 million for every 25 basis point change in discount rate. So I think you'll notice in our disclosure documentation we're now using a discount rate of 5.5 percent.

**Chris Li, Merrill Lynch**

Okay. And is that rate, would that rate change materially for this year or would it change I guess after you do your next valuation of your pension?

**Stephen Wetmore, President & Chief Executive Officer**

We don't see that changing materially this year but, again, we'll have to wait for the actuarial valuations to come in.

**Chris Li, Merrill Lynch**

And that will be in Q2 you said, right?

**Stephen Wetmore, President & Chief Executive Officer**

That's correct.

**Chris Li, Merrill Lynch**

Okay, great. Thanks.

**Operator**

Thank you. There are no further questions registered at this time. I would like to turn the meeting back over to Ms. Redden.

**Zeda Redden, Vice-President, Investor Relations**

Thank you everyone for joining us today and I'm sure we'll talk to you over the next couple of days.

**Stephen Wetmore, President & Chief Executive Officer**

Thank you. Good morning.

**Operator**

Thank you. The conference has now ended. Please disconnect your lines at this time. We thank you for your participation.