

## CORPORATE PARTICIPANTS

**Zeda Redden**

*Vice-President, Investor Relations*

**Stephen Wetmore**

*President & Chief Executive Officer*

**Karen Sheriff**

*Chief Operating Officer*

**Glen LeBlanc**

*Chief Financial Officer*

**Heather Tulk**

*Senior Vice-President, Marketing*

## CONFERENCE CALL PARTICIPANTS

**Greg MacDonald**

*National Bank Financial*

**Jonathan Allen**

*RBC Capital Markets*

**Jeffrey Fan**

*UBS Securities*

**Vince Valentini**

*TD Newcrest*

**Dvai Ghose**

*Genuity Capital Markets*

**John Henderson**

*Scotia Capital*

**Michael Mills**

*Beacon Securities*

**Cam Mangey(sp.)**

*BMO Capital Markets*

**Chris Li**

*Merrill Lynch*

## 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, Joe. Good morning everyone and welcome to Bell Aliant's Q3 results call.

Last evening we issued our news release and Q3 financial statements and MD&A, which are posted on SEDAR and also on our website, and also posted on our website is the slide presentation that we will be taking you through on this call. Today's agenda is listed on slide two of the presentation and in addition to the discussion on our Q3 results we will also be discussing changes to our 2008 guidance.

As always, we caution you that today's comments may contain forward-looking information related to the finances and operations of the company and our discussion is tempered by the cautionary statements on slide three of the presentation and those listed in the MD&A and news release.

And with that I'll turn 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, and good morning everyone.

Let me start off by welcoming Karen Sheriff to our call this morning. As you would all be aware, Monday evening we announced that Karen will be succeeding me as President and Chief Executive Officer effective this coming Monday, November 3<sup>rd</sup>.

As we noted in the releases, Karen has been a director of Bell Aliant and our predecessor company, Aliant Inc., since 2004. She was appointed Chief Operating Officer in July and has spent the last number of months getting to know our operations even better. Karen has many years of experience in the industry; therefore, the transition has been a very easy one. I want to thank Karen for her dedication to the organization while a

director and more recently as Chief Operating Officer and I wish her every success in her new role.

As far as our agenda for today, I'll speak briefly on the quarter's financial highlights before handing over to Karen and then to Glen LeBlanc, our Chief Financial Officer. As usual, Heather Tulk, our Senior Vice-President, Customer Solutions, is also with us today for the Q&A session.

Before I comment on the quarter's results, let me provide a little more information on our network investment announcement which has led us to revise our capital expenditure and distributable cash guidance for 2008.

As part of Bell Mobility's migration to a 4G wireless network, we have entered into an agreement with Bell Canada to enhance our network, which connects their cell sites in Atlantic Canada and in Quebec and Ontario. Our total expenditure will be approximately \$50 million over the 2008 and 2009 period, which has required us to adjust our guidance for this year. Given the timing of our announcement in effectively the last quarter of the year, then it was obviously too late for us to accommodate this incremental spend into our current year guidance. The financial returns on this contract have been negotiated as we would for any enterprise customer and it has therefore met our internal rates of return and is a good investment for Bell Aliant.

As far as our third quarter highlights, as shown on slide five of our presentation our financial results in the quarter continue to be stable with revenue growth of 0.8 percent and EBITDA growth of 0.3 percent compared to the same quarter last year. We are pleased with the quarter and our year-to-date results show the kind of annual growth we expect and are well in line with our expectations as we head into the final months of the year.

Capital intensity for the quarter was 17 percent, resulting in year-to-date capital intensity of 14.6 percent. Capital spending in the third quarter of 2008 was essentially on par with that of the same quarter a year ago, although 2007 included spending on the accelerated fibre-to-the-node program. As expected, our capital spending picked up this quarter, as the earlier part of this year had weather and delivery delays, making the third quarter a bit of a catch-up period. It is because of this catch up that third quarter capital spending was similar to that of the same period a year ago.

Distributable cash grew 1 percent during the quarter compared to the same quarter last year. The catch up in capital spending that I just mentioned is the primary driver of somewhat lower distributable cash than earlier in

the year, but we are very much on track for our annual numbers.

And with that I'll hand the call over to Karen.

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### **Karen Sheriff, Chief Operating Officer**

Thank you, Stephen, and good morning to everybody.

Let me start off by saying how pleased I am to be part of this organization. This is really a terrific company with a strong management team that's delivered very strong financial performance and customer service over time. I'm really thrilled to be here and I look forward to meeting with many of you over the coming months and into the New Year.

Now before I get specifically into our revenue results, I thought it would be good to set a bit of context for us this morning. We all know, and I don't have to tell you, that we are experiencing one of the most unique times in financial market history and I recognize the issues that many companies are facing as a result of the recent market performance. Importantly, we strongly believe that our unit price does not reflect the confidence we have in Bell Aliant and in retrospect, when I look back over the past two years, we were either pretty good or pretty lucky, because the decisions and the actions that have been taken have put us in a favourable position to weather the current environment.

For example, we're fortunate that our debt was placed before the credit crunch began, that we moved in 2007 to change the pension asset mix to primarily bonds rather than equity, and that because of the change in tax laws it has become less attractive for us to actively pursue the industry consolidation plans that were considered when launching Bell Aliant. Our conservatism has placed us in what some would consider an enviable position and we are extremely conscious of the proper utilization of our cash going forward.

Now I'm going to make some brief comments on our revenue performance in the quarter before handing over to Glen. I think, as many of you have noticed, there's nothing particularly unusual in this quarter's results, but let me go through them somewhat quickly for you.

If you move to slide six, you'll see the drivers of our revenue growth. Strong growth in IT and internet continued to more than offset the decline in local LD and other revenues. Within other, growth and wireless revenues of \$4.6 million in the quarter was offset by revenue declines associated with outsource in revenues

from Bell Mobility and lower equipment sales. Looking forward to the next quarter we expect a larger year-over-year decline in other revenue as Bell Mobility outsourcing revenues were heavily weighted to Q4 in 2007.

If you turn to slide seven, we continued to limit local revenue declines well below the rate of the declines in network access services. NAS were 3.4 percent lower than a year earlier with revenue down 1.4 percent from the same quarter in 2007. Now strong growth in features revenues and pricing actions in both the residential and business markets drove revenue and helped to offset the effect of NAS declines. Our local revenue in the quarter also benefitted from a one-time \$2.4 million contribution revenue adjustment obtained as a result of our refilling with the CRTC of eligible contribution revenues retroactive to January of 2002. Excluding this one-time pickup, the total local revenue decline would have been 2 percent, still very favourable compared to the NAS declines.

Third quarter NAS declines of 24,000 were up about 3,400 from the same period last year, reflecting the effects of increased competition associated with growth in the competitive footprint from a year ago. We now have 240,000 more households with a cable telephony service offering than we had at this time last year, with competitive footprint growing by 9 percent over the last 12 months, and it now stands at 55 percent competitive. Not surprisingly, we expect competitive expansion to continue and at this phase of the competitive evolution in our markets it's not at all surprising that there is significant pressure on losses. So we are actually very pleased that our efforts to capitalize on the regulatory relief we received last year by using early intervention programs in forborne exchanges and continuing with our value package and bundling strategy are holding net NAS losses as low as they are. Win backs are up almost 50 percent from the same quarter a year ago.

Moving to slide eight, long distance revenue was down 6.2 percent from the same quarter last year, driven by continued competitive activity, technology substitution, and market pressure on price. The year-over-year decline in revenue for the quarter was greater in Q3 than in earlier quarters, as expected, as we've now lapped the period in 2007 where price increases went into effect. While the long distance portfolio continues to experience decline, we are mitigating the effects on revenue through selective price increases in some segments and services and employing competitive pricing and term contracts for our large volume customers. We are also continuing the promotion of the service to stimulate usage.

Moving on to slide nine on information technology, xwave had another good quarter with revenue growth of \$15 million or 29.5 percent growth over the same period in 2007, supported by both services and fulfillment revenue growth. The healthcare contract in the province of Quebec that we've mentioned in previous quarters is the primary driver of the \$7.2 million increase in service revenues and equipment sales to large customers drove the \$7.8 million increase in fulfillment sales. A bit of caution though that some of the fulfillment revenue that we saw in Q3 related to deals that we had thought would occur in Q4. We don't expect quite so robust of a fulfillment quarter in Q4. Our agreement to sell our defence, security and aerospace, or DSA, business continues to move toward completion and we expect the sale to be finalized before the end of the year. You will notice in our financial statements that this quarter we have reclassified DSA to discontinued operations, as we have indicated last quarter we would do.

Slide ten shows another strong quarter for internet revenue growth as we continue to add high-speed customers while maximizing average revenue per customer. High-speed internet customers grew by 12.4 percent from the same period a year ago with growths in residential high-speed average revenue per customer of 6.9 percent. High-speed net additions in the quarter were 21,615, bolstered by our fall rush back-to-school programs that traditionally come in the fall. We actually started the campaign somewhat earlier this year to take advantage of our Olympic advertising and overall this proved to be a great success with activations, TV subscriptions, and local service subscriptions performing very well. However, as it is with most of us in the industry, overall high-speed subscriber growth has slowed due to economic and competitive pressure and to mitigate these forces customer retention continues to be a big focus for us throughout the quarter. We are very encouraged by results on this front with deactivations improving significantly from the same period a year ago. This is the third consecutive quarter of increase in residential high-speed average revenue per customer, extending the trajectory we anticipated earlier this year. The trend reflects movement to higher promotional price points, increased penetration of value-added services, and higher modem rentals.

We continue to expand our network capabilities and in the quarter we expanded our high-speed internet network to pass an additional 22,000 homes and our FTTN footprint by 9,000 homes. We are continuing to leverage the investment in broadband by driving growth in our core IPTV and high-speed products. IPTV, for example, is now up to 20,000 subscribers. We also have internal channel campaigns which are helping our people focus

on our IT and our broadband products with training and incentives. This not only helps us sell units in broadband, it also helps you sell the other services that help drive up ARPU.

Now we've also launched a few new products in the quarter and most notably in our business segment we launched Centrix IP and an expansion of our Aliant Ethernet service areas, which facilitates IP PVN service growth.

That pretty much summarizes the revenue results and with that I'm going to pass you over to Glen to speak to you more about the quarter's financial results.

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**Glen LeBlanc, Chief Financial Officer**

Thanks, Karen, and good morning everyone.

As Karen has covered off revenue trends I will speak to our expenses, EBITDA, CapEx, and distributable cash performance, and provide you with an update of our guidance as a result of the network enhancements mentioned earlier.

As shown on slide twelve, our operating expenses were \$5 million higher in the third quarter of 2008 than the same period in 2007. Increases in IT services and fulfillment revenues are the primary drivers of the expense increases, which affect cost of sales and labour expenses. Capital taxes also increased slightly in the third quarter compared to the same period a year ago. Productivity programs continue to help us contain costs with SG&A down 3.6 percent from the same quarter last year.

Moving to slide thirteen, EBITDA increased marginally by \$1 million or 0.3 percent in the quarter compared to the same quarter last year. Without the effects of the capital, taxes increased \$1.2 million or 0.6 percent. EBITDA margin in the third quarter was 45.5 percent, down slightly from the same period last year, due primarily to the heavier portion of IT-related revenues in the quarter, which of course carry a lower margin. Our ability to maintain EBITDA margins with this shift in our revenue mix demonstrates that our cost containment efforts are working. We are pleased with our EBITDA performance so far this year and continue to strive for efficiencies throughout the business to maintain margins.

Turning to slide fourteen, our capital expending in the third quarter was \$139 million, bringing capital intensity to 17 percent in the quarter and in line with the spending in the third quarter of 2007. As mentioned earlier, the third

quarter was a catch-up quarter and we expect the last quarter of 2008 to continue to trend higher. The mobility network enhancements referred to earlier will also obviously added to our Q4 spending, affecting our guidance, which I'll speak to shortly.

Distributable cash in the quarter of \$179 million was in line with the same quarter a year ago. The distributable cash effects of an improvement in EBITDA and slightly lower capital program were largely offset by the decline in distributable cash from continued operations from our AMP business that we discontinued in Q2 of this year. Our year-to-date distributions payout ratio increased in the quarter from 84 percent at the end of Q2 to stand at 87 percent now. We expect to end the year slightly above our target of 90 percent, as the increase in capital spending will affect distributable cash in the last quarter of this year.

I know many of you are interested in how the recent market performance could be affecting our pension deficit and our funding requirements for next year. As you know, we do actuarial evaluations annually using December 31<sup>st</sup> data and we get these results sometime in the second quarter. These valuations determine our annual funding requirements, but of course we have to make estimates before we get the final results as to what funding will be.

We currently have what I'll refer to as a base line funding level for our pension deficit of \$70 million. This is based on a deficit of \$390 million that we had at the end of 2007. It is safe to say that unless there is a dramatic turnaround in the markets over the next several weeks that our pension deficit will increase with our 2008 valuations and our funding requirements will increase accordingly. There are too many factors involved in the valuations provide a sensitivity estimate on asset returns and we are not in a position to provide guidance on our 2009 pension funding. Importantly, there will be another valuation at the end of 2009, which will again determine funding for future years. We have a dedicated credit facility for pension funding which we have not drawn on for deficit payments, so we have the liquidity to get through this challenging period.

Lastly, on slide sixteen we show our visions to guidance as a result of the expected increases in capital spending in fourth quarter. We expect to spend approximately \$25 million in 2008 on the enhanced network project. As a result, our capital intensity is increasing to 15.5 to 16.5 percent of revenues, up from 14.5 to 15.5, and our distributable cash is now expected to fall in the range of \$700 million to \$720 million. Our revenue guidance is not affected by this initiative in 2008.

And with that I'm going to open the call for questions.  
Operator?

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## QUESTION AND ANSWER SESSION

### Operator

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

The first question will be from Greg MacDonald from RBC Capital Markets. Please go ahead, your line is now open.

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### Greg MacDonald, National Bank Financial

Okay, so if it's Greg MacDonald, if you can hear me right now, it's from National Bank.

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

We can hear you.

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### Greg MacDonald, National Bank Financial

Okay. Actually, I just got a big bid from RBC. I hope my boss is listening to that.

Question is to Karen: You mentioned that the company is in a favourable position relative to others in this environment and in doing so you actually made reference to two things, one is the pension asset mix and ,Glen, I'm hearing you correctly, don't worry, I'm not asking you to give me details on what the increase is going to be for 2009, but I wonder if you might just indicate when you're going to be releasing your 2009 guidance. Because I assume that there will be some commentary on what the impact might be.

And then the second point, a little bit more concerned about this one. Am I reading this correctly? The tax shield itself helps by way of the consolidation theme. If I'm reading that correctly I wonder if you just might expand on that one a little bit more, Karen. Is this an issue of small tuck-in acquisitions that continue to be

attractive, you still see a number of opportunities out there and we might see that on a go-forward basis, or is the company now considering something larger? Because I do think the market will look to you in terms of the response to that question on what potential risk there might be to the distributions.

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### Karen Sheriff, Chief Operating Officer

Great. Greg, thank you. Assume 2009 guidance will come out at the same time as our Q4 results are issued, so expect them in the early February timeframe, possibly late January. We don't have that date settled yet.

To clarify for you on the tax shield, my point was exactly the opposite of that, that because of the change in tax law we actually backed off of a possible plan to be more aggressive with acquisitions, and the fact that we backed off means we're now in a position where we are longer on cash and not extending ourselves with acquisitions. So don't expect us to move aggressively forward on that front.

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### Greg MacDonald, National Bank Financial

Okay. So if I'm reading that correctly, you've got a bunch of cash due to the holdback, that 10 percent buffer, it's possible you may use some of that, but the distributions are absolutely not at risk with respect to an acquisition strategy.

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### Karen Sheriff, Chief Operating Officer

Well, again, I'm not going to comment on 2009 strategy, but you know our history on distributions. It's strong and it's pretty constant.

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### Greg MacDonald, National Bank Financial

Okay, that's helpful. Thank you.

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### Operator

Thank you.

The next question will be from Jonathan Allen from RBC Capital Markets. Please go ahead, your line is now open.

**Jonathan Allen, RBC Capital Markets**

Thanks very much. I'm glad I still have a job, though I hear there might be an opening over at National Bank.

First a clarification question on the HSPA and 4G network build out, is this going to be a fixed return or a variable revenue that you'll be getting? And second, when do you expect those revenues to come on line? It'd be sometime in 2010 I assume?

And second question for Karen specifically: Now that you are taking over the reins of the company, where do you see the biggest opportunity for change or the biggest opportunity for you to takeover and will your background in the SMB business over at Bell be a key area of focus for you?

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**Glen LeBlanc, Chief Financial Officer**

Good morning, Jonathan, it's Glen. I'll handle the first question and, of course, the second one I'll hand over to Karen. But on the network investment your question was variable or fixed. It's a variable return, consistent to any enterprise deal we would enter into where we would negotiate adequate returns that meet our hurdle rates, so that would be variable. And you are correct on 2010; the build will occur through 2008 and 2009 and we would see our goal would be to have a full annual revenue stream by 2010.

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**Jonathan Allen, RBC Capital Markets**

And when you said before that it, or at least what Stephen had said that it met your internal rate of returns for it, how long of a payback are we looking at? I'm just trying gauge what sort of a revenue contribution we can expect.

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**Glen LeBlanc, Chief Financial Officer**

It would be a payback period is approximately five years. A little over five years.

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**Karen Sheriff, Chief Operating Officer**

Okay, Jonathan, you sound like you are in a furnace room.

**Jonathan Allen, RBC Capital Markets**

We've got a fire drill so I found the only place to hide away from it.

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**Karen Sheriff, Chief Operating Officer**

Let me comment on your question on opportunities. I'm walking into a company with, as I said before, really strong financial performance and a fabulous set of products, products that are a lot of other companies would die to have. We have broadband, we have IPTV, we have a tremendous asset mix. We also have a phenomenal track record, which many of you have alluded to, of really knowing how to drive productivity. And it's been pretty constant since this company was formed. I can't give you anything specific right now but you can expect me to be pretty articulate in January or February about the future of the company. But expect me to build on what we have and continue to drive that forward.

In terms of SMB, you know, you can take the kid out of the city but the genes are always there. Do I see anything special in the SMB front? Again, I think we have a good track record going already and I don't see anything specific that relates to SMB going forward that would change materially.

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**Jonathan Allen, RBC Capital Markets**

Thanks very much.

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**Operator**

Thank you. The next question will be from Jeffrey Fan from UBS Securities. Please go ahead, your line is now open.

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**Jeffrey Fan, UBS Securities**

Thanks very much. I want to ask you guys a question on the investment related to the Bell agreement.

When you say that you've done an internal analysis looking at this, how does this investment compared to an investment, say, in fibre and deploying that a little bit further to help maybe reduce the churn or customer erosion on your core customer base, especially given the environment we're in? It sounds like there is additional pressure on your distributable cash with pension funding

potentially increase and now you've got a CapEx increase going into next year. So I guess the first question is how it compares to your other alternative investments? And two, are there any other CapEx reductions that we could see that may offset this as we go into 2009? Thanks.

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**Karen Sheriff, Chief Operating Officer**

Let me answer that one for you.

This compares very favourably to other possible investments. We weren't forced to make this investment although we have the right to do this build. We chose to do it, again, because the potential return is actually quite favourable. You can expect as we, again, as we move into 2009 I will be able to give you a much better sense as to how we will absorb this going forward. You should also keep in mind this is not, in our terms we do large enterprise deals all the time. This is a large enterprise deal. It's big, but it's not that big, and we will manage it in 2009.

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**Operator**

Thank you. The next question will be from Vince Valentini from TD Newcrest. Please go ahead, your line is now open.

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**Vince Valentini, TD Newcrest**

Thanks very much. Just maybe wanted to clarify on the Bell deal and then a separate question. Would you characterize the margins on the revenue that you will get from that contract as being very high? It's really just the CapEx that you have to put out and then once the network's in there you wouldn't have a lot of fixed costs associated with it?

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**Karen Sheriff, Chief Operating Officer**

Everybody considers very high somewhat differently. The margins are really good and, yes, once we have the CapEx on the ground then we get a long-term revenue strain. So, as I mentioned before, we have some revenue from Bell going away in the form of the mobility outsourcing agreement and we're really thrilled now to have this opportunity to do a bit of an investment and get a revenue stream for the long term coming back.

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**Vince Valentini, TD Newcrest**

Okay, great. And, Karen, I would like to get your perspective on a question that Stephen's been asked many times in the past, is the fibre-to-the-node build and how aggressive that should be in light of cable competition.

You guys have held your own pretty well recently. Your DSL adds obviously not bad this quarter. But looking forward it seems like the cable companies are about to make another leap up with DOCSIS 3.0 and perhaps leave the phone companies in the dust a little bit in terms of speeds that they can offer on broadband. Are you fearful of that looking out three, four years down the road? Do you think this slow pace of fibre-to-the-node build is good enough or do you think Bell Aliant should use some of its balance sheet strength to accelerate that build?

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**Karen Sheriff, Chief Operating Officer**

You know, Vince, I think that the company did the right thing last year in accelerating our fibre-to-the-node build to try to catch up, because we thought we were behind. We have a tremendous amount of network out there right now that we still have room to utilize and I think we're on a good pace to do what we need to do. But again, I'll talk to you more about that in January or February.

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**Vince Valentini, TD Newcrest**

Okay, thanks.

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**Operator**

Thank you. The next question will be from Dvai Ghose from Genuity Capital Markets. Please go ahead, your line is now open.

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**Dvai Ghose, Genuity Capital Markets**

Thanks very much. Congratulations, Karen, on the appointment.

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**Karen Sheriff, Chief Operating Officer**

Thank you, Dvai.

**Dvai Ghose, Genuity Capital Markets**

A quick question on the wireless background. Obviously a lot of the questions are coming because Bell Canada is your parent and there is some fears that they're managing on their behalf rather than the interest of your float holders. Can you give us some more clarity here? You're spending \$50 million. What is the annual cash flow that you're going to get out of this contract? What are the annual revenues? Can you help us to quantify the return?

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**Karen Sheriff, Chief Operating Officer**

No, we can't do that, Dvai. It's a good return. You can assume it pays out in the five to six year range which, again, is very favourable. And, as all enterprise contracts go, this is a good one.

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**Dvai Ghose, Genuity Capital Markets**

Okay, perhaps if you can give us more disclosure in the future, because I think there will be lingering concerns because Bell is your parent and controlling shareholder.

Couple of other quick ones though. Glen, a confirmation question. Maybe I misread or misheard you, but you talked about \$70 million of pension solvency funding. Your guidance is \$50 million to \$60 million. It's \$37 million at the nine month period. Have you just raised it by \$10 million or is that something that I've got wrong?

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**Glen LeBlanc, Chief Financial Officer**

My apologies, Dvai, if I confused you. This special funding is about \$50 million a year. The current service funding is about \$70. So if I misspoke, my apologies.

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**Dvai Ghose, Genuity Capital Markets**

No, my mistake. So special is \$50, the regular, which you include, is \$70 million. That makes some sense. Quick one for you, Glen, as well on your balance sheet. Obviously very strong. Just wanted to confirm your liquidity as well as your maturities. It looks like you don't have—I think you have \$122 million maturity in '09 and then nothing until 2012. Can you confirm that? And can you just confirm your current liquidity position, which I think is quite solid at about \$900 million

**Glen LeBlanc, Chief Financial Officer**

You're correct, Dvai, that we have a little over \$100 million that matures in 2009 on our operating revolver. We have nothing maturing again until July of 2011, not 2012, where a large portion of our MPN's that we put out for five years in 2006, so \$750 million.

So when you look at liquidity, where do we find ourselves right now? We have the \$550 million revolver, a little over \$200 million, \$240 million drawn on that, and we have a \$450 million pension facility that has not been utilized. So I find myself in a great position to kind of weather this storm, deal with this credit crunch or the market conditions, and deal with our pension funding. So a good place to be, as Karen alluded to in her opening remarks.

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**Dvai Ghose, Genuity Capital Markets**

And while the \$100 million maturity in '09 is relatively small and around the corner, is the aim to refinance that in the public markets or with your existing lines? How bad is the public market for refinancing?

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**Glen LeBlanc, Chief Financial Officer**

Well certainly I have to wait and see where the financial markets are at that time. You know where the spreads are today so I wouldn't be in a rush until I see things improve in that regard.

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**Dvai Ghose, Genuity Capital Markets**

Makes sense. And last but not least, on the cable overlap question, you have given us some very good updates ever quarter. Are you still of the view that the max is going to be about a 60 percent overlap or do you think that can be exceeded at this stage?

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**Glen Leblanc, Chief Financial Officer**

Hi, Dvai, Glen again. No, I would say now that we've seen a competitive landscape change as it has. I would say 60 percent would be an optimistic outlook of where we think it's going to be. Certainly I would think mid 60's to high 60's is not out of the question in the next two to three years.

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**Dvai Ghose, Genuity Capital Markets**

So what changed there? Did one of the local cable cos get more aggressive or what?

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**Glen LeBlanc, Chief Financial Officer**

Well with that I'll probably allow Heather to handle more details on that. Heather?

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

I think, Dvai, it's really the change that we're seeing there is coming out as the cable companies roll out into smaller communities. And some of the consolidation that's happened in the cable industry particularly as it affects our market with the consolidation of EastLink and Persona across many of the markets we serve. So that's adjusted some of our expectations. I think the main thing for us in that is although the percentage of the footprint that is competitive is growing, we think our long-term expectation has grown slightly, we are seeing the performance in the competitive footprints do as well, in fact in some cases a little better than we might have thought. So I don't think over time there's a material change to what that means in terms of NAS or revenue.

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**Dvai Ghose, Genuity Capital Markets**

But you think it could go higher than the mid to high 60's? I mean perhaps another way to put it is what percentage of your residential lines are covered by cable, regardless of whether they've announced plans for VoIP?

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

That number would be in the 70's.

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**Dvai Ghose, Genuity Capital Markets**

Okay, thanks.

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**Operator**

The next question will be from John Henderson from Scotia Capital. Please go ahead, your line is now open.

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**John Henderson, Scotia Capital**

Thank you. I'm not sure if Stephen is still in the room but...

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**Karen Sheriff, Chief Operating Officer**

Yes he is.

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

I'm unusually quiet.

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**John Henderson, Scotia Capital**

I just wanted to pay my respects and say it was a great pleasure working with you and you're a class act. And then I also wanted to pass on to Karen congratulations. It's a big change there.

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**Karen Sheriff, Chief Operating Officer**

Thank you, John.

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**John Henderson, Scotia Capital**

In terms of a question, I guess I'd like to drive into the pension fund a little bit. Can you talk about what your performance is year-to-date in the fund? And if not, can I run a sensitivity by you? A what if? What if there's no other changes but a decline in your pension assets of say 10 percent? And I think that would be about \$250 million. How does that kind of flow through in terms of funding obligations? How would that flow through?

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

I suspected, John, you'd want to go there. Pension questions. Let me start and reiterate a few things that Karen said. We're very pleased in 2007. We shifted our asset mix from 40 percent bonds to 60 percent bonds and that's boding very well for us right now.

A couple of other things to remember is that despite having 40 percent equities, only about 10 percent of our

pension assets are invested in Canadian equities, so the actual performance of the Canadian dollar is giving us a little bit of a boost there where it was the opposite direction last year.

So we're in good shape both from our asset mix, the proportion of Canadian equities, to deal with this. I'm not going to try to predict where the market is headed. Suffice to say I think the \$50 million special funding is going to be more next year.

We don't disclose our pension asset return so it's going to be hard for me to prove or disprove your theory on 10 percent reductions, but let's just continue to focus on the fact that the asset mix is very favourable for us right now and that we are doing well, all things considered, in these market times.

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**John Henderson, Scotia Capital**

Just to the extent the funding obligation may rise, is that something that's spread over 10 years?

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**Glen LeBlanc, Chief Financial Officer**

Well that's, again, where does it rise? Is it a rise in a going concern deficit? Because if that's the case, then you have a 15 percent funding window. If it's a rise in a solvency deficit, you have a 5-year window to fund that. So if it was 100 percent rise in going concern then you'd have, you know, if it's \$100 million and it's spread over five years, you can do the math on that. But the million dollar question is where will the performance result in? Which plan? Is a going concern? Is it solvency deficit? And, as well, will there be any actions taken by (inaudible) allow a longer time horizon for entities to deal with the funding of solvency deficit increases? So lots of variables out there, John.

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**John Henderson, Scotia Capital**

Great, okay, thanks. Separate question is just I guess just last year there was a bit of a restructuring provision, the year before a bit smaller one; I'm wondering if there's anything on the horizon that you see coming?

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**Karen Sheriff, Chief Operating Officer**

Restructuring provisions? Go ahead.

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**Glen LeBlanc, Chief Financial Officer**

In 2007 you would have seen that we had a fairly sizable one and you would have seen nothing in third quarter, so I'm not going to provide any forward-looking information on that one, John. I'll just have to ask you to wait for our fourth quarter results and our 2009 guidance.

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**John Henderson, Scotia Capital**

Okay, great. Thanks very much.

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**Operator**

Thank you. The next question will be from Michael Mills from Beacon Securities. Please go ahead, your line is now open.

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**Michael Mills, Beacon Securities**

Good morning guys.

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**Michael Mills, Beacon Securities**

Good morning.

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**Michael Mills, Beacon Securities**

A question probably best handled by Heather, just in terms of what we're seeing in the marketplace today in light of the current economic environment. Are we seeing customers cut back on so-called extra services or maybe non-core services at all?

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

I guess like any other market in the world probably, certainly North America, we're watching it really closely, Michael. At this time we haven't seen any measurable change in the spending habits of our customers, either residential or business. But certainly I think what's most important for you guys to know is that we're obviously very aware of it, of what's happening, and watching very closely and developing our plans with the mind of various different scenarios. Probably a broader range of scenarios than we would normally look at in our forecasting as we're going into 2009 to make sure we're ready for anything that might come up.

**Michael Mills, Beacon Securities**

Do you believe that we'll see higher priced competition going forward as people look to retain customers?

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

Well I think that certainly, you know, there's four Ps, or maybe ten if you include a lot of other thing, but there's certainly four Ps that you manage in marketing very, very closely, and whenever the environment is shifting you can change your approach on any of those angles, and so that's the scenarios that we're looking at. What happens if price changes, what happens if channel models change, what happens, you know, from promotional activity intensifies or in the other way because of business constraints gets ratcheted back. So that's exactly what I meant by we're running many, many different scenarios as we look at what we would do if.

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**Michael Mills, Beacon Securities**

Okay, fair enough. And one for Karen: I believe you mentioned at the beginning that the organization as a whole believes that Bell Aliant units are undervalued in the marketplace. I'm just wondering if you would consider reinstating a normal course issuer bid and using some cash that way.

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**Karen Sheriff, Chief Operating Officer**

You know, Michael, I think that one of the other things I said earlier is that we are really mindful of the environment and the need to watch cash, so this really right now would not be the time to do that. As the market continues to straighten out and as we hit the beginning of 2009, we're always looking at what our cash policy ought to be, but right now it's not the right thing for us to do.

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**Michael Mills, Beacon Securities**

Okay. That's it for me, thanks.

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**Operator**

Thank you. The next question will be from Peter Rhamey from BMO Capital Markets. Please go ahead, your line is now open.

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**Kam Mangat, BMO Capital Markets**

Hi there. This is Kam Mangat of behalf of Peter Rhamey. I just have a couple of questions.

The first question is in regards to the investment in fibre backhaul that you've announced. We were wondering whether that would include urban areas such as Halifax and any impact that you expect it will have on your current broadband build. And the second question I have is for Karen Sheriff in regards to near-term priorities. In particular we were wondering about the wireless strategy going forward.

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**Karen Sheriff, Chief Operating Officer**

Who wants to—you want to take the...

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**Glen LeBlanc**

Heather can handle.

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

I think the best way answer that is that the network that we're building on behalf of Bell Mobility is extensive throughout our territory and, you know, I wouldn't be into divulging where exactly we're building that or not on their behalf. But certainly one of the things we are looking at is, you know, we're always pleased when we can find ways to get newer and get more advanced technologies and put fibre deeper into our network, because it does present us with opportunities to use it for other customers and other opportunities go forward.

In terms of how it impacts our broadband build, I'd say there, you know, there is some level of capital avoidance that has helped us in the future as we accelerate some transport capacity, etcetera, but in general they're discreet investments for discreet purposes and they don't really inter-react in a huge way. There's a small overlap but nothing major.

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**Karen Sheriff, Chief Operating Officer**

Let me speak for a second on near-term priorities and reiterate something I said before.

We are near the end of the year. We are in our planning process phase right now, which has been delayed a little

bit because of the changes here. We'll be finishing that up at the end of the year and then in January or February I will, again, be very articulate as to what the Company's priorities are over the near and the longer term horizon. And short term we are trying to close out the year in brilliant style, which is the history that this company has delivered.

In terms of wireless, I really don't see any change in direction. If you look at the data that we've given you of strong growth, even adjusted for the acquisition of KMTS, strong growth, strong ARPs, strong churns, and no change in direction there.

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**Kam Mangat, BMO Capital Markets**

Okay. Thank you for taking my questions.

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**Karen Sheriff, Chief Operating Officer**

You're welcome.

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**Operator**

Thank you. As a reminder, if you have a question, please press star one at this time.

The next question will be from Chris Li from Merrill Lynch. Please go ahead, your line is now open.

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**Chris Li, Merrill Lynch**

Good morning guys. Just one quick question. It is encouraging to see that you were able to maintain your margins despite the negative revenue mix shift and also the higher IT revenues.

My question is can you remind us, you know, what are the major cost productivity improvement initiatives that have helped you achieve that so far? And, in particular, if you can remind us how much of the cost savings you were able to harvest from the outsourcing deal that you have with Bell this year and also what your expectations is for next year in terms of cost savings from that outsourcing contract. And also is it still reasonable to assume you should be able to maintain your margins relative to this year for 2009? Thanks.

**Glen LeBlanc, Chief Financial Officer**

Good morning, Chris, it's Glen. I'll touch on your second question first.

As we would have reported to you on a previous quarter, the mobility outsourcing agreement is going to result in about a \$15 million to \$20 million decline in revenues in the annual 2008 results. Because of the way that was struck, we are able to shed the vast majority of our cost in order to not have that effect to distributable cash or cash flow. We have a lot of temporary employees in that and we've been able to utilize those employees in growth areas of our business. So shedding our costs and not seeing that hit the bottom line.

To your question on productivity. We have many initiatives, a lot of IT investments that we've made historically that are starting to pay dividends now and shedding our costs, you know, cost containment, just generally driving costs out of the business, discretionary-type spending costs. As far as specific initiatives, I don't know, Heather, if you have anything you want to add just specific productivity initiatives that your team is working on.

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

I guess on behalf of a number of my colleagues, a lot of the productivity that we tried to put in this year has really been focused around things that accomplish the double benefit of driving material productivity but also improving the service to our customers, which, as we told you before, is one of number one priorities.

So things like implementation of new agent tools and new tools and process redesign for major transactions we do with our customers, such as broadband installation and TV installation, has allowed us to drive measurable productivity in terms of fewer repeat calls from our customers, doing things right the first time, better installation intervals, and time installations in broadband and TV, etcetera, etcetera. So there's a very robust list of initiatives that drives a very material number obviously that allows us to protect our margins.

And then of course we also, for our essential territory, see productivity through the outsourcing that we do with Bell Canada as well.

**Chris Li, Merrill Lynch**

And sorry, Glen, I just want to make sure of the first part of your response. The outsourcing I was referring to was the roughly \$350 million of cost that you have outsourced to Bell when the trust structure was initially formed. That was what I was referring to.

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**Glen LeBlanc, Chief Financial Officer**

So we would have negotiated, as you will recall, on that outsource, so we have two arrangements with Bell. We provide wireless services in Atlantic Canada and, as you know, that's declining, and they provide us with a host of services in central. It started out at \$350 million and we would have negotiated a 4 percent productivity improvement in the first year and 3 percent thereafter. So we still enjoy that and that's passed along directly throughout the agreement.

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**Chris Li, Merrill Lynch**

That ends in 2010 right?

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**Glen LeBlanc, Chief Financial Officer**

2010, that's correct.

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**Chris Li, Merrill Lynch**

Great. Thank you.

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**Glen LeBlanc, Chief Financial Officer**

You're welcome, Chris.

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**Operator**

Thank you. We have a follow-up question from Jeffrey Fan from UBS Securities. Please go ahead, your line is open.

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**Jeffrey Fan, UBS Securities**

Thanks. Just a few follow-ups on the backhaul. When will the network be available to other carriers? Second one is, is the rate that you're getting from Bell Canada, is

that going to be guaranteed and how long is that going to be guaranteed for? And then lastly, you mentioned this is pretty much in line with some of your other large corporate contracts, just curious how big, outside of your IT segment how big is the corporate revenue base for you?

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**Karen Sheriff, Chief Operating Officer**

I didn't really hear the first one. Are you asking if it's available or when it will be available?

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**Chris Li, Merrill Lynch**

No, if it's available for other potential customers that would require backhaul.

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**Karen Sheriff, Chief Operating Officer**

There are a couple of other ways that the assets provide value to us. There's a bit of an opportunity there in capital avoidance, that some of this build helps us to offset—it's small but it's still there--some of the build we might otherwise do.

And then yes, there is the ability to make it available to other carriers long term. The agreement with Bell is a five year agreement, which is a nice timeframe for us.

And repeat the last one for me if you would on the other enterprise clients.

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**Chris Li, Merrill Lynch**

Just wondering how big your large enterprise revenue base is. The mix of your business.

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**Karen Sheriff, Chief Operating Officer**

Well, do you have the number, Heather?

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

I don't have the number exactly in front of me, so I can get back to you on the exact number, but it's about a third of our revenues in total as I recall.

**Chris Li, Merrill Lynch**

Sorry, you said a third?

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

Yes.

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**Chris Li, Merrill Lynch**

Okay.

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

For enterprise (inaudible) business segments in total.

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**Karen Sheriff, Chief Operating Officer**

Business segment in total.

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**Chris Li, Merrill Lynch**

Okay.

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**Karen Sheriff, Chief Operating Officer**

Other questions?

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**Operator**

There are no further questions registered at this time.

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**Karen Sheriff, Chief Operating Officer**

Over to Zeda.

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

Thanks everyone for joining us today and if you have any follow-up questions, you know how to get in touch with me. And this concludes our Q3 call.

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

Thank you.

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**Operator**

Thank you. The conference call has concluded. You may disconnect your telephone lines at this time. We thank you very much for your participation.

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