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PRESENTATION

Operator

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.

Zeda Redden, Vice-President, Investor Relations

Good morning everyone and welcome to our call.

Last evening we issued our news release and financial statements and MD&A, which are posted on SEDAR and also on our website. Today we'll be taking you through a slide presentation which is also posted on our website and our call will focus on our Q3 2007 results.

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

And with that I'll turn the call over to Bell Aliant President and Chief Executive Officer, Stephen Wetmore.

Stephen Wetmore, President & Chief Executive Officer

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

As far as the agenda for today, I'll cover the highlights of our third quarter results, including our revenue performance, and then Glen LeBlanc, our Chief Financial Officer, will speak to our expense and distributable cash performance for the quarter. I've also asked Heather Tulk, our Senior Vice-President of Marketing, to join us for the question and answer period.

Third quarter financial performance shows the types of trends which are encouraging given our focus for 2007 and beyond. Our revenue growth in the quarter was 1.6 percent over the same quarter in 2006 and along with the benefits of our productivity programs, which are now producing financial results; we are seeing better performance at the EBITDA line. Keeping our expense to revenue ratio in line is obviously crucial and critical to us and I'm pleased to see our current trends.

Looking at our capital program, as planned in the third quarter we ramped up our spending on fibre-to-the-node, passing an additional 39,000 homes, bringing our total homes passed with FTTN to over 146,000 at the end of September. Efficiency in our capital spend is as important as our operating expense management and I'm pleased that we have hit all our targets while significantly decreasing our cost per node compared to 2006.

As we announced at our business review in February, our plan was to invest an additional \$35 to \$45 million above our base FTTN plan during 2007 and to the end of September we have spent over half of this amount with the remaining scheduled for the last quarter of the year. So by the end of the year we are on plan to have approximately 190,000 homes passed with FTTN technology or, in other words, we'll have 190,000 homes capable of receiving our TV offering and other high bandwidth applications.

The increase in our capital spending in the quarter caused our distributable cash to be down 4.5 percent from the same quarter last year; however, our guidance for the year included the extra capital spending so there are no surprises here from what we explained to you earlier in the year.

Now let me make some specific comments on our revenue line items. On slide six we show that the quarter's revenue has grown 1.6 percent, or \$13 million, over the same period last year, which takes our year-to-date performance to a growth rate of 2.1 percent, or \$52.8 million, and it continues to be driven by the strength in Internet, other data, and our IT revenues. Based on this performance we're comfortable that we're on track to meet the revenue expectations that we set in our guidance for 2007.

On slide seven you see a continued ability to mitigate the impact of our NAS losses, as our revenues have declined by 1.6 percent versus the same quarter last year in the face of a 3.1 percent decline in NAS. The continued penetration of features through our bundles, the strength of our business market performance, and selected price increases have all contributed.

In the quarter we introduced a number of marketing programs or initiatives as a result of our regulatory freedom. We introduced a new local and long distance bundle in Atlantic Canada along with some special retail promotions for local service, offers designed for customer moves and promotions for second line use. We also continued to see our regulatory flexibility pay off with our win-back success and they continue to grow with Q3 win-backs up 17 percent over Q2.

NAS declines in Q3 were lower than the previous quarter, as they were in Q2 over Q1; however, the percentage of households in our territory passed with residential local competition has now reached 45 percent of homes passed at the end of September, up from 41 percent at the end of June, with growth in the quarter primarily in the St. John's, Newfoundland and Labrador, Victoriaville in Quebec, and some small expansion areas throughout the rest of our territory.

The expansion of the competitive footprint is occurring more quickly than what we envisioned earlier in the year and we now expect to end the year with between 50 and 55 percent of our homes passed by competitors. This should have the effect of increasing our quarterly NAS losses in Q4, but this is all in line with our expectations and also what we had indicated to you earlier in the year.

Our best tool for customer retention continues to be our value packages in Atlantic Canada and our newly introduced Bell bundles in Ontario and Quebec and our (inaudible) plus bundles in Télébec's territory.

As I mentioned, we have just introduced a local and unlimited long distance value package in Atlantic Canada and early sales results are strong and quite encouraging.

Our business market continues to perform well and our focus on a total solution for our customers has addressed the significant customer demand, so we are very encouraged with what we have seen, ah, been seeing over the past few months.

As we told you on the last call, in Q2 we launched our new business essentials bundle for our SMB customers in Ontario and Quebec and a new business value package line-up for our SMB customers in Atlantic, and the take rates for these bundles are already ranging from 8 to 10 percent of our target market customers.

Moving to slide eight on long distance revenue, LD revenue continued to perform well versus industry trends and prior years. Industry-wide the long distance business continues to be affected by many factors, from substitution through email, cellular and text, to IP services, and of course the pull through of NAS losses. To minimize the impact of these market trends we have implemented several successful marketing programs that have materially affected our performance. As you see on slide eight, year-over-year declines in LD revenues were held to 3.5 percent, relatively consistent with the declines experienced in previous quarters this year in spite of a decline in minute usage of 6.7 percent.

Moving to slide nine on information technology, xwave had revenue growth of 6.1 percent for the quarter over the same period in 2006, which was achieved by the continued growth in our fulfillment sales, up 14.3 percent year over year. Services revenues were actually down on a comparative basis; however, this is primarily a timing issue so I expect service revenues performance to come back in the last quarter of the year.

Slide ten shows continued growth in our data and Internet revenue this quarter, with total Internet revenues up 7.1 percent over the same quarter last year and other data up 10.6 percent. This was driven by strong high-speed customer growth of 19 percent and growth in IP data services for business customers.

This quarter we continued to focus on customer growth through mass market offers, particularly addressing the growth opportunity in the back-to-school timeframe. Competition for high-speed Internet customers is extremely intense and has required some aggressive offers in the marketplace. These new offers have decreased our average revenue per customer, as new customers come on our network at a lower price; however, while our trajectory is set for 2007, our focus is to change this trajectory as we enter 2008 and we've already launched new product offerings across our territory to accomplish just that.

We continue to be focused on growing penetration in key competitive and our underserved areas. In the quarter we passed 11,000 more homes with high-speed Internet and our total homes passed stands at 71 percent. We are also continuing to use our Internet Today program where our sales and installs are made on the same day, and while the costs for the program are slightly higher than traditional marketing, the increased penetration rates more than offset the increased costs. In future quarters we will be refining and expanding our total value positioning and moving away from price offers where the marketplace allows.

With respect to other data, strong year-over-year growth in the quarter of 10.6 percent was driven by growth in IP services and data value-added services such as network management and hosting and security services.

Now just a few comments on customer service as we are continuing to make improvements through our total commitments met, offering more convenient appointment times, and increasing our capacity on installations.

In the third quarter the total volume of commitments met increased by 8 percent over the same period in 2006. We did this while at the same time experiencing a 16

percent increase in high-speed provisioning demands and almost a 200 percent increase in IPTV provisioning.

Our two-hour appointment windows introduced in Q2 of 2007 are now available in six of our ten major urban markets in Atlantic cash distribution. This complements our four-hour appointment windows introduced in all ten of these markets in Q1.

In quarter two we introduced a new bill format for our Atlantic Canadian customers, which has resulted in a 32 percent reduction in billing inquiries and some very positive customer satisfaction results.

In the third quarter residential customers and business customers rated their overall satisfaction with Bell Aliant 10 and 8 percent higher respectively than the same period a year earlier.

Finally, as you know, with our changing revenue mix continued productivity improvements are also crucial for us to be successful. In the quarter we had productivity savings of \$29 million, bringing our year-to-date total to \$61 million, which positions us well to achieve the \$75 to \$85 million target we discussed at our business review event in February.

As part of our ongoing productivity programs, a number of positions have been eliminated from our operations. In the quarter we recorded a \$20.8 million charge. While some of the savings will flow into our fourth quarter results, the full benefit from the savings will be seen in 2008 as we make these necessary changes to improve efficiency in our operations.

So before I turn it over to Glen I just want to make a few comments on our forbearance applications. As you know, this quarter marked the beginning of forbearance from local service regulation for a number of our exchanges. All of our forbearance applications have now been addressed by the CRTC and we've now received forbearance for residential services in 72 exchanges and for business services in 18 exchanges in Atlantic Canada.

We've received conditional forbearance, subject to meeting competitor quality of service levels, in 39 residential and 17 business exchanges in Ontario and Quebec and in an additional five residential exchanges in Atlantic Canada. In these cases where conditional forbearance is granted, forbearance will be effective once we meet specified quality of service criteria for services provided to competitors. We just filed the competitor quality of service results for the six-month period ended September and we believe that we meet all aspects of

the quality of service criteria for this period. We are now awaiting the Commission's decision on that filing, which, if approved, will result in immediate forbearance in most of those exchanges previously granted conditional forbearance. Assuming this occurs, approximately one-third of our residential lines and 8 percent of our business line will be forborne from local service regulation.

In the case of the business market, the Commission has excluded Centrex service from the scope of forbearance pending completion of a separate proceeding to determine whether Centrex should be included. We believe very strongly that Centrex is a necessary inclusion, because to do anything else would simply drive artificial technology choices and in the end limit our customer's options. The proceeding reviewing this at the CRTC is now completed and a decision is pending.

Also, in the cases of forbearance applications which weren't successful, they were for the most part denied on the basis of the competitive presence in the market. The Commission determined that the evidence was inconclusive in many cases as to whether our competitors were capable of serving 75 percent of the lines in an exchange, but at any rate we are reassessing all these areas with a view to our next steps with respect to seeking forbearance where we do believe competitor coverage wants.

With respect to the residential exchanges, there were a number of exchanges where forbearance was denied and it was on the basis that the competitor was not yet fully operational in those exchanges. This is essentially just a timing issue and we'll be monitoring all these closely and we'll make appropriate applications as soon as the competitors are operational.

So with that I'll now turn it over to Glen to take you through the third quarter results in more detail.

Glen LeBlanc, Chief Financial Officer

Thanks, Stephen, and good morning everyone.

As Stephen has covered off the revenue trends, I will speak to our expenses, EBITDA, and distributable cash performance.

Consistent with our historical treatment of restructuring costs, the costs incurred this quarter that Stephen referred to are excluded from operating expenses and our determination of EBITDA and distributable cash; as such, we will be using cash reserves to fund these payments as necessary.

As shown on slide 12, our operating expenses in the third quarter increased \$7 million from the same quarter in 2006. Productivity, driven by our continued focus on process improvements and workforce management, has helped offset increases in operating costs, driven primarily by cost of sales associated with IT fulfillment and normal wage increases for our union and non-unionized employees.

Notably, SG&A expenses decreased \$15 million in the quarter from the same period last year. The reductions are partly the result of the productivity achieved through the mandated reductions in rates included in our commercial agreements with Bell Canada and repatriation of a number of services previously included in these agreements. In most cases the services repatriated have been absorbed by our existing workforce. In addition, an emphasis on real estate consolidation and general restraint on discretionary spending has provided further savings in the quarter.

On slide 13 we show that our EBITDA in Q3 2007 grew \$5.7 million over the same period last year. EBITDA improvement in the quarter is primarily attributable to our revenue growth and the benefits of the productivity programs. As the benefits of our productivity programs ramp up and we close in on our stated objective of \$75 to \$85 million, the EBITDA benefits are becoming evident.

Slide 14 shows the major factors impacting distributable cash in the quarter, which is down \$8.3 million from the same quarter last year. We have had a number of puts and takes affecting distributable cash, including the favourable impact of privatizing Bell Nordiq and the decreases associated with disposal of Aliant Directory Services. These transactions involve the issuance of units for the privatization of Bell Nordiq and the repurchase of units with the Aliant Directory proceeds respectively. The planned unit repurchases with the proceeds from the sale of Directory are now complete and we anticipate the impact of this M&A activity will basically be neutralized on a per-unit basis going forward.

After considering these offsetting factors you can see that the decline in distributable cash can be contributed to the increase in capital spending driven by our FTTN acceleration. The capital intensity in the third quarter was 16.7 percent, bringing year to date to 15.9 percent. While the accelerated expenditures on FTTN are not easily identifiable, we estimate that absent the accelerated FTTN spend distributable cash is up in the quarter about 7 percent from third quarter 2006. As we continue our FTTN expansion into the last quarter of the year, I expect capital spending to be consistent to the amount spent in Q2 and Q3, thereby being on annual guidance of 16 to

16.5 percent intensity, while our ramp-up in productivity helped contain costs elsewhere.

My last slide just serves as a reminder of what our guidance for 2007 is and where we stand. As I stated, based on where we are year to date and our outlook for the rest of the year, we are confident that we are on target to achieve these results.

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

QUESTION AND ANSWER SESSION

Operator

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

The first question comes from Nima Billou from Bloom Investment Counsel. Please go ahead.

Nima Billou, Bloom Investment Counsel

Just wondering, when you look at the results in the prior year quarter you had slight EBITDA margin erosion; can you just speak briefly as to how you managed to keep margins flat? Was it cost-cutting initiatives largely? Was it pricing? So just broadly speak to that margin defence.

Stephen Wetmore, President & Chief Executive Officer

Thanks very much. We had, both in Q1 and Q2, kind of addressed this issue as well, because we had not actually seen the ramp-up in our kind of productivity initiatives for 2007 and had expected the programs that we had introduced late in 06 and early in 07 to start taking more of an effect in the latter part of the last two quarters of the year. So really pleased to see that we're on track in our productivity and that's really what's kind of generated that margin sort of strength I guess. And, in addition, Q2 saw, and Q1, a significant amount of fulfillment sales, which you know has less of a margin for us. And so overall I think right at the start of my

comments when I said there's some trends that are very satisfying, keeping that expense to revenue ratio in line is kind of the number-one thing for us. So hopefully that addresses your question.

Nima Billou, Bloom Investment Counsel

Absolutely. And going forward, are your targets to keep that at least flat given the sort of operational challenges in your business and the competitive landscape?

Stephen Wetmore, President & Chief Executive Officer

When you take a look at what we need whenever we look out kind of 12 or 24 months, it's driven by natural increases obviously in either your collective agreement contracts driving some of your wages up and inflationary pressures and also, you know, just sort of ongoing increases across the board that we have to try to pick up against a product mix challenge where you're losing very high-margin business to the competition and replacing it with business that doesn't have as high a margin at this stage in our lifecycle.

So when we put all that in and forecast it, we came out this year with about a \$75 to \$85 million need for productivity. And we're implementing, as you can see through the restructuring charge this quarter, a lot of initiatives towards the latter part of this year, including some capital investment, in order to give us a real jump for 2008 and beyond. So it's critical to us to keep that ratio intact as we move forward.

Nima Billou, Bloom Investment Counsel

Great. Thanks very much.

Stephen Wetmore, President & Chief Executive Officer

You're welcome.

Operator

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

Dvai Ghose, Genuity Capital

Thanks very much. Good morning. A couple of questions, first on the fibre-to-the-node initiative. Can you remind us how much sort of average bandwidth you're providing at the moment and what your technology evolution plans are, both in terms of bandwidth as well as in terms of the platform you're using at the moment?

Stephen Wetmore, President & Chief Executive Officer

Hi, Dvai. I'll give you a little bit here and we can certainly provide you with whatever additional detail that you would like. Our intent here is to get it up kind of around 8 to 9 megs with driving the FTTN product out to or getting the fibre-to-the-node product, followed with, during the course of 2008, putting in ADSL 2 plus to try to drive that up toward 14 to 15 megs. So that's kind of the evolution from that side. And then as we do the FTTN you'd have to take a look at the state of technology say a year out. I don't know the kind of life that VDSL will ever have, given the advances with fibre-to-the-prem. So from an evolution point of view that's our kind of plan, to go after FTTN in our major markets, as we've done in Atlantic Canada, and then assess the kind of technology evolution post that.

Dvai Ghose, Genuity Capital

And will FTTN—thanks for that. Your FTTN trials, what sort of costs are you seeing on a sort of per-home basis?

Stephen Wetmore, President & Chief Executive Officer

That I couldn't tell you, because the trial is more from sort of a technology understanding point of view as much as anything else; however, the advances that we've seen and certainly that we've seen south of the border in fibre-to-the-prem has brought the cost down tremendously. When we look out now two, three, four years, it's becoming quite a viable option.

Dvai Ghose, Genuity Capital

Okay, great. If I could switch gears to the value propositions or your value bundles and packages that you've recently introduced, what sort of re-price risk and competitive response risk do you see? I.e. do you expect

any margin impact and do you think that your competitors will respond with lower pricing?

Heather Tulk, Senior Vice-President, Marketing

Hi, Dvai; it's Heather. Certainly the value packages and the new value proposition that we launched in Ontario and Quebec partnered with Bell are actually, we call them value packages, they are now moving away from a price focus in the market for the Internet product, and so in fact we're trying to move customers up the value stack by including other services and presenting a more total solution to our customers. So if anything we're hoping that we'll see that translate into improved ARPS performance.

In terms of competitive response, I mean that is obviously, I think, you know, a lot of the issue that we're seeing in our ARPS right now is that it's an extremely intense Internet market right now, probably one of the more intense ones I've seen in probably at least four or five years, so we continue to watch that and, you know, the thing that's quite interesting is that the marketplace is performing extremely differently in different areas. So it's a town-by-town competitor-by-competitor story. And we watch that closely and continue to watch it closely. And our goal is certainly to, as Stephen mentioned, is (inaudible) the trajectory of our ARPS.

Dvai Ghose, Genuity Capital

Great. And last question, sorry, a follow-up from Stephen's comments. Stephen, you went through quite a few numbers quickly, I didn't get them all down. What percentage of markets are forborne now and what is the potential longer-term? I understand you've got some applications pending as well as some subject to QOS, but long-term what will be forborne and what is forborne today?

Stephen Wetmore, President & Chief Executive Officer

We've currently got about 8 percent, it's about a third of our consumer market and about 8 percent—

Heather Tulk, Senior Vice-President, Marketing

It will be if we get the conditional.

Stephen Wetmore, President & Chief Executive Officer

If we get the conditional, about a third in residential and about just shy of 10 percent in the business market.

Dvai Ghose, Genuity Capital

Okay. And what is the longer-term potential do you think? Or that is the longer-term potential?

Stephen Wetmore, President & Chief Executive Officer

That would be...that takes all the conditional in that are currently pending and then—

Dvai Ghose, Genuity Capital

Maybe to make it easier, you're saying that long-term cable overlap with VoIP is about 60 percent; do you get forbearance on 60 percent longer-term? I know the small cable companies get a break versus larger and so on, but longer-term do you think you'll basically get forbearance wherever you have cable competition?

Stephen Wetmore, President & Chief Executive Officer

I mean as this unfolds over the next year or so it'll match our competitive footprint effectively.

Dvai Ghose, Genuity Capital

Right. Thanks a lot. Appreciate it.

Stephen Wetmore, President & Chief Executive Officer

Let me just give you a little bit more too, Dvai. You've probably clicked off, but on the internet side, and Heather kind of addressed it, but it's an issue I know that is going to come here and you're on it anyways, is the revenue performance Q3 07 over Q3 06 in terms of our total revenue growth. And that total revenue of 7.1 percent includes all our Internet revenues. We tend to historically take a look at kind of our add growth in high speed, which we're saying is just shy of 20 percent, normally speaking

you would see kind of half of an add growth being achieved in your revenue growth figures. So if you're hitting 20 percent on a net add growth or subscriber growth, you're going to see around a 10 percent growth in your Internet revenues. So further to what Heather said, you can see that it's down about 2.9 to 3 percent lower than where we would like to see it because of the promotional activity in the marketplace.

Heather Tulk, Senior Vice-President, Marketing

And the continued erosion of that.

Stephen Wetmore, President & Chief Executive Officer

Right. Sorry, operator; you can go to the next question. Thanks.

Operator

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

John Henderson, Scotia Capital

Yes, thank you. I wondered if you could describe a little more about what you expect to see out of the restructuring charge, I guess how many employees may be involved, whether you realized any savings this quarter and what kind of savings you expect in future quarters.

Stephen Wetmore, President & Chief Executive Officer

Hi, John, it's Stephen. Well this is kind of an ongoing program for us, as you know, and I always look at the industry as it's continually rebalancing itself. If you take a look at our new hires for 2007 I think it's in excess of 700 people. So this kind of rebalance is where we see the workload. So the way we've gone about this to be as efficient as possible is to look at our temporary workforce and make the investments necessary to try, from a capital point of view, to take that temporary workload down as much as possible. Then we went across the board with contractors and looked at kind of our natural reduction in our workforce and then went through it in terms of where we can make investments to overall

achieve the numbers that we wanted for 2008 from a dollar figure point of view. So we're just about there with all that, as I mentioned, and I think we'll see a bit in Q4, but really the effects of that \$20 million will be seen in 08. And better than ERIPs in the past I guess in terms of payback time, I think we should see 75 to 80 percent of that money flow through in 2008.

John Henderson, Scotia Capital

And on an annual basis.

Stephen Wetmore, President & Chief Executive Officer

And then we'll be \$20 million every year after that.

John Henderson, Scotia Capital

Okay, great. And then on, in those markets where you have seen forbearance, can you comment on the impact that's having on your NAS erosion?

Stephen Wetmore, President & Chief Executive Officer

Heather will do a better job than I will on that.

Heather Tulk, Senior Vice-President, Marketing

It's certainly very early days, but we're really pleased with what we've seen in terms of our ability quickly to re-inject some excitement into the voice market and to act in a more, as I've said on previous calls, retail approach in terms of being able to offer localized specials and promotions based on the time of year, the buying period, etcetera. We've also seen some good success in our win-back programs, as Stephen mentioned in his remarks, and they're ramping up quite nicely for us. And, you know, it's an interesting time for us with the market opening so fast from a competitive footprint perspective that, you know, a lot of that tends to get masked by the opening up of new footprint that's happening on a continual basis. But in the established footprints we're seeing things get to the point that we wanted to see them get to this year and we're doing very well in the markets that were open prior to the year and we also are doing very well, in our opinion, in the areas that are opening. So there's no doubt its bringing benefits to us in terms of

both our sales activity and our win-back activity. And as we go forward into 2008 the things that we're developing are really focused on how we can use that regulatory freedom that we now have to improve our retention results as well.

John Henderson, Scotia Capital

Okay. And just lastly, I don't suppose you can comment if you've had any discussions with Teachers? What kind of fallout from that you may expect?

Stephen Wetmore, President & Chief Executive Officer

You're right. No I haven't and so therefore there's nothing really to tell you, John, at this stage of the game. We're—the best thing to do for Bell Aliant always is to do exactly what we said we'd do in our circular and so that's really what we're kind of totally focused on. And to perform for our unitholders is to perform for the new owners of Bell as well.

John Henderson, Scotia Capital

Thank you very much.

Operator

Thank you. Once again, please press star one if you have a question.

The next question is from Peter Rhamey from BMO Capital Markets. Please go ahead.

Peter Rhamey, BMO Capital Markets

Yes, good morning. Just following on John's comments and just wondering when you take a look at, Stephen, you look at the trends that you're seeing in the industry you're saying that you're seeing things turn out on the line losses somewhat as predicted, but when we step back and look in aggregate, is 07 the peak year for front line losses for your company? We should see kind of, you know, a little bit of volatility but nonetheless quarter on quarter improvements from here on in going into the future? You've got deregulation, you've got a lot of share loss in one of your major markets, so it seems that that

should be the trend going forward, or is there something there in terms of cable footprint extension that should cause line losses to remain high for the next four or five quarters here?

Stephen Wetmore, President & Chief Executive Officer

Well I think, firstly, good morning, Peter. We've seen a lot of our market open up in 2007 and another 15 percent or so in these last three to four months, so we've experienced trending very much in line with what we had expected for 2007 and it is giving the kind of, I guess if you graphed it you'd see our losses going down each quarter, but that's not what we're planning for. I think Q4 we're going to see some losses, as I mentioned, increase, because of the opening of the territory.

Having said that, Q4 of 2006 had significant losses because of the market that had opened up, I think it was our hardest quarter ever was Q4 2006. And so on a year-over-year basis it may still look, you know, kind of trending in a way that would indicate maybe that losses are trending down. But I think with this market opening up we're planning for increases in NAS losses, we're planning for it in our productivity programs and we're preparing ourselves for it, because you can never judge perfectly how it's going to affect you in any given year. We're doing an excellent job in predicting it for this year and we have had an opportunity as well now that Bell Aliant has kind of been in operation for a year and a half to prepare some of our markets. The early competitive markets, we didn't have time to prepare for them as we formed Bell Aliant but we're having more of an opportunity now. So no, I don't think, I wouldn't say that this is the levelling off or declining part, but we can certainly, certainly in our productivity initiatives and in our growth products handle what we forecast as being kind of a reduction in NAS in 08 and 09.

Peter Rhamey, BMO Capital Markets

Okay, that's good to hear. With regards to that charge, you talked about capital replacing labour, is this all, the \$20 million charge, is that all labour-related then?

Stephen Wetmore, President & Chief Executive Officer

Primarily it is. And it would only be a very small amount of that that would be non-labour, Peter.

Peter Rhamey, BMO Capital Markets

Okay. And I'm intrigued by Heather's comments with regards to the nature of broadband competition. You know, where is that coming from? Is that EastLink driven? Is that Rogers driven? And what do you think the strategy, what's the nature of what are they trying to accomplish with discounting and using price on high speed? Because that's a bit of an anomaly when you look across Canada to heavily discount broadband.

Stephen Wetmore, President & Chief Executive Officer

I'll make a couple of comments and Heather can jump in. We'll see it in Atlantic, but you'll see the highest profile of reduced high speed revenue or ARPU is in the province of Quebec. And especially during periods like back-to-school time then to where you expect to increase your number of subscribers substantially they're using that product as a discount product so we have to react to those things obviously, which is affecting our ARPU pretty substantially on a year-over-year basis. But we'll see that trending as these new subscribers sort of follow through for the remainder of 07. But Heather also outlined the kind of products and value propositions that we're putting into the marketplace for 08 to try to get that trending back up.

Peter Rhamey, BMO Capital Markets

And the back-to-school market, they sell it as a discounted stand-alone product or are they trying to bundle it when they compete against you?

Heather Tulk, Senior Vice-President, Marketing

I was just going to say the issue is, as we've said on these calls before and we saw it unfolding in Atlantic Canada for a couple years now and certainly we're now seeing that it is a full home (inaudible) and, you know, the prices that are being put out there to pull the local service away from us with an internet offering. And, you know, and for the customer the new addition for us is Internet. So in many cases a customer is adding internet for us but comparing that with a bundled price elsewhere. And so that's why, you know, we've brought our bundles into the market very strong so that we can compare those prices for our customers and so our customers can see the total value of the rate that we give to them. But we're often needing to be able to present a comparison of a high

speed offer that's competing against a high speed and local service offer from the other competitor.

Peter Rhamey, BMO Capital Markets

Great. Thank you very much.

Operator

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

John Henderson, Scotia Capital

I forgot I queued in. I had a question on, ah, just Bell's decision to ice its IPTV. I wonder if that has any implications for you at all.

Stephen Wetmore, President & Chief Executive Officer

Well, I mean we've been developing our own TV product, John, in our market over the last number of years while Bell has been preparing for theirs. And while I won't make any comments on the Bell side, that's their decision on evolution, but as far as we're concerned ours, as you know, was built on much of our original platform and therefore can be incrementally improved upon, which is what we are in the process of doing all the time. So us building out our FTTN program and then making some, not substantial but some investments in our TV product to increase it from two TVs to three TVs, the evolution that it will take naturally to high definition, etcetera, is all part of our evolution, and it's not a big jump. So it's a different, ah, really a different approach for us than it was for Bell Canada.

John Henderson, Scotia Capital

Right. Can you talk at all about how many video subscribers you have?

Stephen Wetmore, President & Chief Executive Officer

What I thought we would do... that's a particular problem, because it's pretty much public information anyway, but what I thought we would do on the fourth quarter, we

haven't to date sort of taken people through what we've accomplished in TV to any great degree, but with our FTTN program this year and getting up to kind of 190,000 households passed, then I think probably the fourth quarter would be a good time for us to give you some overview of what our penetration rates are in various markets, etc., and how many subscribers we have. So I'd kind of like to leave it to the fourth quarter, if that's okay, unless there's something specific that you want, John.

John Henderson, Scotia Capital

That's fine. I might throw in a suggestion of ARPU as well on—

Stephen Wetmore, President & Chief Executive Officer

Yes. Yes, absolutely.

John Henderson, Scotia Capital

Great. Thank you.

Stephen Wetmore, President & Chief Executive Officer

You're welcome.

Operator

Thank you. Once again, please press star one to ask a question.

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, Dominique, and thank you everyone on the line for joining us today and have a good weekend.