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PRESENTATION

Operator

Please stand by, your meeting is about to begin. Good morning ladies and gentlemen. Welcome to the Bell Aliant Fourth Quarter 2010 Financial Results and 2011 Guidance 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, Bell Aliant

Thank you Operator and good morning everyone and welcome to the Aliant Q4 2010 results and 2011 guidance call. Last evening we issued our news release and Q4 MD&A and supplementary information package which are posted on SEDAR and also on our website. Also posted on our website is a slide presentation that we'll be taking you through on the call. We only expect to be speaking primarily about our 2011 outlook. We caution you that today's comments will contain forward-looking information related to the finances and operation of the company and there are significant risks and uncertainties that could cause our results to be materially different from our statements today. Our discussion is qualified by the cautionary statements on Slide 1 of the presentation and those listed in the MD&A and news release and we would ask that you review those statements and our underlying assumptions that are described in those documents.

Our agenda for today is outlined on Slide 2 of the presentation. Karen Sheriff, our President and Chief Executive Officer will provide a recap on our fourth quarter results, and then Karen and Glen LeBlanc, Executive Vice President and Chief Financial Officer, will speak to our guidance for 2011, and Glen will also speak to changes in our financial statements arising from the implementation of IFRS. We have scheduled the call for about an hour and 15 minutes to allow about 45 minutes for questions.

And with that, I will turn the call over to Karen.

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

Zeda, thank you. Good morning and a very happy New Year to everybody on the call. I'm sure all of you had a chance to review our news release from last evening and suspect that most of you are anxious to hear more about our Q4 results and much more about our outlook for 2011. However, before we get into all of that, I just want

to step back a bit and remind everyone of our strategy and the rationale for what we are doing.

Our objective at this stage in our business cycle is to build a foundation to turn our revenue and profitability trajectory around. We've taken huge steps over the last two years to get us to a position where we are able to embark on what we have in front of us in 2011. Following our strategy over the last two years, we have made significant strides in improving customer service while reducing costs, proving that the two can in fact go hand in hand. We've made investments in our business and changed our marketing approach to pull the reins in on the level of NAS declines. We've significantly reduced our operating costs. We've launched our FibreOP services on the best IP technology available to meet the demands of the future. We've streamlined our business with the sale of xwave and Innovatia to focus on our core operations and we further engaged our employees by simplifying our strategy and improving the frequency and the content of our communications. So lots of good stuff accomplished so far and I'm extremely proud of what we have done. But this is just the beginning.

2011 is a big execution year for us. We will be spending significant resources to build and load the fibre network with the best technology available for our customers' future wants and needs. We believe that accelerating this investment now is the right strategy for us in our markets and competitive environment and with our advantage in our aerial infrastructure. We know over the next several years there will still be pressure on our results. However it is important to look out a few years and think about what will happen in the future when all of this works. We will have one of the best fibre optic networks in North America. Our revenue will be increasing, EBITDA will be growing, free cash flow will grow and we will have customers who love us and our products and services so much so that they will become entrenched and will have no desire to leave. We still expect that in 20 to 25 percent of our territory, we will continue to be the only service provider. All of this not only helps ensure the sustainability of our business but provides opportunity for growth. That is why we think we are a great property with a great future. It's not just about the dividend of today, which at a 7 percent yield is also pretty attractive, but about what we do now that will help us in the future that is important.

So with that as a backdrop, let me give you an overview of our fourth quarter 2010 results as they show the beginnings of trends that support the direction we plan to take going forward.

As you know, earlier in May of 2010, we made the announcement that we plan to accelerate our investment in fibre-to-the-home technology and plan to pass over \$600,000 homes and businesses by the end of 2012. Throughout 2010 we continue to build our fibre-to-the-home network and we now passed 138,000 homes and businesses with this technology, up from 33,000 at the end of 2009. 2010 was a tremendous year for us in terms of accelerating our fibre strategy and I'm very pleased that our fourth quarter results are already beginning to show some FTTH green shoots that things are turning in the right direction. For example, for the third consecutive quarter, our net NAS declines were lower than the same quarter a year earlier. With the expansion of FibreOP, an increasing demand for more bandwidth, our customers are migrating to higher value services, increasing our residential high-speed average revenue per customer. The take rate on TV for FibreOP customers is running at 90 percent, much higher than we anticipated, which is especially important as this helps us own the whole home which not only provides for revenue growth but also increases our ability to retain the customer. And importantly, we are on the verge of positive revenue growth in our Atlantic residential markets after a period of decline. Even in these early stages of our FibreOP rollout we are seeing growth in Internet and TV revenues offsetting the declines in our legacy voice revenues. All of this gives us confidence that our fibre strategy is working and that it is the right strategy for us. This is key for us as we enter 2011 which will be a huge fibre year for us. But I'll get into that a little bit more later.

Turning specifically to our financial results on Slide 7, our revenues in the quarter declined \$10 million or 1.4 percent from the same quarter in 2009, driven by continued competitive activity and technology substitution that decreased our legacy local long distance and other data revenues. The decline in legacy revenues was somewhat offset by increases in Internet and TV revenues and other revenues. The revenue declines were the main reason for the EBITDA decline of \$6 million or 1.7 percent. Excluding cost of sales, our operating expenses decreased \$8 million from the same quarter in 2009, helping to mitigate the effect of the revenue declines. I am pleased with our fourth quarter results not only because of the green shoots that we're starting to see, but also because, as you would have noticed in our MD&A, we received two favourable regulatory rulings related to contribution rates and pole attachment fees. As a result, our fourth quarter results benefited from some retroactive adjustments for these rulings without which we estimate that our fourth quarter results would have been similar to that which we experienced in the third quarter of 2010. The really good

news about these rulings is that they not only benefited 2010, but will also benefit future periods. The capital expenditures in the quarter included the one-time repurchase of an interest in telephone poles in Newfoundland for approximately \$57 million, which we expect will lower our cash outlays for pole costs and improve our EBITDA going forward. Excluding this purchase, our capital intensity for the year was 15.7 percent, down from 16.1 percent in 2009. Distributable cash was lower in the quarter compared to the year earlier as a result of the Pole purchase. However excluding this one-time event, distributable cash ended the year at \$768 million, essentially on par with what we achieved in 2009.

Getting a bit more into some of the details of the quarter is shown on Slide 8. Our local service revenues declined 3.2 percent with NAS declines at 4.8 percent from a year earlier. Without the regulatory adjustment for contribution revenues mentioned earlier, our local revenue decline was similar to the third quarter and generally in line with rate of NAS decline. As more customers move to bundles with higher attachment rates for other services, the overall average revenue per customer is increasing but a smaller portion of the bundle allocation goes to local service. So the decline in local service revenue is not all bad news, as we're picking some of the other—the revenue up in other categories. We're holding or slightly improving our NAS declines while increasing the retention value and overall revenue per customer as customers move to bundles with more services. I know I've been saying that we expect our NAS declines to get worse before they get better, and we've now had three quarters of improving trend, but we continue to be cautious and have to continue to compete to the best of our ability - the competition is not lying down and neither can we.

Turning to Slide 8, Internet revenue grew \$9 million or 8.3 percent from the same quarter in 2009. We had high-speed subscriber growth of 4.3 percent from a year earlier, and added 6,000 TV subscribers in the quarter, bringing the total TV subs to over 49,000. But the main driver of the increase in Internet revenues was increased high-speed average revenue per customer. Our high-speed net adds in the quarter were 5,000, down from prior quarters and generally less than what most of you were projecting. With our focus on ramping up our FibreOP footprint and customer growth, which frankly was quite a singular focus in the fourth quarter, our DSL high-speed adds were light, dampening the overall net high-speed adds. Although we continue to expand our DSL footprint, much of the 2010 expansion came quite late in the year, limiting the net high-speed subscriber pickup in the fourth quarter. Looking forward to 2011, we

expect our high-speed additions to be higher than Q4 as we continue to expand our fibre-to-the-home and DSL footprint and offer FibreOP and other high value services in more territories. Although the net adds in the quarter were low, customer demand for more bandwidth and premium services has resulted in a migration of existing DSL customers to FibreOP in those areas where we have FibreOP coverage. While we expect to see more high-speed customer growth in the future, this migration has several positive trade-offs as not only does it increase ARPU but with the strong take-up of TV and bundles we expect to experience better customer retention, benefitting our legacy revenues as well. The migration to FibreOP along with selected pricing action and customer upgrades to other higher speed Internet services pushed our residential high-speed ARP to break the \$40 mark in the month. In the quarter our highest point to date was an increase of 6.7 percent over the same quarter in 2009.

So to summarize our fourth quarter performance, overall I'm pleased with the track we are on and that we are beginning to see the developments we expected. For 2010, we delivered results within our guidance ranges by doing what we said we would do. We have a way to go to turn our overall revenue trajectory around but I'm encouraged by these results that show that we are on the right path.

Now, let me turn to our 2011 guidance.

Let me start off by saying that our five strategic priorities remain the same in 2011 as they have been for the last two years. The main difference in 2011 is the focus on our grow broadband strategy with fibre-to-the-home as the cornerstone of our activity in 2011. The successful implementation of our fibre-to-the-home strategy will elevate our performance across all of our other strategic objectives. It will help us provide a better customer experience, retain customers, reset our cost structure and engage our people. That said, we know it will take time for the growth from this investment to show up in a material way in our numbers. Consequently, as we have indicated before, revenues and EBITDA are expected to be under pressure for the next several years until our fibre investment gains enough scale to offset declines in our legacy telephone business.

Now, turning specifically to the numbers - as you know, beginning in 2011, we have adopted international financial reporting standards or IFRS, and Glen will talk to this in more detail shortly. Consequently, our 2011 guidance metrics are presented on an IFRS basis and we've presented our estimates of our 2010 numbers restated for IFRS for comparative purposes.

Turning to Slide 12, revenues in 2011 are expected to be between 2.65 billion and 2.75 billion, down from an IFRS restated 2010 result of 2.8 billion. We expect competitive activity to continue to be strong in all of our markets, and while growth in the cable telephony competitive footprint has slowed, we do believe there will be further expansion from the existing 69 percent overlap to reach a peak somewhere between 75 and 80 percent levels of homes passed over the next several years. These factors, along with some technology substitution from wireless and VoIP, will lead to further NAS declines affecting local, long distance and other data revenues. On the plus side, we expect Internet revenues to grow, with growth in high-speed customers similar to that experienced in 2010, as we further expand our FTTH and DSL footprints. But more importantly, from increased ARPU from customer take-up of more higher value services like FibreOP. TV of course is also expected to be in an area of substantial subscriber and revenue growth, and when taking the bundling implications of all of this into account, we expect to see increases in overall residential ARP along with greater retentive metrics such as lower churn than we've seen in recent years.

Now turning to EBITDA on Slide 13, under IFRS, operating expenses will include the current service cost portion of pension expense and consistent with our peers in the industry, we will begin to report EBITDA after pension expense. Because we traditionally have reported EBITDA before pension expense, we decided to give you EBITDA guidance both before and after to hopefully make the transition transparent and a bit easier to follow.

EBITDA before pension expense is expected to be between 1.36 billion and 1.4 billion in 2011, down from 1.43 billion in 2010. The decline's primarily driven by the decline in revenues and the shift towards a lower margin revenue mix as lower margin new revenues replace higher margin legacy revenues. Cost reductions from ongoing productivity initiatives will continue to be a part of our ongoing business; however the margin pressure from revenue mix changes will mute their benefits on EBITDA in 2011. We do have a new union labour agreement in place which will give us labour and cost predictability, but the financial benefits will come to fruition more in 2012, as the wage freeze begins and new labour pool we will create, migrates wage rates for technicians, to be more in line with the market. With our significant ramp up of FibreOP in 2011, we expect a short term EBITDA drag effect to reduce 2011 EBITDA from 2011 levels by about 1 percent, as we increase our advertising and customer service expenses with the acquisition and loading of new customers into our FibreOP network. Although much of the cost associated with the accelerated fibre rollout as

capex, customer service costs will increase, as we help customers move to this new improved technology not just so they can do what they were doing before with the old technology but to show them all of the great new stuff they will be able to do with FibreOP that they can't do with what they have now. Over time these startup costs will subside and we expect lower operating and capital costs in the future with a simpler fibre network requiring less maintenance and having greater reliability and less troubles than the existing copper cable facilities that make up the majority of our network today. So the EBITDA drag from the ramp up of FibreOP services will increase in 2011 but it means that we are loading more customers who are buying more services from us, generating more revenues and providing greater retention benefits. In essence, short term pain that we are more than willing to live with.

Moving to our other EBITDA guidance metric, EBITDA guidance after pension expense is expected to be between 1.3 billion and 1.34 billion, down from a comparable 2010 IFRS number of 1.38 billion. Under IFRS, EBITDA will include the current service cost of pension expense, which is expected to increase by approximately \$10 million in 2011, due to lower discount rates. Glen will take you through some more pension details shortly.

Now, turning to capital expenditures, we expect 2011 capex to be 520 to \$560 million, up from 494 million in 2010. The increase in capex associated with the accelerated rollout of fibre-to-the-home will more than offset the decline from the absence of the repurchase of Poles transaction that occurred in 2010. As I mentioned, we expect to spend \$350 million in fibre-to-the-home over 2011 and 2012, split fairly evenly between the two years although slightly weighted to 2011, to increase our footprint to pass over 600,000 homes and businesses by the end of 2012. We expect to hit the 430,000 homes and businesses mark by the end of 2011, but the cost per home passed is expected to be relatively low in 2011 compared to 2012 due to differences in the density of the markets being opened in each year. I am looking forward to 2011 as a huge building year for us not just in terms of physical construction but also in terms of growing our customer base and getting a very strong foundation in place for the future of our business.

And with that, I'm going to pass it over to Glen to talk to you about free cash flow and earnings per share and a bit about IFRS.

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Thanks Karen and good morning everyone. As Karen has covered off much of the operating details, let me take you through the financial side of our guidance.

Let me start by talking about our plans to make a 200 million voluntarily lump sum pension contribution in 2011, which we plan to fund with a preferred share issue in the near future.

We believe that this is a very good investment for us and by making this contribution and funding it in this manner; we are taking risk off the table for our business in several ways. First of all, we are improving our leverage ratios as preferred shares are intended to be a permanent part of our capital structure. Because our credit rating agencies in some cases already consider the pension deficit to be debt, from their perspective financing our contribution to pension plans with preferred shares funding replaces some of the existing debt with equity. As well, by making this lump sum contribution, we get some flexibility in managing future year deficit funding requirement, whereby we can draw down on this contribution if required all while getting funding at what we hope to be an attractive financing rate with the market conditions. Making this contribution in the near term will increase our asset returns immediately and reduce our pension related expenses. The contribution is also fully tax deductible, which means that we will also increase our tax loss carry forwards from what they would otherwise be, further delaying our eventual payment of cash taxes into 2013. With this contribution, combined with strong asset returns in 2010 that were nearly 12 percent, we are looking at a funded ratio for our plans of over 90 percent or a deficit of about 300 million compared to over 600 million a year ago, which is a very positive place to be for the company, our employees and our retirees.

On Slide 17, we show our expected 2011 pension expense under IFRS and our expected funding. The deficit funding plans for 2011 is in line with what we expected our required going concern deficit to be. We continue to expect the federal government to allow the use of letters of credit to fund solvency funding requirements beginning in 2011. With the lump sum contributions we are making, we have flexibility to potentially draw down some of this down or use letters of credit to a limited extent, if we choose. Because of the size and nature of the 200 million contribution to our pension plans, we have—we believe excluding it when we refer to our free cash flow guidance for 2011 gives a better indication of our free cash flow performance. As shown on Slide 18, excluding the lump sum pension

contribution, we expect our free cash flow in 2011 to be between 525 million and 575 million, in the same range as our 2010 free cash flow of 531 million. Lower regular pension deficit funding, lower restructuring cost and improvements in working capital are expected to offset free cash flow declines from lower EBITDA and higher capex. Our payout ratio is expected to be within 75 to 85 percent of our free cash flow excluding the lump sum contribution, in line with our stated payout objectives.

And lastly on guidance, consistent with our corporate peers in the industry, we are providing 2011 earnings per share guidance as shown on Slide 19. As many of you have noted in the past, since 2006, we have had a significant annual amortization expense related to purchase price allocations of assets acquired in 2006, which has put a non-cash drag on earnings per share, in the range of about \$0.50 annually. Because these intangible assets will largely not require cash investments to replace them in the future, we are providing our projected EPS range excluding this amortization, which we believe is more meaningful earnings per share metric.

As part of our 2010 annual balance sheet reviews and in preparation for the conversion to a corporate structure, and international financial reporting standards, we revisited the estimates used in the allocation of the purchase price of assets acquired in 2006 when Bell Aliant was created. Using our revised estimates under Canadian generally accepted accounting principles, an impairment in the carrying value of the finite life customer relationship intangibles was identified and we recorded a non-cash 1.5 million write-down in the fourth quarter of 2010.

Now let me put this in context for you. The write-down is purely a non-cash accounting entry required under GAAP and has no effect on our current cash flows, our future cash flows or the outlook for the business, and consequently the market value of the company. Because of the write-down the amortization of purchase price allocations will be lower in the future years and the assets will be amortized over a shorter period of time than previously estimated. In the meantime, we've excluded the amortization of purchase price allocations (PPA) from our EPS guidance metric to provide an EPS metric that we believe is more meaningful. Without the PPA amortization we expect EPS to be between \$1.60 and \$1.80 in 2011 under IFRS reporting standards. We estimate the EPS drag in 2011 of the remaining amortization to be about \$0.30 now. So bottom line EPS would be in the range of \$1.30 to \$1.50.

I know many of you are interested in our expected tax rate for 2011, and although we expect to pay minimal

cash taxes in 2011, we do expect our taxable income to be subject to a blended tax rate of approximately 29 percent in 2011, which will show up as an income tax expense.

And to conclude on guidance, Slide 21 shows a summary of our guidance metrics for 2011, and we will update you quarterly on where we stand with respect to these as we move forward.

Now turning to IFRS, for comparative purposes in our MD&A we provided our best estimate of 2010 results restated for IFRS. These numbers are unaudited at this stage of course but reflect our expectation of IFRS results for 2010. In the MD&A we provided our balance sheet and income statement under Canadian GAAP versus IFRS. I won't go through those with you in detail on this call but let me highlight a few of the key differences.

The principle areas affected with the implementation of IFRS are capital assets, pensions and employee benefits. On the balance sheet, capital assets adjusted for a change to straight line depreciation from our previous depreciation policy of equal life group (or ELG). This change in policy results in a retroactive adjustment, reducing our opening capital asset balances by approximately 290 million, with a net change after considering the tax implications of approximately 140 million to retained earnings as a catch up for the change in policy. Consequently, our ongoing depreciation will be about 10 to 12 million lower annually as a result of the IFRS change, with a lower capital asset base. Another change is that the recognition of gains and losses on the disposition of *retirements*? will be shown separately from depreciation, which will continue to be excluded in our determination of EBITDA.

With respect to pensions, the balance sheet under IFRS will more closely but not precisely reflect the funded status of our pension plans, with adjustments being made to opening retained earnings to remove the current balance sheet provisions or unrecognized actuarial gains and losses and to recognize the minimum funding requirements as a liability. On the income statement pension expense will no longer include amortization of deferred amounts. Gains and losses are recognized immediately in comprehensive income as part of the shareholders equity. And under IFRS the various components of pension expense will be reflected differently on the income statement than under Canadian GAAP. The current service cost portion, which is the amount earned by active employees in the year, will be included in operating expenses, thereby affecting EBITDA. The interest income on pension assets and the

interest expense on accrued liabilities will be included below EBITDA as other income and interest expense.

And lastly, with respect to IFRS, our net income looks somewhat different under IFRS than in Canadian GAAP mainly due to the exclusion of minority interest under IFRS.

The MD&A provides more specifics which I know you will refer to as you update your outlooks for 2011. Importantly, these are accounting adjustments only and there's no effect on our management of the business or on our cash flows and there are no material changes to EBITDA.

And lastly, let me say that we were successfully—we have successfully completed our conversion to a corporation on January 1st and our Board of Directors has declared our first quarterly dividend under the corporate structure which will be paid at the end of March, resulting in a yield of about 7 percent based on our current share price.

And with that, I'll open the lines for questions. Operator?

QUESTION AND ANSWER SESSION

Operator

Thank you. We will now take questions from the telephone lines. If you have a question and you're using a speaker phone, please lift the handset before making your selection. To register, please press star, one on your telephone keypad. To cancel your question, please press the pound sign. Please press star, one at this time if you have a question. There will be a pause while participants register for questions. Thank you for your patience.

The first question is from Maher Yaghi from Desjardins Securities. Please go ahead.

Maher Yaghi, Desjardins Securities

Yes, thank you for taking my question. Glen, I just wanted to ask you a question regarding the 200 million special pension contribution. We've seen other companies fund that kind of outlay through a debt issuance. The rating agencies already assessed that pension as debt replacing it with debt issuance. Can you maybe tell us what draw you—drawn you more towards a

pref issue than a potential debt offering to fund that pension contribution?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Good morning Maher. As I'd said in my opening remarks, we think that the press is the—it fits nicely into our capital structure. It's something that we want to be part of our ongoing capital structure. And it's just about balance. We think that this is a—it fits nicely for us and rating agencies do give it some equity treatment - that certainly is a benefit. But for us it is a—the markets are such that we believe that we can do this at a very attractive rate and it fits well into our structure.

Maher Yaghi, Desjardins Securities

So the improvement in your rating was a big part of that decision.

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

It certainly wasn't a big part. It was just one additional factor.

Maher Yaghi, Desjardins Securities

And, you know, as you make that special contribution, can you quantify the potential impact on future years pension contribution needs in, you know, the variation between, let's say, 2010 and 2011, when you make that contribution, how much would be the annual reduction in your contribution needs in the future years?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Well I'll speak to 2011, Maher, and highlight a few things. First of all, you know, it all depends on asset returns but by increasing the asset base, that's certainly going to help go forward and wouldn't it be nice to enjoy another year with returns like 11.9 percent we had this year. But when—I'll talk about 2011. We had about \$86 million of pension funding in 2010 related to the deficit. When I look forward, by putting this \$200 million voluntary injection in, we're looking at a range of around 25 to 50 million of deficit funding requirements that are required for going concern, but it really in 2011 alleviates any required additional funding for solvency requirements.

So, and I think there was an error on the Slide 17, it said 35 to 45 million for regular deficit funding - 25 to 50 is the more appropriate range. But when you look at that then, what we're saying is that the \$46 million in solvency funding that we had put in this year really is not going to be required in 2011 - so that's the relief we see in the short term. And with continued great return on assets, I'd said it in my opening remarks, we're delighted to see a deficit that's now closer to 300 million when we were at over 600 million just a year ago.

Maher Yaghi, Desjardins Securities

Thank you very much.

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Thank you.

Operator

Thank you. The next question is from Phillip Huang from UBS. Please go ahead.

Phillip Huang, UBS

Great, thanks very much. Good morning. Can you maybe elaborate a little bit on the 140,000 households where you have passed your fibre-to-the-home. I mean it's encouraging to see green shoots in those footprints, my question is, are you—is there any sort of limited time promotional pricing type offers that you guys are going to be using to attract new customers and migrate the existing customers to your FibreOP services? Are you providing any deals on boxes? And has EastLink reacted with more versus promotions and if not do you expect them to do so?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

The—it's a great question. Don't you love the green shoots thing - it really sits in your head, doesn't it?

Phillip Huang, UBS

For sure.

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

We have been using really consistent promotional pricing throughout our rollout. The rollout was a \$99 price point. We have three different bundles that you can buy good, better and best. It's a three month offer and then you go to the regular price. We're finding that most everybody is staying on past the end of the promotional period. And I think I've mentioned this before, but well over half are actually buying at least better and best which is really terrific. So, I think the promotional pricing is working but there is promotional pricing there and in a period of very heavy loads that is another—that's one of the reasons that we're looking at some EBITDA drag this year because you've got a relatively high percentage of your mix that's on promotion than not. I think I also mentioned last quarter that we had seen some strong response from a couple of our competitors. We saw free voice offered by EastLink in particular and we countered that with free TV and the offers still in the market but it's a little bit less intense, shall I say, than it was when it first started. So, I think we're seeing good strong responses from our competitors but I think the critical element is we're not seeing any reduction in our loads. The new markets we are opening are as good if not better than the early ones and continued really good results.

Phillip Huang, UBS

Okay. And in terms of subsidies on the boxes, has there been any change in terms of are you providing more attractive deals this time around versus before?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

No.

Phillip Huang, UBS

It's been pretty consistent?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

No, it's really consistent.

Phillip Huang, UBS

Great. Thanks very much.

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

Thank you.

Operator

Thank you. The next question is from Peter MacDonald from GMP Securities. Please go ahead.

Peter MacDonald, GMP Securities

Thanks. I had a couple of questions on guidance. I think the pension kind of ties into it. So, first of all, I'm not convinced that we should be ignoring the amortization of finite intangible assets in the EPS. Do you have any examples of any other companies that has put that in place and the analyst community has bought into it?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Good morning Peter. Just to clarify, put what in place?

Peter MacDonald, GMP Securities

Has anybody else provided guidance or assuming that intangibles—amortization of intangibles assets are not in EPS and have people actually bought into it?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Not that I'm aware of but let me explain this a little further for you and provide some clarity. When we—this was an asset that when we purchased the assets in 2006 upon the creation of Bell Aliant, you're required to create a PPA, which is really in—to take the purchase price and to allocate it by the existing assets and you take your fixed assets over at book value. So you end up with goodwill and you end up with these finite intangibles. But they're not assets that you replace time in—you know, each

year, so the amortization does skew your EPS. Now we've provided guidance of \$1.60 to \$1.80 but I also said that the amortization represents \$0.30, so in essence I've provided the guidance with and without. But I am not aware of others who have this but I think for comparative purposes we thought it was important to draw your attention to it.

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

It's actually hard to find somebody with the same kind—this size of an intangible on the books. So it's hard to find a comparator and that's why Glen gave it to you both ways, Peter.

Peter MacDonald, GMP Securities

And I would assume that the write-down of the 1.5 billion is because you were created as a trust right off the bat rather than converting to one and then the conversion back to a corp requires you to lower it by that amount?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Not exactly. When you—one of the things about finite intangibles is that under Canadian GAAP it's not required to review them annually. Under IFRS it is. Due to that and we started to look at our assets and challenged whether or not our assumptions we used five years ago were the right assumptions. Taxes, one, so your observation there is a good one in that we, you know, now looking at the net present value of future cash flows know that we have taxes that we wouldn't have had in 2006. We went back and challenged some of the assumptions which resulted in the write-down and this is better information we have today than what we had in 2006 when we were a trust.

Peter MacDonald, GMP Securities

Okay. On the pension, if we go back to Slide 17, on—so that should be 25 to 50, I guess... on that line item?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Yes.

Peter MacDonald, GMP Securities

And then on Page 21 of your report you say that a portion of the \$200 million applies to your pension deficit funding in 2011. Can you tell us how much that is?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Well, as I mentioned earlier, about \$86 million was our required funding this year, 2010, to deficit funding. All things being equal, that number would be equal to or greater, would have grown in 2011, had we not chose to do a voluntary contribution of 200 million. 200 million is going to allow us to not have to put any additional funding into solvency. So, hence, the 25 to 50 that I mentioned here as regular deficit funding, really addresses the going concern funding. So that's the big difference that's occurring year-over-year.

Peter MacDonald, GMP Securities

So then back to Maher's question then, if I go into 2012 it's going to be 25 to 50 presuming all—if we just assume that all assumptions are kept the same is going to be 25 to 50 plus some sort of solvency payment. What should we be using for that, is it \$45 million?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

It'd be difficult for me to say but the 200 million can be used to be drawn down well into the future not just for one year. That's, you know, the first point to make. The second point to make is we could use, if we so choose, selectively in plans where we have only retirees for example and we want to avoid overfunding situations we could use letters of credit so we avoid creating a surplus. So there's all kinds of things that could happen between now and '12 so I wouldn't say it's fair to just assume that the 46 million in solvency we pay in '10 immediately comes back in '12 because we could still draw down on this 200 million, we can use letters of credit and the asset returns are going to change with that solvency required. Remember, in my remarks I said that we're at a 90 percent funded level now, over 90 percent. So we are coming out of this.

Peter MacDonald, GMP Securities

And then I guess my question on guidance, if I look at your free cash flow guidance and I use the midpoint of the range, it looks like EBITDA's down about \$57 million year-over-year, capex up 44, your guidance for free cash flow is flat to up, if I use the midpoint of that. It creates a difference of 120 million. I think from your pension comment that makes up about \$46 million of the difference because there's an improvement there. Where's the rest of it?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

The rest of our improvements are coming from working capital. You know, you're going to the middle of the range so I'm not going to do the math with you precisely but two things I mentioned. Restructuring was one - we have lower restructuring cost in our outlook for '11 than we did in '10. And the other is we're forecasting some great improvements. We've had tremendous success for example in reducing our days sales outstanding. We've had tremendous success reducing our percentage of receivables over 90 days, all without taking write-offs through bad debt on our P&L. So that is a big area, a source of working capital improvement and we're very, very pleased about that. It's—getting the organization to think about free cash flow is a huge focus of ours right now and it's starting to pay significant dividends.

Peter MacDonald, GMP Securities

Can you just tell me what your restructuring cost is for 2011? And that'll be my last question.

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

I can't give you specific guidance on that. It was about 29 million in 2010 and it will be less than that in '11.

Peter MacDonald, GMP Securities

Thanks.

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Thank you, Peter.

Operator

Thank you. The next question is from Jonathan Allen from RBC Capital Markets. Please go ahead.

Jonathan Allen, RBC Capital Markets

Thanks very much. Glen, just a few modelling questions for you. First, the Q4 retroactive regulatory benefits, the two that Karen had mentioned, I was just wondering if you could actually quantify where those flow through? And by my estimate it looks like it was something like 15 million of revenue benefit and something maybe like a 4 million EBITDA benefit, is that about right?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

You're high on the revenue. It'd be 5 to 10 on revenue and about that I'm going to say two to four on EBITDA, off the top of my head. How they flow through...

Jonathan Allen, RBC Capital Markets

Like the, on the revenue side, does it all go through the local and access or does it go through other revenue as well?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

I'll have to look that up. I think it goes through local and access and other revenue, to be honest with you. It goes through both.

Jonathan Allen, RBC Capital Markets

Okay. We can answer that one after.

Jonathan Allen, RBC Capital Markets

And the second one on pension, just want to clarify the \$300 million funding deficit that you mentioned. Is that on a solvency basis or is that an actual accounting or going concern basis?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

On a solvency basis.

Jonathan Allen, RBC Capital Markets

And then, last one I wanted to ask just with all of the write-downs and the discussion of PPAs on depreciation, in your MD&A you gave a depreciation D&A estimate of 625 to 640 million for 2011, does that include the drag from the PPAs? Is this the total number that we're looking for on an IFRS basis?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Yes it does. It includes it, so let me try to help you a little. It's about 100 million for the PPA, so, you know, it's 625 to 640, would include \$100 million of PPA amortization.

Jonathan Allen, RBC Capital Markets

And all of the guidance numbers that you put in there assume all of the IFRS adjustments that you've put in including the—I think that you're expecting to do another write-down of, what, 290 million on capital assets?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

That is correct. Everything we've put through reflects the financial statements under IFRS.

Jonathan Allen, RBC Capital Markets

And last question for you, on EPS on the guidance range that you've provided, does that actually assume the new preferred shares to be issued?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

It does assume that we will introduce that into our capital structure.

Jonathan Allen, RBC Capital Markets

Okay. Perfect. Thank you very much.

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Thank you, Jonathan.

Operator

Thank you. The next question is from Glen Campbell from Merrill Lynch. Please go ahead.

Glen Campbell, Merrill Lynch

Yes, thanks very much. Just continuing on the questions on PP&As. When you mentioned that there's a sort of one-timeness about these amounts, is that to say that you expect the amortization to apply only in 2011 and then to end or is there a roll off that you can tell us about?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Just going to clarify on your question, Glen. Do I expect the PPA to continue?

Glen Campbell, Merrill Lynch

Yes. I think earlier in the presentation you'd described it as being sort of one-time in nature.

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

No. I apologize if I misled. The amortization will be around for what I would estimate about another ten years it will take to fully amortize that. It's about 100 million a

year. The PPA adjustment we did significantly reduced the EPS drag from this but it will still be something we'll be talking about for years to come.

Glen Campbell, Merrill Lynch

Okay.

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

That's why we think it's important, Glen, to provide both numbers to you.

Glen Campbell, Merrill Lynch

Great, thanks. And you've given us a statutory tax rate of around 29 percent, does that apply to the net income after deducting the PP&As? And is there any recognition other than on the cash flow statements to the fact that you're making all these pension funding contributions? In other words, could those cause your effective tax rate for accounting purposes to be lower than the 29 percent?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Two questions in there - first one was, is that effective tax rate after the inclusion of the PPA, and the answer is yes, you'd use that for calculating it. And the short answer to your other question is, no, you would not. The injection of the additional 200 million into our pension plan materially helps funding but it doesn't change the accounting treatment for expense.

Glen Campbell, Merrill Lynch

Okay, great. And just a couple of other clarifications. One for Karen. Karen, you mentioned that you're expecting 2012 to be the year when you see benefits from the new labour contract - is that to say the freeze on labour rates will not benefit you in 2011?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

Correct. Glen, the way the contract works, there will—be increases this year and then it's a three year freeze that doesn't start until 2012.

Glen Campbell, Merrill Lynch

Perfect. Thanks. And one last one. I may have missed it, did you give us the number of net additions on TV?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

It's about 6,000. Yes, I think I did in my script.

Glen Campbell, Merrill Lynch

Great. Thanks very much.

Operator

Thank you. The next question is from Jeff Fan from Scotia Capital. Please go ahead.

Jeff Fan, Scotia Capital

Thanks very much and question for Karen. You mentioned that the cost per home passed on your FibreOP in 2011 is going to be lower because of the density, so that seems to imply that the deployment for this year is largely focused on perhaps higher density areas like Halifax that you've announced a couple of weeks ago. I'm wondering if that's kind of the right read on that? And if so, the high density areas if I understand this correctly, has a lot of fibre-to-the-node where you've invested in the past, so effectively I guess what we're seeing is a bit of an overbuild. Can you talk a little bit about the thought process in figuring out which markets to go into with respect to FibreOP and what you're looking at when you're making that decision?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

Great question. Those are those green shoots. The right interpretation you should assume—Halifax alone is really

big, right, it's 150,000 homes passed and that will be—we will be doing a lot of that this year. In a higher density environment the cost—let me back up. Higher density where we also have aerial - great combination, and it means the cost per home passed is significantly lower. So we've talked in the past in my average home per cost per home passed is somewhere around \$500, \$600, somewhere in that range. In Halifax, it's 350. It's much less expensive because the density is higher, it's still aerial. And then related to your second question, there's actually some infrastructure from FTTN that I can reuse. So FTTN in the market right now has a useful life of somewhere between six and eight years already somewhat heavily depreciated but some of those components I can either reuse elsewhere in my network or actually helps facilitate the fibre-to-the-home build itself and it helps to keep the cost per home passed relatively low. So all that said, even though I already have a TV base in Halifax it means that the payout for Halifax is as good as any other market that I am looking at. Now we didn't go there first because we wanted to get to some markets that had no TV, but Halifax in particular is one of our biggest markets, it's one of our most important, one of our most competitive markets. It's just hard to imagine having a product like fibre-to-the-home and not bringing the best product you have to your most important market, so that's what we need to do. And the good news is the economics actually say it's actually quite a smart thing to do.

Jeff Fan, Scotia Capital

I guess just to follow-up quickly, it sounds like it's more of a cost analysis that you're doing or a payback analysis versus looking at the service component of it. I'm just trying to understand is this because of revenue, market share issues that you're facing in Halifax is more intense or is it because of all the elements that you've touched on which was the lower cost and also the reuse of the infrastructure?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

Whenever you do a payback analysis, it's all in there, right? It's the cost to deliver, the incremental revenue you will achieve and the retention you will get, the ARPU growth - it's all in the case. And we believe that we have a decent TV base in Halifax, it's not gigantic. We actually have more to be gained than we already have. So we're looking at the potential new revenue, the retentive benefit of having a strong fibre product in the market and the lower cost - and all that, when you put that into the mix it

comes back and it's about the same IRR as some of the other markets we're looking at.

Jeff Fan, Scotia Capital

Great. Thanks.

Operator

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

Mr. Valentini, your line is open.

Vince Valentini, TD Newcrest

Sorry about that. Apologies, a bit more nit-picky stuff on pension then I'll have a bigger picture question. Can I just make sure I'm clear that the 100 to 120 million on Slide 17, which I guess we have to adjust slightly for that different range you'd said, that is all cash funding, it does not include any letters of credit at this point, is that right?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

That's correct. That would be the cash funding. You know, it walks you down through that but the current service is a big piece of that and then there'll be some portion for regular deficit funding that alluded to 25 to 50 million. So if you're going to be doing 65 to 75 million in current service funding and an additional 25 to 50 in deficit funding, that will be, you know, the cash outlay.

Vince Valentini, TD Newcrest

And in past calls you talked about, you know, thinking about relying on these letters of credit, it seems like you're not focusing on that anymore. First of all, is there any chance that 100 to 120 could be reduced by letters of credit if the rules get enacted very soon?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Absolutely, it will be one more tool in our toolbox that we could use. Letters of credit definitely have a place and they definitely continue to be something that we, you

know, will want to use and could use and likely will use selectively, particularly in plans where retirees—that only have retirees. Because you want to avoid getting into a situation, plan specific, that you overfund a specific plan, ends up in surplus position - we want to avoid that. So that's where letters of credit can be quite valuable. But for now, as cash flow is allowing, by putting the cash in directly into the plan you get the assets working for you faster, which of course doesn't get accomplished with just using letters of credit. So we think the balance there and continue to—we're looking forward to the government approving it and having that tool available to us but for now we're going to put the 200 million in, we have the cash flow available to us to consider another 25 to 50. You know, could you reduce that by utilizing letters of credit? You could.

Vince Valentini, TD Newcrest

Okay. And you mentioned, you're hoping that the government approves those rules, the 30 day period is sort of long past now, any update, do you guys have any sense of when the final rules will be there?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

No, we have no more information than you, although we continue to hear positive things that it's just—it's a when not an if. But, Vince, I have no more knowledge of when.

Vince Valentini, TD Newcrest

Okay. And is part of this decision when you looked at what standby fees on those letters of credit might have been, you weighed that against what the cost of issuing prefs and doing a voluntary contribution is going to, is that math sort of something drove your decision here?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Sure. Absolutely, when you're doing this stuff, you look at your numbers and you do your cost comparisons. We think taking advantage of the large injection now, the cash flow we have, the health of the markets right now, the access to, you know, the attractive rates and by increasing the asset base we've had a pretty darn healthy run on asset returns and by making it bigger. Wouldn't it be nice to have another 11.9 million next year with a bigger asset base.

Vince Valentini, TD Newcrest

Okay. And last, nit-picky one before the strategic one, is these prefs that you're going to issue, would they have a change of control clause in them if BC were to ever go to a hundred percent ownership, would those prefs be accelerated?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

I cannot give you any details on the prefs beyond what I've said. But stay tuned and look for the prospectus.

Vince Valentini, TD Newcrest

And the bigger picture one, Karen, you mentioned, you know, that legacy copper is the majority of your network today - when I look forward, I mean after your build plan you're still only going to have about a third of your homes passed by FibreOP so you'd still have the majority of your network being legacy copper, so I'm wondering given the success you've had to date, I mean is 600,000 just a line in the sand and, you know, you're thinking of increasing that significantly over the next few years?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

That's a great question, Vince. I think that, and I've gotten that question as you know before. When we did the original plan that we announced last May, 600,000 was the group of homes and businesses that really paid out well, and what I said at the time was, look, we're sticking to 600,000, that's what we're committed to, we have a plan for for the next two years, but we are going to watch to see whether the business case improves. Since that time costs have actually come in even better than we expected, our success is better than we expected, so I don't have any announcements for you today and certainly no plans to move away from the 600,000 but I would certainly love to be able to do more if I can.

Vince Valentini, TD Newcrest

Thanks.

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Thanks, Vince.

Operator

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

Peter Rhamey, BMO Capital Markets

Yes, good morning and thanks for taking the questions. Just a couple of and just one for, a bit nit-picky, following up on the amortization schedule. So, Glen, if I understand you right, that \$0.30 EPS hit due talk amortization, that is something we can model on a going forward basis for 2012, 2013. It's a linear function as opposed to I think some of the years outstanding [talk over]...

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Correct, Peter.

Peter Rhamey, BMO Capital Markets

And then, over to Karen, on more of a, looking at your company and your profile, and a two-part question here, you say you have a couple of years negative revenue and EBITDA growth - is that to—for us to look at your company is 2012 still in negative growth territory or should we start to see some stabilization in revenue and EBITDA and then returning to growth in 2013? And in the context of that, second part of it, is I think there is some commentary on your TV offering and dilution at the EBITDA level of about a hundred basis points on margin, I'm wondering if that represents peak dilution or do you think that that gets worse before it gets better because you need to ramp subscribers? Thank you.

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

I can't give you specifics obviously for 2012 but you should expect we've got at least a couple of years left of negative trajectory. And that's why we are just so so focused on watching what happens in Atlantic revs. If

this strategy is going to work that revenue—you know the cycle, the revenue's got to get positive, then you've got to hit scale and then EBITDA will follow that, then it's got to get big enough or we have to expand further in order to turn the whole company around. And as of fourth quarter we were just about flat on revenue growth in Atlantic revs. So what we're going to do to help you get a sense of this during this year, we're not going to guide you on how big that number might get but we're going to give you the number as we go forward in Atlantic revs to give you a sense as to how that number is growing because it's fundamental. And as you watch that and you look at the size of the company, you'll get a sense that this thing is not going to turn around certainly in the next 12 months. It's going to take a bit of time but it's certainly going to come. On TV dilution, given our current plans on the 600,000 homes, this is the worst year and then we should start to have less of a year-over-year impact and it's because of that really radical shift in homes passed between 2010 and 2011.

Peter Rhamey, BMO Capital Markets

And does that plan assume that your net additions for TV would be larger in 2012 than 2011 or are you taking more of a flatline approach to subscriber growth?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

I don't think the growth between years will be as big going forward as they will between this year and last year. The key is the growth.

Peter Rhamey, BMO Capital Markets

In net additions you mean.

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

And that's right. Big change this year.

Peter Rhamey, BMO Capital Markets

Okay, great. Thank you.

Operator

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

Dvai Ghose, Canaccord Genuity

Yes, thanks very much. Good morning. First question on margins. So you've talked about how legacy revenues generate higher margins, the startup costs for FTTH, and yet your margin guidance for '11 is really flat. I mean about 51 percent on the EBITDA line pre-pension and 49 percent post. So, if there is this much margin pressure anticipated, why is your guidance have flat margins?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

So, let me re-ask the question for you a different way, and that is, gee, Karen, are you out of gas on cost?

Dvai Ghose, Canaccord Genuity

Yeah.

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

And the answer is no. We still have a lot of productivity we're going to deliver. In fact we're going to deliver almost as much in 2011 maybe a little more. We're going to deliver about as much productivity in 2011 as we did in 2010. Now you won't see growth in margin this year because we're sucking some of that up with the growth in TV.

Dvai Ghose, Canaccord Genuity

Right.

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

So that's how we're hanging on.

Dvai Ghose, Canaccord Genuity

So basically you're offsetting it through cost [talk over].

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

Exactly.

Dvai Ghose, Canaccord Genuity

That makes sense. So second question to Glen on the tax shield. So prior to your 200 million special contribution announcement you guided towards '11 and '12 being largely tax-free years and full cash taxes from the beginning of '13, so, to what extent is this extended because you referred to the same numbers today.

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Well it'll—you're a hundred percent accurate, we did guide historically that we would not pay cash taxes in '11 and '12. This will extend us into '13. I'm going to avoid saying exactly how many months but it's more than one and not quite six.

Dvai Ghose, Canaccord Genuity

Okay. One to six months, okay. And then that sort of leads to my question for Karen then on accelerating the FTTH post 2012. I guess the way I'd looked at it is that you're taking a tax savings this year or next year and putting it into FTTH. At some point in 2013 maybe slightly later now than it would have been you're going to pay cash taxes, how can you afford to continue FTTH in 2013 onwards when you have to pay cash taxes?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

Remember, Dvai, that what we're doing now is topping up the amount that we have had for some time in our budget for fibre, so—or for broadband in general. The amount of spend this year is on top of a pretty substantial base. So with no incremental acceleration beyond 2012 I still have plenty of money in my budget to keep going. The issue is whether or not we can change the trajectory enough in order to fund even more acceleration - that's really the key.

Dvai Ghose, Canaccord Genuity

Okay, fine. That makes sense. So then last couple of really quick ones. On the EPS side, a lot of debate with PP&A, without PP&A and it's non-cash, but can you give us an idea for comparison purposes what 2010 EPS would have been under both measures?

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

I honestly, Dvai, I couldn't give you that. It wasn't a meaningful measure for us in 2010 and we continue to focus as a trust on distributable cash. We try to give you as much guidance on what the PPA does to forward-looking EPS and that's why I really addressed it in my comments and pointed out its \$0.30. So that's about all I can say].

Dvai Ghose, Canaccord Genuity

No, that's fair. It's not a cash item so I don't understand the obsession with it. Thanks.

Glen LeBlanc, Executive Vice President and Chief Financial Officer of Bell Aliant

Thank you, Dvai, very much.

Operator

The next question is from Philip Bassil from Beacon Securities. Please go ahead.

Philip Bassil, Beacon Securities

Thanks for taking my call. Just maybe for Karen, if you can give a little more colour on the, you talked about the additional advertising, customer service cost, especially with the FibreOP TV, if you could just talk a bit about the trend and what kind of scale do you have to get to to kind of start realizing some, you know, more savings on the network side?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

I can't give you any specific numbers but if you just take a look at how long we've been doing this and how much footprint we have out at the end of last year where we had 138,000 homes passed and we haven't given you any specifics on net adds yet. We will start to do that at the end of Q1, we'll start to give our TV net adds. You should assume that we're at the point now that the majority of our TV ads are actually coming from fibre and they're not coming from legacy. And—but they're still relatively small. I can't give you the specific number on exactly where the turning point occurs but I did mention earlier that we do believe this is the worst year.

Philip Bassil, Beacon Securities

Right.

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

And after this year scale should hit the point where the embedded base offsets the continued growth. Right now the embedded base is just too darn small.

Philip Bassil, Beacon Securities

Fair enough. And maybe just one other quick one. You talk about cost containment, and a little more runway there, I'm wondering if you could just give an idea, you know, what type of, you know, numbers are, you know, 2011, 2012, is there any significant, you know, opportunities left?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

I think that there are and we always surprise ourselves that there's more candy in the jar. Last year I think I told you that procurement figured huge in the savings that we were able to realize, and that's both in opex and in capex. We still have runway there and you'll see more—we will see more procurement savings coming in this year. Restructuring, we did a restructuring towards the end of 2010, the very end of 2010, and our management team, the benefits of that will entirely flow through to this year. Productivity is something that the guys keep working on, keep coming up with savings. And then going into 2012 our new union agreement benefits start to kick in and so that will give some runway going forward. So I think the messaging I've been giving you guys is still the case - the amount of cost we took out in 2009 was enormous, and I

didn't expect to repeat that number. Last year we did a really good job - and you saw that in a pretty big net reduction in expense year-over-year. The amount we're taking out this year is almost identical to last year but you won't see the same net because of the growth in TV cost and again at these lower rates I do expect to have cost improvements going forward.

Philip Bassil, Beacon Securities

And then last one - on Media Room any update around, you know, timing, you were talking Q1, maybe first half, are we still on schedule or?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

We are still on schedule. Expect the first half for sure, testing underway now.

Philip Bassil, Beacon Securities

Excellent. Okay, thanks very much.

Zeda Redden, Vice-President, Investor Relations, Bell Aliant

Operator, we have time for one more question.

Operator

Thank you. And the last question is from Joe Mackay from Mackie Research Capital. Please go ahead.

Joe Mackay, Mackie Research Capital

Good morning everyone. Just a quick question, I promise it won't be on pension. Good progress I guess on the residential mass and you've obviously been helped out by your TV product - but I wonder if you could estimate for us what the level of wireless substitution you're seeing in your region? And do you notice a difference between the Atlantic region and maybe Ontario and Quebec? Just trying to gauge, you know, kind of where you are comparing your territories to the balance of Canada?

Karen Sheriff, President and Chief Executive Officer, Bell Aliant

Great question. Still relatively low. We're still in the single-digits in our territory. I don't see a big difference between Atlantic and our territory in residential because the makeups of the markets are similar. It's actually more rural in Ontario and Quebec than it is in Atlantic, and we're seeing the same thing that they have seen in the states, in more rural territories wireless substitution is lower because of the demographics and also because the competitors frankly are not there. So, it's not a—it's still in our plans, we still expect it to grow but still single-digit for us.

Joe Mackay, Mackie Research Capital

Great, thank you.

Operator

Thank you. I'd now like to turn the meeting back over to Ms. Redden.

Zeda Redden, Vice-President, Investor Relations, Bell Aliant

Thanks everyone for joining us today and don't hesitate to contact me with any further questions you may have and I'm sure we'll be in touch over the next couple of days. Thank you.

Operator

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