



**LYA Commentary and RoBTV Interview on  
BCE and Aliant deal to form a new regional  
telecommunications service provider  
released on March 7, 2006**

LYA is pleased to provide the following summary of comments further to Mr. Robert Yates' interview with ROBTv's Pat Bolland. The interview took place on Tuesday, March 7, 2006 at 13h50.

Bell announced formation of a new consolidated trust entity that will be a “regional telecom service provider”...

It will become the third largest telco in the country, roughly doubling the size of Aliant. The new Trust in revenue terms will be equivalent to 40% of Telus and will be 60% larger than MTS. BCE may have realized that having three standalone regional entities – Aliant, Nordiq and the Feb 1 trust – would not make much sense. On the other hand, a large regional telco with no wireless operations could be problematic too, but since the Trust remains part of the BCE family they will get mobile indirectly anyway (plus Nordiq keeps its mobile operations) and they keep existing brands, etc.

BCE says it helps the value of Aliant since the line density will decline overall, as will the HS Internet density (going from 82% coverage to 70%)... overall competitive intensity expected to be lower. No mention of how the “regional” deployment of Inukshuk would play into the new structure (there was a general statement that it is not effected by it – same as the deferral account... they say only that all these things will be considered together).

By moving things around, the value to BCE of the assets increases from \$4.7 billion to \$8.2 billion... this is due to increasing the ownership in various entities, increasing leverage by transferring \$1.25 billion of existing debt to the new entity, and valuing 100% of Aliant's mobile operations into BCE (instead of 53%). Seems to add up – will be interesting to see if the markets



agree. BCE will be distributing Trust Units to reduce its holding from 73.5% to 45% but will retain veto rights even if it dilutes itself down to 20%. Present Aliant shareholders end up at 26.5% of the new larger Trust compared to 47% of the former smaller Aliant.

Please feel free to send us your comments or questions by email at [lya@lya.com](mailto:lya@lya.com).