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CHECK AGAINST DELIVERY

Good Morning.

It is a pleasure to be back in Toronto, to address delegates to the Telecom Summit. Looking back since last year, I can certainly say that it has been an interesting year – I have much to report on progress at Videotron over the past twelve months.

Looking forward too, we can foretell a period of interesting times – we are particularly excited about broadband, of course, but our keenest interest, and the subject of much of my address today, is wireless.

The themes of this year's talk are two:

1. An update on Videotron's progress since last year – and
2. I have a few remarks on the current debate on the Canadian wireless marketplace and our call to Industry Canada to introduce spectrum set-asides and other measures to stimulate competition in the Canadian market.

The past year has been satisfying.

We did what we said we'd do.

- We have had a satisfying year
 - ⇒ Customer Satisfaction up
 - ⇒ HD cable subscribers up
 - ⇒ High Speed service subscriptions up
 - ⇒ Cable telephone installations up
 - ⇒ Wireless telephone service up

I am pleased to report that our wireless results show good growth and widespread customer acceptance. We are excited by wireless services for two reasons:

1. It adds a valuable dimension to our customer value proposition, the addition of wireless is important to our customers and they like the complete One Stop Shop –; and
2. Wireless is a great addition to our content delivery portfolio – Videotron (and its sister companies) has some great content that we can bring to wireless devices – with our own service we can learn how to do it best – and share those benefits with our customers.

But despite our new entry into the wireless market – despite the more than 20,000 customers we now have, we don't even register at the 1% mark in wireless penetration in our market. We need to do better.

I will return to this theme – in a few minutes. But, in the interim, looking back on the past year ...It was a satisfying year.

Our customers tell us they are pleased with our service. Our business is doing well and growing. What is the prime ingredient in Videotron's success? The answer is customer focus. The answer is making the customer the centre of everything we do. The answer is that no decision – no engineering decision, no financial decision, no operations decision, no pricing decision, is made without specific reference to how that change, that new service, will benefit the customer. We think about our customers and how we can build value for them.

First and foremost.

So, the centre of our playbook, the focus of our teams. The customer. Which brings us to the second theme in my talk today.

I mentioned earlier in this speech that we have some challenges in wireless.

These challenges are largely a result of our focus on our customers, and their needs.

We want to build our wireless business, aggressively – just like we are in our other businesses -- and we want to make our wireless product a compelling choice for our customers.

But when we look at our options, when we look at the Canadian wireless market, we are troubled. When we look at our ability to offer the services we think the market needs, we are troubled. When we examine our options to offer wireless services at prices we think our customers want, we are troubled. So, let's take a look at the Canadian wireless market, what do we see?

- ⇒ Canada lags the industrial world in wireless penetration
- ⇒ Canadian prices are higher than elsewhere due to the lack of intense competition
- ⇒ While investors may be pleased, consumers are being exploited and the country's productivity suffers.

Let's look at these points ... When we look at wireless adoption we find that Canada trails the leading countries in wireless usage.

This slide shows the number of wireless customers per hundred people in various countries; the green columns show data for 2004, the blue, data for the US and Canada as of the end of last quarter 2007. Not a record to be proud of ... But, let's not look just at the world's 'leaders' – where do we fit with our peers? This slide shows Canada's peer group – countries that have wireless penetration, according the United Nations, that are similar to Canada's wireless penetration. Is this the *league-of-nations* that we normally associate with Canada?

Is it that other countries had an earlier start? The incumbent providers often cite a 'head-start' defense to explain Canada's poor showing ... But, as we can see in this slide, Canada started 1990 in very much the same place as other countries. Figures from the International Telecommunications Union suggest that Canada was ahead of the U.S. and the UK and Italy, and Australia and the Czech Republic in 1990, yet we trailed the field ...

Maybe the reason we are behind, the incumbent providers suggest, is that Canada's landlines were so superior there was no need to adopt wireless services as an alternative. And it is true – Canada's landline telephone network was amongst the best in the world. But ... good landlines are not unique to Canada The U.S., for example, has good landline penetration, and low wait times for service, yet the U.S. is ahead of Canada in wireless ...

Australia has good landlines, they too are ahead of Canada in wireless penetration. And Sweden, the home of Ericsson, has long been known for high quality landline telephones – yet it too is ahead of Canada. We do agree that our current wireless peer group does appear to be land-line challenged, but 'landlines' would not appear to be an excuse for Canada's poor showing.

So, if it isn't landline penetration, or access, and it isn't a 'head start', why is Canada's penetration so poor?

The answer, we believe, is an inconvenient truth. Al Gore has characterized his findings on Global Warming as an inconvenient truth – There are other inconvenient truths "out there" ...

Our wireless penetration is low because prices are too high.

Our wireless penetration is low because Canadians have not benefited from the fruits of wireless competition. A survey of one thousand Canadians – conducted for us by Praxicus Public Strategies this past weekend – shows quite clearly that consumers see wireless service in Canada as, quite simply, too expensive. The survey shows that 62 per cent of Canadians rate wireless service as expensive, including 38 per cent who describe it as Very Expensive. Expensive service is the key reason our wireless penetration is low. Our wireless penetration is low because we lag the world in access to advanced services.

A recent study by the SeaBoard Group found that Canadian wireless prices were 56% higher for average users, and 33% higher for heavy users than prices for comparable services in the United States. Why are prices high?

Our contention, and, if you recall, our third bullet on the subject of wireless, is that Canadians aren't benefiting from intense competition in wireless. What is intense competition? Well, when Videotron entered the Quebec market for telephone service, typical telephone bills were over \$40/month. The average bill for a Videotron phone customer is just over \$30/month today. THAT is Competition. Our internet service in Quebec right now is almost 50% faster than Bell Canada's DSL offering for a similar price. THAT is Competition.

There is not enough competition in wireless in Canada today. There is a role for Government to play. We are not suggesting that the market needs more regulation. No, the way to kick start the market, the way to drive the benefits of wireless into the hands of more Canadians, and the way to lighten the bills for current customers is to add more competitors to the cozy Canadian marketplace.

How do we think the government should do that? There are four key elements that can be addressed – four key elements that make sense for CanadaThe current providers have cried "UNFAIR" to these suggestions. Let's briefly look at each one and see if we can spot the 'unfair' elements.

1. Spectrum Set-asides? It looks to us that Bell, Telus and Rogers were all given spectrum back in the early 1980s – and that Rogers was given a leg-up to get started by holding-back the telephone companies. Guess that wasn't 'unfair' then.
2. Regional licenses? Videotron has made no secret of its focus, Quebec – but the incumbent carriers cry that all licenses should be national. Odd – the Mobility Canada members all received regional licenses – SaskTel was not compelled to build in Nova Scotia as a condition ... Unfair? Not then. Not now.
3. Tower Sharing? More than half of the towers in use in Canada are shared already – but a mechanism needs to be in place that 'towers' aren't turned into a barrier to entry by incumbents seeking to maintain their position – and, by the way, we expect to pay for the access. Environmentally this is also a good idea.
4. Mandated Roaming - Both Clearnet and Microcell were given mandated roaming on cell networks on their inception. Mandated 'sharing' is not new to the industry, as well as the mandated roaming arrangements that Fido and Clearnet had, there are poll attachment arrangements between cable companies, telephone companies and power utilities that prevent duplication of facilities – can you imagine the forests of polls ...

Cable companies, and telephone companies have invested billions and billions in facilities – yet we all have, telephone company and cable company alike, as a condition of our licenses the obligation to offer access– in Videotron's case, any company wanting to offer high speed internet services in Quebec has the right to attach to the Videotron network – this isn't 'new'.

We think that new entrants are in the public interest. New entrants will give vibrancy to the market, they will bring new ideas, new products and new energy. They will bring change.

Canadians agree.

Praxicus research asked Canadians last weekend what should be the government's main concern in issuing new wireless licenses. A strong majority – more than 70 per cent – said the government should encourage greater choice and competition in the wireless industry by reserving some of the new wireless licenses for new competitors, rather than get the highest possible price for licenses. So, we are convinced that we are closely aligned with Canadians when we call for measures, including a set-aside for new entrants to create greater competition.

More Canadians, with more access, to new services – that is the public policy goal that new entrants will address. Setting aside spectrum for new entrants makes sense. An unfettered auction, where incumbents and new entrants must compete – where the highest bidder gets the spoils, that doesn't make sense. The incumbent providers make a big fuss about the sanctity of 'open auctions' – they are against set-asides as public policy instrument – (well, they are against set-asides now – they had fewer qualms in prior years when they themselves were beneficiaries of the same support ...) We have a few points to make in this regard.

First – Industry Canada should be concerned about broader public interest questions than merely the size of the auction income. The costs to Canada of our third-world penetration rate are significant, and I will return to that point in a moment. But a key point to keep in mind is that the size of a bidders wallet does not mean much when it comes to adding to Canada's wireless competitiveness. Second – if the 'pure auction' metaphor is what we are striving for, why is it that we keep in place mechanisms to exclude most of the world's principal bidders? You want the most money? Open the bidding to anyone, from anywhere! Insofar as we have not done that, then the auction is already a flawed instrument.

Thirdly, we should make the point that auctions are only successful to the seller if there is an active bidding process. Without set-asides the new entrants may well chose not to participate – then Canadians will be left with the same sorry state of choice that they face today. That would be a sad outcome indeed and a tragic missed-opportunity.

Much has been made of Canada's poor showing in wireless penetration. The incumbents tell us it is a meaningless measure. Is it? Is there an impact on the country of low wireless penetration rates? Does Canada's embarrassing wireless penetration matter?

Does the fact that our country trails the rest of the developed world really have any significance?

The wireless association would have you believe "No". This is a meaningless statistic. A measurement of little potency, little importance. We can see how they wish to ignore yet another inconvenient truth.

Two recent academic papers have indeed found a correlation between high wireless penetration and economic growth. Indeed, one of these papers, co-authored by a expatriate Canadian economist often-quoted by telecommunications firms in Canada, investigates the impact of wireless Telecom on Economic Growth in Developing Countries –

This paper suggests that a gap of 38% in wireless penetration – a gap typical of the difference between Canada and some of the G8 leaders –can equate to as much as 1% of GDP.

The paper, which uses Canada as an example, interestingly, is focused on developing countries, countries that are striving to build wireless infrastructures, but it has lessons for us in Canada.

The cost to Canadians of our low wireless penetration over the past 4 years is over \$50B in foregone national wealth. The other paper, a study by accounting firm Deloitte, is more aggressive. It finds that an increase of 10 percentage points in wireless penetration increases GDP by 1.2%. These are real impacts. They are not imaginary. Canada is paying a price for its cozy commercial marketplace. The highest prices in the world are costing Canadians in more ways than just high cost of service. What could that 'extra' \$50B have bought? Better health care? Better schools? More opportunity for youth? That is the cost of high wireless prices – that is the cost of our present market structure.

High wireless prices ARE damaging the country.

The answer is to promote more competition into the marketplace.

The best way to promote more competition? More competitors.

Our recommendation to Industry Canada?

⇒ **Set aside spectrum for new entrants**

New facilities-based competitors, with sharper pencils, and appetite for growth will add new dynamism to the market, to the benefit of consumers and to the country

⇒ **Allow for regional license**

Several potential providers with strong regional presence have expressed interest in participating – let them offer services first where they already have strength such that a sustainable competitive marketplace is the result.

⇒ **Mandate tower-sharing and roaming**

Extend to wireless the same requirements on service providers that already apply to cable and to traditional telephone systems.

Are we being unfair to the existing providers? Should we feel sorry for these wireless pioneers, whose vision and early commitment has placed them in the position as Canada's wireless incumbents? **Have a look at the numbers – look at the investments made by the wireless incumbents over the past three years – now look at the returns. Inspiring, no?**

So, to recap – Why is Videotron anxious to add 3G wireless to its product portfolio and to control its own network?

Our customers want it.

We can do it better than anyone else. And we can pull all the ingredients together.

We can bring new content to mobile customers and we can create new markets. We can drive the convergence of technologies and bring our customers to the forefront of Any Time, Any Where content.

Our focus remains on our customers.

To bring **the best services** to our customers and to be able to offer them **the best value**, we need **our own** network.

We need the freedom to innovate, the freedom to explore and the ability to charge what we think the new services are worth.

We are a competitive company.

Indeed, our principal competitors might say we are an intensely competitive company –

Competition is in our DNA.

Videotron has *made a difference* in internet access – we have **set the standard** for service in the Province, and, indeed, the country.

We have *made a difference* in telephone service.

We have *made a difference* in VOD and set the standard that others are trying to follow.

We have *made a difference* with the most competitive prices in the industry.

We intend *to make a difference* in wireless too.

Our customers will benefit, Canadians will benefit, and the country will benefit from our creativity, our energy and our commitment to customer service.

Thank you for listening to our perspectives.