



CHECK AGAINST DELIVERY

***“THE ROLE OF TELECOM IN TODAY’S
ECONOMY”***

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Thank you, Darren. It is a pleasure to be back at the Summit again this year.

Canada, especially outside of Manitoba and Saskatchewan, is in the grips of a serious recession. Working our way out of the current downturn will take time and a lot of hard work. But those need not be our only tools.

We also have technology - the power of innovation, and the opportunity to create a regulatory framework that spurs competition for the benefit of Canadian consumers and businesses. Telecom has an important role to play in all cycles of the economy. But now, perhaps more so than ever, our industry has an opportunity to lead the way.

Telecom services – in particular wireless and broadband internet – are key drivers of economic growth. A study by the US Department of Commerce indicated that communities with access to high speed Internet experienced higher rates of growth in employment and in the growth of their businesses. And Canada’s own competition review panel highlighted in 2008 that a country’s competitiveness depends on increasing – rather than restricting – access to broadband Internet service.

I am here today to talk about some of the things MTS Allstream is doing on this front. And to suggest ways – as an industry – that we can do things better to advance Canada’s competitiveness and national productivity.

Before I go much further, let me first establish some credentials and provide some context for my argument. MTS Allstream is a \$2 billion company and has a 100-year history as the incumbent telco in Manitoba where, in 2008, MTS posted the best financial performance and some of the best operating metrics by an incumbent telecom service provider in Canada.

The other half of our business comes from Allstream, which is the largest facilities-based competitor and principal competitor to Bell and Telus in the business market nationally. We know something about competition and the power of innovation. Facing a challenging economic environment Allstream is coming off a record year, growing by about 40% in terms of winning new contracts in 2008.

With almost two million customer connections last year, our business is on solid footing. We have a strong balance sheet and the lowest debt ratio in the telecom industry.

The strategy behind this success isn’t complicated. We are driving an accelerating transition from legacy to new, state-of-the-art services. We are evolving to meet the needs of our customers. MTS Allstream is introducing new innovative products and services like very high speed Internet, high speed wireless, IP television and a suite of converged IP business services. And we are focusing on serving our customers.

Our goal is to be the best performing communications service provider in Canada. Period.

And we feel our size – relative to Bell, Telus and Rogers – is an advantage. We do not compete on scale. We compete on agility, innovation and responsiveness to customers; delivering what they need to have – not what we need to sell – and it works!

For example we've done this rolling out the leading IP television service in Canada for our residential customers in Manitoba. And we have also done it with IP-based products and services that are second to none for large and small businesses across Canada. In many ways, we are an example of increased innovation and productivity brought on by the sense of urgency that comes with competition.

I'd like to bring the conversation back to how telecom can influence productivity and innovation for Canadian businesses.

In 2008, at a time of increasing concerns and tight credit, our Enterprise division or Allstream, delivered a record year in terms of new contract wins with sharp increases in unified communications and our converged IP suite of products. What does this tell us?

It tells us that across Canada we are seeing an increasing appetite in the business community for telecom services that have the ability to reduce costs, in particular in uncertain economic times, provide people with more flexibility in where and how they work, develop better business continuity plans in the event of emergencies, like swine flu, by having the capacity for employees to work remotely, take advantage of opportunities to reduce operating costs and carbon footprints alike by cutting back on corporate travel or commutes for employees.

IP technology has the ability to make big companies feel smaller and more nimble while enabling small companies to communicate with the same sophistication as big ones. In a country as vast as Canada, the power of technology to shrink time *and* space is no small thing!

Let me give you an example. Earlier this month, we launched our new Virtual Workplace solution. My colleague, Dean Prevost, who runs our Enterprise business or Allstream, has referred to this as the "pyjamification" of work. I prefer to think of it as a virtual solution designed to provide our customers' employees with the freedom they need and offer a shrinking workforce new ways of working.

Virtual Workplace is making our customers more efficient and more profitable. How do I know? Because we are using it at MTS Allstream. Two years ago, we started to pilot a "teleworking" program with 50 employees. Today we have more than 750 people working from home. We have reduced our annual greenhouse gas emissions by 550 metric tones. We are saving \$1 million per year in reduced rent and utilities, and we have employees who are more engaged and more satisfied.

This has made a real difference for us. But for all the promise telecom holds for Canada and Canadians, we have some work to do to realize its potential. Canada is lagging behind Europe, Asia and the US in terms of investment, the adoption of leading edge technology and sometimes pricing.

At previous Summits, we have talked about Canada’s poor ranking for wireless penetration among developed nations. We are faring no better in terms of access to broadband Internet services. After initially leading the world in penetration, Canada has plunged from second to tenth among OECD countries in the past six years.

Why then, if telecom holds so much promise in terms of productivity and innovation for Canadian businesses, are we falling so far behind? In a word: competition, or the lack thereof.

The competitive framework for Canadian telecom was forged back in the mid 1990s, when the regulator required new entrants to build their own networks. This policy of “facilities-based competition” resulted in companies investing and ultimately losing huge sums of capital. This capital-intensive framework did little to sustain meaningful competition, particularly in the business market.

Compare that to the approach taken in the United Kingdom, where smart wholesale regulation has led to continued investment and a vibrant, competitive telecom market.

In Canada, I believe we have the ability to change for the better. Case in point: last summer’s wireless spectrum auction. In designing the rules to allow for new entrants, Industry Canada made a commitment to competitive market forces. It established an auction that raised billions for Federal coffers and opened the door to new competition in wireless. While it is still early days in our new wireless landscape, we can already see some of the benefits of competition for consumers.

Over time, I believe Canadians can look forward to new choices and new innovative pricing in wireless. So, Canada is benefitting from sound policy decisions like the AWS Spectrum auction rules.

But it is suffering from others. I am referring to the CRTC’s decision to not define wholesale access to broadband as an essential service for Canadians and Canadian businesses going forward. It did not even follow its own definition of essential services. I do not recognize the logic of that decision, nor welcome the return to monopolization that it invites.

Just think about it, what in tomorrow’s world will not be based on broadband?

The issue here is between doing what is necessary to foster competition – as the Federal Government did with the last spectrum auction – and deregulating for deregulation’s sake like the CRTC seems to be doing on access to broadband.

As we learned in the ‘90s, no one today can build an incumbent network connecting all homes and all businesses. That could have been done only in a monopoly era, and we have all paid for those networks. MTS Allstream spent \$4 billion trying, and continues to invest hundreds of millions of dollars annually to grow our footprint.

Competition must take place on networks, not between them.

And if we have learned anything from the current crisis in the capital markets, it is that some regulations are in fact a necessary component to achieving a healthy, competitive market dynamic. We placed too much faith in the ability of the financial markets to self regulate, and look at what happened.

We are not asking for more regulations. All we are asking for from the regulator is a level playing field. Then just let us compete. But to see some of the opposition, you might think we were trying to move an NHL franchise to Canada! Although for many people, having that team would come close to qualifying as an essential service.

These are pivotal times for Canada. We are in the middle of a global economic crisis, and the decisions governments make today will have a profound influence on our country’s success over the next decade. We need to ensure our domestic markets are healthy and vibrant. Establishing a regulatory environment that encourages a greater competitive intensity and more innovation at home is a great place to start.

As well, we need to take down some of the barriers that prevent competition from entering Canada. This involves lifting the foreign ownership restrictions that stifle the flow of ideas and capital across our border. These investment restrictions in telecommunications are over 20 years old. It’s about time we take a fresh look at this legislation to ensure Canada is well positioned to compete for international investment.

Challenging economic times require that Canadian businesses have the ability to use every tool at their disposal to become more efficient players in the marketplace. The CRTC, the Federal Government, the telecom industry and the business community need to come together and put Canada in a winning position. We all have a role to play.

For its part, MTS Allstream will continue to be a vocal supporter of free and open competition in telecom. I strongly believe that is the first step to improving Canada’s ability to compete and win on the global stage for the benefit of all Canadians.

Thank you for your time today.