Q4 2013 Results and 2014 Guidance Conference Call

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CAUTION CONCERNING FORWARD-LOOKING STATEMENTS
Certain statements made by BCE's President and Chief Executive Officer and Executive Vice-President and Chief Financial Officer during BCE's fourth quarter 2013 results and 2014 guidance analyst conference call, as reflected in this transcript, including, but not limited to, statements relating to our financial guidance (including revenues, EBITDA, Capital Intensity, Adjusted EPS and Free Cash Flow), our business outlook, objectives, plans and strategic priorities, our dividend growth strategy, Bell Canada's financial policy targets, our expected pension cash funding, our cost saving initiatives, revenues and EBITDA expected to be generated from growth services, our broadband fibre, IPTV and wireless networks deployment plans, and other statements that are not historical facts, are forward-looking. Forward-looking statements are typically identified by the words assumption, goal, guidance, objective, outlook, project, strategy, target and other similar expressions or future or conditional verbs such as aim, anticipate, believe, could, expect, intend, may, plan, seek, should, strive and will. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws and of the United States Private Securities Litigation Reform Act of 1995.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. The forward-looking statements contained in this transcript describe our expectations as of February 6, 2014 and, accordingly, are subject to change after such date. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this transcript, whether as a result of new information, future events or otherwise. Except as otherwise indicated by BCE, forward-looking statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after February 6, 2014. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business. Forward-looking statements were made during BCE's fourth quarter 2013 results and 2014 guidance analyst conference call for the purpose of assisting investors and others in understanding certain key elements of our expected financial results, as well as our objectives, strategic priorities and business outlook, and in obtaining a better understanding of our anticipated operating environment. Readers are cautioned that such information may not be appropriate for other purposes.

Material Assumptions
A number of economic, market, operational and financial assumptions were made by BCE in preparing certain forward-looking statements contained in this transcript, including, but not limited to:

Canadian Economic and Market Assumptions

- *growth in the Canadian GDP of 2.5% in 2014, compared to estimated growth of 1.8% in 2013, based on the Bank of Canada's most recent estimate;*
- *a faster pace of employment growth compared to 2013;*
- *a sustained level of wireline and wireless competition in both consumer and business markets;*
- *higher, but slowing, wireless industry penetration driven, in particular, by the increasing adoption of smartphones, tablets and other 4G devices, the expansion of LTE service in non-urban markets, the availability of new data applications and services, as well as population growth; and*
- *a relatively stable advertising market for Bell Media.*

Operational Assumptions Concerning Bell Wireline (Excluding Bell Aliant)

- *Bell Fibe TV service coverage extended to approximately 5 million households by the end of 2014 as our FTTN, FTTH and FTTB footprint grows to more than 6 million locations passed;*
- *Bell Fibe TV contributing to stronger overall TV subscriber growth, high Internet attach rates and fewer residential NAS losses, leading to fewer year-over-year total residential wireline net customer losses and an increased market share of three-product households;*
- *increasing wireless and Internet-based technological substitution;*
- *continued large business customer migration to Internet IP-based systems, sustained competitive intensity in mass and mid-size business markets and ongoing competitive re-price pressures in our business and wholesale markets;*
- *ARPU growth and flow-through of price increases across residential products from increasing penetration of three-product households;*
- *ongoing competitive pricing and promotional discounting on residential and small business wireline service bundle offers as well as wireless rate plans and devices;*

- *achieving sufficient operating cost savings and labour efficiency gains across the Bell organization to offset costs related to growth in our Bell Fibe TV subscriber activations and ongoing wireline voice erosion, in addition to increased investment in wireless customer retention;*
- *an improvement in the performance of our Business Markets unit from stronger economic and employment growth; and*
- *no material financial, operational and competitive consequences of adverse changes in regulations affecting our wireline business.*

Operational Assumptions Concerning Bell Wireless (Excluding Bell Aliant)

- *Bell Mobility to maintain its market share of incumbent wireless postpaid net activations;*
- *relatively stable year-over-year rate of investment in subscriber cost of acquisition per gross activation and retention spending as a percentage of wireless service revenue;*
- *blended wireless ARPU growth on higher data usage driven by a higher mix of postpaid smartphone customers and accelerating data consumption on 4G LTE networks, as well as increased access rates on new two-year contracts, offset partly by declining voice ARPU due to data substitution and competitive pricing;*
- *achieving sufficient operating cost savings and labour efficiency gains across the Bell organization to offset costs related to increased investment in wireless customer retention, in addition to growth in our Bell Fibe TV subscriber activations and ongoing wireline voice erosion;*
- *no material financial, operational and competitive consequences of adverse changes in regulations affecting our wireless business; and*
- *acquiring 700 MHz wireless spectrum to extend our 4G LTE network to rural markets to increase coverage to more Canadians.*

Operational Assumptions Concerning Bell Media

- *full realization of cost synergies from the integration of Astral into Bell Media; and*
- *no material financial, operational and competitive consequences of adverse changes in regulations affecting our media business.*

Financial Assumptions Concerning Bell (Excluding Bell Aliant)

The following constitute Bell's principal financial assumptions for 2014:

- *the maintenance of a relatively stable consolidated EBITDA margin;*
- *increasing wireless EBITDA contribution and margin expansion;*
- *an improving year-over-year rate of decline in wireline revenue and EBITDA;*
- *Bell's total post-employment benefit plans cost to be approximately $310 million, based on an estimated accounting discount rate of 4.9%, comprised of an estimated above EBITDA post-employment benefit plans service cost of approximately $220 million and an estimated below EBITDA net post-employment benefit plans financing cost of approximately $90 million;*
- *total pension plan cash funding of approximately $350 million;*
- *cash taxes of approximately $600 million;*
- *net interest expense of approximately $750 million;*
- *net interest payments of approximately $775 million; and*
- *working capital changes and severance and other costs of approximately $175 million.*

Financial Assumptions Concerning BCE

The following constitute BCE's principal financial assumptions for 2014:

- *BCE's total post-employment benefit plans cost to be approximately $390 million, including approximately $80 million for Bell Aliant, comprised of an estimated above EBITDA post-employment benefit plans service cost of approximately $280 million and an estimated below EBITDA net post-employment benefit plans financing cost of approximately $110 million;*
- *depreciation and amortization expense approximately $115 million higher compared to 2013;*
- *net interest expense of approximately $900 million;*
- *tax adjustments (per share) of approximately $0.04;*
- *an effective tax rate of approximately 26%;*

- *non-controlling interest of approximately $280 million; and*
- *an annual common share dividend of $2.47 per share.*

The foregoing assumptions, although considered reasonable by BCE on February 6, 2014, may prove to be inaccurate. Accordingly, our actual results could differ materially from our expectations as set forth in this transcript.

Material Risks
Important risk factors that could cause our assumptions and estimates to be inaccurate and actual results or events to differ materially from those expressed in or implied by our forward-looking statements, including our financial guidance, are listed below. The realization of our forward-looking statements, including our ability to meet our financial guidance, essentially depends on our business performance which, in turn, is subject to many risks. Accordingly, readers are cautioned that any of the following risks could have a material adverse effect on our forward-looking statements. These risks include, but are not limited to:

- *the intensity of competitive activity, and the resulting impact on our ability to retain existing customers and attract new ones, as well as on our pricing strategies, ARPU and financial results;*
- *our failure to anticipate and respond to technological change, upgrade our networks and rapidly offer new products and services;*
- *the level of technological substitution and the presence of alternative service providers, contributing to reduced utilization of traditional wireline voice services;*
- *the adverse effect of new technology and increasing fragmentation in Bell TV's TV distribution market and Bell Media's TV and radio markets;*
- *variability in subscriber acquisition and retention costs based on subscriber acquisitions, retention volumes, smartphone sales and handset discount levels;*
- *regulatory initiatives and proceedings, government consultations and government positions that affect us and influence our business;*
- *economic and financial market conditions, the level of consumer confidence and spending, and the demand for, and prices of, our products and services;*
- *Bell Media's significant dependence on continued demand for advertising, and the potential adverse effect thereon from economic conditions and cyclical and seasonal variations;*
- *the complexity of our product offerings, pricing plans, promotions, technology platforms and billing systems;*
- *our failure to carry out wireline network evolution activities, and to meet network upgrade or deployment timelines within our capital intensity target;*
- *our failure to satisfy customer expectations and build a low cost operational delivery model;*
- *our failure to maintain network operating performance in the context of significant increases in broadband demand and in the volume of wireless data-driven traffic;*
- *our failure to implement, on a timely basis, or maintain effective IT systems, and the complexity and costs of our IT environment;*
- *our inability to protect our data centres, electronic and physical records and the information stored therein;*
- *employee retention and performance, and labour disruptions;*
- *our failure to implement our strategic imperatives and business development plans in order to produce the expected benefits, including to continue to implement our targeted cost reduction initiatives;*
- *ineffective change management resulting from restructurings and other corporate initiatives, and the failure to successfully integrate new business acquisitions and existing business units;*
- *increased contributions to post-employment benefit plans;*
- *events affecting the ability of third-party suppliers to provide to us, and our ability to purchase, critical products and services;*
- *the quality of our network and customer equipment and the extent to which they may be subject to manufacturing defects;*
- *events affecting the functionality of, and our ability to protect, test, maintain and replace, our networks, equipment and other facilities;*
- *in-orbit risks of satellites used by Bell TV;*
- *unfavourable resolution of legal proceedings and, in particular, class actions;*
- *unfavourable changes in applicable laws;*
- *our capital and other expenditure levels, financing and debt requirements and inability to access adequate sources of capital and generate sufficient cash flows from operations to meet our cash requirements and implement our business plan, as well as our inability to manage various credit, liquidity and market risks;*
- *our inability to discontinue certain services as necessary to improve capital and operating efficiencies;*

- *our failure to evolve practices and effectively monitor and control fraudulent activities;*
- *the theft of our DTH satellite TV services;*
- *copyright theft and other unauthorized use of our content;*
- *higher taxes due to new taxes, higher tax rates or changes to tax laws, and to our inability to predict the outcome of government audits;*
- *health concerns about radio frequency emissions from wireless devices and equipment;*
- *our inability to maintain customer service and our networks operational in the event of the occurrence of epidemics, pandemics and other health risks;*
- *BCE's dependence on the ability of its subsidiaries, joint arrangements and other entities in which it has an interest to pay dividends or otherwise make distributions to it;*
- *uncertainty as to whether dividends will be declared by BCE's board of directors or BCE's dividend policy will be maintained;*
- *stock market volatility; and*
- *the failure to successfully complete the remaining divestitures required by the Competition Bureau and the CRTC following the Astral acquisition.*

We caution that the foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results.

We encourage investors to also read BCE's Safe Harbour Notice Concerning Forward-Looking Statements dated February 6, 2014, for additional information with respect to certain of these and other assumptions and risks, filed by BCE with the Canadian provincial securities regulatory authorities (available at Sedar.com) and with the U.S. Securities and Exchange Commission (available at SEC.gov). This document is also available at BCE.ca. BCE's Safe Harbour Notice Concerning Forward-Looking Statements dated February 6, 2014 is incorporated by reference into this transcript.

The terms "EBITDA", "free cash flow" and "Adjusted EPS" used in this transcript are non-GAAP financial measures and do not have any standardized meaning under IFRS. Therefore, they are unlikely to be comparable to similar measures presented by other issuers. Refer to the section "Notes" in BCE's news release dated February 6, 2014 for more details.

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to BCE's fourth quarter results and 2014 guidance conference call. I would like to turn the meeting over to Mr. Thane Fotopoulos. Please go ahead, Mr. Fotopoulos.

Thane Fotopoulos – BCE Inc. – Vice-President, IR

Thank you, Donna, and good morning to everybody on the call and webcast. As usual, I am here today with George Cope, Bell's President and CEO, and Siim Vanaselja, our CFO. We released our fourth-quarter and full-year 2013 results earlier this morning and also announced our 2014 financial guidance. All the usual information, including the news release and slide presentation for the call, are available on BCE's corporate website. Following a review of the slide presentation by George and Siim we'll move to Q&A.

However as usual, before we begin, I want to remind our listeners that today's presentation remarks by both George and Siim will contain forward-looking statements that represent our expectations as of today, and accordingly, are subject to change whether as a result of new information, future events, or otherwise. We don't undertake any obligation to update any forward-looking statement, except as may be required by Canadian securities laws. A number of assumptions were made by us in preparing these forward-looking statements, which are subject to risks. Results may differ materially.

Except as may be required by Canadian securities laws, we do not undertake any obligation update or revise any forward-looking statement. For additional information on such risks and assumptions, please consult BCE's Safe Harbor notice concerning forward-looking statements dated February 6, 2014, filed with the Canadian Security Commission, and with the SEC, and which is also available on our website. With that out of the way, I'll turn the call over to George.

George Cope – BCE Inc. – President and CEO

Great. Thank you, Thane. Good morning, everyone. Thank you for joining us this morning. Pleased to report on our fourth quarter and Siim will take you through in more detail the numbers and also give you a sense of our outlook for next year.

Very pleased with our fourth quarter. The EBITDA growth of 7% helped through the acquisition of Astral and importantly seeing our margins increase year over year. On the Wireless side, the fourth quarter 10% EBITDA growth and for the year at 10%, and the margin expansion both for the year and the quarter, continues the positive trajectory of our Wireless business.

From my perspective, the highlight of the quarter is the data revenue growth in Wireline at 4%, supporting Wireline EBITDA positive quarter for the first time in a long time, and at the same time, as we are accelerating Fibe TV. Also happy to announce this morning that we did achieve our 4.3 million homes covered for Fibe TV at the end of 2013. We will be growing to 5 million homes by the end of 2014. But importantly will be extending our goal to expand IPTV now to 6 million homes over the coming few years.

We will maintain our capital intensity while we do that at 16% to 17% overall but we'll now end our IPTV footprint expansion to over 80% of homes passed versus our initial announcement a number years ago was around 70%. We continue to see with the growth of Fibe TV the improvement in our internet and so that strategy of expanding footprint will continue, all within our consistent capital guidance that you've seen over the last number of years.

Turning to Wireless, we are really pleased with the fourth quarter. We think based on our results, we have achieved our goal of at least 35% postpaid market share. Pleased to see our churn rate tick down a little bit year over year. Consistent with the last many quarters, we saw an improvement in average revenue per customer, ARPU, for the 16th consecutive quarter as the adoption of smartphone customers continues to drive ARPU.

Pleased that our retention spend was roughly consistent with last year, overall maintaining at 10% for the entire year. A slight improvement in cost of acquisition in the quarter. Importantly now, LTE covers net 80% of the Canadian population and as well, 66% growth year over year. We now have over 1.2 million Canadians viewing mobile TV services.

Turning to our Wireline results, again very pleased with these results. Residential NAS losses improved 27% year over year. Fibe TV, 60,000 net adds, up 25% year over year. We've also begun to see an improvement in the rate of satellite net losses. You can see an improvement there of approximately 17% year over year. Again, strategically important in our Fibe IPTV footprint, we continue to see internet market share grow and, again, saw internet growth at 16,000, up 9,000 from a year before.

Overall, when we step back and look at the year, there's really two different numbers that I was focused on. We did definitely have RGU reductions of 107,000. You can see the improvement year over year but in the last half of the year we were positive RGU and actually very close in the fourth quarter of 12,000 negative. But clearly the strategy with IPTV and growing that footprint is paying off, not just in subscriber turnaround but also in revenue growth, as I mentioned the 4% data services revenue.

Turning to Bell Media, another good quarter. The Astral synergies continue to ramp-up, I would say probably ahead of our own internal expectations which we are very pleased with. Our operations continue to be strong. 12 of the top 20 programs in Canada in the fall important Q4 season, TSN viewership up 31% year over year. Six of the top 10 new shows with Bell Media and now with our radio leadership in Canada, 38 of our radio stations are top rated in their markets. Turning for a moment to TSN/RDS, while clearly we were disappointed in not being a part of the new national NHL contract for the announcement that was made. It was important to remind investors, we continue with our Montreal Canadians broadcast through RDS. We did repatriate 75% of the gains that had been announced in that previous contract by one of our competitors.

We have recently announced a 12-year agreement with the Ottawa Senators through our ownership of Toronto Maple Leafs, we have games for 20 years. As you can see on the slide, importantly, we plan to continue our leadership position there on the sports side with all of the other sports assets that we have, including recently picking up the NFL exclusively for Sundays. You can see we that continue our investment in TSN and RDS and also have leading sport properties beyond the obviously important hockey properties.

Turning to slide 8, we continue on the journey of transforming Bell's operating mix. Many of you would have seen this slide before. Importantly, now as we go into 2014, 85% of our revenue is generated from our growth services and only 7% we expect in 2014 will come from consumer voice. Clearly, as that mix is changing we are starting to see that in our financial results and probably highlighted best by the Wireline results of this quarter.

Finally, before I turn it over to Siim, as many of you know in 2008, we refocused the Company on a dividend growth story. Happy this morning to announce the 10th common share dividend since that time. Overall increase of 69% since the fourth quarter of 2008. And this morning, pleased to be a little bit above what I think people had expected, we're now announcing a 6% dividend increase. Importantly, with our guidance, that is right in the midpoint of our payout ratio at 70%, and so we've been able to increase the dividend to 6% yet stay right in the midpoint based on our current expectations for 2014. With that, let me turn it over to Siim. Thank you.

Siim Vanaselja – BCE Inc. – Chief Financial Officer

Great. Thank you, George. Good morning to everyone. Thanks for joining us on the call. I will begin on slide 11 with our fourth quarter financial results, which I'd say rounded off a pretty solid year of performance for us.

Service revenue was up 6.1%. That was driven by steady Wireless growth, positive Wireline Residential growth, and the contribution that Astral made to Bell Media's revenues. Bell's EBITDA increased 7% this quarter with a 60 basis point improvement in our margin to 35.2%. Again, that reflects the inclusion of Astral and another quarter of double-digit EBITDA growth in Wireless.

Excluding Astral, Bell EBITDA in the fourth quarter grew 2.6%. That represents our best fourth quarter of performance in about five years. Notably, Bell's fourth-quarter Wireline EBITDA delivered positive growth year over year, which I think is a very important achievement. BCE statutory EPS for the quarter was $0.64 per share, which is down $0.22 per share from last year. That year-over-year decrease was due to a non-cash gain that was recognized back in the fourth quarter of 2012 on the transfer of Inukshuk spectrum.

Our adjusted EPS, however, increased $0.10 or 16.7% over last year to $0.70 per share, driven by higher EBITDA. I should mention that there were no tax provision adjustments this quarter. Our operations generated $674 million of free cash flow in the quarter, up a strong 11.4% year over year. We find that higher capital spending as well on the continued expansion of our IPTV service footprint and on core wireless and wireline network capacity to meet the ongoing demand for usage and customer growth.

With that overview, I'll turn to the highlights of each of our operating segments beginning with the Wireless segment on slide 12. Wireless service revenues were up 3.7% on postpaid revenue growth of 4.5% and Wireless data revenue growth of 15.2% in the quarter, drove a 2.1% increase in ARPU and that's our 16th consecutive quarter of year-over-year ARPU growth. Service revenue growth in the fourth quarter trended lower, compared to the run rate that we've seen in previous quarter. That reflects a few things.

First, the higher proportion of new subscriber acquisitions that were weighted toward the end of the quarter during the Christmas holiday sales period. And as well we have the impacts of promotional discounts, rate plans with larger data usage components, and the lower roaming rates that we've introduced.

I would say that we do expect service revenue growth to pick up again through the course of 2014, particularly given that our postpaid mix is now increased to over 85% of our subscriber base. Bell Wireless EBITDA increased 10.4% with a revenue flow-through to EBITDA of more than 100%, and that bears out that important focus that we place on the postpaid market. Our Wireless EBITDA margin improved 2.4 points to 38.9%. For the 2013-year, Wireless EBITDA grew 10.6% as service margins expanded 2 percentage points to 43.6%. That is our best result since 2009.

Turning to the Wireline segment on slide 13, we've seen the rate of Wireline revenue decline steadily improve and now approach breakeven where we saw a year-over-year decrease of only 0.3% in the quarter. Residential Service revenue grew a strong 3.1%, reflecting a year-over-year improvement in net subscriber losses, as George mentioned, and a higher ARPU across our residential services.

When you look at TV and internet growth combined, that delivered 9.2% higher revenues year over year. Business IP connectivity and professional service growth was also quite robust at about 6% and 5%, respectively in the quarter. I'd say with the steady improving growth mix of Wireline services, we saw our Wireline EBITDA turn modestly positive this quarter, increasing 0.3%. Bell's Wireline margin also remained stable year over year, both for the fourth quarter and for the full 2013 year. So a very good quarter for Bell Wireline.

Moving to Bell Media on slide 14, Astral drove significant year-over-year revenue in EBITDA growth for Bell Media in the quarter. Even excluding Astral, Bell Media revenues were up approximately 2%, and I would mention that revenues in the quarter did include $10 million in retroactive revenues as a result of a decision from the copyright board to approve an increase in retransmission royalty rates.

While reported advertising revenue grew 26% in the quarter, when you exclude Astral, advertising revenues were down about 4%, due to softer conventional and non-sports specialty sales. That pressure, I'd say, was offset partly by a shift in advertising back to our sports specialty channels on the return of NHL hockey this season following the lockout that you will recall in 2012.

With the contribution of Astral, we posted 56% growth in subscriber fee revenue and excluding Astral, that growth was still strong at 13% year over year, partly driven by contractual increases in specialty TV rates, primarily for sports as well as new mobile deals. Bell Media EBITDA grew 33.7% year over year, reflecting Astral's contribution and when you exclude Astral, Bell Media's EBITDA declined in the quarter and that was entirely due to higher year-over-year hockey programming costs. Again, due to the fact of the NHL lockout in the fourth quarter of 2012 where we would have not incurred any hockey programming costs. Overall, I'd characterize it as another quarter of quite solid results for Bell Media.

Our overall 2013 financial performance is summarized on slide 15. There you can see we delivered revenue in EBITDA growth of 2.6% and 3.4%, respectively, meeting all of the guidance targets we increased mid-year to reflect the acquisition of Astral. We saw increased contribution across our growth services and we realized our cost-savings objectives, all to deliver higher year-over-year consolidated EBITDA margin of 37.6%.

For the year, we generated just under $2.6 billion of free cash flow. That's up 5.9% year over year while continuing to spend on target on all of our strategic capital programs. We increased BCE's common share dividend at the beginning of 2013 and continued to maintain our dividend payout ratio at the midpoint of our policy range. Our operations are well-positioned then as we begin 2014 where our focus will continue to be on capturing incremental growth across our business lines. That's it for results.

Let me move now to our financial outlook for 2014. Our guidance targets are summarized on slide 17. These targets reflect a full year of Astral's results in our Bell Media segment, compared to the two quarters of Astral results that we reported in the second half of 2013.

With the incremental Astral contribution, as well as growth in Wireless and an improving Wireline revenue trend, we are targeting consolidated Bell revenue growth of 2% to 4% for 2014. Wireless revenues, we see benefiting from continued growth in postpaid subscribers as we focus on maintaining our incumbent net adds market share.

We expect Wireless ARPU to increase in 2014 at a slower pace as the market matures but still driven by higher smartphone user base, increased LTE data usage, a richer geographic mix of subscribers, and higher access rates on new two-year contracts introduced industrywide following the implementation of the wireless code of conduct. We also anticipate growth from greater customer adoption of mobile TV and other nascent services, including mobile commerce, mBanking, and mobile advertising.

In Wireline, we expect positive residential revenue growth for 2014. And that anticipates continued year-over-year improvement in residential Wireline net RGU additions as we leverage our growing IPTV footprint to drive greater three product household penetration and market share. Residential Wireline revenues in 2014 will benefit from the price increases that we implemented last November following similar pricing actions by our competitors.

And in business markets, our outlook is for a further gradual improvement in performance as overall economic and employment growth strengthen. For Bell Media, in addition to the two incremental quarters of contribution from Astral, we should benefit from further contract-based specialty TV rate increases. Advertising rates for Media are expected to remain relatively soft through 2014, particularly in the first quarter where advertising demand should shift to the broadcaster of the Sochi Olympics. Growth in our Media segment, I should point out, will also be tampered by retroactive revenues that we recognized in 2013. Those totaled about $30 million, and as you know, consisted of the specialty TV rate increases and the retroactive retransmission royalties that I spoke of.

All of the foregoing results in 2014 EBITDA expectation for consolidated Bell growth in a range of 3% to 5% with a stable margin of 37% to 38% and that should translate into adjusted EPS growth in 2014 in the range of 4% to 7%. Our guidance for free cash flow for 2014 is growth in the range of 3% to 7%, and this assumes Bell's capital intensity remains in the range of 16% to 17% of revenues. That certainly allows for increased spending to expand our broadband fiber and IPTV footprints, extend wireless LTE to virtually all Canadians, and to meet customer demand for increased bandwidth.

Our announced 6% dividend increase for 2014, I think provides an attractive enhancement in our distribution to shareholders while maintaining our payout ratio at the midpoint of our target range at about 70% to free cash flow. With that, let me try to cover pensions on the next two slides.

The funded status of Bell's defined benefit pension plan has improved considerably. With the increase in government bond yields, our solvency discount rate increased 70 basis points last year, and that improved our solvency ratio to 93%, lowering our solvency deficit to approximately $1 billion. Given the plan's strong valuation

position and the market's expectation for higher interest rates over the medium term, we see no further voluntary pension funding requirements. Total cash pension funding, therefore, for Bell in 2014 is estimated to remain stable at around $350 million for regular pension funding.

Looking forward, Bell's solvency deficit would, in fact, be eliminated in the event of about a further 50 basis point increase in the discount rate, and should we see the plan get to a surplus of 105%, there would be an opportunity to reduce Bell's ongoing annual pension funding requirement by close to $200 million and that stems from the fact that we would no longer be obligated to pay are annual current service costs. All of that would add meaningful upside to our free cash flow generation.

On slide 19, Bell's overall pension expense in 2014 is expected to decrease by about $40 million year over year to $310 million. Just to break that down, it's comprised of the $10 million decrease in above EBITDA in the current service cost and a $30 million decrease below EBITDA in our reported net pension financing costs. Both decreases are from applying a higher discount rate on our net pension obligation. That accounting discount rate has been set at 4.9% for 2014. In addition, Bell Aliant contributes an additional $10 million decrease in pension expense for 2014. So hence in total, our consolidated BCE pension expense will reduce by about $50 million which should contribute about $0.04 of adjusted EPS growth for 2014.

Let me now turn to our income tax outlook on slide 20. Our projected effective accounting tax rate for 2014 will be approximately 26%, which is in line with the statutory tax rate and that statutory tax rate is unchanged year over year at 26.6%. In 2013, you recall, that we benefited from favorable tax resolution adjustments of about $0.07 per share. For 2014, we are projecting lower tax recoveries in the amount of approximately $0.04 per share. We are forecasting a step-up in 2014 cash taxes to approximately $600 million from $367 million that we paid in 2013.

In cash taxes in 2013, I'll highlight, were low due to the tax benefit from the $750 million special pension contribution that we made. Additionally, tax loss carry forwards of CTV have now become largely monetized and our carry-forward pool of R&D investment tax credits have been utilized. And as taxable income increases, our projected -- or taxable income will also increase, I should say, with our projected earnings growth.

I will turn to slide 21 where we project adjusted EPS for 2014 of $3.10 to $3.20 per share, which represents 4% to 7% growth over 2013 and before tax adjustments, that would represent growth of 5% to 8%. I'd say that growth is derived primarily from four areas. First, a stronger contribution from our growth services. Then our full-year earnings accretion from Astral. The cost saving measures that we built into our plan and, lastly, the lower pension expense for 2014 that I covered. Depreciation and amortization expense, we project to increase in 2014 by approximately $115 million, due to the higher broadband fiber and wireless network investments that we've made over the past few years.

Our adjusted EPS growth in 2014 is also moderated by the $36 million pension surplus entitlement that we recognized in the first quarter of 2013. You will recall that was on the partial wind-up of certain Bell subsidiary pension plans. That is a non-recurring item and it contributed $0.03 of EPS in 2013.

Lastly, I would say that given the recent devaluation of the Canadian dollar, I'll mention that Bell's US dollar denominated spending for 2014 has been hedged at an exchange rate that is close to par. There is really no P&L or free cash flow exposure for us on US dollar purchases for 2014. We have also hedged a significant portion of our 2015 US dollar spending, also at quite attractive rates.

I'll turn to slide 22 with a few comments on our balance sheet and cash resources. Our capital structure remains aligned with our investment-grade ratings. We have access to more than $3 billion of liquidity. Our debt leverage ratio, although above our internal target range due to the acquisition of Astral, is expected to steadily improve over the next few years with growth in EBITDA, operating cash flows, and also the cash generation from the proceeds of Astral remedy divestitures, some of which has been received and the balance will be received in the first half of 2014.

Also highlighted on the slide, you see Bell's favorable long-term debt maturity schedule. We have no upcoming maturities until the end of 2015. Our average term-to-debt maturities is about 10 years. Our average after-tax cost of debt is attractive now at about 3.5%. That is our lowest level in over 50 years. All of that being a very solid foundation, I think, for our 2014 business plan and for our increased common share dividend, which George announced.

Lastly on slide 23, our free cash flow expectation this year is to be in the range of $2.65 billion to $2.75 billion before common share dividend payments. That represents growth of 3% to 7%. 2014 free cash flow growth will be driven by increased EBITDA across our operating segments and an improvement in our working capital position, while absorbing the higher cash taxes that I spoke of and I would say a slight increase in cash interest payments associated with the Astral acquisition.

2014 free cash flow also reflects the change that Bell Aliant recently announced in its dividend payment base, resulting in us receiving three quarterly cash dividends from Bell Aliant in 2014 rather than the usual four. BCE's common dividend increase for 2014, that represents our 10th successive dividend increase in the past five years, totaling about a 69% cumulative increase. With that dividend payment, our projected dividend payout retains about $800 million of cash post dividends for 2014, which we anticipate applying towards the purchase of wireless spectrum. There is no share buybacks that are planned for 2014.

On slides 24, 25, and 26, I will leave those for your reference. They do summarize the key financial and other assumptions that support our 2014 guidance. To conclude, I'd say 2013 was a good year for BCE on a variety of levels, operationally, financially and strategically. In 2014, we expect to build on that progress consistent with the guidance targets that we are announcing today. With that, I will turn the call back to Thane and the operator to begin the question and answer period. Thank you.

Thane Fotopoulos – BCE Inc. – Vice-President, IR

Thanks, Siim. Before we start the Q&A period, please keep your questions short to the point, so we can get to as many of you as possible given the time we have left. On that, Wayne, we're ready to take our first question.

QUESTION AND ANSWER

Operator

The first question is from Philip Huang from Barclays.

Phillip Huang – Barclays – Analyst

Good morning, guys. Very good to see the momentum continuing to strengthen in Wireline. My question is, how big does the Bell Fibe footprint need to be in order to see consistent residential RGU growth recognizing that you guys have done very well mitigating the impact of the cannibalization risk of your satellite subscribers. That could, I guess increase as your footprint continues to expand.

The second part of that question is on the Bell business markets, improved performance in Q4. I was wondering if you could give a bit more color on that if there is any one-time items in the quarter and whether the trends have -- you expect the trends to normalize in the segment? And do you expect improved performance to sustain going forward? Thanks.

George Cope – BCE Inc. – President and CEO

Sure. Good question. On the IPTV side, what we consistently are seeing is where we have IPTV, we're clearly very positive RGU. So when even this quarter where we said 12 negative, all it was obviously a large number outside of that IPTV footprint. There is no guarantee to when that date will happen but clearly, we would like to see it quarter over quarter.

A little difference between the third quarter and fourth quarter because you have the back-to-school support in the third quarter. That's why the numbers are slightly different. We would certainly, obviously, our real goal is we think the continued footprint growth will ultimately end up with that being a positive story and also the pull-through of internet is really critical to that. The expanded footprint now over the next couple of years we think supports that.

In terms of satellite cannibalization, it actually came down. We were pleased with the improvement year over year there. Still, we are seeing about 15% of the clients we are getting and when we look at it, we don't really see an acceleration of that. What we do see early on in each new footprint is a little higher in that geography because obviously there's Bell customers who may want to then convert.

And then of course we start to penetrate into the competitive marketplace. In terms of our business unit, that slide of the Wireline business, we did mention it was a better quarter and a better year than the year before. Our goal in the business plan is to see that steadily improve.

Again, and I hate to sound always like I'm saying the same thing on this, but we really believe the ultimate positive trajectory of that business comes when we see job growth of a significant amount. As we know, we have not seen that in the country, in particular, where we are stronger in that space which would be in the interior Quebec economy. That obviously has to happen to make it positive. Overall, we did see an improvement this year over last year and we expect to see that steady improvement in 2014. That is reflected in our overall guidance.

Phillip Huang – Barclays – Analyst

Thanks very much.

Operator

Thank you. Next question is from Maher Yaghi from Desjardins Securities.

Maher Yaghi – Desjardins Securities – Analyst

Thank you for taking my question. Around this time last year, you guys mentioned that you expected steady improvement in Wireline EBITDA margins and absolute EBITDA dollars and steady margins for the year.

It is nice to see you guys ending on a positive note here, but can you talk a little bit about your expectation about your EBITDA for Wireline as you go through 2014? As you go into a year of heavy spending on Fibe acquisition, how are you planning to maintain margins and how should we look at EBITDA throughout the year?

Also as a side note, in terms of your 6 million new goal of reaching Fibe deployment here, what is changing in your economic equation to continue to expand that footprint? You are seeing a nice traction in your fiber rollout but can you talk a little bit about your cost of the deployment going forward as well?

George Cope – BCE Inc. – President and CEO

Sure. I will try to answer both questions. I think it is fair to say our overall guidance with revenue and EBITDA, we will leave the analysts to do the margin work that Siim talked about. Overall we are trying to get -- I would say for me the quarter most positive was the EBITDA margin on Wireline with the growth in IPTV.

Clearly, we would like to see that Wireline number stay with no bracket attached to it. We are going to work that really hard this year as we go forward. I don't want to really give a specific margin guidance.

One of the reasons we did last year was to get people comfortable that we can grow IPTV and not see some of the other wireline margins we've seen in North America. That is really what we wanted to see if we could make happen. I continue to think one of the reasons we are able to do that over, some would say, the US carriers is our ownership of the satellite asset, as well, consolidates our TV business in one. We have that overall advantage.

Just in terms of footprint expansion, the reason for the footprint expansion, I think it's probably fair to say when we first launched it and we've been building it out it was to make sure we saw one, the financial payback and two, the pull-through on the customer base. It is undeniable now that our market share in internet and our ability to take significant market share in TV, both at Bell and at Bell Aliant, are really clear. We think the acceleration of the footprint -- there's no debate in our mind in terms of the payback when you add in the internet revenue and the TV revenue per customer.

We also do see, interestingly enough, where we have IPTV, we see a much stickier local access line. Part of that is just the way we price the triple such that in the overall customers bill, the local line becomes really relatively inexpensive when you combine it with the other two services. That is really what is behind that.

Maher Yaghi – Desjardins Securities – Analyst

Good. Thank you.

Operator

Thank you. The next question is from Richard Choe from J.P. Morgan.

Richard Choe – J.P. Morgan – Analyst

Great. Thank you. Quick follow-up to that question. Not wanting to talk too much about the Wireline margin, but you noted that it was down $10 million. The opex was down $10 million year over year. Is there more cost savings to be done through the year or are we mostly through that?

George Cope – BCE Inc. – President and CEO

For sure. We have six strategic compares. One as you them, as you know, has been our cost focus and to manage -- we are still going to see local access to clients in the business. The manner we have to continue to manage our cost base over $10 billion and we will see that throughout the year. I will turn it over to Siim to see if he wants to add to that.

Siim Vanaselja – BCE Inc. – Chief Financial Officer

Yes. We set an objective in 2013 to deliver $170 million of cost reductions. We achieved that. We haven't provided a specific target for 2014, but the program would be slightly in excess of the cost reductions that we achieved in 2013. You won't see those in our P&L because they are going to be masked by the inclusion of Astral's numbers. Our cost initiatives would include initiatives, both at the Bell level and then with regard to the integration efficiencies associated with Astral's integration.

Principal component would be labor savings. Again, that comes from the Astral integration into Bell Media, but as well efficiencies in our field service and customer operations. Then in addition to that, the other areas of opportunities would be targeted savings in payments to other carriers. We are looking at optimizing some of our channel costs and the usual procurement opportunities that we focus on each year. It is a fairly robust program of activity planned in terms of our cost imperative initiative.

George Cope – BCE Inc. – President and CEO

Let me -- I would like to add on the cost side. We continue to see, clearly, our customer base wanting to move on to the smartphone and online for their service requirements. So the call volume into our call centers continues to decline as we grow our customer base, and through natural turnover in our employee base in call centers, we are not having to replace at the same rate. We have seen that all through 2013 and 2012, and we continue to expect to see that even more significantly as we go forward into 2014 and 2015 as the tools we put in place for customers on the smartphones eliminates the requirement to make the call in and it's a benefit to our customers and drives cost out of the business.

Richard Choe – J.P. Morgan – Analyst

Great. One quick one on the fiber build. Is the pace of the build being dictated by what is available? Or is there -- given the success, would there be any desire to speed it up even more outside of just expanding it?

George Cope – BCE Inc. – President and CEO

You know what, it is really tough for us to accelerate quicker because certainly, I know you and all the analysts on the line would know as you expand the footprint, of course, we are getting into geographies that are not as dense, obviously, as downtown Toronto. You would see the number and say, well that's these many this year versus the year before and it wouldn't be at the same million pace and really it's frankly driven by the time and resources to get to those locations to start continue to get a little further distance out. That is really the key driver.

On our own view it's staffing up for very short period of time and then staffing down isn't the way to build these out. We like to do it in a steady market-by-market rollout and also because it's been working that way. But particularly for our team on the engineering was on site it just -- it takes longer now simply because we are out a little further than the core cities.

Richard Choe – J.P. Morgan – Analyst

Great. Thank you.

Operator

Thank you. Your next question is from Greg MacDonald from Macquarie Capital Markets.

Greg MacDonald – Macquarie Capital Markets – Analyst

Thanks. Morning, guys. Another question on wireline capex. I guess I'd put it this way, we have seen both Bell Aliant and Manitoba Tel announce accelerations in their fiber deployments. In Manitoba Tel's case, they're talking about shorter loop lengths in the markets that they've already built FTTN. One of the things I wonder about is cable companies and what they might do going forward. They have a natural advantage in bandwidth. Maybe it is no surprise that they are starting to look at pushing more over the top of products to maybe take advantage of that bandwidth.

What is different between your network and let's say Manitoba Tel's network. Why would you not face the same risk of having to refocus capex after it is in the urban quarters that you have already built as over the top becomes a more important demand driver?

George Cope – BCE Inc. – President and CEO

Sure. It is really hard for me to comment on what Manitoba Tel is doing. In terms of our strategy, just to reiterate for all investors so there is no confusion based on the question or implication based on the question. We already launched pair bonding in all of our markets for customers who want accelerated on speed. We're having no speed competitive issues at all. That's why our market share of internet is improving with Fibe TV.

All of the condos that are built in the cities now have fiber right to them. All condos that didn't are being rebuilt with fiber right to them. Every new neighborhood in any part of our footprint that's built is built with fiber right to the home. Fiber to the node. We definitely got closer to the homes over the last two to three years. We're really, quite frankly, relaxed to the position there is no doubt as we build out IPTV, it does accelerate our broadband capabilities as well for internet in those areas. That's part of what we're doing.

But just a reminder, it was May and June when we launched the ability for pair bonding and those customers were acquired of what we're doing. That also extended our IPTV footprint I think about 1,000 homes doing that because it added incremental speed. We are probably, in my 10 years on the wireline side, never been more comfortable about our competitive position with our competitors.

Greg MacDonald – Macquarie Capital Markets – Analyst

George, can you just remind us what percentage of the network has pair bonding capability? What bandwidth capability do you have on average?

George Cope – BCE Inc. – President and CEO

It doubles what a customer would have. So people can go from 50 to 100 or 25 to 50. Basically, if a customer wants it, they can have it. We don't deploy it on a -- at every single home. It is really driven by if that home needs it for additional speed, it's something we make available in our product.

Greg MacDonald – Macquarie Capital Markets – Analyst

But you have paired strips going into the vast majority of your footprint. Is that what I'm to believe?

George Cope – BCE Inc. – President and CEO

Yes, I would -- I think what's most important to believe is our competitive results should make people comfortable about our ability to compete head-to-head with anyone on that side.

Greg MacDonald – Macquarie Capital Markets – Analyst

And then finally, traditional loop lengths for FTTN builds are kind of a kilometer. Are yours because you have a majority of your customers in Toronto and Montreal urban markets? Or yours actually shorter naturally?

George Cope – BCE Inc. – President and CEO

No. We are on average 900 meters to the home with this. Again, but with bonding and what we have done, completely comfortable.

Greg MacDonald – Macquarie Capital Markets – Analyst

Okay. Thanks, George.

Operator

Thank you. Next question is from Jeff Fan with Scotiabank.

Jeffrey Fan – Scotiabank – Analyst

Thanks and good morning. Switching gears and wanted to ask a question, George, about the wireless competitive landscape. You talked about some of the more, I guess, attractive offers on the handset side going on in the market. Just wondering if you can you characterize what happened through Q4 on the competitive front.

George Cope – BCE Inc. – President and CEO

Yes. We are pleased with our results in Q4. We obviously have not had the reporting of the others. We are the first company to report. We believe we achieved our market share objective at the street. We've been pretty clear on. We believe we've achieved that. It was -- it reminded me it was no different than any other fourth quarter. The closer you get to the end of the quarter, the more aggressive the marketplace is. Clearly an important buying season.

I think it is worth noting, though, particularly because we own the Source, there was no doubt that the impact on whether or not had an impact on traffic. We probably had the clearest vision on that from Bell through our ownership of the Source. In fact, if you look closely at our numbers, you will see the hardware numbers are down in Wireline. And the reality is, although it's very hard for you to -- you wouldn't see if we don't disclose it. Part of that was just the loss of three or four days of traffic at our retail operation, at the Source. So that clearly had some impact but I think in terms of our gross adds and net, we were really quite pleased with what we saw there.

Siim talked about the -- a little lighter on the revenue growth there, and we do expect to see that, we've had that ARPU growth for 16 quarters and we have expectations for ARPU growth to continue into 2014 as people continue to migrate to smartphones.

Jeffrey Fan – Scotiabank – Analyst

And just very quick follow-up. If I look at your gross adds for the year, since the three-year to two-year contract changed, it seems like the industry gross adds anyways have slowed in the second half. Is that really what you do think is happening? Is the market still trying to absorb what has happened to the pricing and the contract changes in mid-year?

George Cope – BCE Inc. – President and CEO

Yes. I think that's part of it. I really do because there were price changes in the marketplace when you go from car leasing and saying that you can't lease cars for three years anymore, you can only do them for two. It would have an impact. And we think we've seen part of that, for sure, in the industry. Ultimately, that will work its way through. I think there was some of that in the second half of the year.

Jeffrey Fan – Scotiabank – Analyst

Thanks a lot.

Operator

Thank you. Your next question is from Drew McReynolds from RBC Capital Markets.

Drew McReynolds – RBC Capital Markets – Analyst

Yes. Thanks very much. Two questions from me. First just on the FX exposure seen. Can you just walk us through in terms of your opex and capex, what's denominated in US dollars as a percentage of the total and obviously, you talked about the hedges, so that's fine. And then the second question just on cash taxes. I think your guidance here for 2014 is roughly $600 million.

I think most would have expected the year-over-year increase just given the lack of pension contribution. When we kind of look over the medium term, is that cash tax number going to rise over time? Are we going to see another step-up? If you can talk to that, roughly, that would be great. Thank you.

Siim Vanaselja – BCE Inc. – Chief Financial Officer

Sure. First with respect to FX, we have a little over $1 billion of total US dollar purchases. It is roughly split 50/50 between Opex and Capex. With regard to cash taxes, I think certainly the medium term outlook would be for cash taxes to continue to rise in line with the growth in our bottom-line earnings, which is going to translate to growth in taxable income and cash taxes. It will increase from the $600 million level but at a reasonably gradual

pace over the medium term. I think that is totally manageable in terms of our ability to continue to generate growth in free cash flow and to continue delivering on our capital markets objectives.

Drew McReynolds – RBC Capital Markets – Analyst

Okay. That's great. Maybe a clarification just on the solvency deficit. When you gave the update, that presumably was at year end as opposed to today?

Siim Vanaselja – BCE Inc. – Chief Financial Officer

That's correct. Yes. We have seen a rise in interest rates in January and February. We would be a little bit north of the $1 billion deficit. I think the solvency ratio has come down from about -- interest rates went down so I think the solvency ratio has declined from the 93% that I quoted to about 91%.

Drew McReynolds – RBC Capital Markets – Analyst

Okay. That's helpful. Thanks very much.

Operator

Thank you. Your next question is from Dvai Ghose from Canaccord Genuity.

Dvai Ghose – Canaccord Genuity – Analyst

Good morning. Just a quick question on your IPTV pull-through. It looked very good on the access line side this quarter but the DSL pull-through was not as good as in Q3 where it was really very good. I'm wondering whether that's just seasonality because of back-to-school. Do you think you still gained broadband market share from the cable companies this quarter, which is obviously very important?

George Cope – BCE Inc. – President and CEO

Yes. You're right. It's one that's really important, Dvai. It is hard to know yet. There's no doubt back-to-school had some of that impact, for sure. What I can say is in the IPTV footprint, we are seeing the pull-through and our competitors, they're very good competitors. Where we don't have IPTV footprint, you can guess they are being pretty aggressive in doing what they should be doing. The answer to that, we think, continues to be strategically okay, get more of that footprint out because we're seeing that pull-through.

Dvai Ghose – Canaccord Genuity – Analyst

If I could jump in a quick second. With wireless, as you look at your equipment sales, they are actually up 1.5% year over year. If you look at, despite the weather, right -- if you look at the Verizons and the AT&Ts who've reported, they had a real slowdown in smartphone activations which really boosted their margins. It doesn't seem to be something we're seeing in Canada. Can you give us an idea of how many smartphones you activated versus a year ago period?

George Cope – BCE Inc. – President and CEO

You know, Dvai, I'm sure Thane can get back to you. I don't know what the -- definitely we have not seen a slowdown in migration to smartphone at all. We just don't know what top ahead. It's a good point on the hardware piece but it's hard to know. D you know?

Siim Vanaselja – BCE Inc. – Chief Financial Officer

Smartphone users have increased by 23% over the last 12 months, but specifically in the quarter I'd have to get back to you, Dvai.

Dvai Ghose – Canaccord Genuity – Analyst

Appreciate it. Thank you very much.

Operator

Thank you. Next question is from Glen Campbell from Bank of America Merrill Lynch.

Glen Campbell – Bank of America Merrill Lynch – Analyst

Thanks very much. Question on Capex. Can you give us just maybe a little bit more detail on where you hope to be in Wireless and Wireline at the end of the year? In Wireless, I think you mentioned you're hoping that this broadcast TV would be available as the full footprint. Are you saying then you'll have LTE coverage to the whole country? When you do this coverage, would it include the spending need to bring 850 online? And then on Wireline, you gave us the footprint numbers. Could you remind us of where you are at year end on FTTN and what the cutoff is in terms of megs per second to be considered upgraded now?

George Cope – BCE Inc. – President and CEO

So the first question, you mean Capex by the different business units, Glen? Is that right?

Glen Campbell – Bank of America Merrill Lynch – Analyst

Yes. Where you expect to be in wireless in terms of capability at year end?

George Cope – BCE Inc. – President and CEO

LTE? We are in the middle of a process. I don't want to make any comments on but our objective is to accelerate through literally our HSPA+ footprint as fast as we can. But Capex intensity of Wireless, if you look at this year's numbers, not far off the range, Glen, to give you a sense.

Glen Campbell – Bank of America Merrill Lynch – Analyst

Okay. Capability wise?

George Cope – BCE Inc. – President and CEO

We are at 80% now, as you know. It really is accelerating those rural markets. I'm very sensitive given what -- I'm not allowed to comment on anything.

Siim Vanaselja – BCE Inc. – Chief Financial Officer

I think we will be in a position to comment more fully once the current 700 MHz auction is over.

Glen Campbell – Bank of America Merrill Lynch – Analyst

Okay. And just conceptually as you build out though, let's assume you get the 700 MHz, can you do the 850 MHz reclaim at the same time? Or is that separate exercise?

George Cope – BCE Inc. – President and CEO

We are going to do some of that. For those online, we are talking about is as traffic moves off, can we use some of our 850 MHz? The answer is certainly that's one of the real strengths of our depth of spectrum position.

Siim Vanaselja – BCE Inc. – Chief Financial Officer

In terms of the fiber question, Glen, obviously the IPTV footprint is at 4.3 million so the fiber footprint will be somewhat higher than that. It's north of 5 million at the end of last year.

Glen Campbell – Bank of America Merrill Lynch – Analyst

Okay. Is it 25 Mbps per second? Is that the upgrade threshold?

Siim Vanaselja – BCE Inc. – Chief Financial Officer

Correct. Yes.

Glen Campbell – Bank of America Merrill Lynch – Analyst

Thanks very much.

Operator

Next question is from Simon Flannery from Morgan Stanley.

Simon Flannery – Morgan Stanley – Analyst

Thank you very much. On capital spending, you reiterated the 16% to 17% guidance range that you hit last year. Although I guess Astral helps with your capital intensity. AT&T has talked about two more years of heavy spending and then a significant drop in their capital intensity. I was wondering if you see the same opportunity as the fiber build and maybe the LTE rollout rolls off? Any comments on the increasing use of installment plans for financing handsets in the U.S.? Is that something you think might become more widespread in Canada? How do you think about that?

George Cope – BCE Inc. – President and CEO

Sure. On capital intensity, I'm always leery of guidance beyond the year but I think in this one, we've probably typically tried to be more transparent for everybody on the modeling. We think 16% to 17% is a reasonable number for people to continue to model out. It is not a common on a particular other company, because I know your question is related to that. But in my years of experience I have, frankly, never seen not another need. I think something that models that.

You are right, we got help this year by Astral. So actually our overall capital intensity would be up in the order of 16% to 17%. One of the great parts of the media assets that we own, they are not capital intensive and generate great free cash flow. What we're trying to do is have some of that come back to shareholders and ultimately reinvest in the business. In our case, I wouldn't model something, not in that number.

Simon Flannery – Morgan Stanley – Analyst

Okay. On the installment plans?

George Cope – BCE Inc. – President and CEO

Not really something that we've seen here. I would have to frankly -- I'd have to go really directly and ask our marketing guys and I'm certainly not one that I've heard that our particular group's focused on, but if something happened in the competitive market, we'd have to be paying attention to it pretty quick.

Simon Flannery – Morgan Stanley – Analyst

Thank you.

George Cope – BCE Inc. – President and CEO

Thank you. Thanks for the question.

Thane Fotopoulos – BCE Inc. – Vice-President, IR

Given that we're approaching 9:00 AM, this will be our last question, Donna.

Operator

Thank you. Last question will be from Tim Casey from BMO Capital Markets.

Tim Casey – BMO Capital Markets – Analyst

Thanks, George. Just quickly, can you just give us a little more color on the puts intakes you're seeing on ARPU. Obviously, there's a lot of noise about potential changes on roaming. I know you're not terribly exposed there, but can you give us some color on what you see on the wireless ARPU puts intakes for this year? Thanks.

George Cope – BCE Inc. – President and CEO

Yes. We definitely -- there is no doubt seen talk about fourth quarter a little bit from some of the roaming reprice. Some of that will flow into next year. We also -- as new smartphones come out, we find some of them more efficient in how they operate so that can create some compression as well in some of the data usage even as people use more. We want to try to understand that better going forward.

In terms of our expectation in the marketplace, I think we would think it would -- we'll see ARPU should increase as the conversion to smartphones continue. We'd like to see a little better service revenue growth on the wireless side in 2014 than we saw in the fourth quarter here versus the whole year. I think something Siim said, which is important in our mix, right. We're just getting so postpaid mix in our overall revenue. The reality is in our results. It's been the negative prepaid revenue that has hastened overall top-line service revenue growth in wireless. Of course, as that mix comes our way that should be helpful going forward. Hopefully, that is helpful and the answer.

Tim Casey – BMO Capital Markets – Analyst

Thank you.

George Cope – BCE Inc. – President and CEO

Thanks, everyone. Thanks for taking the time.