

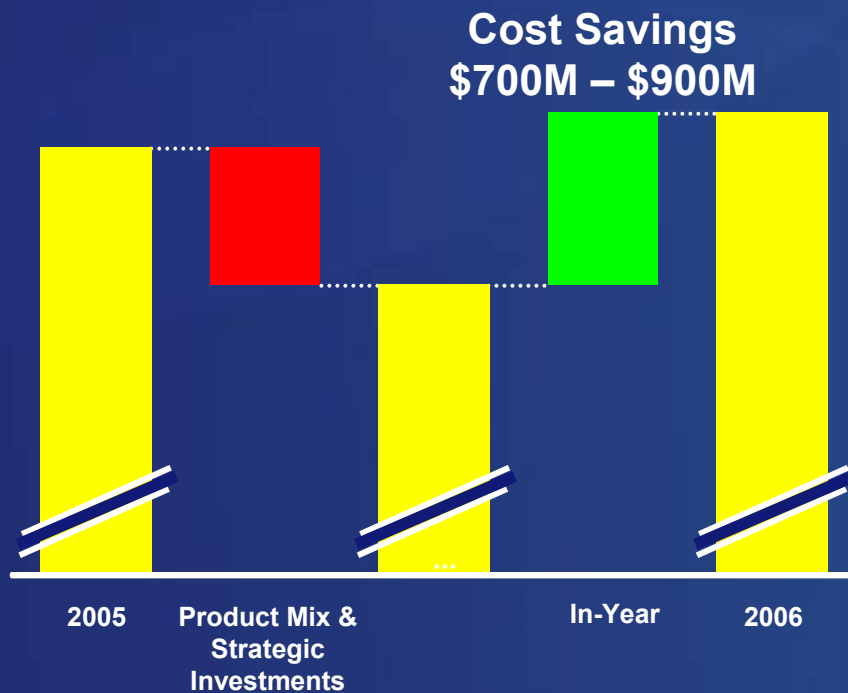


Bell Canada Enterprises
Business Review 2006

Stephen Wetmore
Cost Transformation

Required Cost Savings in 2006

Bell Canada EBITDA



2005-2006 Cumulative Cost Savings

(Exit Run Rate)

\$1.3B - \$1.5B

- \$524M savings delivered in 2005
- \$286M Consumer Galileo
 - Contact centres
 - Hardware procurement
 - Billing
- \$238M Business Galileo
 - COGS savings
 - SMB contact centres
 - Operational efficiencies and network integration

\$700M - \$900M additional cost savings for 2006

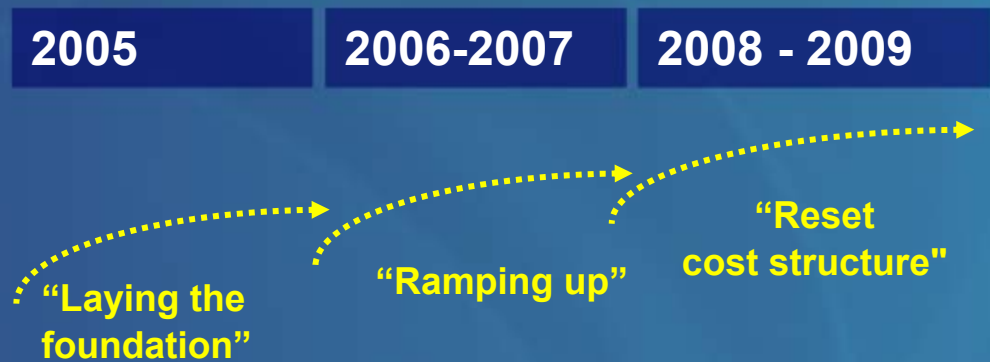
Galileo Program Overview

Wins

- 78% IP traffic on core
- 143 Enterprise customers migrating to IP
- Reduced staffing level (5,000)
- Stopped selling 47 legacy data services

Lessons learned

- Balance speed and cost of IP migration
- Staff reductions highlighted process opportunities
- Tracking and accountability is key success factor



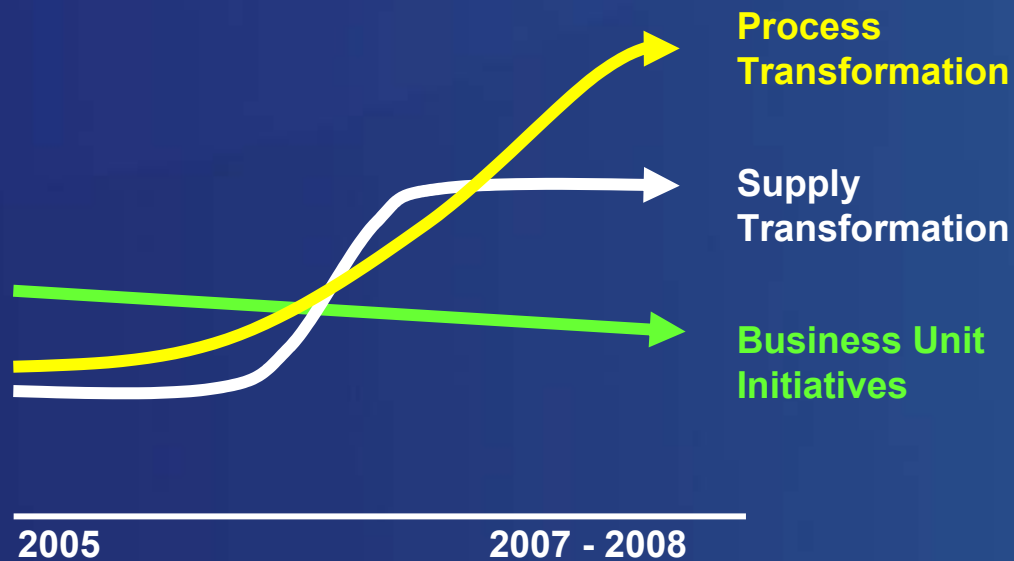
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- IP migration
 - Unified consumer experience
 - Staff reductions
 - Supply services
 - Process transformation

Cost Savings

Cost Savings Overview

Illustrative

Incremental Savings



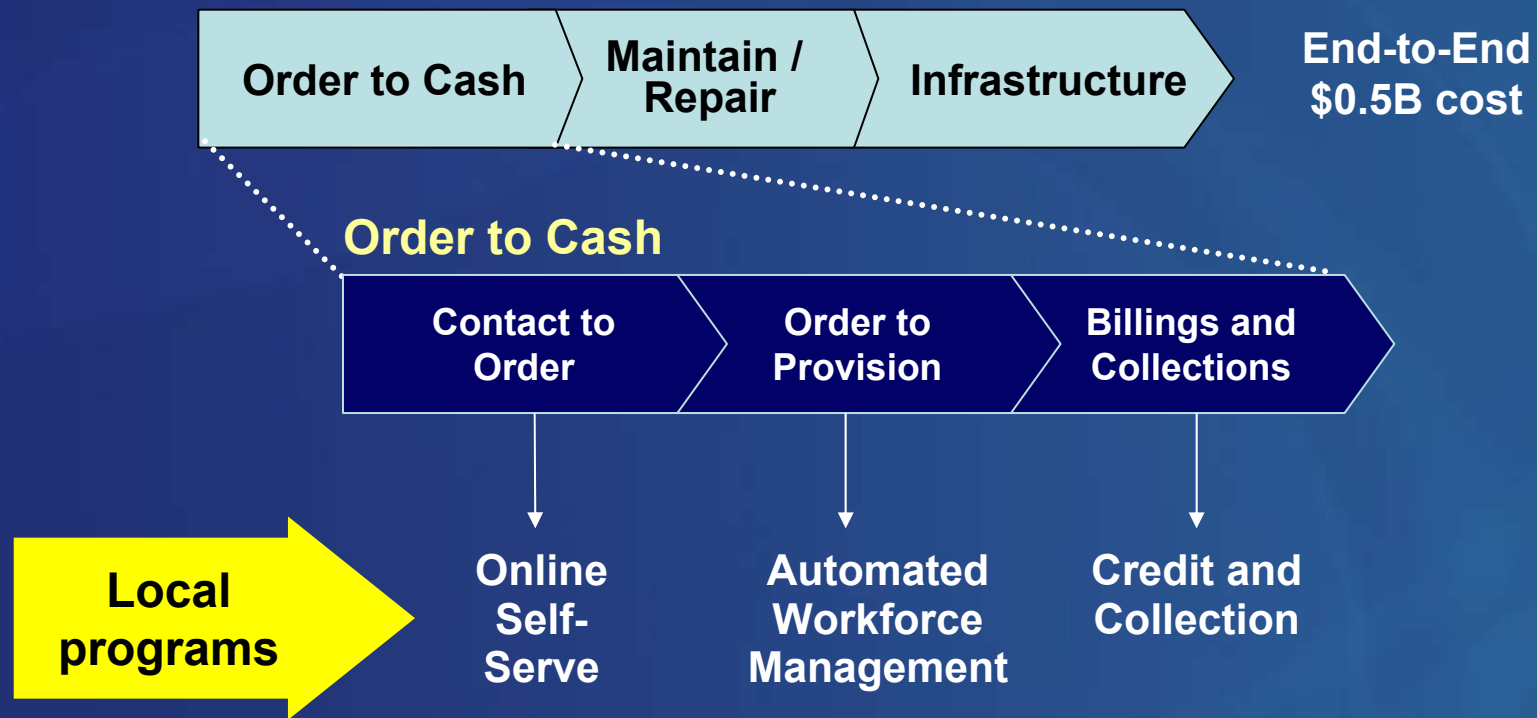
2005 Business Unit Initiatives

- Operations “One and Done”
- ExpressVu content renegotiation
- One Bill rollout
- 611 simplification
- Bell.ca enhancement
- OrderMax order entry tool
- Enterprise Trouble Management

Moving from mostly unit-driven to end-to-end transformation

End-to-End Process Transformation

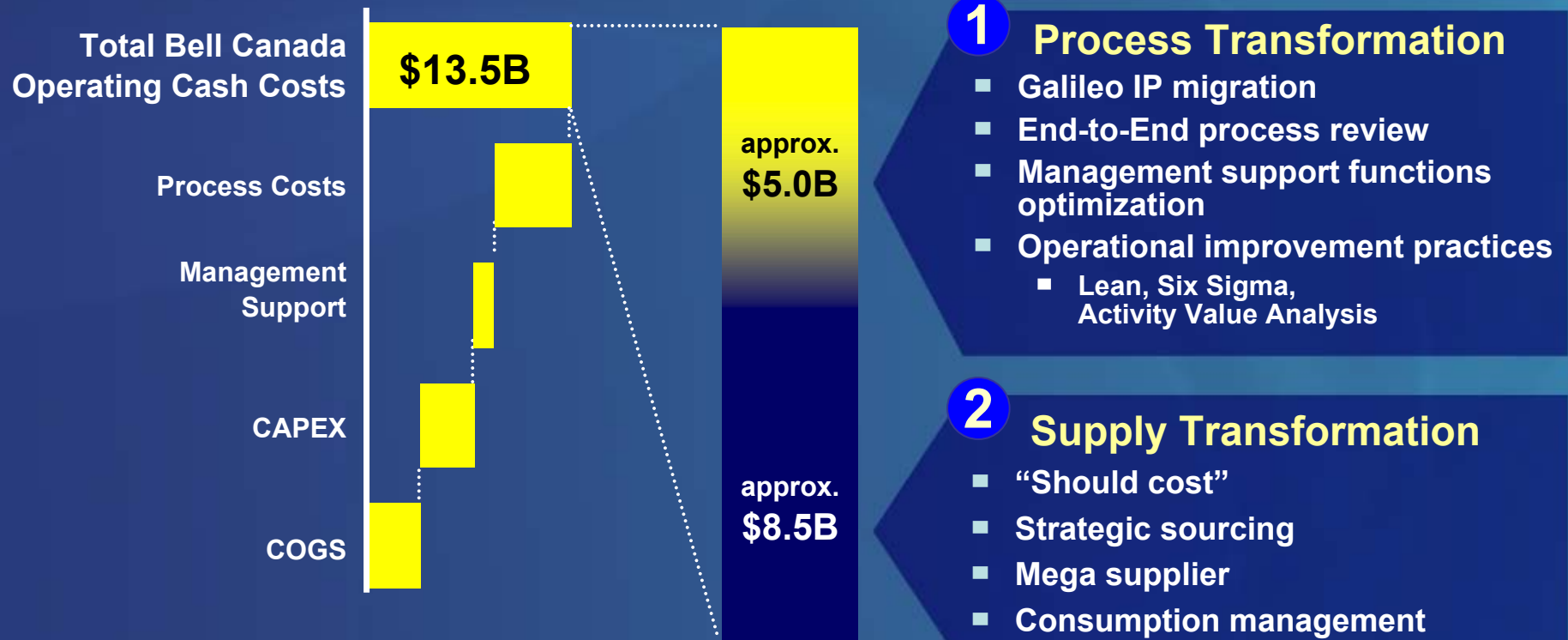
POTS (Plain Old Telephone Service) Processes



Need to transition from local to end-to-end

Two Programs

Program Focus

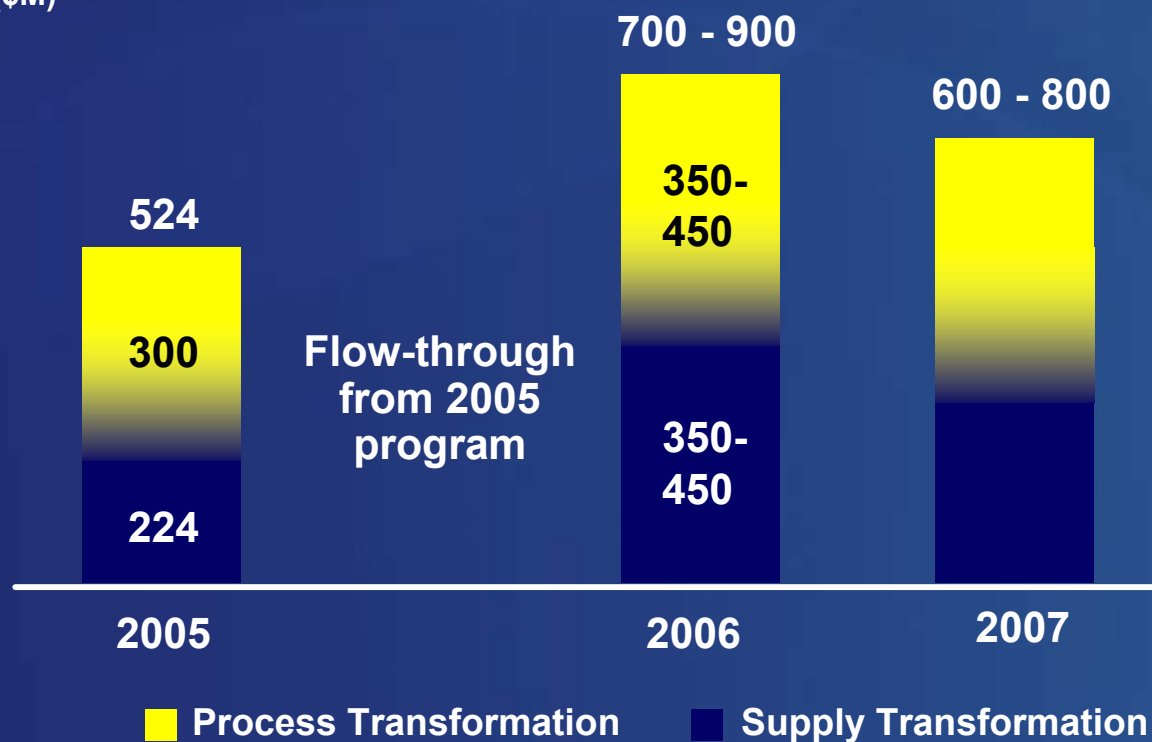


$$\text{COST} = \text{UNIT COST} \times \text{DEMAND}$$

Multi-year Program Targets

In-Year Opex Savings

(\$M)



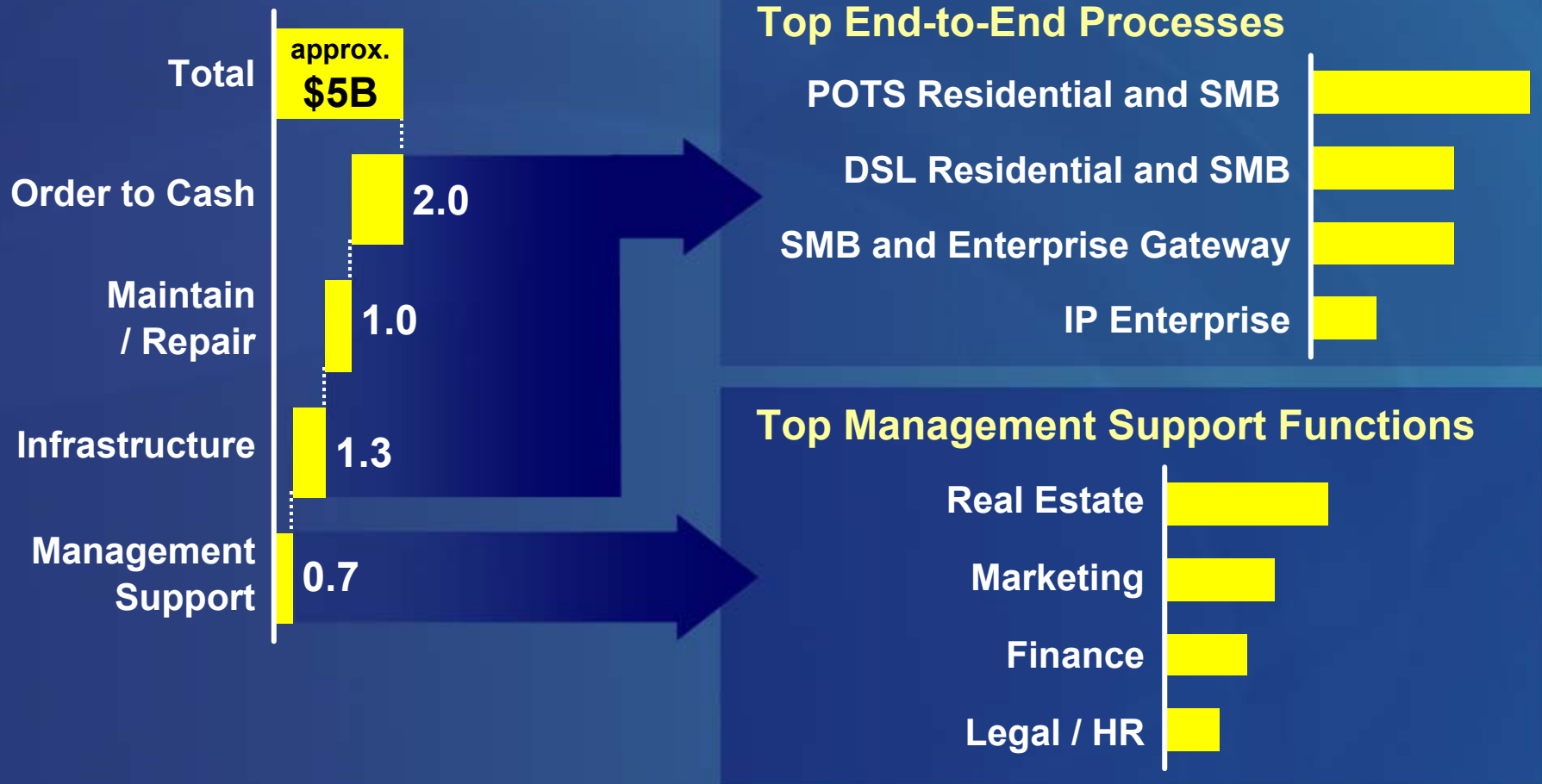
Capex Investment

2005
\$400M

2006
\$350M - \$400M

In 2006, we will build on our successes from 2005

1 Process Transformation



**Focus on key End-to-End Processes
and Management Support**

1

End-to-End Process Redesign

Small and Medium Business DSL

Contact
to Order

Order to
Provision

Billing and
Collections

Contracts process

- 10 steps down to 1

Order entry tool

- 3 tools down to 1

Time to install

- 6-8 days down from 38 days

Streamlined field data

- Eliminated 8 days from cycle time

A better customer experience...

- Delivery in 6-8 days
- Single point of accountability
- “Done right” the first time

...with lower costs

- Reduced truck rolls by 30%
- Reduced errors by 30% - 50%
- Increased order desk utilization and productivity

End-to-end process improvements optimize service and cost

1

Management Support Optimization

Cost categories	Initiatives	Tools and resources
Real Estate	<ul style="list-style-type: none">Portfolio consolidation	<ul style="list-style-type: none">Multiple teamsCommon toolkit using appropriate methodology:<ul style="list-style-type: none">LeanSix SigmaActivity Value Analysis
Marketing	<ul style="list-style-type: none">Communication function cost / benefit review	
HR	<ul style="list-style-type: none">Payroll, benefits and call centre streamlining	
Finance	<ul style="list-style-type: none">Process and finance function analysis	
Legal	<ul style="list-style-type: none">Client demand management and standardization	

Attacking \$700M in Management Support costs

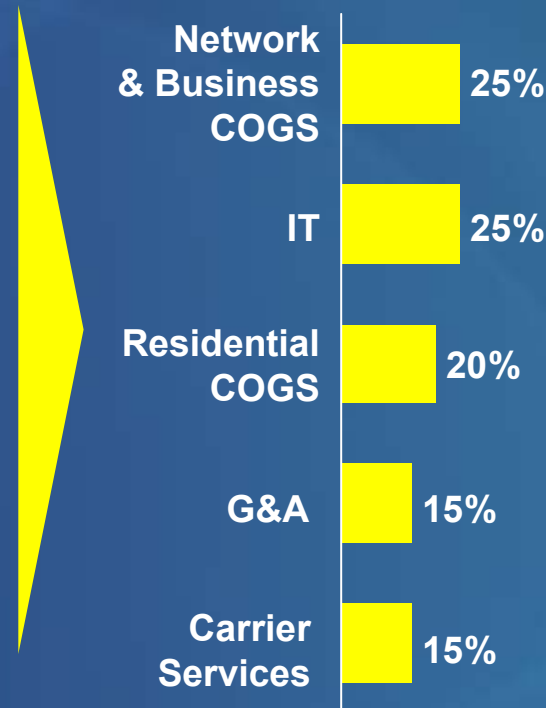
2 Supply Transformation

Approaches

- 1. "Should Cost"**
Target setting
- 2. Strategic Sourcing**
Competitive bidding and volume leverage
- 3. Mega Supplier Strategies**
Relationship restructuring
- 4. Consumption Management**
Internal spend controls

Target spend categories

Approx. \$8.5B



Examples

- "Should cost" comparison of pay rates of 160+ IT and clerical contractors
- Concentrate spend from base of 50+ print suppliers
- Develop expanded win-win relationships with mega suppliers (e.g. network equipment)

Supply Transformation will be systematically implemented

Disciplined Accountability

Stephen Wetmore
Executive Sponsor

Supply Transformation

Tim Houghton

- Attacking the unit cost and consumption of materials, supplies and external spend of the equation

**Business Unit
Presidents**

Process Transformation

Karen Sheriff

- Attacking the workload or demand side of the equation

Execution, performance tracking and accountability

Recap

Objectives

Supply

- Supply Transformation
- Flow-through

2006 Opex savings

\$350M - \$450M

Process

- Process Transformation
 - End-to-End
 - Business Unit
- Flow-through

\$350M - \$450M

Overview

1. Laid foundation in 2005 and gained key learnings
2. Broadening perspective to accelerate cost savings in 2006
3. Plan for acceleration completed – execution underway