

This decline was a result of:

- lower NAS
- lower SmartTouch feature revenues, mainly linked to NAS losses.

The decline was partly offset by gains from wireline insurance and maintenance plans.

NAS in service declined 1.1% or 146,000 in 2004, compared to 2003. This was a result of:

- continued growth in high-speed Internet access, which reduces the need for second telephone lines
- losses resulting from competition
- customers substituting wireline with wireless telephone service.

In 2005, we expect continued erosion of our NAS in service due to these trends, as well as the launches of VoIP telephony by cable providers.

### Long Distance

#### LONG DISTANCE



Long distance revenues declined 8.5% or \$217 million to \$2,327 million in 2004, compared to 2003. This decline stemmed from:

- lower volumes of conversation minutes, lower domestic rates and the pricing impact of increased subscriptions to the \$5 Long Distance Bundle in our Consumer market
- lower volume and lower prices resulting from competitive pressures in our Business market.

Overall, the volume of conversation minutes declined 5.6% in 2004. This was accompanied by a 5.6%, or \$0.007, decrease in average revenue per minute (ARPM) to \$0.117.

We are anticipating continued pressure on long distance revenues in 2005, as well as increased take rates to our \$5 Long Distance Bundle and competition from cable companies that are offering VoIP residential telephone service in 2005.

### Wireless

#### WIRELESS



In 2004, our wireless business continued to demonstrate strong growth.

Wireless service revenues grew 14.5% or \$357 million to \$2,818 million in 2004, compared to 2003. This reflected subscriber growth of 11.6% and an increase in ARPU of \$1 per month.

Our total cellular and PCS subscriber base reached 4,925,000 at the end of 2004, reflecting solid net additions and our success in managing churn to very low levels. Including paging subscribers, our total wireless customer base totalled 5,352,000.

We gained 513,000 new customers in 2004, matching the gains achieved in 2003. In 2004, 75% of gross activations came from postpaid rate plans, compared to 80% in 2003. The decrease was primarily due to the success of our prepaid offers, particularly in the last quarter. At December 31, 2004, 76% of our total cellular and PCS customer base were postpaid subscribers, unchanged from last year.

Blended ARPU of \$49 in 2004 was up from \$48 in 2003. This was driven by an increase in revenues from:

- value-added services, such as Message Center and Call Display
- long distance and data services
- higher usage.

During the year, we accomplished a key operational initiative: to migrate our postpaid wireless customers to a new billing platform. The new platform will enable the consolidation of wireless into a single bill, which will provide simplified information to our customers, lower costs to Bell Canada, and enhance our ability to bundle our products and services.

In 2004, revenue growth was impacted by our call centre's focus on handling the high volume of billing inquiries after the migration to the new billing platform, diminishing our ability to sell more services to our customers and to implement planned price increases. Despite adding more than 600 call centre