PETER DIEDRICH

President & CEO, TBayTel

Peter Diedrich brings more than 20 years of leadership and management experience in telecommunications, strategic planning, finance and venture capital to his position as President and Chief Executive Officer of TBayTel, Canada's largest independent telecommunications company, headquartered in Thunder Bay, Ontario. He has held senior roles in several communications, technology and financial services companies, including Bell-Northern Research, Nortel Networks, Bell Canada Enterprises, the Royal Bank Financial Group, and numerous venture-backed private companies. Mr. Diedrich holds bachelors and masters degrees in Electrical Engineering and an MBA from the MIT Sloan School of Management, and he is a member of the Professional Engineers of Ontario.

Wireless Telecom: It's been just more than a year since you joined TBayTel as President and CEO. Can you share with us some of your goals and strategic vision for the company?

Peter Diedrich: It has been a very busy year at TBayTel. From the beginning of my leadership, in fact even before I took the job as President and CEO, I have had a few consistent messages for our customers, employees, board and shareholders. Our goal is to be the number one communications solutions provider in northern Ontario. How will we do that? A relentless focus on customer service and delivering 21st-century solutions to our markets today. I have instilled additional values of financial discipline, coupled with front-line training and tools upgrades. We have also forged some very strong partnerships with the likes of RIM, Motorola, Wal-Mart and TELUS to achieve a number of our operating and strategic goals. TBayTel has been in service for over 100 years, so there is a rich telecom heritage here. But, in today's competitive marketplace we need to move beyond our historical strengths and build new capabilities and adopt new values. I encourage our employees to actively think about behaving like a publicly traded company in all aspects of our business. We are on a very interesting journey.

W.T.: As Canada's largest independent telecommunications company, how has TBayTel met the challenges of a unique marketplace in terms of geography, population density and the overall business environment?

P.D.: As you know, we've evolved from a local voice service provider in Thunder Bay to a full services communications company with cellular, Internet, enterprise solutions, and now managed IT services and security solutions – the journey, as we call it. We have been in the cellular business competing against Rogers for more than 15 years. We have been competing in the broadband Internet business with the cable incumbent for more than a decade as well. But our biggest expansions have come through partnerships with other utilities in our region for a broadband network we call the 807 Network, and for a cellular network joint venture, NorWest Mobility. We've done that over the past six years or so to expand our footprint and become a truly regional, full-service player. I can't underline the importance of these partnerships, as well as partnerships we have made with FedNor (the Federal Economic Development Initiative for Northern Ontario) and the Northern Ontario Heritage Fund, both of which have



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co-invested with TBayTel to bring broadband Internet and digital cellular technologies to our region with us.

Geography here is tough to serve. We have, in my opinion, a wireless engineering capability that can stand toe-to-toe with any mobility provider on the continent. As technologies have evolved down their cost curves, we've been able to take advantage of that too, as business cases improve. I mentioned Motorola just now. With their Canopy product, our land acquisition capability, and the infrastructure we have built or acquired, we've been able to turn an investment in cellular into a dual-use investment for broadband wireless Internet, and vice versa. This past year, TBayTel activated more than two dozen new Canopy sites, and we anticipate doing four to five times that in the next few of years.

W.T.: On a national basis, Canada's wireless industry is characterized as fiercely competitive. How would you describe the competitive landscape in northern Ontario?

P.D.: In northern Ontario, people – our customers – have the same expectations of service quality and innovation as anyone else in the mainstream, such as large urban markets like Ottawa, Toronto, Calgary or Montreal. New handsets, voice and data services, mobile content and applications and so on, are expectations of our customers in the huge region we cover from Kenora to Sault Ste Marie and all points in between. In territories where TBayTel's competitors are located, such as Rogers Wireless, the competition is fierce. Who can get the newest devices to market? Who provides the best service plans? Who has the best digital coverage? Competition is alive and well here and TBayTel is not afraid of it.

We launched BlackBerry 18 months ago as one of RIM's first Canadian Fast100 partners. We have a full North American roaming footprint, the latest devices, and the latest applications. We are launching mobile content this year for all of our customers. We are adding dealers and retail channels to meet the demand – a very robust demand – today.

W.T.: In August of last year, TBayTel acquired Superior Wireless, a local and regional cellular provider. Has the merger unfolded as expected, and what benefits has the acquisition brought to the people of northern Ontario?

P.D.: The Superior Wireless acquisition was the biggest thing on our plate when I took over as CEO. My view on these things is that you shell out the dollars, and failing to be successful in post-merger integration is not an option. In October 2006, we put in place a team headed by an interim executive who reported directly to me on all issues on the integration.

By February 28, 2007, all customers were communicating on the new TBayTel region-wide network. About 100 days of intense activity involving sites, handsets, dealers, billing and switching infrastructure – you name it. The integration was very successful. We increased our cellular customer base by more than 40 per cent across the region while providing better service plans, better customer service and better region-wide coverage. The financial results from this far surpassed our expectations.

W.T.: Can you give us some idea of TBayTel's plans for future cellular expansion?

P.D.: Over the next few years, we are partnering with the Northwestern Ontario Innovation Centre on a huge expansion of cellular and broadband wireless Internet program: more than 40 new single-purpose and dual-purpose sites across our region. Service quality and availability will only get better for our customers, existing and new. As I mentioned before, we are adding new dealers and additional field support resources in many municipalities on a monthly, if not on a weekly basis: Kenora, Dryden, Manitouwadge, Wawa, even Wal-Mart here in Thunder Bay. This channel and coverage expansion will continue. And everything is going digital to support our commitment to 21st century solutions in our region today.

W.T.: TBayTel was an active participant on the Wireless Number Portability (WNP) Implementation Task Force that saw WNP introduced

in Canada about nine months ago. Has the availability of WNP had any major impacts on consumer activity in your coverage area?

P.D.: Good question. Not only were we active in this process with an incredibly dedicated and qualified team, TBayTel was the first carrier to demonstrate much of the capabilities required to support WNP and LNP.

I get porting reports on my desk every week and I can tell you that it has been a real benefit to TBayTel. While I can't tell you the exact numbers, we are doing very well against our competitors, which is a testimony to our coverage, quality of service and customer service.

W.T.: With a smaller addressable customer base than a national carrier, are there any particular challenges associated with bringing a variety of wireless devices from major manufacturers to your customers?

P.D.: It is an incredibly big issue for regional carriers like us. Even some of the bigger players in Canada have problems. However, we have worked closely with our suppliers to get our needs fulfilled, while at the same time partnering directly with RIM and other device manufacturers. I am not yet satisfied that we have cracked the nut on this one, but with RIM we have been particularly pleased. We launched the new BlackBerry 8830 several weeks ago with great success, and expect to launch the CDMA BlackBerry Pearl device early in 2008. Are we behind our competitors like Rogers? Sure, but last time I checked, the big Canadian players were also behind Rogers as the GSM devices always hit the market first.

Our commitment at TBayTel, though, is to make sure that when the newest devices are available, we find a way to get them, test them, and introduce them to our marketplaces along with compelling benefits of outstanding coverage and service. TBayTel's ability to offer superior coverage in our region is a major competitive advantage.

W.T.: Wireless data applications are rapidly changing the way Canadians use their wireless phones. What steps is TBayTel taking to bring more mobile content offerings to its customers?

P.D.: As I think I mentioned earlier, we've been working on a mobile content offering for about a year now. The issue has been partly handsets, but also partly business model and urgency. We know we need something to differentiate ourselves against the competition and we are close to launching. Maybe I see it too simplistically, but the innovation of the unmanaged mobile Internet out there, along with a device like a BlackBerry or Treo, really does give customers a lot of content. No carrier can compete with the scale of innovation that we've seen from a global Internet, but what TBayTel can do is provide our customers the ability to access those innovations through great new devices, and maybe a little bit of local flavour.

W.T.: Does wireless also play a strong role in TBayTel's offerings in its Business Solutions division?

P.D.: It is a big arrow in our quiver in the Business Solutions group. Cellular, BlackBerry, broadband Internet, satellite wireless, and even single-purpose microwave circuits are all part of our connectivity solutions toolkit. I'll give you a good example. Northern Ontario is notoriously short of medical professionals. Last year, to retain two radiologists at our regional hospital in Thunder Bay, TBayTel engineered and deployed a 100 Mbps broadband wireless, point-to-point solution from the hospital's Imaging and Diagnostics lab to the remote home where the doctors live. The doctors are able to have the quality of life of working from home while delivering vital health care services to our community. This is an example of solutions-based innovation that differentiates TBayTel from our competitors.

We had a dedicated BlackBerry 8830 launch event for our Business Solutions customers a few weeks ago. A first for TBayTel, if not for a Canadian carrier. We invited them to take the BlackBerry 8830 on a long term plan and take their old BlackBerry, a 7130 or an 8703, and give it to one of their employees, again on a long term plan. You would not believe the take rate we had for that offer.

Wireless and wireless applications are also important for our Managed IT Services offering. You've got the network, you've got the device... now what? We are bringing those apps, solutions and managed services to our enterprise customers today.

W.T.: How important is the provision of fixed wireless broadband services in remote communities to TBayTel's overall expansion plans?

P.D.: This is a key pillar of our regional expansion plans. We are actively bundling this Internet service with our cellular service for residential and business customers. We are seeing very good take rates on this in select communities in our service areas and we will be getting more aggressive in the next year. It allows us to effectively differentiate our offer against the telephone and cable incumbents.

W.T.: As a provider of both wireless and traditional wireline telephone services, is TBayTel experiencing any shift in customer behaviour in terms of wireless substitution?

P.D.: Oh yes. Like most carriers, our wireless growth far exceeds our wireline growth. Many younger demographic segments are going nomadic, no doubt. We also just completed a study and are now implementing a payphone rationalization program. The biggest competitor to our payphones is wireless. I've done this in three carriers now and the results are always the same: better capital productivity, better service through asset redeployment, and better product line profitability.

W.T.: Industry Canada has announced plans to hold an auction of spectrum for advanced wireless services in the near future. As a major regional player, does TBayTel have requirements for additional spectrum at this time?

P.D.: In the wireless business, it's all about spectrum, coverage, handsets and quality of service. We are always looking at opportunities to strengthen and grow our business in all of these aspects. Spectrum will continue to be a strategic asset that TBayTel manages very carefully. ■