



PRESS RELEASE
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THE MERE EXISTENCE OF COMPETITIVE FACILITIES IS NOT SUFFICIENT TO ENSURE SUSTAINABLE COMPETITION IN THE LOCAL TELEPHONY MARKET

Montreal, December 11, 2006 – Cogeco Cable disapproves of the new competitive facilities test proposed by the Honourable Maxime Bernier, Industry Minister.

The measure announced today by the government is contrary to sound public interest policy and practice for deregulating the telecommunications sector, and it ignores the relevant recommendations of the Telecommunications Policy Review Panel issued earlier this year. Indeed, the government has yet to issue a comprehensive position on the recommendations made by its own expert panel in this report nine months ago.

"We are witnessing another piecemeal announcement essentially designed to please the incumbent telephone companies rather than to ensure real sustainable competition in the best interest of Canadian consumers" indicated Mr. Louis Audet, President and CEO of Cogeco Cable.

Today's announcement may have lasting adverse consequences for Canadian consumers of local telecommunications services. The government is clearly sidestepping the existing independent process for deregulating local telephone services established by the CRTC, on the mistaken assumption that consumers are adequately protected by the mere existence of competitive facilities even where the incumbent telephone company retains a dominant position in the market.

The government's announcement also suggests that Bill C-41 tabled in the House of Commons last week will give ample protection to consumers against anti-competitive conduct by incumbent telephone companies by providing for administrative monetary penalties under the Competition Act. First, the government is proposing to end existing CRTC regulatory safeguards prematurely, without prior evaluation of significant market power, and regardless of the actual passing of Bill C-41 or its coming into force. Second, the announcement squarely contradicts the government's own expert panel which specifically stated the following in its report last March:

... [W]hile the Competition Bureau has a higher level of expertise in defining markets and assessing market power than does the CRTC, the Panel is not satisfied that the Competition Act provides an appropriate framework for the resolution of competitive disputes in the telecommunications sector where SMP still exists or where markets are in transition from SMP. Nor does it provide an appropriate framework in situations where the development, ongoing monitoring and supervision of sector-specific competitive safeguards may be required. As a body with responsibility for administering Canada's competition laws in all sectors of the Canadian economy, the Competition Bureau clearly lacks the degree of sector-specific knowledge possessed by the CRTC.

In addition, the Competition Bureau is constituted as an enforcement agency rather than as a quasi-judicial body. Its process does not allow for the timely resolution of disputes that routinely arise in the dynamic and rapidly changing telecommunications sector. The Competition Act has constituted the Competition Bureau as an investigative body that investigates and reviews complaints of anti-competitive conduct. It then decides whether there is sufficient evidence to pursue either civil or criminal proceedings before the Competition Tribunal or the courts. This two-

stage process involves significant time lags, sometimes measured in years, between the lodging of complaints and the resolution of issues. This lengthy process is not well suited to an environment in which competitive disputes arise on a fairly frequent basis and require prompt resolution. In addition, the Competition Tribunal does not view itself as a regulator that monitors behavioural remedies on an ongoing basis.

(Telecommunications Policy Review Panel – Final Report 2006, Chap. 4, page 4-14)

“Consumers as well as new competitors in the local telephone market should rightly feel concerned when the government not only sets aside but actually rewrites a key decision of the independent administrative agency concerned and ignores the recommendations of its own experts on telecommunications policy reform,” concluded Mr. Audet.

ABOUT COGECO CABLE

Cogeco Cable (www.cogeco.ca), a telecommunications company offering a diverse range of services to its customers in Canada and in Portugal, is the second largest cable operator in Ontario, Québec and Portugal, in terms of the number of basic cable service customers served. The Corporation invests in state-of-the-art broadband network facilities, delivers a wide range of services over these facilities with great speed and reliability at attractive prices, and strives to provide both superior customer care and growing profitability to satisfy its customers' varied electronic communication needs. Through its two-way broadband cable networks, Cogeco Cable provides its residential and commercial customers with analog and digital video and audio services, high speed Internet access as well as telephony services. The Corporation provides about 1,556,000 revenue-generating units (RGUs) to approximately 1,477,000 homes passed in its Canadian service territory and 629,000 RGUs to approximately 826,000 homes passed in its Portuguese service territory. Cogeco Cable's subordinate voting shares are listed on the Toronto Stock Exchange (CCA).

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