

Cellphone race heats up as Manitoba Tel reveals backers

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Manitoba Telecom Services Inc. got some powerful backing yesterday for its dream to become a national cellphone provider when it announced plans to team up with the **Canada Pension Plan Investment Board** and **Blackstone Group LP** to bid for wireless spectrum in a coming auction.

For CPPIB, the group vehicle represents a new chance to gain exposure to the growing national wireless market after the pension fund was outbid by Ontario Teachers' Pension Plan in a hotly contested fight to take BCE Inc. private.

The announcement came the day that would-be bidders had to submit applications and financial deposits to Industry Canada, which is running the auction.

Cable firm **Shaw Communications Inc.** also handed in a submission, as did long-distance reseller **Yak Communications Inc.** Fast-food and satellite radio executive John Bitove has previously signalled he may participate in the auction.

The three communications companies and a number of other unknown rivals will be facing off against each other during the auction at the end of May. They aim to emerge with spectrum that will allow them to break into the wireless market and gain a piece of the \$12.7-billion industry, which is currently controlled by BCE Inc., Rogers Communications Inc. and Telus Corp.

With the consortium unveiled yesterday, MTS now has deep pockets to support its bid, analysts said. But whether it will emerge a winner is still very much up in the air.

"Now they have perhaps an equal chance, but we don't know who else is bidding," said **Veritas Investment Research** analyst **Neeraj Monga**.

Dvai Ghose, an analyst at Genuity Capital Markets, said a foreign telecom player would have been a big boon to MTS as it could have provided savings when the new entrant bought equipment.

Such a partner could also have helped with international roaming deals.

"They're a stronger contender to get the spectrum," Mr. Ghose said. "It doesn't necessarily make them a stronger operator."

Industry Canada, which is running the auction, said that later this week it will reveal the names of all the companies that made submissions, although some opted to reveal their participation yesterday.

MTS, based in Winnipeg, and its partners made a \$340-million deposit. They intend to bid on spectrum that Industry Canada has set aside for new entrants in a bid to create more competition in the market. But **Mr. Monga** believes MTS may also go against the big giants to acquire more spectrum, forcing up the prices that they pay. That could put pressure on the stocks of the cellphone incumbents, he said.

If they succeed, MTS, CPPIB and Blackstone will each own a third of the new cellphone company. MTS, which currently sells cellphone service in its home province, would be able to offer it across the country.

They have chosen André Tremblay, former chief executive officer of wireless upstart Microcell, since acquired by Rogers, to lead the new company. Two years ago, Mr. Tremblay was also part of a three-member panel that looked at the state of competition and technology in different parts of the telecom industry, including wireless.

Yak is among the other companies hoping to become a wireless industry player. Globalive Communications Corp., Yak's parent, said yesterday it "submitted a strong application that will give us the ability to participate in the auction in a very material way."

With files from reporters Lori McLeod and Grant Robertson

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