

Consumers might benefit when iPhone arrives

Rogers strikes deal with Apple ahead of competition from wireless spectrum auction

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Canadian consumers may see cheaper wireless data rates when the promised iPhone finally arrives in Canada later this year, analysts said Tuesday in the wake of Rogers Communications' announcement it has officially struck a deal with Apple.

Industry watchers also say news that the iPhone will be available sometime later this year indicates the company is staking its claim ahead of possible competition that could arise from Ottawa's upcoming wireless spectrum auction.

"The really dramatic development wasn't this sleek phone, it was this radical pricing change that AT&T introduced with this phone -- they introduced the first truly flat-rate, all-you-can-eat data plan in the United States," said Lawrence Surtees, telecommunications analyst for technology research firm IDC Canada. "[Apple CEO Steve] Jobs wasn't going to do the deal in Canada if it was going to be priced as usual, because he knew the iPhone wouldn't sell."

The iPhone was first announced by Jobs in January 2007, and was launched on the U.S. market last June. The U.K., Germany and France followed in November, and last month iPhones arrived in Ireland and Austria.

Rogers is currently the only one of Canada's three major wireless network operators that operates on the GSM (Global System for Mobile Communications) platform required for the iPhone's technology, and Surtees said the company might have been anxious to lock up the deal with Apple before a possible GSM newcomer made a market debut.

"Why would you announce it now and then say 'Wait to the end of the year [to get the phones]?' " he said. "If you think about what is happening in the wireless space, there is the forthcoming wireless spectrum auction to license a fourth national player.

"If you're Rogers, you want to keep Apple away from the potential newcomer, but you are not in a hurry to launch the iPhone until the new guy is ready to go so you can pre-empt him in the market."

Apple aficionados will still have to await details of timing and pricing.

The iPhone debuted at \$599US for the eight gigabyte model, with that price later dropping to \$399. A 16 gigabyte model is \$499. Some Canadians have bought the phone from across the border and unlocked it to operate on the Rogers network.

The iPhone announcement came as Rogers rolls up big gains in first-quarter revenue and profit in results released Tuesday. The company reported net earnings of \$344 million, or 54 cents a share, in the first quarter ended March 31, up from \$170 million, or 27 cents a share, in the same period of 2007.

Revenue grew 14 per cent to \$2.61 billion, up from \$2.3 billion. Rogers added 46,000

subscribers to its voice-over-cable telephony services on a net basis. Its Internet subscriber base grew by 41,000 to 1.5 million, and digital cable households climbed by 49,000 to 1.4 million.

Even though the iPhone has been long awaited here, the news was somewhat anti-climatic and short on detail.

"It is too little, too late," said Eamon Hoey, a telecommunications consultant with the firm Hoey Associates. "It is just an indication of how far behind we are on the world markets. This should not be a day of celebration, there should be full recognition that Canada is very far behind our competitors. There was no reason for us not to have the iPhone last year other than the slowness with which wireless companies in general bring new services and products to Canada."

Kaan Yigit, president of the Solutions Research Group, said while the iPhone's arrival is late, it will position Rogers to take advantage of the growth in smart-phone sales.

"Just over one in 10 cellphones in Canada are smart phones now, and that's going to double in the next two years," he said. "It is late to the market, but from a timing standpoint, if Rogers had introduced the iPhone a year ago it wouldn't have had the same impact it will have now. The smart phone is booming."

Michael Geist, Canada Research Chair of Internet and E-commerce Law at the University of Ottawa, said Apple has "played hardball" in the jurisdictions where the iPhone sells, extracting a good deal for itself and for consumers by insisting on data-rate packages that will ensure consumers are not be deterred by high pricing from buying the devices.

"Rogers may have had some initial reluctance, but the public demand for this service is such that they were willing to strike a deal," he said. "I don't think anybody should hold their breath thinking Canadian rates are going to match what they have in the United States."

But he said the iPhone will likely come with a pricing plan that makes it more affordable than current data pricing.

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