

# Price wars fail to erupt as bundles proliferate

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Published: Monday September 15, 2008

There was good news and bad news for customers of **Bell Canada** last month. For households with a phone line and one other Bell service, the phone rate fell 10 per cent. For those buying only a basic home phone connection and nothing else, prices went up 15 per cent.

Welcome to the abstruse world of telephone pricing. A year after the federal communications watchdog removed regulations on the incumbent phone companies in most parts of the country, the price wars that some consumer advocates had hoped for have not erupted.

Instead, Canada's biggest telecom players are shrewdly adjusting their prices to try to affect consumer behaviour without giving away the store.

**Telus Corp.** has also raised the rate for its basic home phone line by as much as 15 per cent. In B.C., for example, the service now lists for \$26.95 a month, up from the \$23.34 that most customers paid last year.

With the increases, Bell and Telus are utilizing the freedom given to them by the Canadian Radio-television and Telecommunications Commission to set phone line rates freely in markets where competitors offer other phone services. That amounts to about 90 per cent of their customers today.

The CRTC lifted more than just restrictions on pricing. It gave the incumbent telecoms the freedom to bundle services at a discount, the way the cable operators are allowed to do. As a result, phone carriers are also raising the rates they charge for individual features, such as call display, but offering new all-in-one packages at a discount.

On August 1, for example, Bell raised its rates for call waiting to \$6.95 a month from \$5.50. Another feature, which lets callers leave a message when the line is occupied, called Call Answer, rose to \$8.95 from \$7.

"Every single customer had a chance to save money with these pricing changes. Like the whole industry, we're trying to encourage customers to bundle," said Kevin Crull, president of residential service at Bell. "The à la carte items will continue to go up."

Telus has also raised prices on certain standalone features, but won't discuss the strategy behind the increases, citing competitive reasons.

"Prices have been simplified," said Telus spokeswoman Julie Smithers. Fewer regulations mean basic phone fees don't change according to neighbourhood, promotions don't have to be submitted to a lengthy approval process and service options such as installation fees can be waived when the company wants.

**Neeraj Monga**, executive vice-president of **Veritas Investment Research** in Toronto, said he is not surprised that deregulation is leading to higher prices for some services. A similar trend happened when the government freed the cable industry of regulation.

"It's an inelastic product with little competition," he said of phone service. The carriers "are forcing the customer to keep a product within a bundle, or to get rid of the product."