

Shaw weighs wireless foray

DINA O'MEARA
CALGARY HERALD

Shaw Communications Inc., Canada's second-largest cable television provider, might become the newest player in the country's \$37-billion wireless market this summer, but don't bet on it, insiders said Thursday.

The Calgary-based corporation kept mum about participating in a federal spectrum auction this May, which will make available nearly 40 per cent of the 105-megahertz spectrum solely for new entrants.

"I think the way to look at it is that we're not saying no, but we're not saying yes, either," chief executive Jim Shaw said, after the company's annual meeting Thursday. "We're working on it."

The colourful Shaw has long maintained competition among existing telecoms was too fierce to successfully enter the lucrative wireless business.

However, the rules changed last November when Industry Minister Jim Prentice opened the field by setting aside a large portion of the auctionable spectrum for bidding by fresh players.

In addition to being restricted during the May auction, major carriers **Bell Canada, Telus Corp., Rogers Communications Inc.** and regional players such as **MTS and SaskTel** will have to allow any new entrants to use their networks of cellular towers.

The irate incumbents argued against the move, saying it worked against free market principles.

The new spectrum, to be bid on May 27, joins the existing 190 MHz currently owned by the majors, and represents less than 14 per cent of the total wireless spectrum.

Talk on the street is that Shaw's participation in the auction is pretty much a coin toss, one analyst said.

Robert Bek, with CIBC World Markets in Toronto, notes the company has a history of doing its homework and choosing its battles carefully.

"This certainly encourages them," Bek said. "If they conclude that they want to do it, and it makes sense to them, they will."

Shaw successfully surfed into the digital phone market through its cable customers, boasting of more than 20 per cent penetration of basic customers since 2005. Internet penetration of basic cable subscribers reached 65 per cent by late 2007.

Perhaps one of Shaw's most successful ventures has been its burning log channel, an hour-long loop tape of a Yule log that burns through December and until mid-January.

Hundreds of thousands of people tune in to the cheerful image during the holiday season. Shaw said his corporate office received marriage proposals this year for the anonymous owner of the flannel shirt-clad arm that adds and turns logs in the video.

During 2007, Shaw shares nearly doubled in price, to a high of \$26.50 in August, its fiscal year-end, then went into a steady decline and a low of \$22.50 a share Jan. 9. The company releases its first quarter 2008 results today.

The outspoken Shaw also slammed the Canadian Television Fund after the annual meeting, saying the agency was "broken" and lacked financial accountability. Shaw Communications is the largest contributor to the fund, which saw revenues increase to \$287.3 million last year. Shaw contends the funds collected from cable and satellite companies are mismanaged.

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Colleen De Neve, Calgary Herald

"Some builders reduced pricing to reflect current market conditions in the city," says Statistics Canada.

City house price growth lags national average

New homes in Calgary up 5% from last year

MARIO TONEGUZZI
CALGARY HERALD

The rate of price growth for new homes in the Calgary area has moderated to the point where it is now below the national average.

Data released by Statistics Canada Thursday show new house prices in the Calgary census metropolitan area grew by five per cent from November 2006 to November 2007. The national average was 6.1 per cent — the 15th straight month in which the year-over-year growth rate has not increased.

The federal agency in its New Housing Price Index said Calgary-area prices fell from the 6.2 per cent year-over-year hike in October.

"On a monthly basis, Calgary recorded its second straight month of decline as new housing prices fell 0.1 per cent," said Statistics Canada. "This decrease comes as some builders reduced pricing to reflect current market conditions in the city."

In 2006, the rate of new home price growth in the Calgary region peaked with a stunning 60.6 per cent year-over-year hike in August, according to Statistics Canada's New Housing Price Index.

Calgary's latest year-over-year increase was comprised of 9.6 per cent for the land-only component and 3.1 per cent for the house-only component.

The Calgary census metropolitan area includes the city, Airdrie, the Municipal District of Rocky View, Chestermere, Cochrane, Irricana, Beiseker and Crossfield.

Often in markets, prices tend to overshoot and then tend to under-shoot afterwards, said Todd Hirsch, senior economist at ATB Financial.

"We're seeing the effects of the undershooting again now after coming off these really, really high annual in-

New housing price index

	Nov. '06 to Nov. '07	Oct. to Nov. '07
Canada	6.1%	0.5%
Calgary	5%	-0.1%
Edmonton	21.7%	0%

SOURCE: STATISTICS CANADA



I would expect the prices to start crawling up"

DEEP SHERGILL, CANADIAN HOME BUILDERS' ASSOCIATION

creases in 2006 and early 2007," he said. "Now we've come back to earth, come back to reality."

But while there has been price moderation, Deep Shergill, president of the Canadian Home Builders' Association for the Calgary region, said prices in the single-family market over the rest of this year are still going to increase.

"The CMHC (Canada Mortgage and Housing Corp.) and every other agency out there is predicting house prices to go up in Calgary," he said. "Inventory is starting to clear up. I would expect the prices to start crawling up a little bit here in the spring. We won't see the (big) increases in 2005, 2006, 2007. They started to level off in 2007. But I think it's going to be a moderate increase."

For the homebuilders, Shergill said

materials costs have levelled off from the previous year but labour has not because the commercial side of the industry is still booming.

"So if people are hoping that costs are going to come down, that's not happening. Land costs are not coming down. Lot prices aren't coming down," he said.

The CMHC tracks average sale prices for what it terms "absorbed" single-detached homes, which reflect the price of a home when it is completed and moved into, but negotiated and priced before construction began.

The average absorbed price for a single-detached home in Calgary in December was \$526,198 while in the Calgary metropolitan area it was \$531,82. The city price jumped 36.8 per cent from December 2006 (\$384,738) while the regional price increased by 38.9 per cent (\$382,518), said Lai Sing Louie, senior market analyst in Calgary for the CMHC.

For the entire year in 2007, the city absorbed price increased by 35.7 per cent from 2006 to \$477,295 while the CMA price showed a 34.2 per cent hike to \$474,512.

Nationally on a monthly basis, prices rose 0.5 per cent between October and November.

In the West, Saskatoon continues its dominance in year-over-year inflation, leading the country with a price increase of 47.9 per cent, unchanged from October. The monthly increase showed no change from October. Regina recorded the next highest year-over-year hike at 28.2 per cent followed by Edmonton at 21.7 per cent and Winnipeg at 15.4 per cent.

New home prices were a "touch firmer than expected in November," said Douglas Porter, deputy chief economist for BMO Capital Markets.

"In a sign of just how far-flung home price pressures are in Canada, the two biggest monthly increases were posted in Halifax (3.5 per cent) and Quebec City (1.9 per cent). In contrast, new prices dipped again in Calgary, where annual price increases of five per cent are now below the national average," he said.

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Alberta permits break record

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Strength in the construction sectors in Alberta and Ontario helped push the total value of Canadian permits to a record annual level in just the first 11 months of 2007, Statistics Canada reported Thursday.

In Calgary and Alberta as a whole, November figures showed the pace of new construction was slowing, but that record annual totals had already been set. Similarly, permits across Canada declined by a much more than expected 9.9 per cent in November to just over \$6 billion.

The sudden drop caused some analysts to voice concern, particularly in the current environment of nervousness about Canada's economy as activity south of the border weakens and U.S. performance signals continue to decline — with some recent Canadian indicators following suit.

"While there's plenty to be concerned about on the out-

look — primarily the U.S. economy — this sudden run of weak data in very volatile series is likely noise," said BMO Capital Markets Corp. deputy chief economist Douglas Porter.

The federal agency said that by the end of November the total value of building permits issued nationally during 2007 was \$68.1 billion, a 12.4 per cent increase from the first 11 months of 2006 — and a 2.8 per cent increase from the previous annual Canadian record set in all of 2006, of \$66.3 billion.

Strength in Alberta and particularly in Ontario have helped to lift the numbers, with the non-residential sector in Ontario being remarkably strong.

Nonetheless, StatsCan noted the value of Alberta's residential building permits rose surprisingly — 13.3 per cent — in November to \$724 million, helped by increases in permits for both single-family and multi-family housing.

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