



Judgement Day Is Coming for Canada's Big 3 Telcos

Description

If you're Canadian, chances are you've been frustrated by your cellphone provider at some point. Luckily, the Canadian Radio-television and Telecommunications Commission has been on the case, introducing a number of consumer-friendly regulations. Most notable is the effective banning of three-year cellphone contracts.

And on June 3rd, a wave of three-year contracts can be cancelled at no charge. Canada's big three telecommunications providers—**BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), **Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)), and **Telus Inc.** ([TSX:T](#))([NYSE:TU](#))—will all be affected slightly differently.

So, how exactly will these three companies be affected?

The specifics

First, let's look at how this affects you as a consumer, just so we can better understand what the telcos are going through.

If you signed a three-year contract before June 3rd 2013, then you will be able to cancel your contract at no charge. And if you signed a three-year contract after that date, then you'll be able to cancel your contract once the two year anniversary is reached.

For this reason, you might be able to get a better deal from your carrier. Rogers has been particularly aggressive with its high-value customers, offering price breaks and free data top-ups. And if you're happy with the device you own, you could take advantage of "bring your own device" plans, which offer steep discounts.

What's the effect?

None of this should sound good to shareholders of the Big Three. In fact, the companies challenged the new regulation, but the Federal Court of Appeals dismissed the case on Tuesday.

So, how affected will the carriers be? Well, Scotia Capital analyst Jeff Fan estimated that 10-18% of

the Big three's postpaid subscribers (between 2.2 and four million) will be affected by this deadline. That's nothing to sneeze at.

Most analysts agree that Rogers will be the most affected, and I'm inclined to agree. Rogers tends to have the least loyal customers, and also scores poorly on customer service metrics. A number of locked-in customers could be counting down the days until their freedom.

Telus should be less affected. It has extremely loyal customers, and very high customer service scores as well. To be clear, this is still not a positive for the company. It will likely have to spend more to retain customers, and match some of the generous offers from Rogers. But shareholders should be a lot less concerned.

How should you react?

In the long term, this shouldn't be more than a blip. While there may be some cancellations and increased costs in the short term, this will pass. And if costs increase for the wireless carriers in the long term, they should be passed on to consumers. As a Canadian, I would expect nothing less.

CATEGORY

1. Investing

TICKERS GLOBAL

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2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:TU (TELUS)
4. TSX:BCE (BCE Inc.)
5. TSX:RCI.B (Rogers Communications Inc.)
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Date

2025/07/22

Date Created

2015/05/26

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