



## Is Google About to Kill Canada's Telecoms?

### Description

Every year around this time, I shop for a new cell phone plan.

This is the time of year when Canada's wireless companies really roll out the red carpet for new subscribers. By keeping my old phone—which has long been unlocked, leaving me free to sign up with whoever—I can get a package from one of the lesser-known providers for \$30 per month that gives me a decent amount of minutes, unlimited texting, and enough data to entertain me while I'm waiting for things.

The best part of this from a consumer's standpoint is these smaller operators use the same networks as the big guys. These companies either buy spectrum from the incumbents, or else they're owned by one of the Big Three in the industry. **Rogers Communications Inc.** ([TSX:RCI.B](#))([NYSE:RCI](#)) owns Fido, **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) owns Koodo, and **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) owns Virgin.

A few years ago, while I was under contract, I was paying approximately \$60 per month. These days, I've cut that in half. It isn't just me who's shopping either; thousands of other Canadians do the same thing.

At this point, this is nothing but a minor inconvenience to Canada's largest telecoms. They have the network, and they know you'll have to go through at least one of them if you want access.

But perhaps the wireless business isn't quite as good as investors assume.

### The 800 pound gorilla

There are many industries that **Alphabet Inc.'s** ([NASDAQ:GOOG](#))([NASDAQ:GOOGL](#)) Google has affected, including mobile phones. Its Android operating system is the world's most popular, and it makes billions per year in fees from its Google Play store.

Google isn't finished with the mobile space. The company has partnered with two U.S.-based carriers to offer a very compelling wireless plan, dubbed Project Fi. For just \$20 per month, users get unlimited

talk and text, and for an extra \$10 per gigabit, they get data as well.

It's a great plan, and it gets even better in the details. Google's Project Fi also includes free texting while traveling internationally, and data costs the same whether users are in the United States, Canada, or in 120 additional countries. Calls when roaming are also a reasonable \$0.20 per minute.

Imagine if that plan came to Canada, a country where the average smartphone plan approaches \$60 per month. It would be a game changer for Canada's wireless providers, and not in a good way either.

### **But will it happen?**

To implement its Project Fi, Google partnered with both **T-Mobile** and **Sprint**. Since these companies are so far behind the two largest U.S. carriers, they have all the incentive in the world to try to gain market share.

It's easy to scoff and say something like "this won't happen in Canada." After all, Canada's mobile market is dominated by the Big Three, who collectively almost own the market. Google needs spectrum to make this happen, and it doesn't seem likely that any of the large players will be willing to give up any of theirs—especially to a threat like Google.

But Google has alternatives. It could partner with **Quebecor**, which is investing aggressively in spectrum to expand its wireless service outside of its home province. And **Manitoba Telecom** recently announced that it has agreed to sell its troubled Allstream division to a U.S. company for \$465 million. It could use that capital to expand its wireless network outside of its home province.

And remember, Wind Mobile is already a low-cost provider with network access in most of Canada's largest cities. A partnership between it and Google makes sense.

Even if Google plans an expansion of Fi into Canada, it'll likely take years before it happens. After all, the project is still in the invite-only stage in the U.S. Still, this isn't a threat investors in Canada's telecoms should take lightly. Google has revolutionized entire industries before. Wireless service just might be next.

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2. NASDAQ:GOOGL (Alphabet Inc.)
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