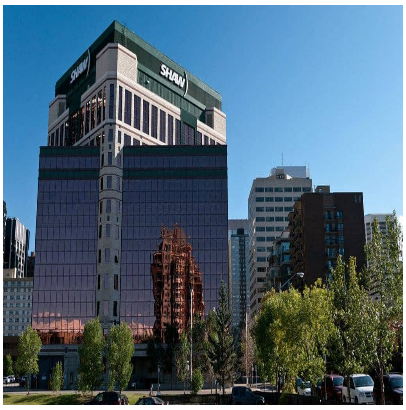

Was Shaw Communications Inc.'s Voluntary Buyout Program a Disaster?

Description

Over the past two weeks, a significant amount of reporting has been done on **Shaw Communications Inc.'s** (TSX:SJR.B)(NYSE:SJR) decision to offer nearly half of its employees a voluntary buyout — the terms of which were seemingly very attractive to many of the employees who decided to take the offer.

Initial results of the program have indicated that approximately 25% of the company's workforce that was handed a voluntary buyout have accepted the offer — a number which has astonished many analysts and investors who follow Shaw. Worries that service could be interrupted in the short term are abounding, and with investors seemingly jumping ship (Shaw's stock price has dipped more than 12% since the beginning of the year), questions as to whether the decline has just begun, or if this current dip represents a buying opportunity, abound.

Shaw's fundamentals remain strong, and the company continues to be a thorn in the side of Canada's "Big Three" telecommunications companies, as the company ramps up discounts intended to lure Canadian wireless subscribers away from higher-priced plans offered by the biggest telecoms to Shaw's product offering.

As highlighted by fellow Fool contributor Joey Frenette, the move toward becoming a lower-priced option for Canadian wireless consumers, which pay among the highest prices for wireless fees in the developed world, could eventually result in as many as 25% of Canadians holding plans from the other carriers to switch to Shaw — a move that would certainly boost the company's coffers and allow for continued re-investment into network improvements and infrastructure across the country.

In terms of my long-term outlook for Shaw, it appears to me that this recent dip related to uncertainty with respect to the company's workforce is likely to be short-lived. As with any corporate restructuring, putting assets in the right places, and in the correct volumes, may turn into some short-term disruptions, but overall are likely to produce out-sized gains for investors, as the company becomes leaner and more agile. With Shaw looking to invest more capital in its technology and infrastructure, reducing long-term variable costs, while taking a short-term hit may be the only way to provide the sort of low-cost model the company is looking to achieve.

Investors certainly do not like the sound of “downsizing”; however, in Shaw’s case, I would call this more of a case of “right-sizing” the company’s operations in a bid to become competitive — something all Canadian telecoms should be doing at this point in time.

Stay Foolish, my friends.

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