



## Why Shaw Communications Inc. (TSX:SJR.B) Is a Better Bet Than the Big 3 Incumbents

### Description

Telecom stocks have been in the doghouse all year, and **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) has been no exception.

While it may be tempting to throw in the towel on all telecom stocks on the basis that they're destined to underperform in an era of higher rates, I think it's a huge mistake to shun the entire sector. The Canadian wireless scene is about to experience a profound shake-up over the next five years and beyond, as Shaw continues to go all-in with its disruptive wireless business Freedom Mobile.

Sure, Freedom Mobile is still vastly inferior in terms of network quality to its bigger brothers, but over the next three years, I believe this quality gap will narrow significantly, as Shaw inches closer towards its long-term goal of capturing a fair ~25% slice of the Canadian wireless market. At this rate, Shaw looks like it's a Big Four player that has everything to gain at the expense of the Big Three.

### Canadian regulators are on Shaw's side

It's not a mystery that the Canadian government wants to foster competition in the Canadian wireless scene, which has exhibited monopoly-like characteristics for decades. The CRTC has implemented several regulatory measures to limit the borderline abusive pricing powers of the Big Three players.

Moving ahead, one can only expect more regulatory hurdles to be placed in front of the Big Three, and that's potentially bad news for their top and bottom lines.

Take absurd overage and roaming charges as an example.

Thanks to a new CRTC code, wireless providers can no longer gouge customers who may not be aware that they're over their monthly limit. The code states that a customer's data overage charges must be capped at \$50 unless their consent is given. This wireless code prevents bill shock and is intended to chip away at the non-competitive practices exhibited by Canada's Big Three providers.

Looking ahead, I find it very likely that the CRTC will put forth more top-line reducing regulatory hurdles

that the Big Three will need to comply with. Shaw's wireless business Freedom Mobile will likely already be in compliance with all proposed regulatory measures beforehand, so Shaw really has nothing to lose and all to gain as its Big Three competitors slowly but steadily weaken courtesy of the Canadian government.

Furthermore, Canadian regulators are more than likely to give Shaw [first dibs at future wireless spectrum auctions](#). According to Innovation Minister Navdeep Bains, the 5G mobile network auction will be held in 2020. The new 5G wireless technology is up to 100 times faster than 4G LTE and is expected to play a huge role in the next generation of IoT devices.

### Bottom line

Shaw appears to be the firm that regulators are standing behind as we move into the next generation of wireless tech. With the help of regulatory authorities, I believe that Shaw's presence in the wireless scene will cause the Big Three cartel-like structure to crumble as every telecom firm moves to fend for itself to undercut its peers through [aggressive promos](#) to better adapt in an era of cut-throat competition.

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