



Is Telus (TSX:T) Worth Holding as a Monopoly Break-Up Looms?

Description

During the [epidemic sweeping the market](#), telecom giants are looking at the possibility of a long-standing monopoly to break up. **Telus** ([TSX:T](#))([NYSE:TU](#)) is [one of three firms dominating](#) the world's most protected telecom sector.

With wireless and internet technologies widely used worldwide, protectionism has no place anymore. The clamour to bring down the cost of cell phone plans is growing. Unless the government allows the entry of new players, the Big Three will continue to dictate prices and control 92% of the market.

Affordability is the issue

The Organisation of Economic Co-operation and Development (OECD) named Canada's telecom sector as among the most restrictive in 2016. The group was batting for a greater competition to lower prices and increase consumer access to fast, high-quality networks.

In early 2019, the Canadian Radio-television Telecommunications Commission (CRTC) received a new policy direction. The directive was for the commission to consider competition, affordability, consumer interests, and innovation when crafting regulatory decisions.

Two-year ultimatum

The Canadian government, through Innovation Minister Navdeep Bains, made a surprising announcement on March 5, 2020. The three biggest Canadian telecom operators must slash prices by 25% in two years or else face the consequences.

If the telecom giants fail to comply after the time frame, there will be regulatory tools to increase competition if the companies do not comply. The likely scenario is mobile virtual network operators using their networks for infrastructure and provides lower-cost data plans to consumers.

According to the government, the dramatic price drops in wireless and internet services from May to

September last year did not appease 50% of consumers. Hence, the government expects the Big Three to make further price cuts in two years.

Telus's stand

Telus CEO Darren Entwistle warns of mass layoffs involving 5,000 jobs. Also, the company will hold \$1 billion in investment and spending in coming years. Telus opposed the idea of the telecom regulator selling wholesale access to its network. Should the CRTC rule to mandate resale access, new low-cost operators could come in.

Entwistle is filing a memo confidentially to the CRTC, which contains the signed resolution by Telus's board of directors instructing management to pursue the spending reduction plan.

Speed champion

If Telus is under pressure to bring down prices even more, is the telco stock still a profitable investment option? Besides the 296.66% total return over the last 10 years, Telus is a Canadian dividend all-star. It has a dividend streak of 16 years. The current dividend yield is an eye-popping 4.91%.

Likewise, the company has been receiving accolades from several quarters. The Seattle-based Ookla gave Telus the 2019 Fastest Mobile Network and Best Mobile Coverage Speedtest awards.

In the *Mobile Network Experience Report* by Opensignal, Telus was given recognition as the best network in Canada for 4G availability. It includes the Best Video Experience, Download Speed Experience, Latency Experience, and Upload Speed Experience.

Disincentive

Telus, along with the other industry giants, is against the facilities-based competition. All three contend that the government is removing the incentives for the big players to invest network infrastructure. It will also slow down Canada's preparation for the 5G network.

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