



Telecom Stocks: A Political Football?

Description

Canada's telecommunication industry consists of three major players: **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), **Telus** ([TSX:T](#))([NYSE:TU](#)), and **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)). These top telecom stocks continue to be great long-term investments for those nearing or entering retirement, largely due to the defensive growth profiles of these companies as well as their higher than average dividend yields paid.

However, a series of events have posed an intriguing problem for investors. Telecom stocks appear to be the target of politicians during this federal election.

Let's dive into what investors should be watching with telecom stocks right now.

Telecom stocks under siege?

Given the Big Three telecom stocks in Canada control roughly [90% of the market](#), it's perhaps unsurprising to see this sector targeted by politicians. Indeed, Canadians pay among the highest wireless bills in the world. This is something politicians may be wanting to tackle (or at least promise to tackle) during a campaign.

Should Rogers's takeover of **Shaw Communications** ([TSX:SJR.B](#))([NYSE:SJR](#)) materialize, even more power would be in the hands of three telecom stocks.

According to conservative leader Erin O'Toole, a lack of competition in the sector is the primary reason for high telephone bills.

His view of this sector is that less consolidation may be better. Accordingly, investors banking on the Rogers-Shaw deal going through may have more difficulty justifying such a deal in a conservative government. Concerns around affordability are likely to trump concerns around shareholder rights. At least, that's part of one party's plans.

The NDP has similarly stated they're pushing for a cap on wireless bills for certain plans. The fact that

telecom stocks appear to be a political football being kicked around right now has done little to stop surging share prices in this sector. However, the political landscape will certainly be one to watch for investors in any of these stocks.

Bottom line

Telecom players in Canada continue to invest heavily in 5G infrastructure and expanding wireless services across the country. Accordingly, a case can certainly be made to the Competition Bureau that more consolidation is needed to accomplish this.

Of course, many different political outcomes are possible. However, investors should keep in mind that telecom stocks remain a hot-button topic right now.

These companies provide tremendous catalysts (such as 5G) to allow Canada to add to its gross domestic product. However, these companies also have the potential to essentially tax the working-class person, something politicians don't like.

That said, the fact that these high-yield bond proxies pay out [significant dividends](#) and have ample room for growth is enticing. I think over the long-term telecom stocks will continue to perform very well. However, over the near term, there may be some volatility. Investors should brace themselves accordingly.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RCI (Rogers Communications Inc.)
3. NYSE:SJR (Shaw Communications Inc.)
4. NYSE:TU (TELUS)
5. TSX:BCE (BCE Inc.)
6. TSX:RCI.B (Rogers Communications Inc.)
7. TSX:SJR.B (Shaw Communications)
8. TSX:T (TELUS)

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