



## Developing Drama: BCE (TSX:BCE) Opposes \$26 Billion Telco Deal

### Description

Something is brewing in the [telco space](#) after **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) raised opposition to a proposed blockbuster merger. Another drama could develop after two bidding wars recently among rivals in the energy and industrial sectors.

In mid-March 2021, **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)) offered to acquire **Shaw Communications** for \$26 billion. The merger would create the second-largest telco and unseat **TELUS**. However, the deal still hangs in the balance as the parties have yet to obtain regulatory approvals.

### Opposition to the deal

The word is out that Canada's largest telco offered to buy Shaw ahead of Rogers. Reports by *The Globe and Mail* and BNN Bloomberg said BCE withdrew from the deal citing undue risks. Similarly, a bidding war had already started even before the latest issue cropped up.

On September 13, 2021, BCE filed its opposition to Rogers' takeover of Shaw with the Canadian Radio-television and Telecommunications Commission (CRTC). Based on Bell Canada's argument, the merger will result in market dominance or control (47%) of the English-language broadcasting distribution market.

Shaw's broadcasting distribution businesses include Shaw Direct and cable networks in Alberta, British Columbia, Manitoba, Northern Ontario, and Saskatchewan. In 2012, Rogers opposed BCE's intention to acquire Astral Media. CRTC denied the purchase citing competition concerns.

### Ongoing review

The Competition Bureau is currently reviewing the proposed Rogers-Shaw merger. In early August 2021, the chief competition regulator in Canada issued court orders to telecommunications companies, including Bell and TELUS. The recipients have 120 days from the order to turn over documentation on

their mobile wireless services, such as market shares and pricing policies.

Besides the CRTC and the Competition Bureau, Rogers must also obtain approval from the Innovation, Science and Economic Development Canada (ISED). Andy Kaplan-Myrth, Vice-President of TekSavvy Solutions, said combining two massive, vertically integrated companies will result in fewer viable competitors and further consolidation of market power.

## Rogers's promise

Regarding the merger, a spokesperson for Rogers said, "Together, Rogers and Shaw will create a truly national competitor that will ensure greater choice for large and small businesses, governments and consumers. It will have the necessary scale to make generational investments in broadband, 5G networks, and technology which Canada urgently needs."

Rogers adds the combination will enable the company to connect Indigenous and rural communities that lack effective high-speed internet access. The potential partners said they're working with the three regulators investigating the impact of the merger.

The \$30.22 billion telco will earmark a \$1 billion fund dedicated solely for that purpose. However, the proposed deal didn't help the stock any. At \$59.79 per share, the year-to-date gain is 3.4%. Rogers Communications pay a decent 3.35% dividend.

## Better performer

BCE outperforms Rogers on the stock market. At \$64.68 per share, investors enjoy a 24% year-to-date gain on top of a generous 5.41% dividend. Between the telco stocks, BCE has an outstanding [dividend track record](#). The \$58.58 billion company hasn't missed a dividend payment since 1881.

## "Real" competition

BCE's opposition to the Rogers-Shaw merger could be a deal-breaker, although the proposal will surely pass through the eye of the needle. However, the ["real" competition](#) among the big three telcos is who leads Canada in the 5G network, the transformational technology. According to the *Financial Times*, 5G is the game-changer for humanity.

### CATEGORY

1. Energy Stocks
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