



Rogers (TSX:RCI.B) to Tribunal: Effects on Competition Is “Minimal to None”

Description

The proposed merger in the [telco space](#) is now pending with the Competition Tribunal. Because of a preliminary injunction, **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)) agreed not to enforce any condition in its agreement with **Shaw Communications**.

An expedited hearing will take place, wherein the Competition Bureau must prove to the tribunal that the Rogers's takeover of Shaw will harm the industry and its customers. But in essence, the argument of Rogers in its filing is that the effects of the merger on competition will be “minimal to none.”

Since the hold was put on the business combination, the share price of Rogers fell 2%. At \$63.63 per share, the 5G stock is still up 6.42% year to date. Also, the 3.13% dividend remains intact. Shaw's year-to-date loss has widened to 6.3%.

Bone of contention

The Competition Bureau seeks to stop the \$26 billion deal permanently. It contends that Canadians will lose protection from higher prices, poorer service quality, and fewer choices, specifically in wireless services. Currently, **BCE**, **TELUS**, and Rogers form the Big Three in the telco industry that corners 87% of Canadian subscribers.

Competition Commissioner Matthew Boswell said, “Vigorous competition is essential for Canadians to access affordable, high-quality wireless services. I’m pleased this case can now move quickly towards a hearing before the tribunal. Our objective remains to protect Canadians by preserving competition and choice in Canada’s wireless market.”

Counterargument

Rogers insists that the Competition Bureau's call to reject the transaction is unreasonable. The \$32.19 billion telco's counterargument read, "Any alleged impact on competition is far outweighed by the transaction's efficiencies."

The competition commissioner "failed to properly assess" the effects on competition of the planned merger, wrongly defined relevant product markets, and presented an analysis that was "flawed and incomplete."

Furthermore, Rogers contends that Commissioner Boswell can't establish that the deal would substantially lessen wireless competition. Meanwhile, Rogers and Shaw maintain their commitment to pursue to the deal, despite the latest roadblock. The parties have July 31, 2022, as the outside date in case the approval process takes longer than expected.

Third-party intrusion

Rogers intends to sell Shaw's Freedom Mobile as a caveat to obtaining regulatory approvals. On June 3, 2022, Globalive Capital made a direct offer to Shaw to purchase Freedom Mobile for \$3.75 billion. The company recently entered a 20-year network and spectrum sharing agreement with TELUS.

Anthony Lacavera, Globalive founder and chairman, said, "Shaw cannot engage until after July 31 as they agreed to an extension with Rogers but what we have proposed to them is that they don't extend further and sell us Freedom." He was referring to \$800 million break fee Shaw has to pay Rogers if it backs out from the deal.

Lacavera is open about his desire to acquire Freedom Mobile, knowing the regulating bodies will not permit a wholesale transfer of Shaw's wireless assets to Rogers. Globalive promises to bring U.S.-style "pure-play" competition, especially lower wireless prices. Globalive believes the arrangement with TELUS will increase its chances of winning Freedom Mobile.

Long way to go

If Rogers wins its case with the Competition Tribunal, it still needs to obtain approval from the Ministry of Innovation, Science and Economic Development Canada, the third and last hurdle.

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