



Telecommunications investment: Sustaining the infrastructure behind Canada's economy



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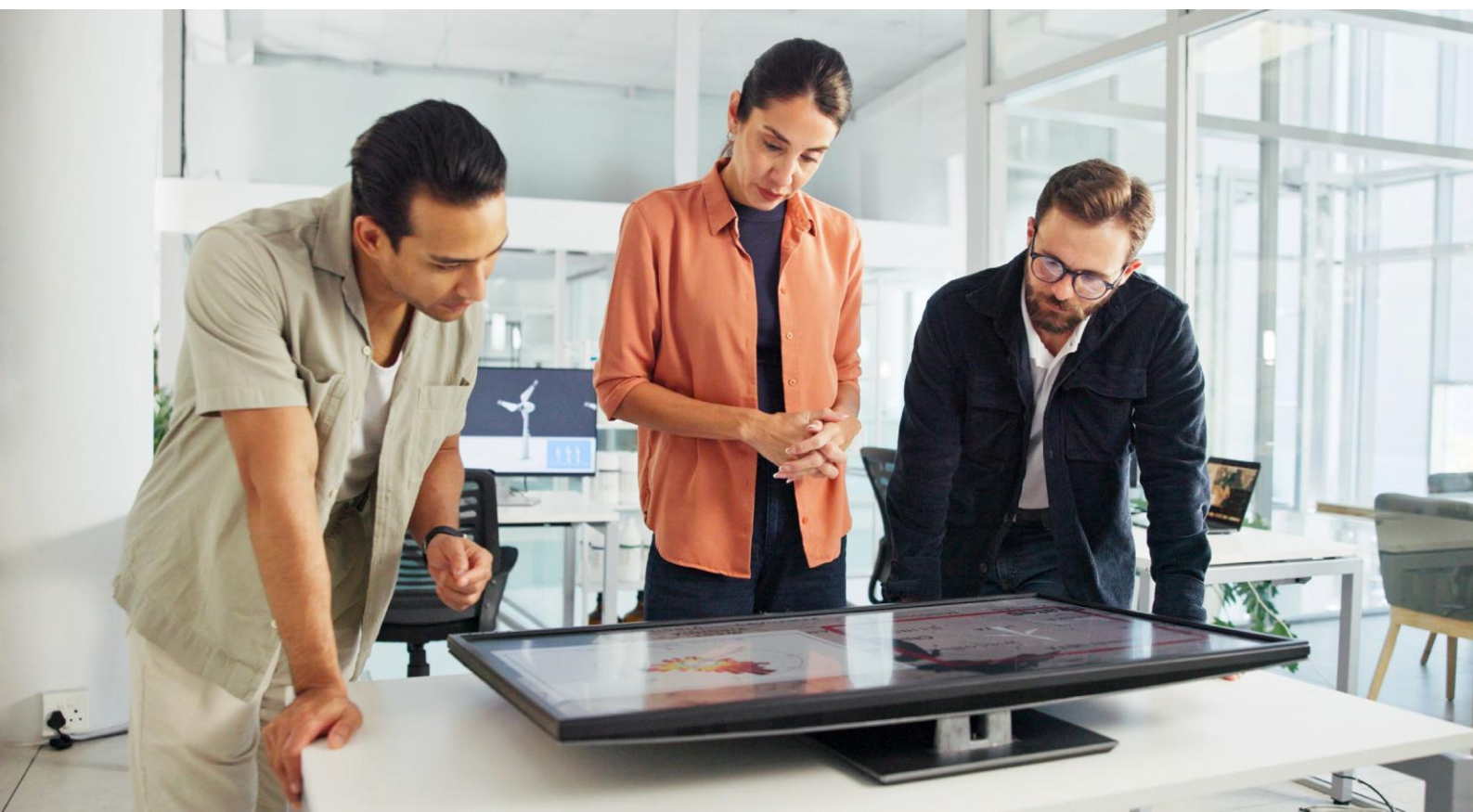
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Executive summary

Canada's telecommunications sector delivers strong value for consumers while serving as foundational infrastructure for Canada's economy, productivity, security, and resilience. Telecommunications networks now underpin critical infrastructure, public safety, supply chains, digital commerce, emergency response, and the adoption of emerging technologies, including AI, across the economy. At the same time, consumers have benefited from declining prices, expanding coverage, and improved service quality.

These outcomes have been enabled by sustained private investment in telecommunications infrastructure. Since 2021, Canadian telecommunications operators have invested approximately \$59 billion in networks, supporting expanded broadband access, faster speeds, improved reliability, and growing digital adoption across households and businesses.



Our analysis demonstrates both the economic value delivered by Canada's telecommunications sector and the importance of sustaining the investment required to support it:

- **National infrastructure and digital sovereignty.** Telecommunications networks form the backbone of Canada's critical infrastructure, underpinning financial systems, supply chains, emergency response, and public safety. As AI, cloud computing, IoT, and real-time data processing become increasingly embedded across the economy, the strategic importance of resilient, high-capacity networks to Canada's digital sovereignty will only grow.
- **Material contribution to GDP and employment.** In 2025, the telecommunications sector contributed approximately \$86 billion to Canada's GDP, representing roughly 4% of total economic output, and supported 611,000 jobs across industries. Beyond its direct footprint, the sector is a significant source of R&D investment and a critical enabler of economic activity across finance, healthcare, manufacturing, and education.
- **Productivity enablement across the economy.** Canada's labour productivity growth has lagged peer economies over the past decade, while Information and Communications Technology (ICT) investment remains among the largest contributors to closing that gap. Telecommunications infrastructure directly enables cloud adoption, automation, AI deployment, and digital transformation across SMEs, professional services, utilities, and wholesale trade.
- **Consumer affordability gains have been broad-based and meaningful.** Between January 2020 and February 2026, wireless CPI declined 45.5% and wireline CPI declined 3.1%, a stark contrast to material increases in shelter, food, and transportation costs over the same period. Canadians are receiving more data, faster speeds, and broader coverage at lower effective cost, with affordability improvements evident across all household income levels, particularly in wireless services.
- **A deteriorating investment environment poses structural risk.** Annual capex declined from \$12.5 billion in 2022 to \$10.9 billion in 2025 while the industry revenues remained relatively flat. Government and regulatory costs reached approximately \$2.5 billion in 2024, equivalent to 58% of major operators' combined net income. Canada also trails peer jurisdictions on broadband funding and investment cost recovery mechanisms. As network demands from AI, cloud computing, and IoT continue to grow, a sustained compression in investment capacity directly threatens the resilience of the critical infrastructure and digital sovereignty that Canadians and the broader economy depend on.



Taken together, these findings highlight a growing disconnect between the strategic importance of telecommunications infrastructure and the conditions required to sustain investment in it. Affordability, coverage, productivity gains, resilience, and economic contribution are all downstream of long-term capital investment in networks. As demands on Canada's telecommunications infrastructure continue to grow, sustaining these outcomes will require a policy and regulatory environment that supports continued investment in next-generation connectivity infrastructure.

Introduction

This report examines the state of Canada's telecommunications sector. We examine its economic and consumer impact, its role as critical infrastructure, and the requirements for its continued success. It draws on publicly available data from Statistics Canada, the CRTC, the Bank of Canada, the OECD, the International Telecommunication Union, and industry sources, as well as original analysis of sector-level economic contributions, capital investment trends, and international comparisons.

The telecommunications sector is most commonly assessed through a consumer-facing lens: the prices Canadians pay for wireless and wireline services, and whether those prices are falling. This report addresses that dimension directly, but the consumer lens alone does not capture the full scope of the sector's role in Canada's economy. Telecommunications functions as the connective tissue of the broader economy, underpinning critical government operations, financial systems, supply chains, public safety, digital sovereignty, and national security. This report examines the sector's comprehensive impact and assesses whether the conditions exist to deliver the outcomes that each requires.

Our report begins by establishing the significant value Canada's telecommunications sector delivers, both through direct consumer benefits like improved affordability and as a major contributor to national GDP, employment, and innovation. We then elevate this assessment to a strategic level, examining how this sector has increasingly become critical national infrastructure: the essential enabling layer for Canada's economic coordination, digital sovereignty, and public safety. Contextualized within the nation's ongoing productivity challenge, the report culminates in a critical question:

Is the current policy and investment climate sufficient to attract the capital needed to maintain and advance this vital asset for Canada's national priorities?

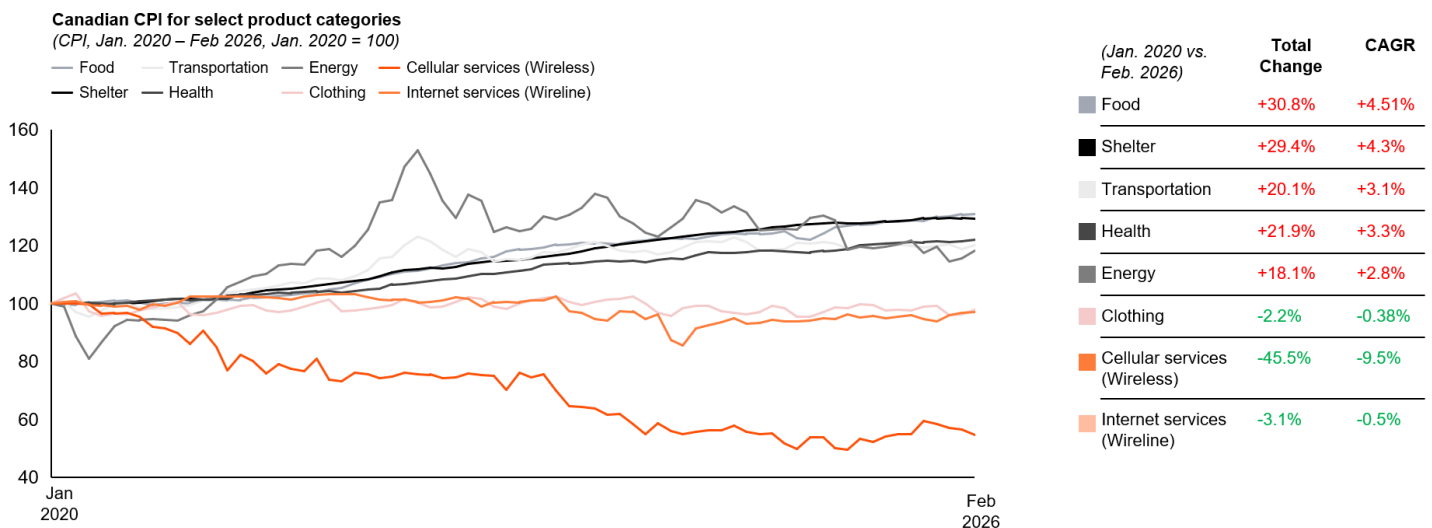
Sector performance: Strong outcomes for consumers across multiple dimensions

1.1 Sustained price declines

Canadian consumers have seen the cost of telecommunications services decline, even as most other household essentials have become more expensive. Since the pandemic, prices for shelter, food, and transportation have all risen, but wireless and wireline services have moved in the opposite direction, recording sustained declines over the same period.

Consumer Price Index (CPI) data from Statistics Canada quantifies the gap. Between January 2020 and February 2026, wireless CPI fell 45.5% and wireline CPI fell 3.1% (Figure 1). Over the same period, shelter CPI increased 29.4%, food rose 30.8%, and transportation climbed 20.1%. Of all major CPI categories tracked over this period, only telecommunications and clothing registered a meaningful price decline (Figure 1).

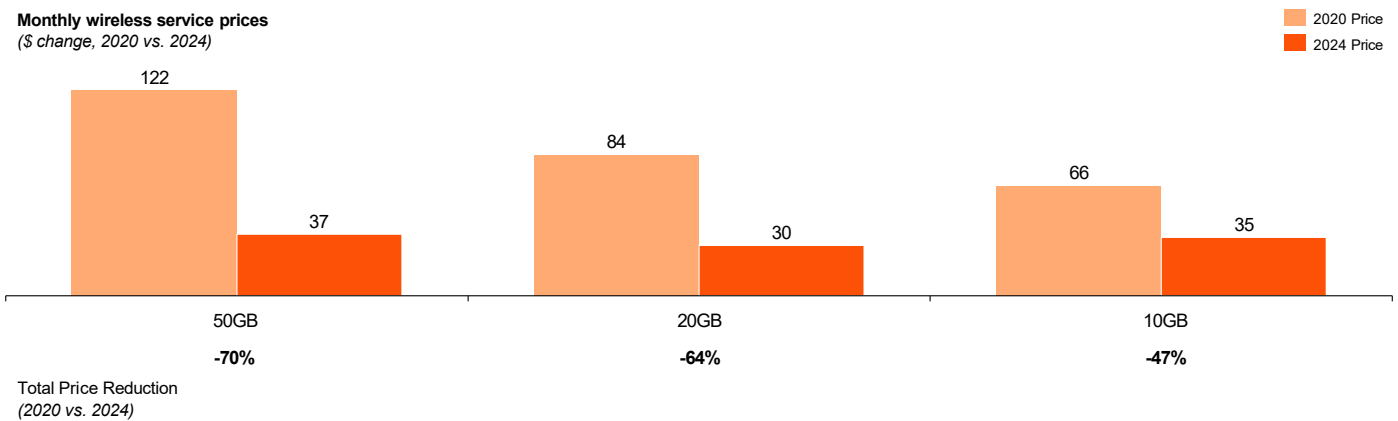
Figure 1 - Canadian CPI for select product categories



Source 1: Statistics Canada. Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted, 2025 ; Source 2: Statistics Canada. Table 36-10-0587-01 Distributions of household economic accounts, income, consumption and saving, by characteristic, annual (x 1,000,000)

Notably, the wireless CPI trend understates the magnitude of price declines in the retail market. Pricing for a range of widely adopted wireless plans has decreased even more significantly (Figure 2).

Figure 2 - Wireless service prices by plan tier



Source 1: CRTC, Current trends – mobile wireless, 2025 ; Source 2: ISED, Telecom services price tracking, 2025

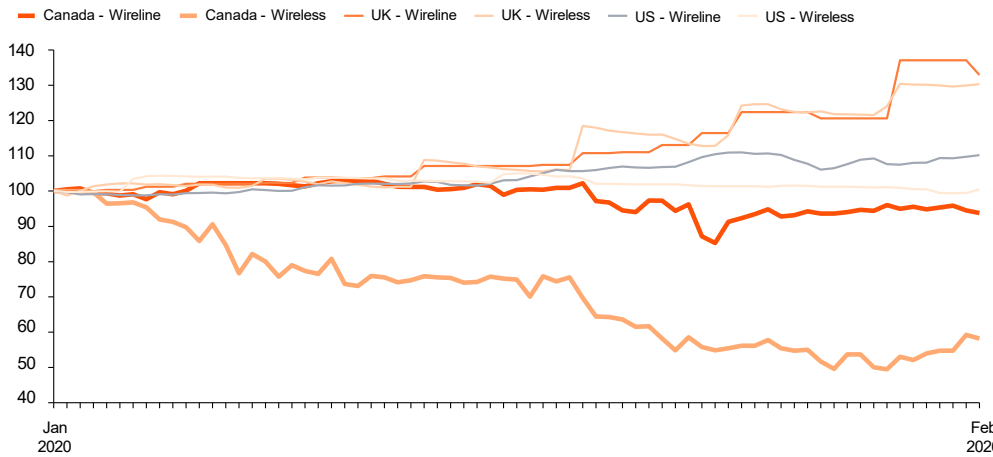
Moreover, these price declines have occurred even as service levels have significantly improved, with consumers now receiving more data, faster speeds, and larger data allowances than they did in 2020. In contrast, most other sectors have seen substantial price increases without comparable improvements in the quality of goods or services delivered to consumers. In other words, Canadians are paying less while getting more from their telecommunications services, a dynamic not observed in other major spending categories.

The contrast of these wireless price reductions compared to overall inflation is significant. In each of its monthly CPI releases from October 2023 through July 2025, Statistics Canada identified telephone services as one of the principal downward contributors pulling inflation lower. That amounts to 22 months of monthly CPI reports that show year-over-year declines, averaging above 10% in each monthly report. Mobile services, which dominate the telephone services weighting, drove most of the reduction as wireless providers introduced larger data plans at lower price points and competed more aggressively on price.

The Canadian experience contrasts with pricing trends in peer countries. From January 2020 through February 2026, U.S. wireless CPI was relatively unchanged (-3.1%), while U.S. wireline CPI rose 11.8%. In the United Kingdom, wireless prices increased 31.6% and wireline prices rose 37.1% (Figure 3). While structural differences in pricing models and regulatory frameworks exist, Canadian households have experienced more favorable wireless and wireline pricing trends than consumers in these markets.

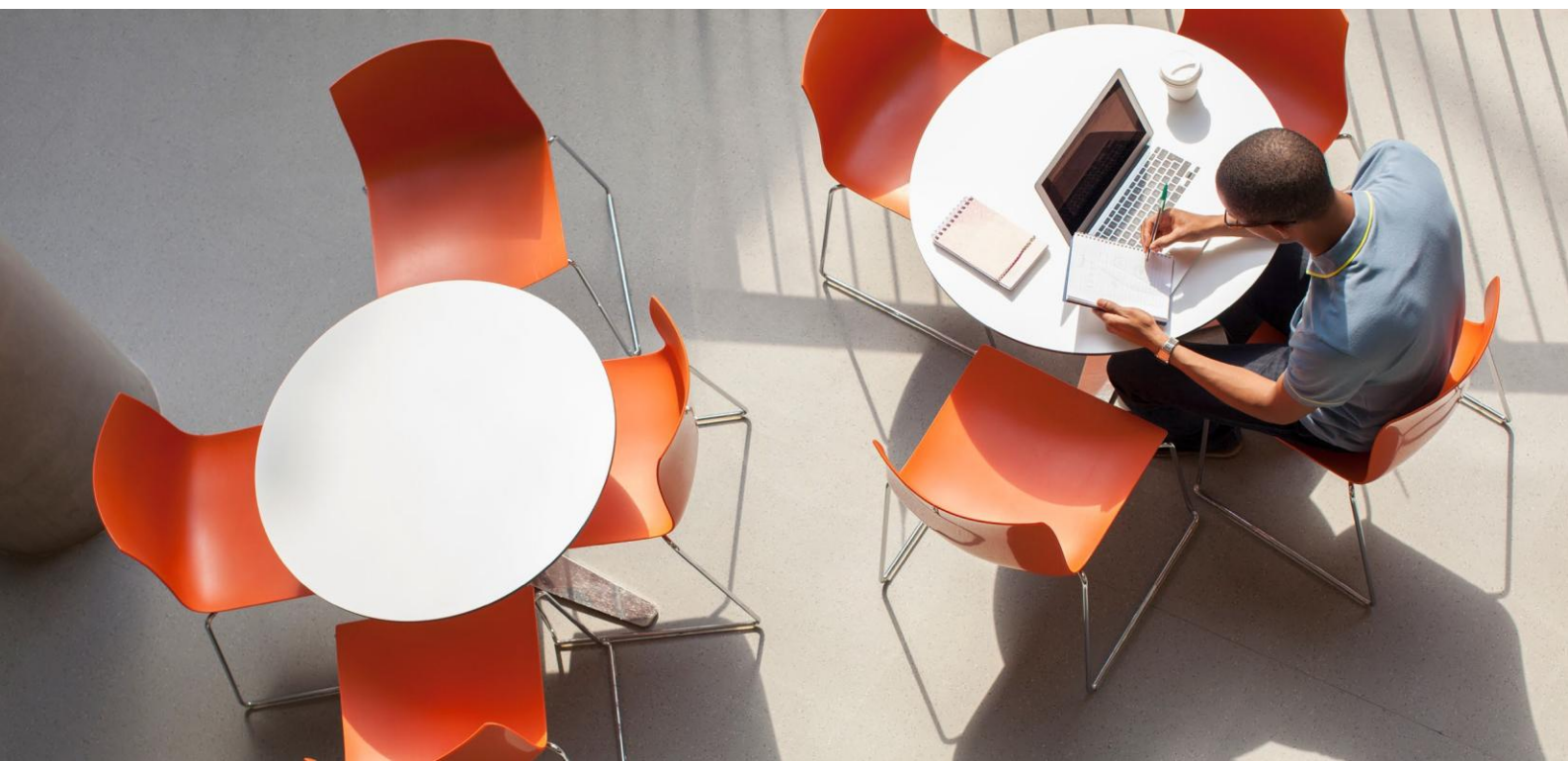
Figure 3 - Wireless and wireline services across Canada, USA, UK

CPI in wireless and wireline services across Canada, USA, UK
(CPI, Jan. 2020 – Feb. 2026, Jan. 2020 = 100)



	(Jan. 2020 vs. Feb. 2026)	Total Change	CAGR
UK Wireline	+37.1%	+37.1%	+5.3%
UK Wireless	+31.6%	+31.6%	+4.6%
US Wireline	+11.8%	+11.8%	+1.8%
US Wireless	-3.1%	-3.1%	-0.5%
CA Wireline	-3.1%	-3.1%	-0.5%
CA Wireless	-45.5%	-45.5%	-9.9%

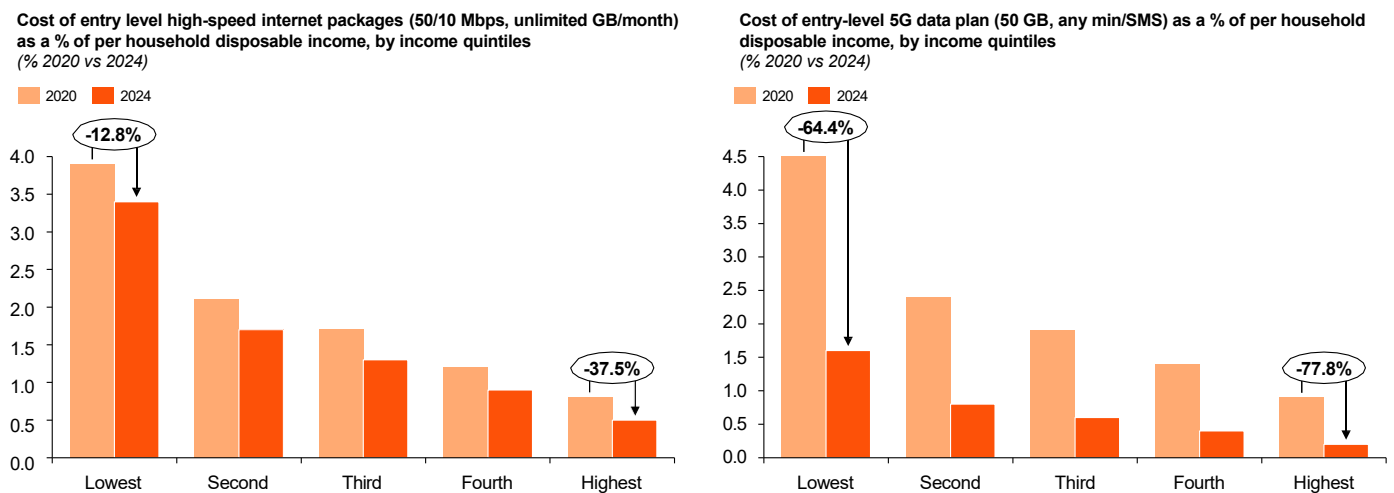
Source 1: Statistics Canada, Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted, 2025 ; Source 2: Bureau of Labor Statistics, Consumer Price Index for All Urban Customers, 2025 ; Source 3: Office for national Statistics, Inflation and Price Indices, 2025 ; Source 4: ISED, Price Comparisons of Wireline, Wireless and Internet Services in Canada and with Foreign Jurisdictions: 2022 Edition, 2022 ; Source 5: Office for National Statistics, Consumer price inflation tables, 2025. Note: US wireline data in October 2025 is unavailable due to the 2025 lapse in appropriations.



1.2 Affordability gains for all income levels

In addition to declining prices, telecommunications services have become more affordable relative to household incomes across all income groups. These services now require a smaller share of household disposable income in 2024 compared to 2020, across all income quintiles (Figure 4).

Figure 4 - Cost of entry level wireline and wireless plans as a share of household disposable income¹



Source 1: Statistics Canada, Table 36-10-0587-01 Distributions of household economic accounts, income, consumption and saving, by characteristic, annual (x 1,000,000) ; Source 2: CRTC, Current trends – Retail mobile wireless, 2025 ; Source 3: CRTC, Current trends – Retail fixed internet , 2025

For entry-level high-speed wireline plans (50/10 Mbps, unlimited data), the share of household income required to purchase the service declined steadily between 2020 and 2024. The effect is more pronounced for wireless services, where over the same period, the income share required for 5G high-data plans (using 50GB, any minutes/SMS as a representative service basket) fell across every quintile. This pattern indicates that affordability improvements have been broad-based rather than concentrated among higher-income households.

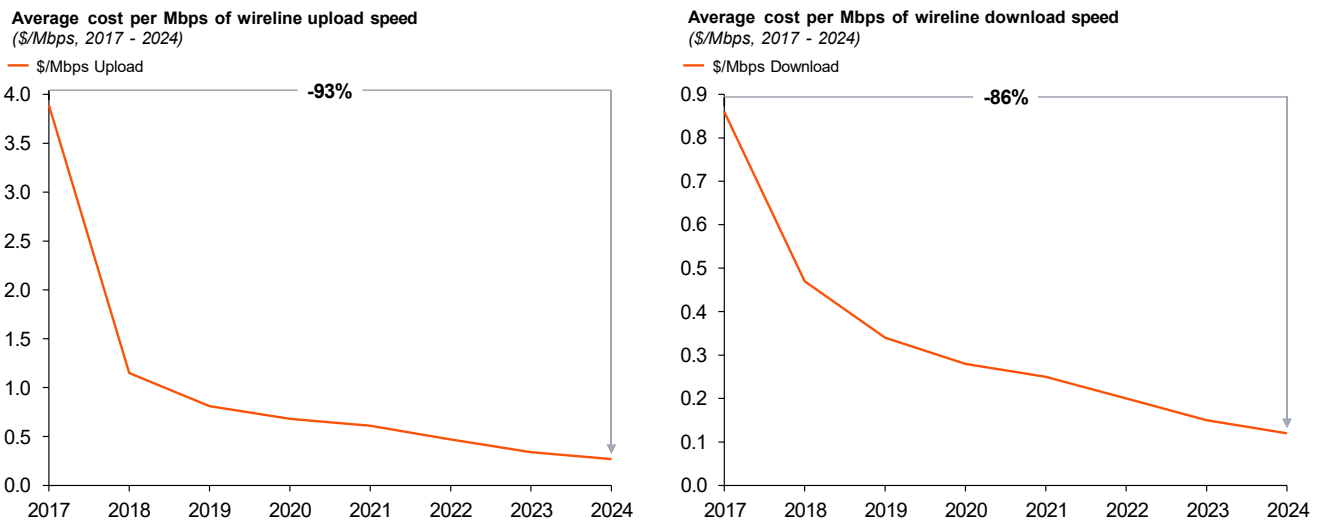
1 - Figure 4 uses standardized service baskets to provide consistent comparisons over time and across income groups, though actual household consumption may vary.

1.3 More data, faster speeds, and broader coverage for less

The reach and performance of Canada's wireline networks have both improved since 2020. By the end of 2024, approximately 96%² of Canadian households could access high-speed broadband services that meet or exceed the Canadian Radio-television and Telecommunications Commission's (CRTC's) universal service objective of 50/10 Mbps with unlimited data, up from 89.7%, four years earlier. Moreover, access to broadband speeds of one gigabit or higher has become broadly available, with approximately 90%² of households having access to those speeds compared to 75.8% in 2020. At the same time, the cost of each unit of wireline speed has fallen. Price per Mbps for both upload and download trended downward from 2017 to 2024.

In other words, each dollar spent on home internet now purchases significantly more bandwidth than before (Figure 5). Average monthly wireline data usage has also risen 234% between 2017 and 2025 Q2, reflecting the increasingly central role of connectivity in Canadian households. These gains have been enabled by sustained capital investment in network infrastructure, which has expanded capacity, improved speeds, and extended coverage across the country.

Figure 5 - Average cost per Mbps of wireline internet speed

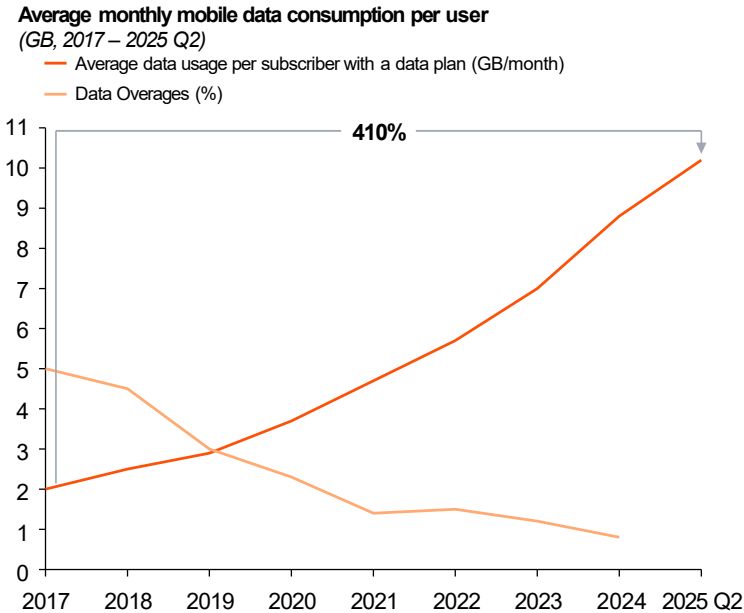


Source 1: CRTC. Communications Market Reports - Open Data - Retail fixed internet

2 - CRTC's CMR webpage, <https://crtc.gc.ca/eng/publications/reports/PolicyMonitoring/ban.htm>

Over the same period, the cost per gigabyte of wireless data has steadily declined, resulting in a significant improvement in value for money. Consumers have taken advantage of this increase in value as evidenced by the fact that the average monthly data usage per wireless subscriber grew 410% from 2017 to 2025 Q2 as data-intensive applications became central to everyday connectivity (Figure 6). This growth reflects the increasing centrality of mobile connectivity to economic and social activity, including remote work, digital services, and streaming.

Figure 6 - Monthly wireless data consumption per user



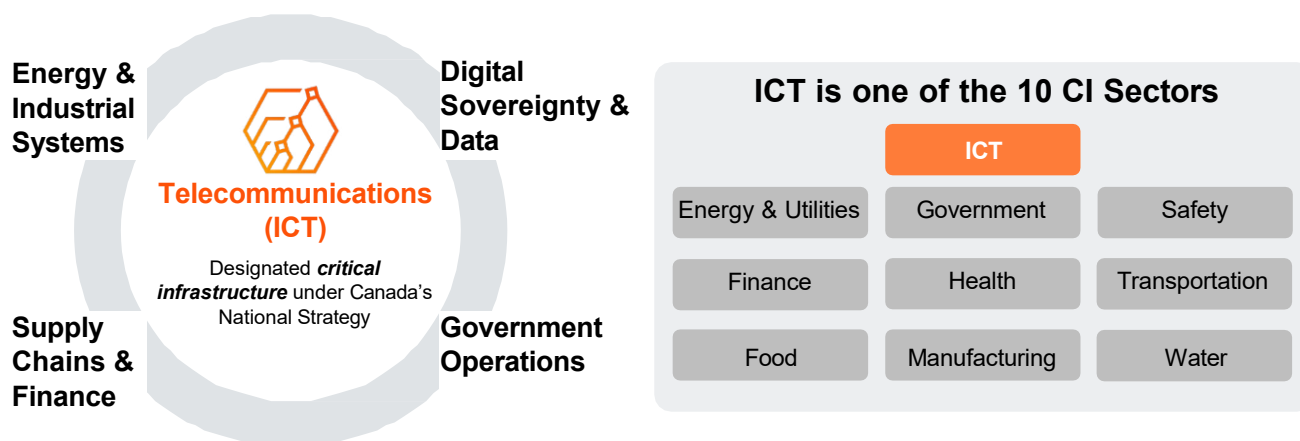
Source 1: CRTC. Communications Market Reports - Open Data - Retail mobile. Source 2: CRTC. Communication Market Report - Mobile wireless. Note: Data Overages are only available until 2024.



Telecommunications: Enabling Canada's national priorities

Telecommunications networks underpin many of Canada's core economic, social, and national priorities, including those identified by the federal government related to productivity, economic growth and security, data sovereignty and supply chain resilience. As digital technologies become more deeply embedded across sectors, telecommunications has evolved from a standalone service into foundational infrastructure that enables the delivery of these priorities. This section examines how telecommunications supports key national objectives, including digital sovereignty, modern supply chains, and public safety, and highlights the growing expectations placed on networks to deliver secure, reliable, and resilient connectivity. Together, these trends underscore the central role of telecommunications in Canada's economy and the importance of ensuring that the conditions exist to sustain and strengthen this foundational infrastructure.

Figure 7 - Telecommunications as the connective tissue underpinning Canada's National Strategy



2.1 The enabling layer behind Canada's critical infrastructure

Telecommunications networks are the connective tissue of Canada's economy, institutions, public safety, and national security apparatus (Figure 7). As outlined in the previous section, the sector has delivered strong outcomes for Canadians, including sustained price declines, increased competition, and significant ongoing investment in network performance and coverage. At the same time, the role that telecommunications plays in the broader economy has continued to expand. It is not a standalone commercial service, but the enabling layer on which other essential systems depend, including government operations, financial networks, energy grids, supply chains, transportation, and emergency services.

This growing interdependence means that expectations placed on telecommunications networks have evolved well beyond traditional service delivery. Networks are now expected to provide not only widespread and affordable connectivity, but also high levels of reliability, security, and resilience under a wide range of conditions. As more sectors digitize and rely on real-time data and connectivity, the performance of telecommunications infrastructure increasingly shapes the performance of the broader economy.

Canadian public policy increasingly reflects the expanded role and importance of telecommunications infrastructure. Across national strategies, security frameworks, and legislative measures (Figure 8), the sector is consistently recognized as critical to economic stability, public safety, and national security. This recognition is reflected not only in its designation as a critical infrastructure sector, but also in the growing emphasis on network security, resilience, and supply chain integrity. Together, these signals underscore a clear and consistent view: telecommunications is no longer simply a commercial service, but foundational infrastructure that underpins the functioning of the modern Canadian economy.

This perspective is not unique to Canada. Peer jurisdictions similarly recognize telecommunications as foundational infrastructure underpinning economic resilience, national security, and digital sovereignty. Countries such as the United States, the United Kingdom, and Australia recognize telecommunications as critical infrastructure and consider it within broader national strategies. This growing international consensus reinforces the view that telecommunications networks are central to the functioning of modern economies.

Canada's telecommunications sector has responded by making significant investments in network hardening, redundancy, cybersecurity capabilities, and risk management practices. These efforts are essential to maintaining trust in digital systems and supporting the continued growth of Canada's digital economy.

At the same time, it is important that the policy framework governing the sector reflects both this expanded role and the realities of sustaining it. Ensuring secure, resilient, and high-performing networks cannot rely solely on increasing obligations. As discussed in Section 5 of this report, it also requires an environment that supports continued investment and innovation.

Figure 8 - Select Canadian government actions that underscore telecommunications as strategic infrastructure

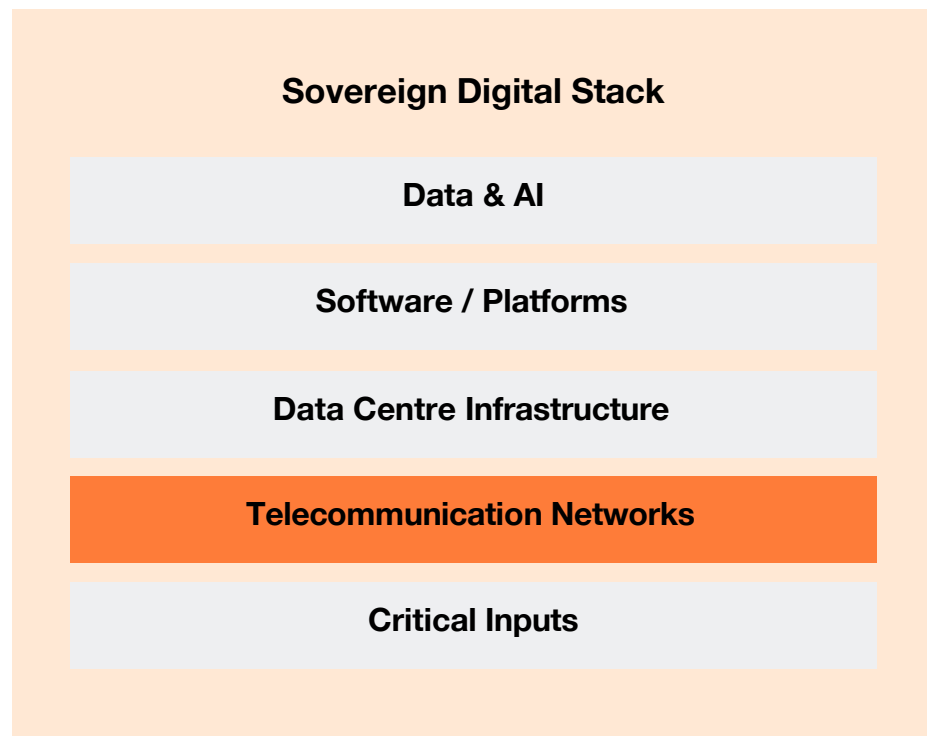
Supply Chain Security and Vendor Assurance

<p>High risk vendor prohibition Huawei/ZTE banned from 5G; existing 4G removal by December 31, 2027; concern over extrajudicial foreign control.</p>	<p>Legislative framework (Bill C-8) Amends Telecommunications Act; enacts Critical Cyber Systems Protection Act; empowers prohibition/removal/suspension of high-risk vendors; mandates cybersecurity programs for telecom operators</p>	<p>Expanded CSE security reviews 1,371 telecom supply chain risk assessments in 2024–25.</p>	<p>Defence supplier cyber certification CPCSC (Mar 2025) mandates cyber certification aligned with Five Eyes interoperability.</p>
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2.2 A foundation for digital sovereignty

Digital sovereignty refers to Canada's ability to control its data, software, and data infrastructure in a globally interconnected world. That control depends on a layered stack of capabilities (Figure 9), from the telecommunications networks that carry data, to the datacentre that stores and processes it, to the software platforms and AI systems built on top. Each layer relies on the one beneath it. Data and AI sovereignty cannot be sustained without control over datacentre infrastructure, data sovereignty cannot function without network control, and network sovereignty is undermined without trusted supply chains. As the foundational layer of this stack, telecommunications infrastructure plays a central role in shaping how data flows, where it resides, and the conditions under which it is secured and governed.

Figure 9 - Digital sovereignty depends on control at each layer of the stack, with telecommunications forming the base layer



In practice, discussions of digital sovereignty often focus less on fully domestic ownership or development of every layer of the digital and AI stack, and more on maintaining appropriate levels of control, resilience, security, and governance within an open and globally integrated digital ecosystem. This includes strengthening domestic infrastructure and capabilities, supporting Canadian data residency and trust operations, and managing risks associated with global supply chains and evolving security threats. Governments and the private sector have increasingly focused on strengthening these outcomes through measures and proposals that are designed to enhance data governance, reinforce supply chain security, and improve the resilience of critical infrastructure.

Within this context, telecommunications networks play a particularly important role. As the infrastructure through which data is transmitted and interconnected across systems, they are a key point of leverage in supporting secure, reliable, and sovereign digital operations. Continued investment in advanced, resilient, and secure telecommunications networks is therefore essential—not only for connectivity, but for enabling Canada's broader digital objectives, including economic growth, public safety, and trusted data stewardship.



2.3 Enabling modern supply chains and economic resilience

Canada's supply chains have evolved from physical corridors into digitally coordinated networks, and telecommunications infrastructure is the layer that makes that coordination possible. Telematics, GPS tracking, and cloud-based data platforms now provide end-to-end visibility across trucks, rail, and ports, enabling faster handoffs between transportation modes, real-time rerouting around congestion, and lower transit times across provincial borders (Figure 10). These capabilities depend entirely on reliable, high-performance connectivity along Canada's national trade corridors. As a result, telecommunications infrastructure now functions as a core productivity input into Canada's trade and logistics systems.

Figure 10 - Telecommunications-enabled data platforms now provide end-to-end visibility across Canada's national trade corridors

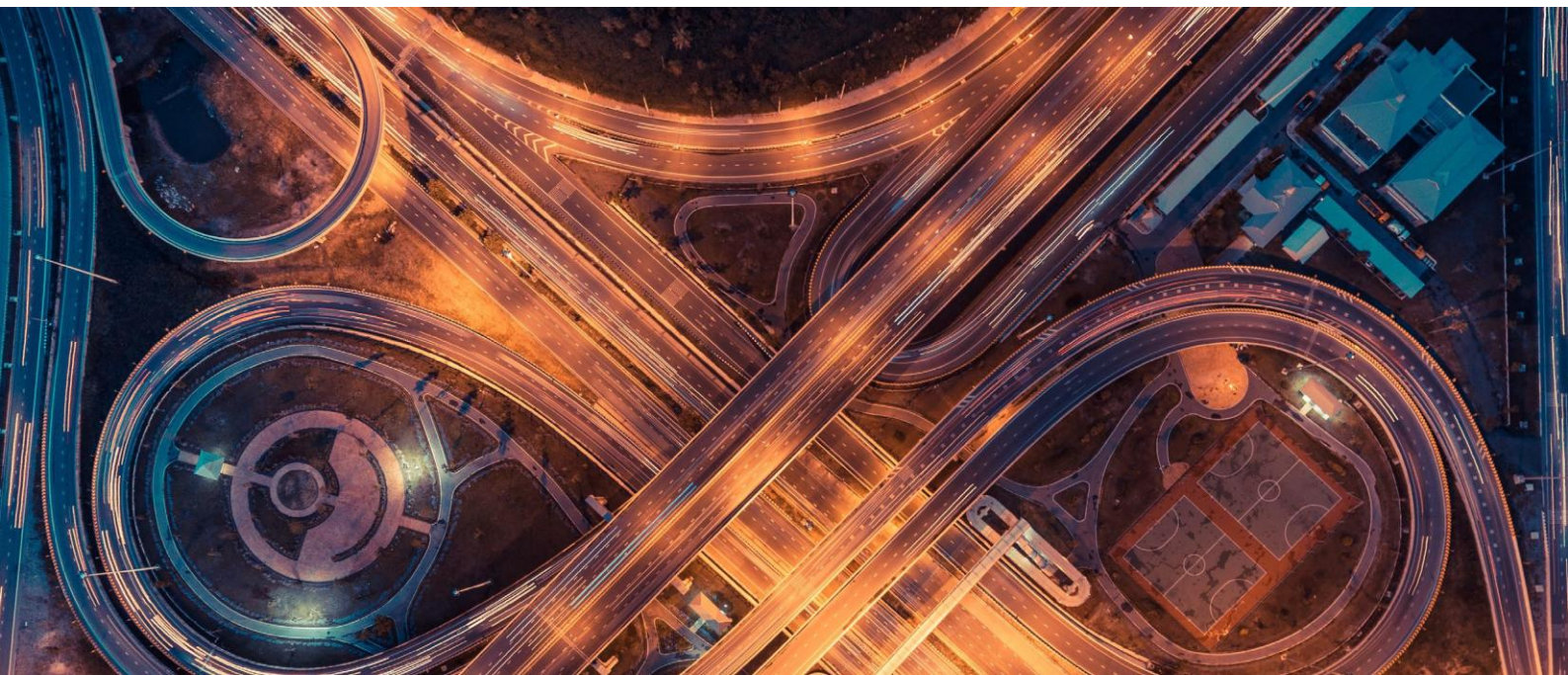


Source: Transport Canada; Government of Canada; National Trade Corridors Fund; Supply Chain Task Force; PwC Canada

The transition from physical logistics management to digitally integrated operations has elevated telecommunications from a supporting service to a foundational input in Canada's trade infrastructure. Federal investment priorities increasingly reflect this shift, with funding directed toward rail data exchanges and port modernization—designed to reduce bottlenecks and improve coordination across national gateways and trade corridors. While these initiatives rely on robust telecommunications networks, they are not investments in the underlying connectivity itself. This distinction is important: the performance of these digital systems is directly dependent on the quality, capacity, and resilience of the networks that support them.

Ensuring that digital supply chain initiatives achieve their intended outcomes will require continued investment in the telecommunications infrastructure that enables them, ensuring that connectivity keeps pace with growing demands for capacity, performance, and reliability. However, policy and investment frameworks do not always fully reflect this interdependence.

Next-generation wireless networks are extending these capabilities further. 5G and advanced connectivity enables smart traffic management, predictive maintenance of transportation assets, and machine-to-machine communication across long-haul corridors. These applications will continue to strengthen the resilience of supply chains against disruptions and position Canada's trade infrastructure to accommodate increasing volumes and complexity, further underscoring the importance of a policy environment that supports ongoing investment in the telecommunications networks that enable them.



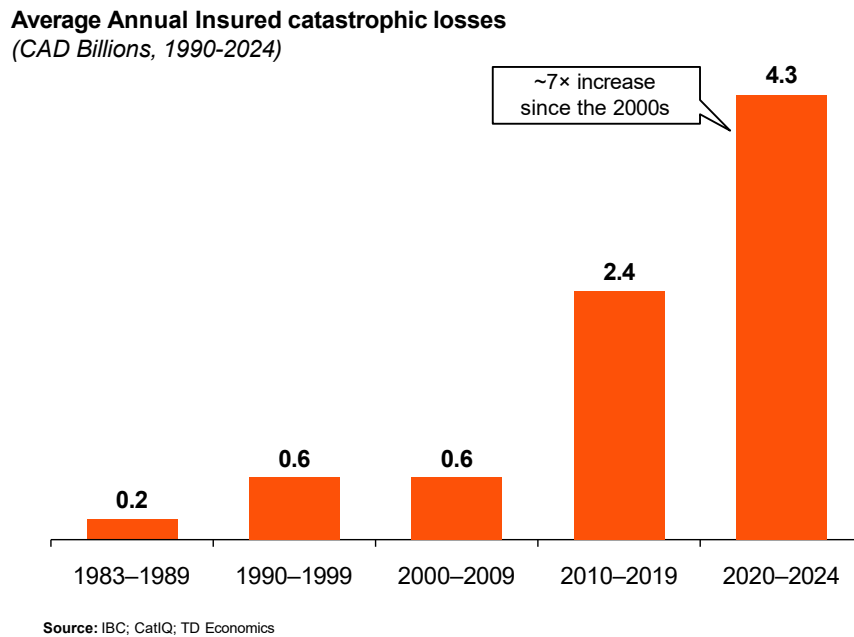
2.4 Public safety and national preparedness

Public safety systems in Canada depend on telecommunications networks to function. Emergency response, disaster management and continuation of essential services all rely on communications infrastructure that must remain available, and resilient under conditions of stress. As the frequency and complexity of emergencies increase, so too do the expectations placed on telecommunications networks to perform reliably in high-stakes situations.

Emergency communications are among the most visible points of dependency between public safety and telecommunications infrastructure. Canada's legacy 9-1-1 system was designed for analog voice calls and no longer reflects how Canadians communicate or how emergencies are managed. In response, telecommunications providers are upgrading the national emergency communications backbone to support Next-Generation 9-1-1 (NG9-1-1), a digital, IP-based platform. NG9-1-1 enables more informative emergency communications, including GIS-based location capabilities that improve caller location accuracy across urban, rural, and remote Canada.

At the same time, public safety risks are increasingly shaped by physical threats that place direct stress on communications infrastructure. Extreme weather events are becoming more frequent and more costly. According to TD Economics, average annual insured catastrophic losses in Canada have increased roughly seven-fold since the 2000s, rising from \$0.6 billion annually in the 2000-2009 period to \$4.3 billion in the 2020-2024 period (Figure 11).

Figure 11 - Catastrophic weather events are accelerating, raising the cost of network resilience



In parallel, incidences of vandalism and copper theft affecting telecommunications infrastructure have increased significantly, causing service outages that can disrupt access to emergency services and isolate communities. The Senate Committee on Transportation and Communications has recently stated that “urgent action is needed to address this dangerous situation”³ and has called on the federal government to amend the Criminal Code to impose harsher penalties for metal theft crimes that damage critical infrastructure.

These events test the resilience of telecommunications networks in real time. Service disruptions during emergencies can isolate communities, impede access to emergency services, and interrupt critical economic activity. In response, telecommunications providers invest in network redundancy, geographically diverse infrastructure, backup power systems, and rapid restoration capabilities to maintain and restore connectivity during crises.

As these risks grow, so too does the importance of ensuring that both investment frameworks and legal protections keep pace.

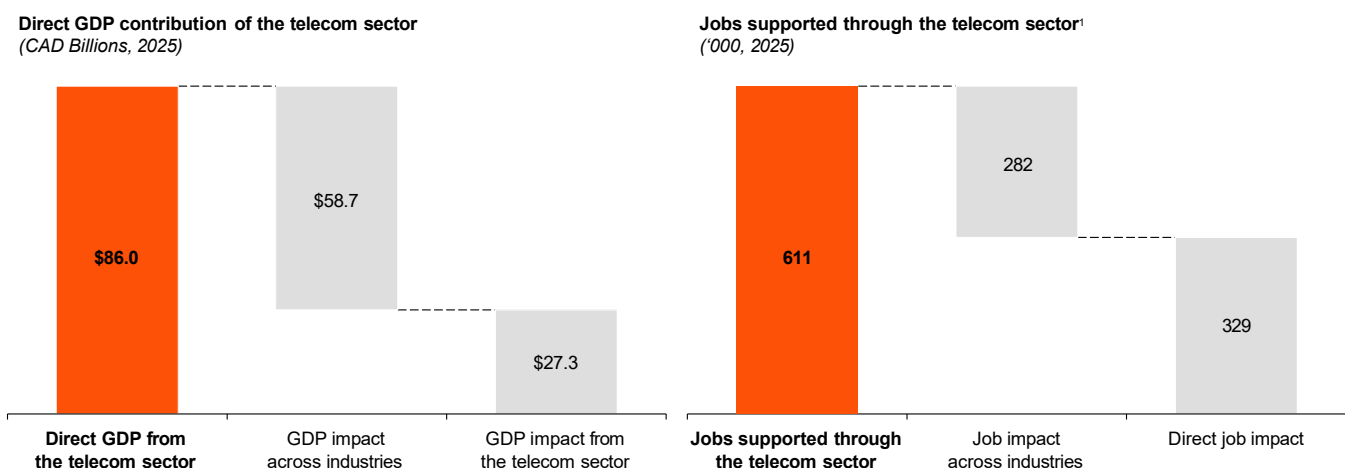
3 - Stolen Signal: The Costly Consequences of Copper Theft in Canada, Report of the Standing Senate Committee on Transport and Communications

Telecommunications as a material contributor to Canada's economy

3.1 GDP and employment contribution

Canada's telecommunications sector added \$86.0 billion in GDP to Canada's economy and supported 611,000 jobs across industries in 2025 (Figure 12). That contribution, equivalent to approximately 4% of Canada's total economic output, reflects both the direct activity of telecommunications companies and the sector's role as a foundational input into economic activity across other industries. Of the \$86.0 billion total, \$27.3 billion was generated directly by the telecommunications sector itself, while \$58.7 billion represented GDP impact across other industries enabled by telecommunications, with the largest contributions flowing to finance (\$5.2 billion), utilities (\$5.2 billion), professional services (\$4.6 billion), and wholesale trade (\$3.9 billion). The remaining \$39.8B of cross-industry impact flows to a broad range of sectors, including but not limited to, manufacturing, real estate, education, healthcare, and retail trade. This distribution highlights the extent to which telecommunications is embedded across the Canadian economy, supporting activity in nearly every major sector.

Figure 12 - The economic footprint and cross-sector integration of the telecommunications sector, 2025



Source: 1. Statistics Canada, Table 36-10-0013-01 Input-output multipliers, summary level, 2022 ; 2. Company Reports (Bell, TELUS, Rogers, SaskTel, Quebecor), 2024

The sector's direct economic activity generates further effects through its supply chain and workforce (Figure 13). In 2025, the \$27.3 billion in direct GDP was accompanied by \$13.2 billion of indirect economic activity, representing demand for goods and services from telecommunications suppliers. A further \$11.4 billion stemmed from induced activity, representing household spending by workers employed directly and indirectly by the sector. These supply chain and spending effects extend the sector's reach into construction, equipment manufacturing, professional services, retail distribution, and other industries across every province and territory. These multiplier effects push the sector's economic footprint far beyond its direct contribution. While \$58.7 billion represented broader economy-wide GDP activity enabled by telecommunications connectivity and infrastructure.

The indirect and induced impacts shown in Figure 13 represent traditional economic multiplier effects associated with the telecommunications sector's direct operations and should not be interpreted as a decomposition of the broader \$58.7 billion cross-industry enabled GDP impact presented in Figure 12.

Figure 13 - Disaggregating the economic impact of telecommunications across different transmission channels

Impact Type	2025 Contribution	Description
Direct	\$27.3B	The immediate economic activity generated by the telecom industry itself E.g., jobs, wages, and output directly tied to businesses within the telecom sector
Indirect	\$13.2B	The supply chain effects, including the economic activity generated by businesses that supply goods and services to the telecom industry E.g., packaging and transportation for a telco retail store
Induced	\$11.4B	The ripple effect from household spending of employees who earn wages in both the direct and indirect activities E.g., telecom retail store workers who spend their income at a restaurant

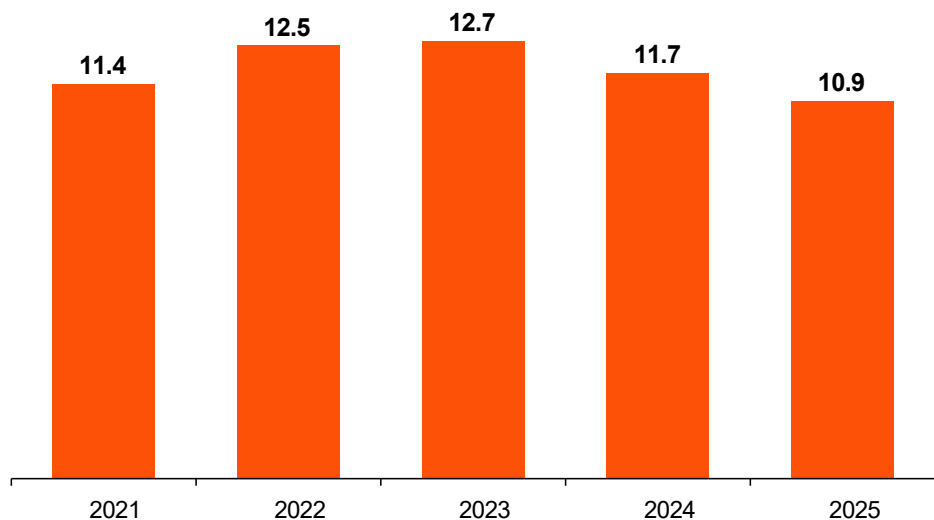
The employment contribution follows a similar pattern. The telecommunications sector directly employed 329,000 people in 2025, and a further 282,000 jobs across other industries were supported through the sector's supply chain effects and the productivity it enables (Figure 12). Because these contributions depend on continued private capital investment in networks and infrastructure, the conditions under which operators can attract and deploy capital directly determine the sector's ability to sustain its GDP and employment footprint.

3.2 Capital investment

Canadian telecommunications operators have invested approximately \$59 billion in network infrastructure since 2021, making the sector one of the most capital-intensive and strategically significant industries in the country (Figure 14).

Figure 14 - Canadian telecommunications sector's capex

Major Canadian telecoms¹ average capital expenditure
(CAD Billions, 2021-2025)

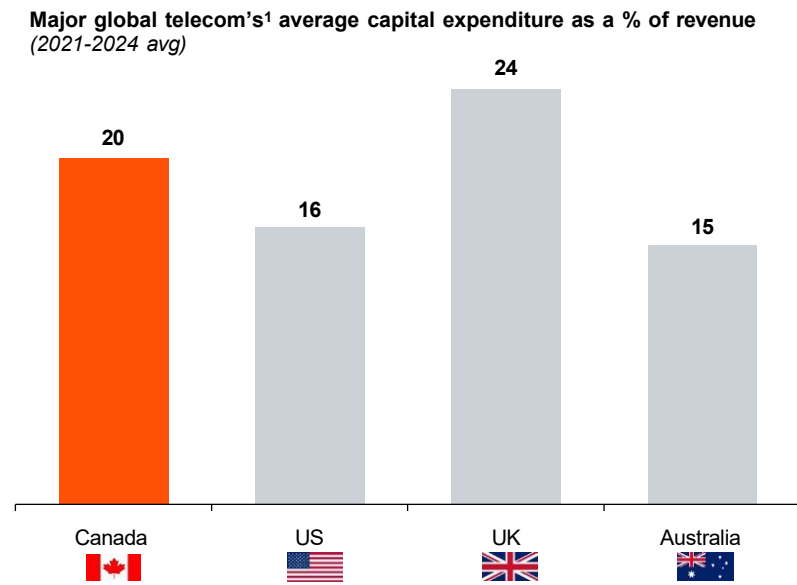


Annual capital expenditure peaked at **\$12.7bn** in 2023 and subsequently declined to **\$10.9bn** in 2025

Note: 1. Major Canadian telecoms include Bell, Rogers, TELUS, SaskTel, and Videotron

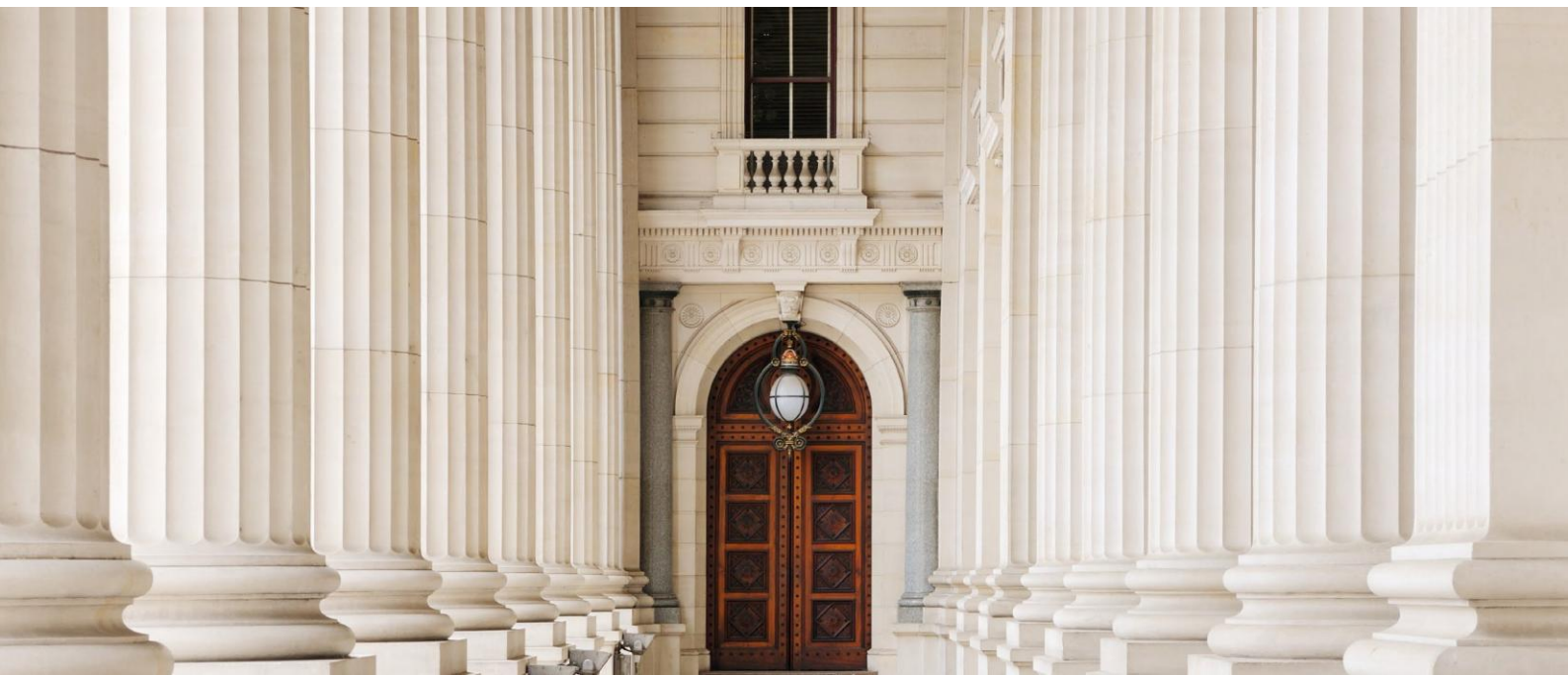
Source: 1. Statistics Canada, Table 36-10-0013-01 Input-output multipliers, summary level, 2022; 2. S&P Capital IQ, Company Reports (Bell, TELUS, Rogers, SaskTel, Quebecor), 2024; 3. Rogers, Annual Report, 2020 & 2025; 4. Bell, BCE Integrated Annual Report, 2020 & 2025; 5. TELUS, Annual Report, 2020 & 2025; 6. SaskTel, Annual Report, 2020 & 2025; 7. Quebecor, Consolidated Financial Statements and Notes, 2020 & 2025

Figure 15 - Canadian telecommunications sector's capex intensity vs peer jurisdictions



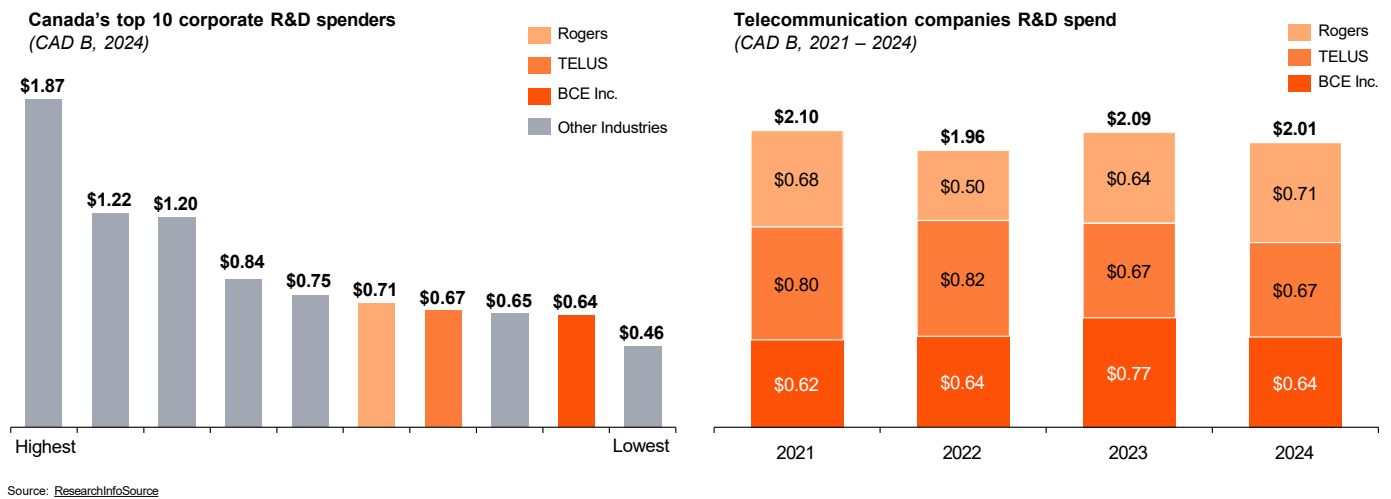
Note: 1. Major global telecoms include CANADA (Bell, Rogers, TELUS). US (Verizon, AT&T). UK (BT Group); Australia (Telstra)
Source: Cap IQ, PRNewswire; Verizon

Over the 2021–2024 period, capital intensity (capex-to-revenue) averaged approximately 18%, exceeding peer jurisdictions including the United States and Australia, based on the latest internationally comparable data available (Figure 15).



Beyond network deployment capex, the sector is also a significant source of research and development spending in Canada. In 2024, three telecommunications providers (Rogers, TELUS, and BCE) ranked among Canada's top ten corporate R&D spenders, together investing over \$2 billion (Figure 16).

Figure 16 - Telecoms are among Canada's largest R&D investors

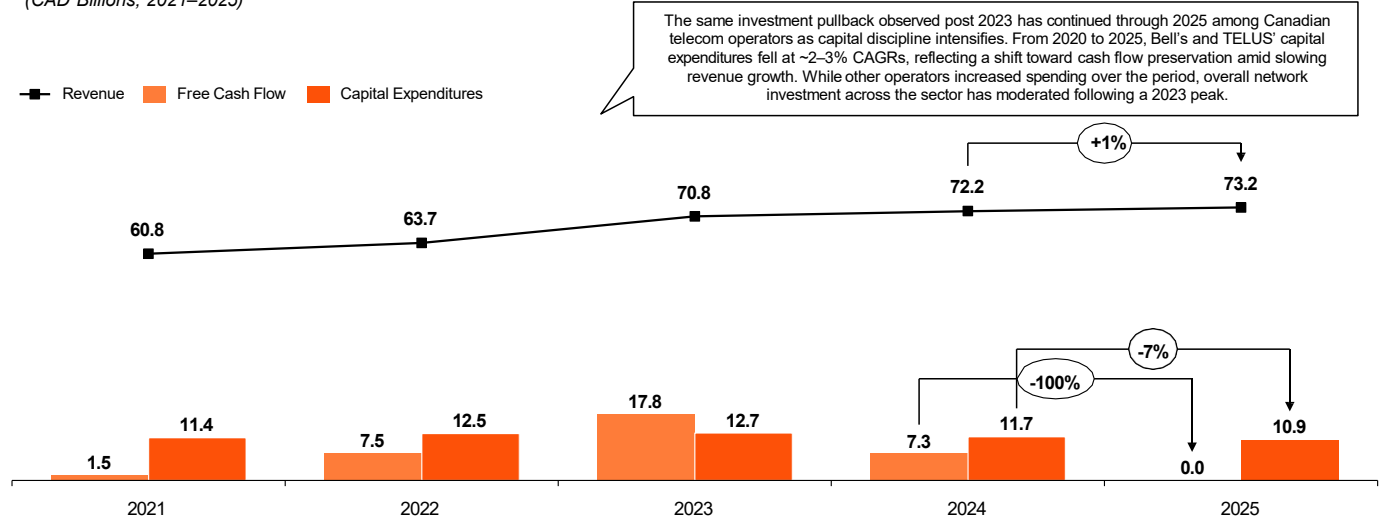


Further, Canada's role as a major telecommunications R&D centre has supported significant multinational research and innovation activity. Companies such as Nokia and Ericsson have established major R&D operations in Canada, contributing to advanced technology development, high-skilled employment, and ongoing investment in next-generation telecommunications infrastructure and innovation.

However, the sector's capital investment record is now facing sustained downward pressure. Annual capex has moderated from \$12.5 billion in 2022 to \$10.9 billion in 2025, representing a 4.6% CAGR decline, as operators have increasingly prioritized free cash flow preservation amid moderating underlying telecommunications revenue growth (Figure 17). While reported operator revenues grew at 4.8% CAGR over the 2021–2025 period (Figure 17), a significant portion of this growth came from non-telecommunications business lines. Industry aggregated CRTC data indicates that core telecommunications services revenues grew at a more modest 2.6% CAGR between 2021 and 2024. Consequently, headline revenue growth masks weaker underlying growth in the core services that fund telecommunications network investment.

Figure 17 - Telecoms are reducing capital expenditure amid moderating revenue growth

Major Canadian telecom's average capital expenditure & absolute free cash flow compared to revenue
(CAD Billions, 2021–2025)



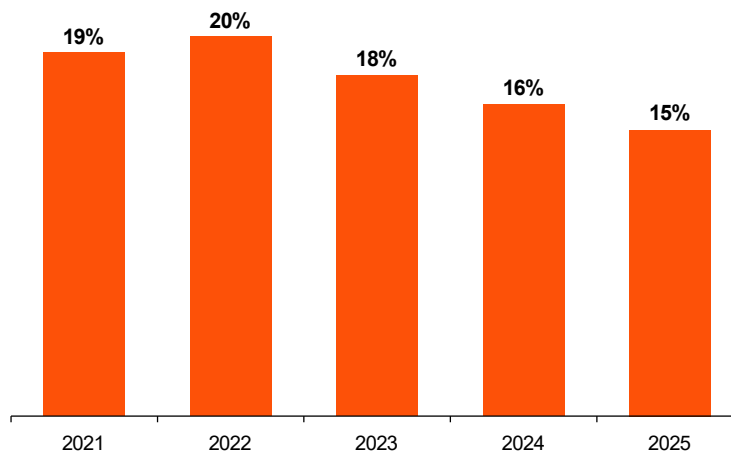
Note: Major Canadian telecoms include Bell, Rogers, TELUS, SaskTel, and Videotron

Source: 1. Statistics Canada, Table 36-10-0013-01 Input-output multipliers, summary level, 2022 ; 2. S&P Capital IQ, Company Reports (Bell, TELUS, Rogers, SaskTel, Quebecor), 2024 ; 3. Rogers, Annual Report, 2020 & 2025 ; 4. Bell, BCE Integrated Annual Report, 2020 & 2025 ; 5. TELUS, Annual Report, 2020 & 2025 ; 6. SaskTel, Annual Report, 2020 & 2025 ; 7. Quebecor, Consolidated Financial Statements and Notes, 2020 & 2025

In addition to absolute levels of capex, capital intensity, defined as the ratio of capex-to-revenue, has fallen from 19% in 2021 to 16% in 2024 (Figure 18). Lower capital intensity reduces the pace at which networks can be upgraded and expanded, particularly in high-cost or underserved areas.

Figure 18 - Telecoms are reducing capital expenditure as a share of revenue

Major Canadian telecom's average capital expenditure as a % of revenue
(2021- 2025)



Note: 1. Major Canadian telecoms include Bell, Rogers, TELUS, SaskTel, and Videotron

Source: 1. Statistics Canada, Table 36-10-0013-01 Input-output multipliers, summary level, 2022 ; 2. S&P Capital IQ, Company Reports (Bell, TELUS, Rogers, SaskTel, Quebecor), 2024 ; 3. Rogers, Annual Report, 2020 & 2025 ; 4. Bell, BCE Integrated Annual Report, 2020 & 2025 ; 5. TELUS, Annual Report, 2020 & 2025 ; 6. SaskTel, Annual Report, 2020 & 2025 ; 7. Quebecor, Consolidated Financial Statements and Notes, 2020 & 2025

It is worth noting that the regulatory and fiscal cost burden documented in Section 5.1 have contributed to this pressure. Sustaining peer-leading capital investment rates become progressively more difficult as regulatory and fiscal costs consume a growing share of revenue while that revenue growth itself moderates (Figure 17).

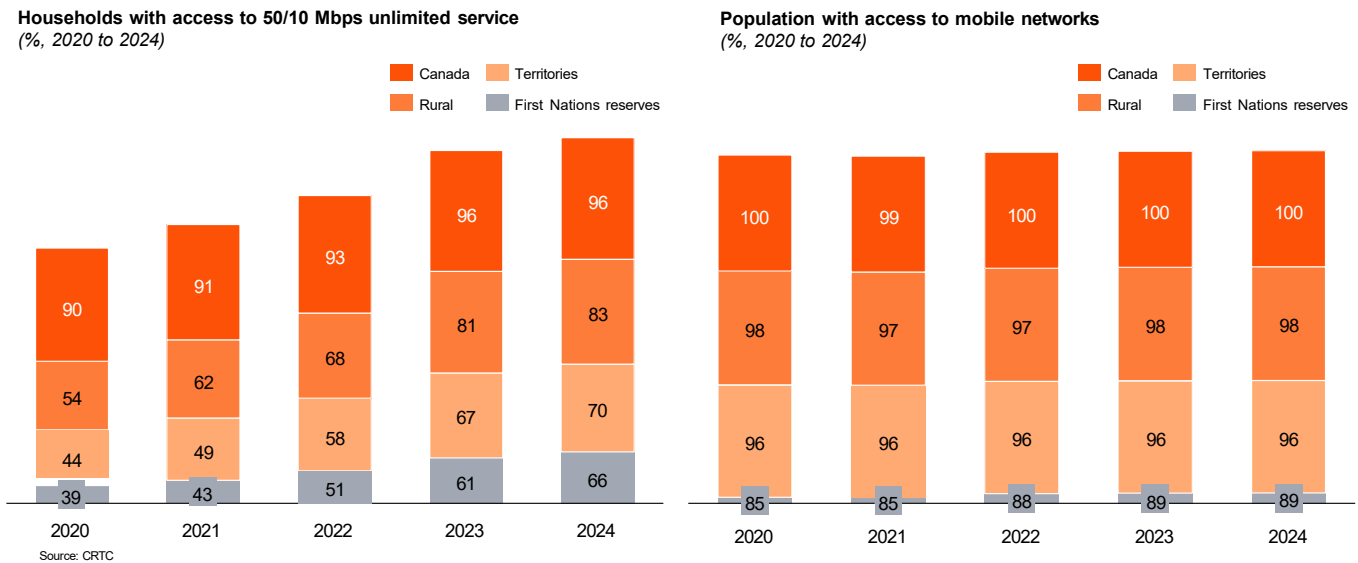
The GDP, employment, and cross-industry contributions documented in Section 3.1 are downstream of capital deployment, meaning that a sustained decline in investment would directly reduce the economic spillovers generated by the sector. The conditions under which operators can continue to invest at levels required to support Canada's national and economic priorities are examined in Section 5.

3.3 Community impact and Indigenous development

The benefits of the sector's investment extend beyond national aggregates to communities across the country, including rural, remote, and Indigenous populations where connectivity gaps remain material. Access to broadband, meeting the CRTC's 50/10 Mbps universal service objective, reached 83% of rural households and 66% of First Nations reserve households in 2024, up from 54% and 39% respectively in 2020. Mobile wireless coverage on First Nations reserves rose from 85% to 89% over the same period. These gains are meaningful, but access levels in rural and Indigenous communities remain well below the national average of approximately 96% for broadband and near-universal for mobile (Figure 19). Closing these gaps is critical not only for equity, but also for economic participation, service access, and regional development.



Figure 19 - Rural and Indigenous connectivity gaps



Telecommunications operators have directed investment toward closing these gaps through a combination of network expansion, reconciliation commitments, and community programs. Bell signed a Reconciliation Agreement in 2025 with National Indigenous Connectivity Inc. to expand broadband and wireless access in rural and remote First Nations communities. Rogers substantially completed the Highway 16 (Highway of Tears) project in 2025, with 9 of 11 towers live, delivering 166 km of new 5G and 911 coverage with a planned build-out to 252 km. Rogers also funds over \$100 million annually in community benefits, including digital inclusion and affordability programs, alongside an Indigenous Community Ambassadors program. SaskTel has embedded an Indigenous Engagement Strategy in its operations, and funds approximately \$3M in annual sponsorships and donations to community organizations across Saskatchewan. TELUS operates an Indigenous Communities Fund providing flexible grants to Indigenous-led organizations, and has expanded its Community Boards into Northern and Interior BC and Prairie regions to support Indigenous youth and grassroots programs. Quebecor, a leading Montreal-based Canadian telecommunications and media company, committed \$1 million to Mission Unitainés, supporting affordable housing and connectivity for seniors.

Despite these efforts by telecommunications operators, connectivity challenges in rural and Indigenous communities are structural, driven by geography, remoteness, and high deployment costs, and, therefore, often require delivery models that combine private network investment with targeted public funding. Given that the private investment is facing downward pressure, as documented in Section 3.2, the pace at which these gaps close will ultimately depend on the sector's capacity to sustain network investment in the future.

Telecommunications as a productivity engine

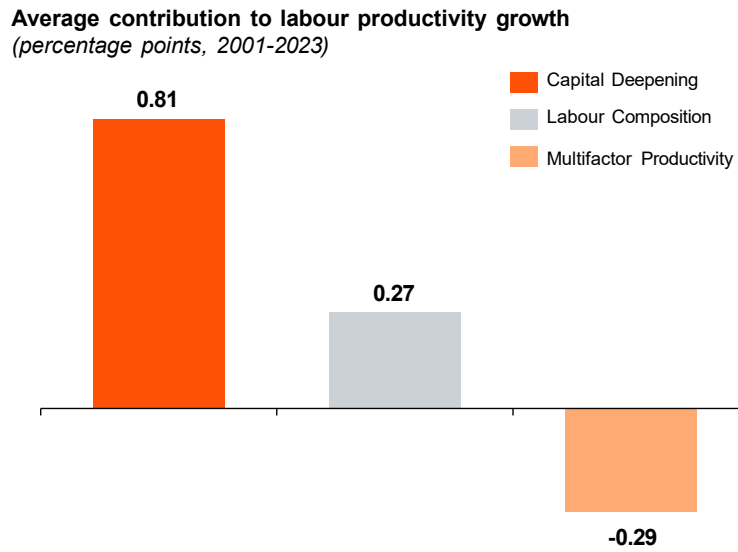
4.1 Canada's productivity challenge

Over the past decade, cumulative Canadian labour productivity growth of approximately 9% trailed the United States at approximately 23%, based on real GDP per hour worked⁵, highlighting a persistent and widening productivity gap. Three structural and mutually reinforcing factors account for the persistence of the problem.

The first is sustained under-investment in machinery, equipment, and intellectual property. Statistics Canada data shows that capital deepening, the accumulation of capital per worker, contributed an average of 0.81 percentage points per year to labour productivity growth between 2001 and 2023, making it the single largest source of productivity improvement over that period. Labour composition (workforce quality improvements through education and reskilling) added 0.27 percentage points, while multifactor productivity, the combined efficiency of labour and capital, subtracted 0.29 percentage points (Figure 20). The dominance of capital deepening as the main productivity driver means that any shortfall in capital investment, particularly in leading capital-intensive sectors like telecommunications, has a direct and measurable effect on aggregate productivity outcomes. This dynamic places capital-intensive sectors such as telecommunications at the centre of Canada's productivity challenge.

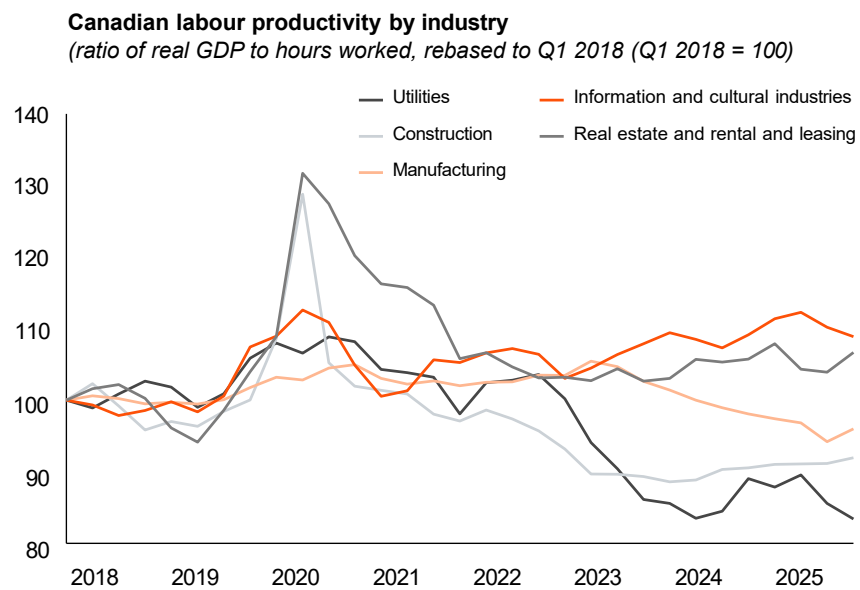
5 - Computed from annualized quarterly labour productivity growth rates (Canada: 0.80% per year; United States: 1.96% per year) for the period 2015 Q1 to 2025 Q3, compounded over 10.5 years. Source: McCormack, S. & Macdonald, R. (2026). "International comparison of labour productivity growth rates." Economic and Social Reports, Statistics Canada, Catalogue no. 36-28-0001. Published March 26, 2026.

Figure 20 - Disaggregating labour productivity growth



The second factor is industry composition. Productivity trends vary significantly across industries. Statistics Canada's labour productivity index (ratio of real GDP to hours worked, chained to 2017) shows utilities, construction, and manufacturing trending below their 2017 baseline through Q3 2025, losing 16.6%, 8.1%, and 4.0% in cumulative productivity, while information and cultural industries registered a substantial 8.9% gain in productivity over the same period, underscoring the role of the sector in driving aggregate labour productivity (Figure 21).

Figure 21 - Diverging trends in Canadian labour productivity by industry



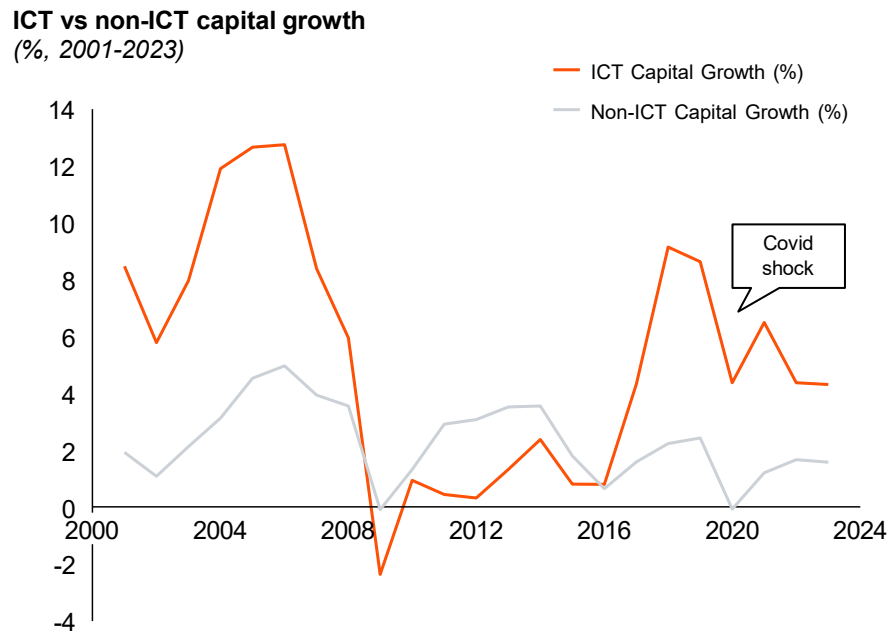
Sources: 1. Bank of Canada, The productivity problem, 2024 ; 2. Statistics Canada, Table 36-10-0207-01 Indexes of labour productivity and related measures, by business sector industry, seasonally adjusted, 2017-2025

The third factor is policy and regulatory uncertainty. Uncertainty and fragmentation across regulatory frameworks can discourage long-term capital investment, particularly in infrastructure-intensive sectors with long payback periods. For these sectors requiring large capital investments, regulatory predictability is a precondition for investment at the scale required to move the productivity needle. This is particularly relevant for telecommunications, where large-scale, long-duration investments are required to support economy-wide productivity gains.

4.2 Telecommunications as a key productivity lever

As noted in Section 4.1, capital deepening is the single largest contributor to Canada's labour productivity growth, averaging 0.81 percentage points per year between 2001 and 2023 (Figure 20). Within that category, Information and Communications Technology (ICT) capital has grown roughly twice as fast as non-ICT capital over the same period (Figure 22).

Figure 22 - ICT vs non-ICT capital growth



Sources: StatsCan



Telecommunications infrastructure underpins ICT investment by providing the connectivity layer on which cloud computing, automation, AI, and real-time data flows depend. In this sense, telecommunications investment functions as a general-purpose input that enables and amplifies productivity gains across sectors. As digital tools become embedded across the economy, productivity gains in the wider economy increasingly depend on the speed, capacity, reliability, and adoption of underlying telecommunications networks. Speed and capacity enable data-intensive applications and scalable automation. Reliability reduces downtime, operational disruption, and the costs associated with delays and errors. Adoption at scale generates network effects, spreading productivity gains beyond early adopters and into the broader economy. Empirical research quantifies the scale of these effects. A 10% increase in mobile speed is associated with a 0.2% increase in labour productivity, based on a 116-country panel study published in *Telecommunications Policy* (Edquist, 2022). The UK Government's Superfast Broadband Programme Evaluation (BDUK/Ipsos, 2025) found that broadband coverage increased turnover per worker by 0.42% in benefiting areas. These estimates position telecommunications infrastructure as productivity-enhancing capital comparable to transportation and energy networks. Taken together, these findings demonstrate that telecommunications infrastructure is a measurable and scalable driver of productivity growth.

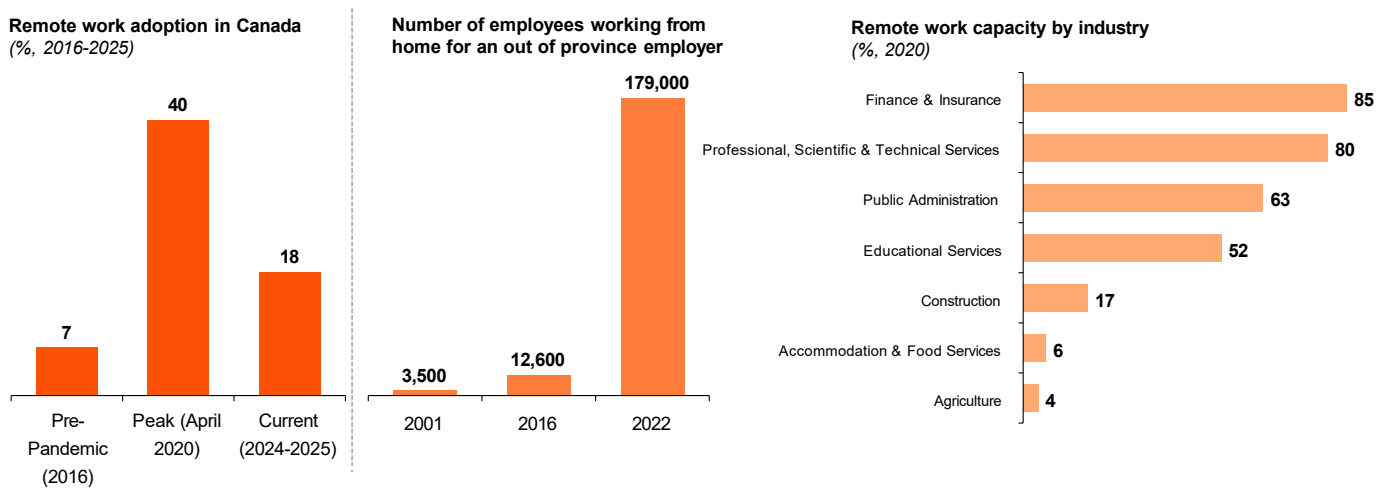
Sustaining and extending these productivity gains will require a reversal of the recent investment decline documented in Section 3.2.

4.3 Cross-industry and SME productivity impacts

The productivity effects of telecommunications infrastructure are not theoretical; they are already visible across Canada's key economic sectors. Connectivity-enabled productivity gains are already visible across Canada's strategic industries. In manufacturing, connected robotics, automation, and integrated digital supply chains are improving output per worker. In energy and natural resources, automated operations and remote workforce deployment reduce costs across geographically dispersed sites. In mining, autonomous equipment and sensor networks improve efficiency in high-risk environments. In agriculture, precision equipment and IoT-enabled irrigation improve yields while reducing input costs. These sectors align with stated federal priorities, including the Defense Industrial Strategy, the Critical Minerals Strategy, and agricultural productivity and food security objectives. In each case, the productivity gains depend on the quality and reach of underlying telecommunications infrastructure.

Connectivity-enabled remote work adoption, a key pathway for productivity gains, rose from 7% of workers before the pandemic to 40% in April 2020, and has settled at approximately 18% as of 2024-2025. Many jobs continue to rely on hybrid working models and employee connectivity after standard working hours. (Figure 23).

Figure 23 - Remote work adoption and industry trends



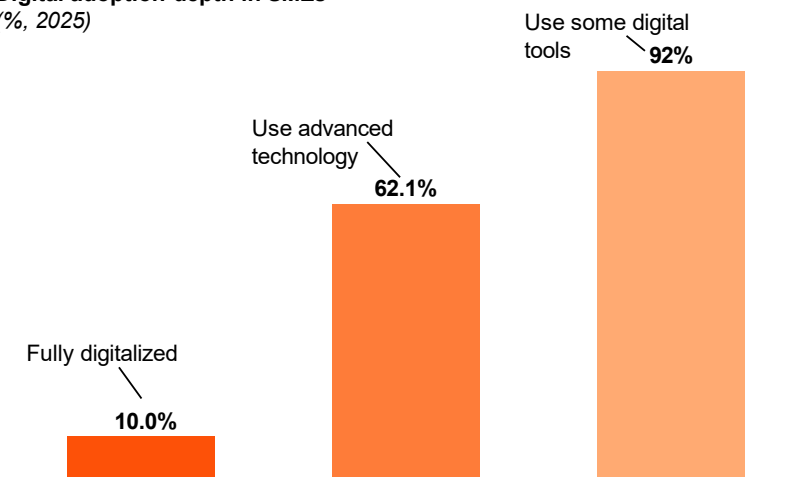
Source: 1. StatCan; 2. StatCan

Additionally, the number of employees working from home for an out-of-province employer grew from 3,500 in 2001 to 12,600 in 2016 and 179,000 in 2022 (Figure 23). That growth reflects a structural expansion of geographic labour mobility that depends entirely on reliable, high-quality connectivity.

Beyond gains in labour participation across the nation's geography, telecommunications-enabled connectivity can unlock substantial unrealized productivity gains across Canada's Small and Medium-sized Enterprises (SMEs). While 92% of Canadian SMEs use some digital tools, only 10% are fully digitalized (Figure 24).

Figure 24 - Digital adoption rates in Small and Medium-Sized Enterprises (SMEs)

Digital adoption depth in SMEs
(%, 2025)

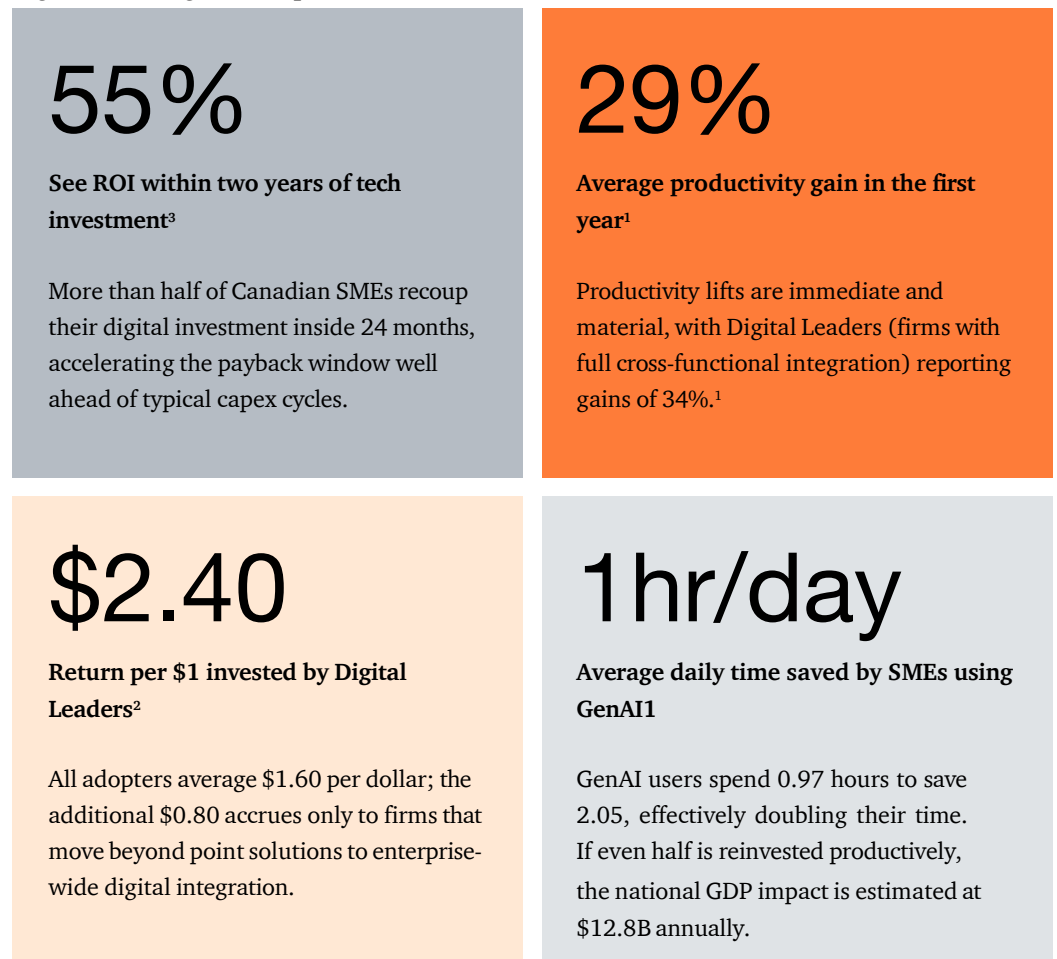


Source: CFIB; CFIB FCEI; StatCan



Given that approximately 90% of SMEs remain below full digital integration, billions in productivity and GDP gains remain untapped. Empirical research bears this out. Fifty-five per cent of firms investing in digital transformation report ROI within two years of tech investment, with \$2.40 in returns for every dollar invested by businesses identified as Digital Leaders. Generative AI compounds these gains further, with SME users saving an average of one hour per day (Figure 25). However, fast, reliable, and accessible network connectivity remains the foundational requirement for realizing and scaling these productivity gains across the Canadian SME ecosystem.

Figure 25 - Digital adoption delivers measurable value for SMEs



Source: 1. CFIB; 2. CFIB FCEI; 3. Aijourn; StatCan

High quality and resilient telecommunications networks require sustained investment

5.1 The telecommunications cost burden in Canada

Canadian telecommunications operators paid approximately \$2.5 billion (Figure 26) in government and regulatory costs in 2024, based on the five major operators (Bell, TELUS, Rogers, SaskTel, Quebecor). These obligations include, but are not limited to, corporate income tax, CRTC regulatory fees, CRTC Broadband Fund contributions, and spectrum fees, and represent a material claim on the revenue base from which network investment is funded. In aggregate, these obligations were equivalent to 58% of operators' net income in 2024, up from 54% the prior year. As government and regulatory expenses are incurred before operators generate the operating cash flow from which network investment is funded, these obligations represent a structural constraint on the sector's ability to sustain high levels of capital investment.

Figure 26 - Government and regulatory costs

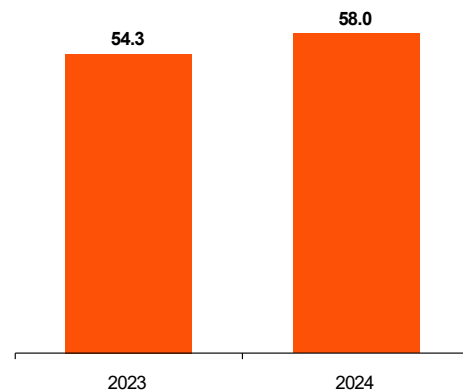
Annual government and regulatory costs
(CAD Billions, 2023 & 2024)

Cost Category	2023	2024
Corporate income taxes (federal + provincial)	\$2.4	\$2.0
CRTC Regulatory Fees	\$0.047	\$0.053
CRTC Annual Broadband Fund	\$0.150	\$0.150
CRTC VRS Funding	\$0.030	\$0.034
ISED licence fees	\$0.260	\$0.280
CCTS Funding	\$0.010	\$0.012
TOTAL	\$2.9B	\$2.5B

Annual net income
(CAD Billions, 2023 & 2024)

Total telecom net income	2023	2024
Major Canadian telecom operators	\$5.34B	\$4.31B

Annual government and regulatory costs as a % of major Canadian telecom's net income
(%, 2023 & 2024)



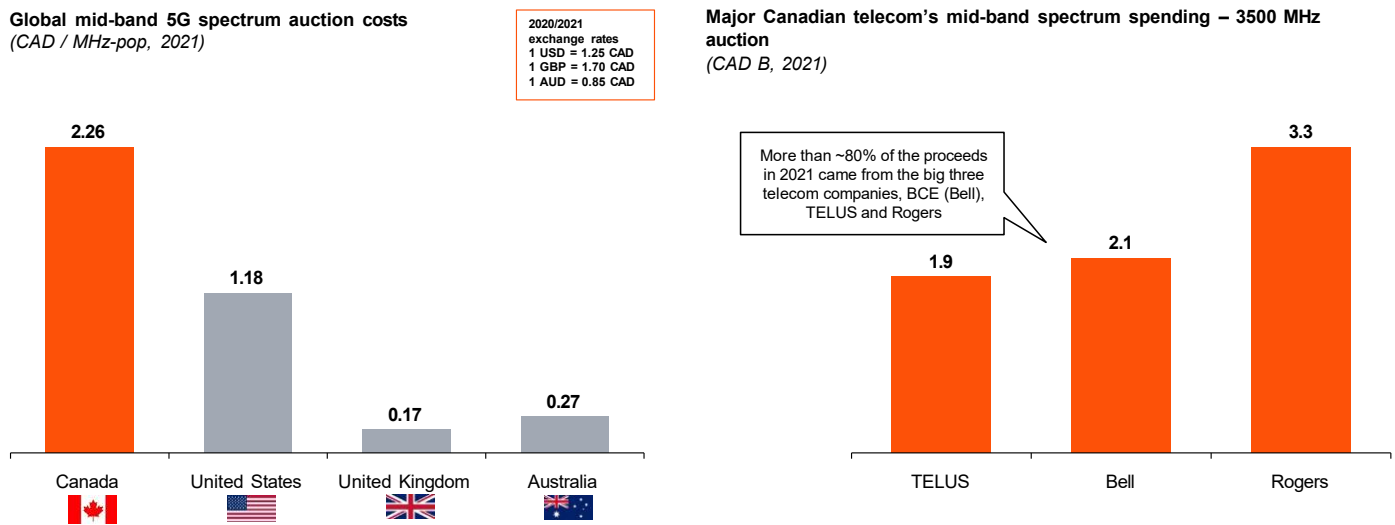
Note: Major Canadian telecoms include Bell, Rogers, TELUS, SaskTel, Videotron and Cogeco

Source: 1. Rogers, Annual Report, 2023 & 2024; 2. Bell, BCE Integrated Annual Report, 2023 & 2024; 3. PRNewswire; 4. TELUS, Annual Report, 2023 & 2024; 5. SaskTel, Annual Report, 2023 & 2024; 6. Quebecor, Consolidated Financial Statements and Notes, 2023 & 2024; 7. CRTC; 8. ISED; 9. CRTC

These payments are often viewed as contributions to public policy objectives, but in practice form part of the underlying cost of delivering telecommunications services. Even as telecommunications prices have declined, with wireless CPI falling 45.5% and wireline CPI by 3.1% between January 2020 and February 2026 (Figure 1), a growing share of every dollar paid by consumers is captured by taxes and regulatory charges. This dynamic constrains the industry's capacity to reinvest in network expansion and innovation at the same time that the demands on network infrastructure are increasing.

Beyond annual regulatory costs, spectrum auction costs represent a separate and substantial obligation for operators. Canadian telecoms have invested over \$30 billion in spectrum licenses over the past decade. In the 2021 mid-band auction alone, Bell spent \$2.1 billion, TELUS \$1.9 billion, and Rogers \$3.3 billion. Further, Canadian operators pay a clear premium on mid-band 5G spectrum vs global peers at C\$2.26⁶ per MHz-pop (per megahertz of spectrum per person covered) in 5G spectrum costs, compared to \$1.18⁷ in the United States, \$0.17⁸ in the United Kingdom, and \$0.27⁹ in Australia in 2021, all in Canadian Dollars.¹⁰ (Figure 27). Taken together, these elevated and incremental spectrum costs, layered on top of an already significant regulatory burden, raise the hurdle for sustained network investment relative to global peers.

Figure 27 - Canada is a global outlier in mid-band 5G pricing



Source: 1. ISED; 2. FCC; 3. Ofcom; 4. ACMA

6 - Innovation, Science and Economic Development Canada. "3500 MHz Auction — Final Results." Government of Canada, 29 July 2021, updated 20 Dec. 2021
 Innovation, Science and Economic Development Canada. "3500 MHz Auction Supports More Competition, Better Coverage and Faster Deployment of 5G Technologies for Canadians." Government of Canada, 29 July 2021
 LYA. Canada Sets World Record for Prices of Mid-Band Spectrum Licenses: 3500 MHz Auction Results – August 2021. LYA c-Ahead Report, Aug. 2021
 7 - "Auction 107 - 3.7 GHz." FCC Auction Data, auctiondata.fcc.gov/public/projects/auction107. Accessed 7 May 2026.
 Federal Communications Commission. "FCC Announces Winning Bidders in C-Band Auction." FCC, 24 Feb. 2021, docs.fcc.gov/public/attachments/DOC-370267A1.pdf. Accessed 7 May 2026
 8 - Ofcom. "Ofcom Spectrum Auction: Principal Stage Results." Ofcom, 17 Mar. 2021
 Ofcom. "700 MHz and 3.6-3.8 GHz Spectrum Auction: Final Results." Ofcom, 27 Apr. 2021
 9 - Australian Communications and Media Authority. "3.6 GHz Band Spectrum Auction." ACMA, 2018
 10 - Bank of Canada. "Annual Exchange Rates." Bank of Canada

Already faced with among the highest spectrum auction prices in the world, Canadian wireless providers are also subject to ongoing annual spectrum fees that increase the cost of delivering services and divert resources away from expanding and enhancing communications network infrastructure.

Canada's approach to annual spectrum fees differs from that of the United States. In the U.S., annual spectrum-related regulatory fees are generally structured on a cost-recovery basis and are intended to recover the costs associated with spectrum and regulatory administration. In contrast, Innovation, Science and Economic Development Canada (ISED) does not set annual spectrum fees on a cost-recovery basis, resulting in spectrum-related fees that can substantially exceed the cost of managing the system.

In addition to these direct cost pressures, the broader regulatory environment can also influence the incentives that underpin investment decisions. When policy measures reduce expected returns, increase uncertainty, or alter the risk profile of long-term capital deployment, they can have a dampening effect on investment, even where demand for services continues to grow. This dynamic has been increasingly evident in recent years, with several major Canadian telecommunications providers publicly citing regulatory and policy factors as contributing to decisions to moderate or scale back capital investment plans¹¹. This underscores that the impact of regulation on investment extends beyond direct financial obligations to include its effect on the overall investment climate and incentives facing the sector.

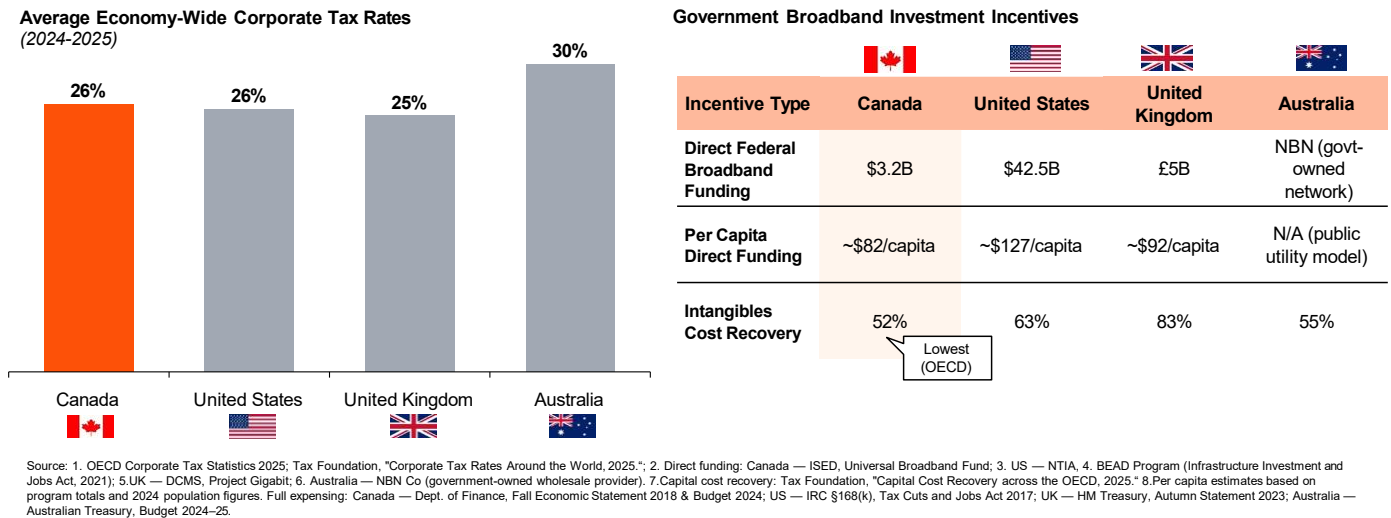
The cumulative impact of these cost burdens and the regulatory environment on investment is clearly visible. As documented in Section 3.2, annual capex has declined from \$12.5 billion in 2022 to \$10.9 billion in 2025, an approximately 5% CAGR decline, and capex-to-revenue has fallen from 19% in 2021 to 16% in 2024.

11 - Hudes, Sammy. "Rogers Slashes Capital Spending as It Blames Regulations, Reports Q1 Profit Up." Yahoo Finance Canada, The Canadian Press, 22 Apr. 2026, Bell Canada. "Bell to Cut Capital Expenditures and Reduce High-Speed Fibre Internet Expansion Due to CRTC Decision That Discourages Network Investment." Newswire, 6 Nov. 2023, Eastlink. "Statement from Lee Bragg, Executive Vice Chair Eastlink on the Federal Government's Disregard for Long-Term Competition in Telecommunications." Newswire, 7 Aug. 2025

5.2. International comparison of public funding levels for telecommunications

Canada's economy-wide corporate tax rates are broadly comparable to those of peer jurisdictions (Figure 28). At 26%, Canada's combined federal-provincial rate aligns with the United States (26%) and the United Kingdom (25%). The tax burden on Canadian telecommunications operators is therefore not an outlier in headline rate terms. The divergence emerges in how peer governments offset that burden through direct investment support and capital cost recovery mechanisms (Figure 28).

Figure 28 - Global approaches to telecommunications investment and regulatory support



Peer countries share network deployment costs with operators through fiscal mechanisms such as direct public funding and cost recovery mechanisms. Canada relies primarily on private investment despite carrying a comparable tax burden. Direct federal broadband funding, on a per capita basis, approximates \$82 per capita with Canada trailing the United States at approximately \$127 per capita and the United Kingdom at approximately \$92 per capita (Figure 28).

The gap extends beyond direct funding to capital cost recovery. Canada's Intangible cost recovery rate of 52% is the lowest among the four peer countries and ranks at the bottom of the OECD (Figure 28). The United States allows 63% recovery, Australia 55%, and the United Kingdom 83%. The intangible cost recovery rate measures how much of the cost of intangible assets, such as patents, software, research and development spending, licences, and intellectual property, a business can recover through tax deductions, expressed as a percentage of the asset's total cost in net present value terms. A higher percentage means the tax system is more generous in letting businesses write off these costs, which encourages investment in innovation and technology. Given that the cost burden documented in Section 5.1 is comparable to or exceeds that of peer jurisdictions, while direct funding support falls short, Canadian operators face a structural disadvantage in sustaining the level of investment required to support Canada's economic and strategic objectives.

Both the United States and the United Kingdom provide immediate expensing for qualifying business investment. In the United States, section 168(k) of the Internal Revenue Code, as amended by the Tax Cuts and Jobs Act of 2017, provided 100% bonus depreciation for qualified property placed in service after September 27, 2017, and before January 1, 2023, before phasing down. Subsequent legislation¹² restored permanent 100% bonus depreciation for qualified property acquired and placed in service after January 19, 2025. The United Kingdom announced in Autumn Statement 2023¹³ that full expensing would be made permanent for qualifying plant and machinery. Canada introduced the Productivity Super-Deduction in Budget 2025¹⁴, including immediate expensing for certain productivity-enhancing assets such as data network infrastructure. However, these measures are designed as temporary catalysts and are subject to sunset provisions that would trigger a reduction in tax relief starting 2027. The temporary nature of the measure means that, absent legislative changes, Canada's capital expensing framework would revert to a position below that of its peers once the current window closes.

12 - Internal Revenue Service. "One Big Beautiful Bill Provisions." IRS.gov

13 - HM Treasury. "Autumn Statement 2023: Permanent Full Expensing Technical Consultation." GOV.UK, 27 Nov. 2023

14 - Government of Canada, Department of Finance Canada. "Chapter 1: Bringing Down Costs for Canadians." Budget 2025, Government of Canada

5.3. A stable regulatory environment as a catalyst for resilience, productivity, and growth in the telecommunications sector

The regulatory environment in which telecommunications operators make long-term capital investment decisions is a determining factor in whether network investment keeps pace with the demands placed on it. Operators committing capital over multi-year horizons require confidence that the framework governing returns on deployed and planned investment will remain stable and predictable. The experience of peer jurisdictions illustrates both the potential and the risk.

Peer jurisdictions that recognize telecommunications as strategic infrastructure have increasingly aligned their regulatory frameworks with the investment conditions required to sustain it.

In the United Kingdom, Ofcom's regulatory framework prioritizes long-term investment incentives over short-term price intervention. As Ofcom stated in March 2026, "network competition creates stronger incentives to attract and retain customers by offering them the services they want, and so is a more effective spur for innovation and investment in high quality networks." Where competitive dynamics are emerging, Ofcom applies less intrusive intervention and targets public funding only where commercial investment is structurally uneconomic, such as in rural and remote areas. The investment-policy linkage is visible in the United States as well. In March 2026, AT&T announced \$250 billion in investment to advance U.S. connectivity, with its CEO noting that "current Federal telecommunications policy is as strong as I've seen in my career, making our commitment to invest possible." The U.S. example suggests that when government policy and private investment incentives are aligned, operators respond with large-scale capital commitments. These examples demonstrate that aligning regulatory frameworks with investment incentives is a key driver of sustained network investment.

In contrast, the European experience offers a cautionary counterpoint. The Draghi Report¹⁵¹⁶ on European competitiveness concluded that “the EU’s telecommunications sector is structurally unable to generate returns above its cost of capital, limiting its capacity to invest.” The European Commission has since acknowledged the need to “create the conditions to incentivize investment in next-generation connectivity.” As academic research and the Draghi Report have both concluded, years of access-based regulation produced lower prices but also structurally weakened the investment capacity of European operators, a trade-off that peer regulators are now working to reverse. Reflecting this shift, policymakers in the European Union are increasingly open to relaxing merger rules to enable the creation of “European champions,” recognizing that greater scale may be necessary to support investment in next-generation infrastructure¹⁷

Canada’s own policy environment presents a similar tension. In one of his first public addresses as Prime Minister in 2025, Mark Carney stated the government’s intention to “supercharge growth and give businesses the confidence to invest.” Minister of Finance Tim Hodgson echoed this commitment, pledging to “move quickly to unlock private sector investment” and “provide investor certainty.” Yet the regulatory framework in telecommunications has not fully aligned with government intent. This divergence creates a growing gap between the strategic importance of telecommunications and the economic conditions under which it operates. As a March 2026 Scotiabank Global Banking and Markets Equity Research note observed, “given regulatory prerogatives why continue to heavily invest in infrastructure?” Similar sentiment has been expressed by other industry analysts, such as National Bank, who in an April 2026 research note stated that, “... carriers are belatedly waking up to the fact that they have kept capex spending elevated for too long and returns on these investments are being steadily eroded by regulation...”

15 - Cave, M., Genakos, C. and Valletti, T. (2019). ‘The European Framework for Regulating Telecommunications: A 25-year Appraisal’, *Review of Industrial Organization*, 55(1), pp. 47-62.

16 - Draghi, M. (2024). *The Future of European Competitiveness: A Competitiveness Strategy for Europe*. Luxembourg: Publications Office of the European Union. Moens, B.

17- (2026). “EU to relax merger rules in bid to create ‘European champions’”, *Financial Times*, 16 April.

Consistent with this dynamic, National Bank linked Bell's reduction in telecommunications capital investment to the CRTC's Third-Party Internet Access (TPIA) decision, which mandates wholesale access to incumbents' networks at regulated rates. National Bank further noted that regulatory-driven returns compression may continue to place downward pressure on sector investment levels over time. Taken together, this evidence suggests that declining capital intensity, amid only modest core telecommunications revenue growth, may increasingly constrain the sector's ability to sustain network expansion, modernization, and long-term resilience. As demands on network capacity and capability continue to grow, sustaining investment will be critical to delivering the affordability, coverage, productivity, and broader economic outcomes outlined in this report.



Looking ahead

Sustaining Canada's digital economy will require a policy environment that treats telecommunications investment as a strategic national priority. That means aligning the expectations placed on the sector with the conditions needed to fund, build, and modernize the networks Canada will depend on.

The importance of maintaining those conditions is reflected in the sector's contributions to consumers and the economy. Wireless prices fell 45.5% between January 2020 and February 2026. The sector contributed \$86 billion to GDP and supported 611,000 jobs in 2025. It is the foundational layer underpinning Canada's critical infrastructure, digital sovereignty, supply chains, and public safety. No other essential service category has delivered falling prices and rising quality simultaneously.

The broader economic stakes are equally significant. Telecommunications enables the ICT investment that drives capital deepening, the single largest contributor to Canada's labour productivity growth. With 90% of SMEs below full digital integration, the productivity gains still contingent on network quality represent one of the largest untapped opportunities in the Canadian economy.

The investment environment that has produced these outcomes is, however, deteriorating. Capex fell from \$12.5 billion in 2022 to \$10.9 billion in 2025. Government and regulatory costs consumed 58% of major operators' combined net income in 2024. Canada trails peer jurisdictions on broadband funding and capital cost recovery. The sector is being asked to carry more while retaining progressively less of the revenue needed to fund it.

If this trajectory continues, the consequences will be concrete. Networks that are not continuously invested in will fall short of rising demands from AI, autonomous systems, expanding IoT, and digital sovereignty. When networks fall short, so does everything built on top of them. The expectations placed on Canada's telecommunications networks are national in scale. The policy framework governing the sector's ability to invest must match that scale in order to deliver on Canada's national priorities.



Telecommunications investment: Sustaining the infrastructure behind Canada's economy

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