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"ICT as a key enabler for growth"

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Ladies and Gentlemen,

Europe needs growth. And in my view ICT investment is the best way to achieve it and spread it relatively evenly.

So let there be no mistake: while the headline targets of the Digital Agenda for Europe relate to better networks and operating environments and higher take-up of ICT, the underlying goals are economic growth and social progress.

You get growth when you create the conditions for creating jobs. And you get smart growth when you target your actions and investments and increase your levels of productivity and innovation. We don't want growth based on over-spending and environmental damage, for example, it has to come in other ways. ICT is the best alternative. By expanding and improving our use of ICT we are creating good, skilled jobs, taking a bigger share of a massively expanding global market and acting more efficiently in a whole range of fields.

If that is not a win-win scenario, then I have no idea what counts as win-win.

We cannot take this win-win for granted though.

My message is that the EU digital economy is a positive economic story. It is already bigger than the economy of some Member States and is growing very rapidly. How many national economies can say that these days? It is no coincidence that the countries that fully embraced ICT some years ago display very high economic growth rates. More broadly, the ICT sector and investments in ICT deliver around half of our productivity growth, and the ICT sector alone represents almost 6% of European GDP.

So you can imagine the massive gains we can achieve if we hitch this success to Europe's other great economic success: the Single Market.

In the last 20 years the Single Market has generated 3 million additional jobs. We estimate that completing, deepening and making full use of the Single Market would potentially produce growth of about 4% of GDP over the next ten years. Easier cross-border eCommerce alone could bring economies worth €2.5 billion.

In fact, I think this is the crucial link: ICT and the Single Market. If we invest in broadband and the right operating environments (both technically and in the business sense) for a digital Single Market we will build the biggest growth engine Europe has seen in decades. Our Member States will stay in the world's top tier of performers – even in the face of great competition.

That is what I call a great contribution to economic recovery.

So now is the time to take investment in ICT seriously, as some of our international partners started doing a long time ago. Now is the time to make it easier for people to use and buy and change their lives and organisations through ICT. Yet all of this is easier said than done. As you well know, the ICT sector is in constant change. This year's conference is about "Telecoms market in transition". And rightly so! Last week we saw how Microsoft, the software giant, acquired Skype, an internet phone company. We also witness how traditional telecom companies try to make inroads into the content sector.

At nearly every level we face a battle in which we risk being squeezed from both East (on cost, faster ICT take-up and increasingly innovation) and West (on content and services). You may have heard that Samsung may have overtaken Nokia in the Western European mobile phone market in the first quarter of this year. Did you also know that display advertising revenue in Facebook increased by 160% in 2011?

The situation of the internet in Europe illustrates this broader challenge. We know that Europe has most of the world's best broadband penetration rates. But that is only part of the story. Only 1-2% of Europeans have a fast fibre-based internet, compared to 12% in Japan and 15% in South Korea; in January 2010 only 5% of all fixed lines delivered speeds of 30 Mbps and above that could be qualified as "next generation" access: hardly the level playing field we need.

I am afraid that we may be close to a point where, for the first time ever, Europe lags behind in networks.

The barriers to getting a more functional environment are a complicated web of:

- network issues
- trust issues
- finance issues and
- general fragmentation across the ICT sector.

This big knot is what the Digital Agenda is trying to unpick with your involvement. It is our attempt to create digital industrial policy.

Another way to see the Digital Agenda is in the form of a big wake-up call. A wake-up call for all of us to act in our mutual self-interest.

This self-interest affects many areas – this isn't just an issue for geeks or young people or multinational companies. The preliminary results of a quantitative analysis being conducted by the OECD suggest that the expansion of broadband significantly affects labour productivity. And higher productivity is, as we know, the key to smart growth. Not only that – broadband is central to addressing other challenges that will either encourage or destroy our chances of growth. Dealing with ageing demographics, for example, or leveraging a digital Single Market and greening our economy. More broadly, effective use of ICT can have an enormous impact on the efficiency of European energy grids and the productivity and sustainability of health care systems. It also has the potential to improve the management of Europe's mobility systems and reduce urban congestion. Cost will be reduced and citizens, business and government will all benefit. And in very concrete terms, for those officials and citizens affected by budget cuts, efficiency through ICT can mean better public services for less.

Action is needed and we cannot waste any second because networks are not built in two days and when our society and economy realises it, it will be too late to catch up.

What needs to be done?

Fundamentally we need political will to share in a sense of 'digital urgency'. This is not just about investments with price tags: it is often also about reducing regulatory obstacles to EU digital growth.

For example, the European Council Conclusions of February 2011 called on the Commission to make rapid progress on the digital Single Market by 2015.

Of course, one area where financial investment is truly essential is internet access networks. The Digital Agenda has obviously set ambitious targets in this regard. Namely, broadband coverage for all EU citizens by the end of 2012. And by 2020, fast broadband coverage at 30 Megabits per second for all EU citizens, with 50% of households subscribing to 100 Megabits per second access. It will take up to €270 billion to meet our objectives, and that will obviously require new approaches to investment if we are to attract the money in current economic circumstances.

Expanding coverage of ultra-fast access networks is primarily a matter of private investment. But we know that markets will not reach all users and that public intervention will be required in some areas.

We will need to find ways to involve a full range of players – including companies with lower market capitalisation – and through a range of partnerships which could be public-private and private-private. We specifically need to create more incentives for greater private investment by operators. By the summer, CEOs across the ICT sector will let me know their views about what the Commission needs to prioritise in order to achieve this.

Equally important is better use of public money such as EU structural funds; The role of this money is in addressing market failures and ensuring that national budget changes do not cut out smart investments like broadband. In fact, I hope for the opposite – measures for privileged investment cost reduction.

Thirdly there is a role for dedicated financial instruments. The point of these instruments, presented in the Commission's Project Bonds initiative, is two-fold: help form more capital and cap investor risk. For it to work it would require a substantial annual EU contribution. And the goal would be to leverage around 10 times the amount of additional funding, which could deliver up to a third of the required additional investment needed between now and 2020.

Fourthly, we need to make better use of what we have. That means things like: using eGovernment plans to send stronger investment signals to the market; managing spectrum more efficiently to accommodate the wireless data boom and using our investment in the EU space industry to ensure satellite plays its role in delivering broadband to remote areas.

What happens if we don't invest?

I hate to think what difficulties we may create for ourselves if we fail to invest heavily in broadband. This year China will overtake the EU as the largest broadband market in the world and very likely end-user ICT spending in the EU will, for the first time, be lower than in Asia. So, to start with, Europe's digital broadband gap with other developed parts of the world is likely to increase, while it is likely that other, less advanced economies will also overtake Europe on some important parameters. I do not want to see Europe fighting a losing battle against Asia and the Americas on innovation, or sink under the weight of costs of an ageing population. So it is very clear that no matter what political pressure and temptations leaders are facing – and I mean in both public and private sectors – we must keep pressing for this investment.

The real risks to our future don't come from over-spending on broadband, or diverting funding from other issues. The risk is that we lose possible growth because we under-invest. Broadband investment is a recipe for higher growth – we must all take up the responsibility to help deliver it. And if we don't invest now, we will regret it. I guarantee you that.

To sum up, I believe we can all agree that the risk of not meeting the Digital Agenda broadband targets significantly outweighs that of the investment challenge. I therefore appeal to all stakeholders to reconsider their strategies, to refocus on long term economic and societal gains and to start investing and co investing, as Europe's future to a large extent depends on the choices we all make today.