Connecting Europe's future

Why connectivity is foundational to competitiveness

May 2026

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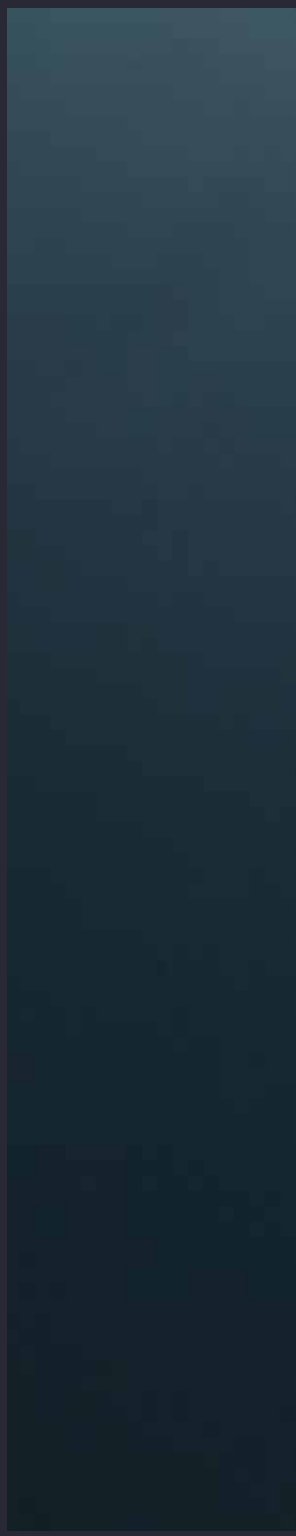


Executive summary

Executive summary

Across the European continent, incomplete gigabit-capable connectivity is leaving around €320 billion of output on the table each year because businesses and workers cannot realise technology-enabled productivity gains everywhere they are needed.

For the EU27, the implied productivity gap is around 1.30% of GDP or approximately €254 billion a year. For the UK, it is around 1.95%, which is circa £56 billion, or about €64 billion. In Europe's largest economies, the annual shortfall is also measured in the tens of billions: €90 billion for Germany, €49 billion for Italy and €38 billion for France.

Europe is not only leaving connectivity value unrealised, but it is also stranding part of its artificial intelligence (AI) dividend. AI tools may exist, but where connectivity is incomplete or inconsistent they cannot be used reliably in the places that matter most: schools, hospitals, logistics nodes, SMEs and dispersed business sites. Put differently, the AI-enabled efficiency currently stranded by gigabit gaps is equivalent to around 6.3 million full-time workers across the EU27 and 1.1 million in the UK.

These headline numbers hide the real challenge: Although around 83% of premises in Europe can access gigabit services, the remaining connectivity gaps increasingly coincide with economically important 'missing links' – dispersed businesses, supply chain nodes and frontline public services such as schools, hospitals and care settings. This is why the 'last mile' carries an outsized penalty: when high-value activity sits outside reliable coverage, the productivity impact is economy-wide.

The window for action is narrowing. The US, China and South Korea are investing at scale in next-generation networks, cloud and AI capacity. If Europe does not complete its connectivity foundations and deliver real-world performance where work happens, the diffusion of AI will be slower, and so will growth.

The economy is becoming increasingly digital and dependent on connectivity. While this has already driven significant GDP growth and enabled new technologies, realising the full benefits depends on the quality and scale of the underlying networks.

€320 billion
Europe's connectivity-related output gap

6.3 million workers:
AI-enabled efficiency stranded in the EU27

83% coverage
can still hide costly missing links

In this report, 'gigabit-capable connectivity' refers to fixed and mobile networks capable of delivering gigabit-class performance, including fibre, cable (HFC), fixed wireless access and mobile networks, as recognised by the European Commission. The data runs only to 2024 to reflect the most recent data available.

Three constraints stand out for policymakers and industry leaders:

- **Capital constraint:** Europe's connectivity sector is still investing heavily, but the investment case remains under pressure, with returns averaging 5.9%, below the cost of capital.
- **Execution constraint:** The remaining connectivity gaps are the hardest to close – rural, remote and in-building locations where costs rise sharply and delivery is slowed by planning and capacity constraints.
- **Adoption constraint:** AI productivity gains require usable connectivity everywhere, but adoption, skills and organisational readiness often lag behind network rollout – especially in small to medium-sized enterprises and public services.

New modelling also shows where exposure to connectivity gaps concentrates. Gains from the use of AI are highest in digitally intensive sectors – information and communications, financial services, professional services and core public services. But the bulk of the GDP gap sits in large 'everyday' sectors and public services, such as education, retail and health, because of their scale.

The policy direction of travel is increasingly aligned on both sides of the Channel: simplify deployment, strengthen resilience and create a stable policy environment for long-term investment. The harder question is delivery and whether the EU and the UK can move from intent to execution fast enough for AI diffusion.

In this report, we quantify the economic cost of incomplete connectivity, illustrate how infrastructure gaps constrain AI adoption on the ground, and set out a 'no-regrets' agenda to support growth and competitiveness. We close with five priority areas for action over the next 12 months:

1. Closing the hardest gaps faster while preserving trust and investment incentives
2. Providing regulatory stability and predictable change
3. Creating the conditions for greater scale and smarter cooperation
4. Matching network rollout with technology adoption
5. Building the skills base required for deployment and AI use at scale

From connectivity to competitiveness: the AI connectivity gap in numbers

The data below brings together the report's modelling and practical implications for the connectivity agenda

58%
Share of the gap concentrated in the top five sectors

Gigabit-capable coverage (premises)

82.7% EU27 (2024)

82.9% UK (2024)

Productivity penalty from incomplete gigabit coverage

1.30% of GDP — EU27 (2024)

1.95% of GDP — UK (2024)

Unrealised output each year

€254 billion — EU27 (2024)

£56 billion — UK (2024)

Productivity equivalent stranded by gaps

6.3mn full-time workers — EU27 (2024)

1.1mn full-time workers — UK (2024)

Where the GDP exposure concentrates

The top five sectors represent 58% of the gap:

EU27 (2024)

- Education (17%)
- Wholesale and retail (12%)
- Health and social work (11%)
- Professional services (10%)
- Administrative support (7%)

UK (2024)

The top five sectors represent 57% of the gap:

- Education (18%)
- Wholesale and retail (12%)
- Professional services (10%)
- Health and social work (10%)
- Administrative support (8%)

Where AI gains are most connectivity-dependent

EU27 (2024)

- Information and communication (77%) of AI gains are network-dependent
- Finance and professional services (69%)
- Public administration (70%)
- Real estate (69%)

UK (2024)

A similar pattern:

- Information and communication (77%)
- Professional services (70%)
- Finance (69%)
- Public administration (67%)

What it means for competitiveness and connectivity

High headline coverage can still conceal a large 'last-mile' penalty where economically critical sites sit outside reliable gigabit reach.

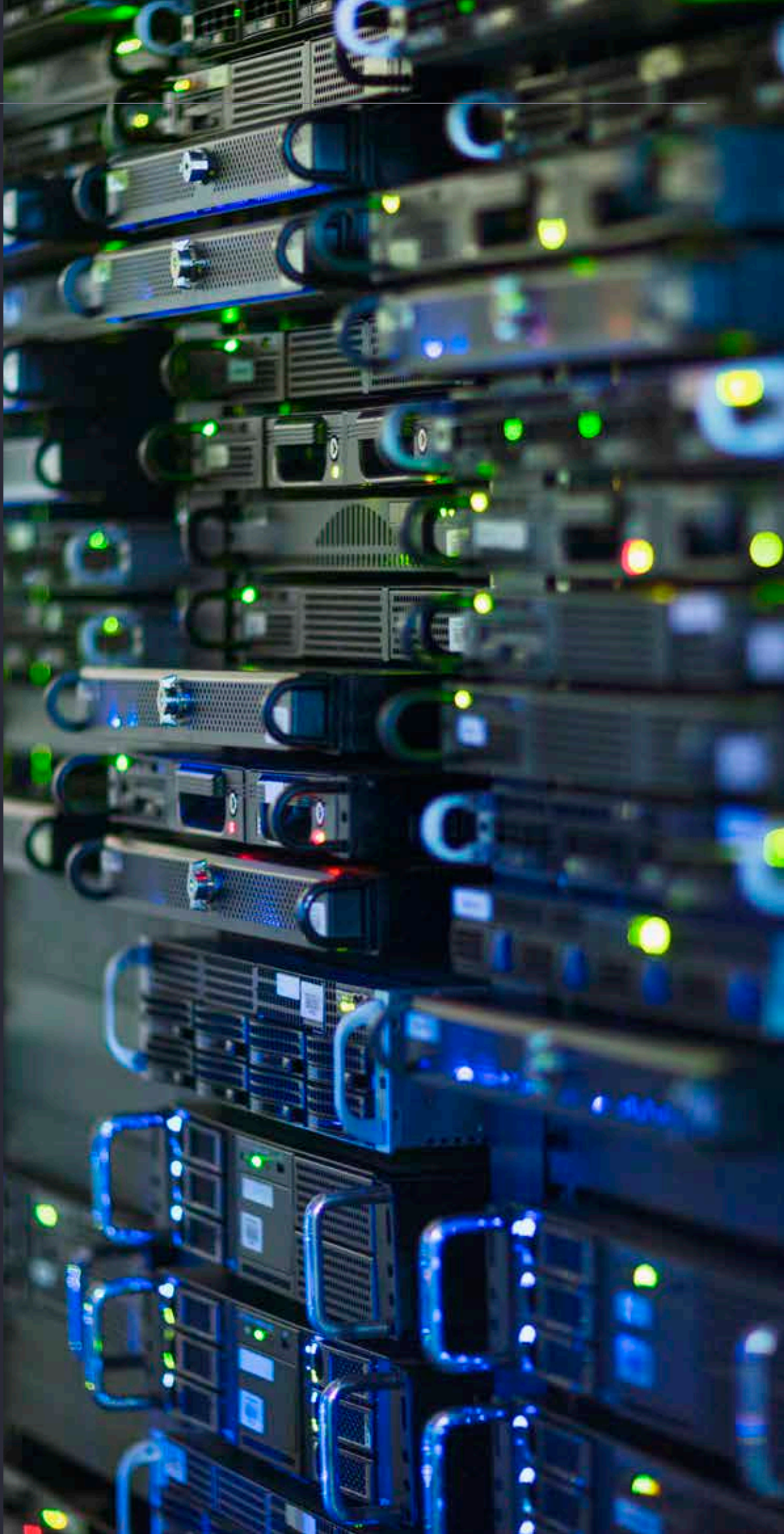
A measurable drag on growth and a reminder that connectivity is a competitiveness input, not a 'nice to have.'

This is the scale of the 'AI connectivity gap': the output Europe is positioned to capture once coverage and adoption catch up.

A useful way to think about the prize: closing gigabit gaps can free up labour capacity without hiring anyone but only if connectivity is usable in real workflows.

The biggest exposure sits in everyday sectors and public services, so priorities should include schools, hospitals, town centres, business clusters and logistics nodes, alongside hard-to-reach premises.

These sectors put 'usable' connectivity at the centre of the economy: upstream capability, latency, in-building reach and reliability are crucial factors, not just headline coverage.



Foreword

Manuel Kohnstamm
SVP and Chief Corporate Affairs Officer
Liberty Global

Digital infrastructure is the foundation for future economic and social prosperity. Across Europe, connectivity underpins every sector – from advanced manufacturing and energy systems to public services and media. As AI becomes a general-purpose technology, the quality and reach of our networks will increasingly shape how quickly its productivity gains diffuse across the economy.

Yet a worrying divide persists. Too many communities and businesses remain outside reliable gigabit reach, while patchy in-building performance still prevents firms and workers from using cloud services and AI tools reliably where work actually happens. If AI is only usable in certain postcodes, the benefits will be uneven – and Europe's growth challenge will deepen.

Connectivity providers on both sides of the Channel are being asked to deliver the impossible: match China's scale of deployment, the UAE's network capacity and Silicon Valley's innovation – while operating in an environment of complex regulation, tight capital markets and rising security expectations. The reality is that even where ambition is high, delivery on the ground remains hard.

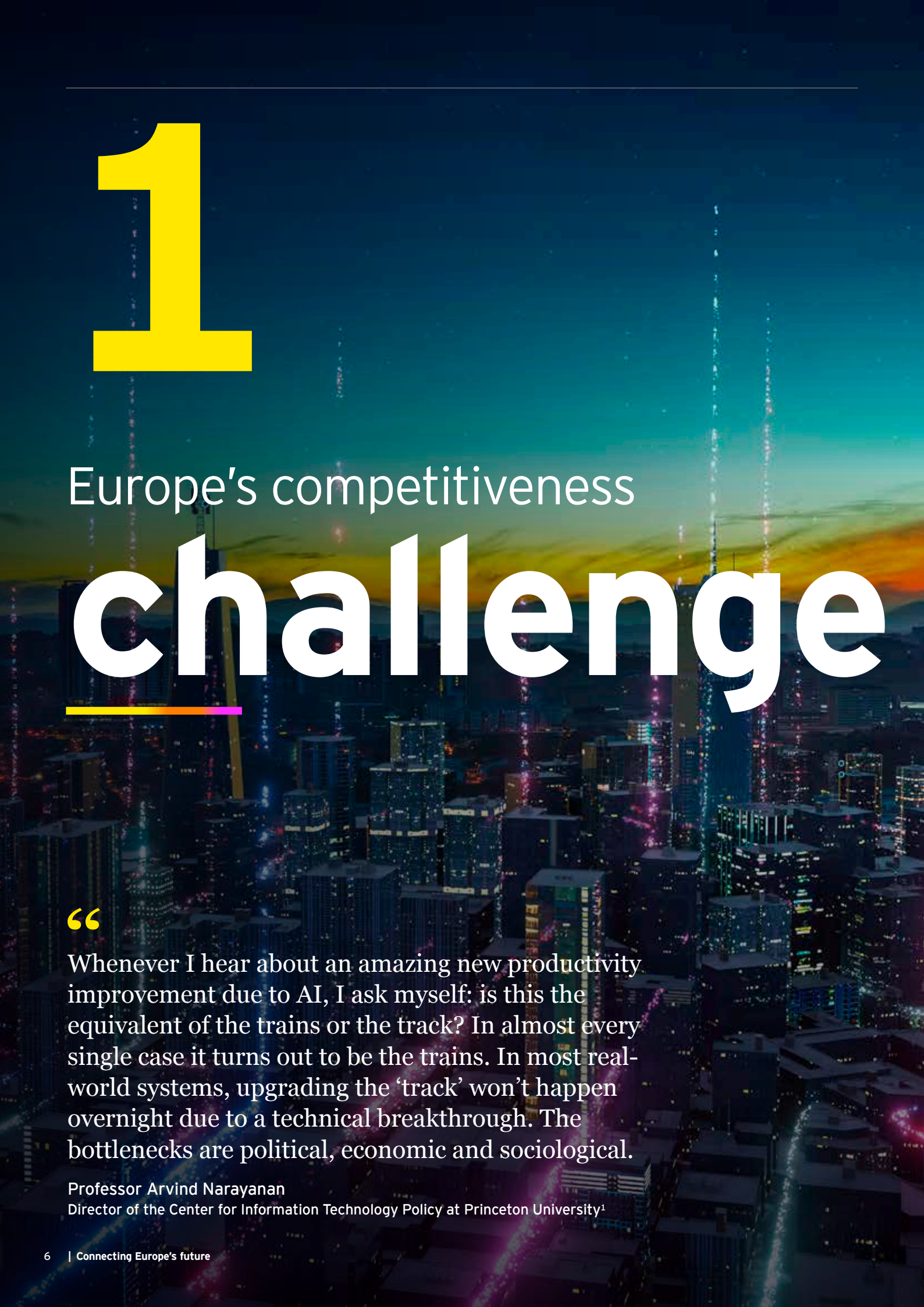
Indeed, delivery demands greater investment and industry cooperation, all while maintaining affordable prices for consumers. This is a true trilemma. Policymakers want all three, but none can be delivered without a clear, stable policy environment and a practical focus on execution.

Liberty Global's public policy focus in Europe is built around three themes: competitiveness through scale, futureproof EU telecoms rules and sustainable growth through innovation and investment. The common thread is delivery: a more coherent and investment-friendly environment that reduces fragmentation, strengthens resilience and enables next-generation networks to reach customers and communities that need them most.

So, what is the right approach? This is the question we explore in this report. Connecting Europe's future is a call to action. It urges business leaders and policymakers in the EU and the UK to focus on the economic prize from ubiquitous connectivity and to be honest about the trade-offs required to finish the job.

Within these pages, policymakers will find a competitiveness case for connectivity: the cost of incomplete networks, the constraints this creates for AI adoption and a no-regrets agenda that can command broad support. Crucially, we conclude by setting out five priority areas where policymakers and industry can turn broad alignment into practical delivery. The aim is not to prescribe one 'perfect' regulatory answer, but to show where action can most effectively strengthen growth and competitiveness.

On behalf of Liberty Global, I extend my gratitude to everyone who contributed. We are ready to do our part. My hope is that this report helps catalyse the decisive action needed to connect Europe's future – and ensure it is prosperous, resilient and inclusive for all.

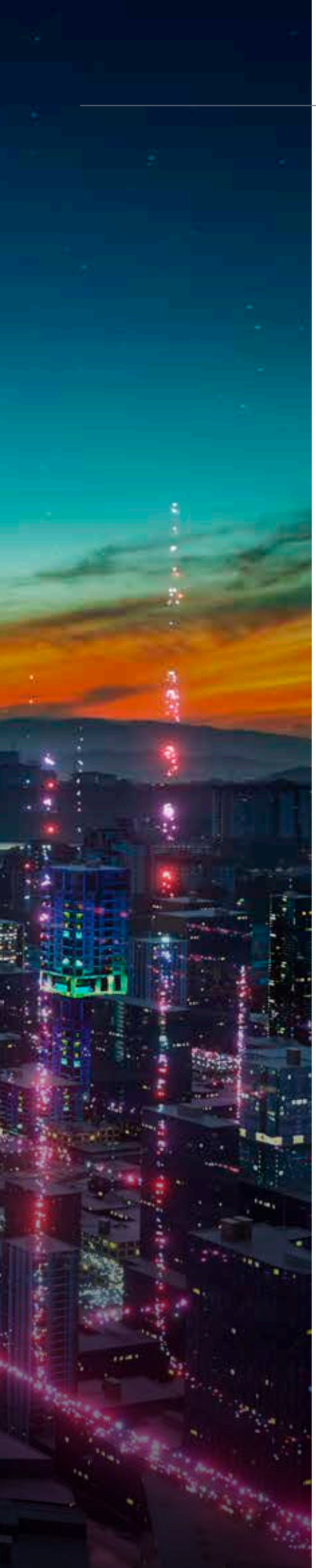


1

Europe's competitiveness challenge

> "Whenever I hear about an amazing new productivity improvement due to AI, I ask myself: is this the equivalent of the trains or the track? In almost every single case it turns out to be the trains. In most real-world systems, upgrading the 'track' won't happen overnight due to a technical breakthrough. The bottlenecks are political, economic and sociological.

Professor Arvind Narayanan
Director of the Center for Information Technology Policy at Princeton University[1]



Connectivity is now core to the EU's and the UK's economic prosperity. Fast, reliable telecommunications networks underpin every sector of the economy and are recognised as critical national infrastructure. Across the continent of Europe, the connectivity ecosystem accounts for 4.7% of gross domestic product (GDP), and higher connectivity translates directly into higher productivity — a 10% rise in mobile-broadband penetration is associated with a 2.1% uplift in GDP per capita.[2,3]

The region's ambitions reflect this importance. For example, the EU's Digital Decade policy programme aims for gigabit-capable connectivity for all households and 5G coverage in all populated areas by 2030.[4] And the UK's Modern Industrial Strategy similarly sets out a vision for world-class digital infrastructure as a platform for innovation and investment.[5]

At first glance, the direction is right and the building blocks are there — 5G sites are lighting up across Europe, fibre and cable networks are extending their reach and regulators increasingly recognise that long-term investment is the only credible route to resilience and competitiveness. But current momentum is fragile, and, in reality, the gap between ambition and execution is widening.[6]

The World Economic Forum warns that without a strong digital foundation Europe will struggle to scale AI and other frontier technologies across its economy.[7] In other words: connectivity is an economy-wide competitiveness input.

However, Europe's connectivity challenge is shaped by several structural constraints:

- **Capital squeeze:** Europe's connectivity sector continues to invest but returns on capital remain too weak to support rollout, resilience and innovation at the pace global competition requires.[8]
- **Market fragmentation and friction:** Europe's challenge is not just cross-border fragmentation but also insufficient scale across many markets, combined with inconsistent national deployment processes that raise cost and delay rollout.[9,10]
- **Connectivity divide:** Towns and cities increasingly enjoy the gigabit options needed to support data-intensive and AI-enabled workflows. But, although rural and remote areas are progressing, gaps persist and are often where economic resilience matters most.[11]

- **Slow diffusion of technology:** Slower diffusion of digital technologies drags Europe's productivity lower. Even where infrastructure exists, uneven adoption and capability mean the economic benefits arrive late — or not at all.[12]
- **Competing priorities:** Geopolitical shocks, sluggish growth, inflation, tariffs, trade wars and shifting supply chains all compete for political bandwidth and public funding. Connectivity is widely recognised as being of strategic importance but still loses out in delivery.

Faced with these challenges, industry leaders and policymakers should ask:

1. **How big is the prize from closing the remaining connectivity gaps, and what is the cost of inaction?**

2. **Which policy choices will unlock investment at scale while safeguarding security and resilience?**

3. **How can the EU and the UK work together to set standards and speak with a stronger global voice on connectivity and digital infrastructure?**

This report sets out to answer these questions. We begin by quantifying the economic cost of incomplete connectivity, then show how infrastructure gaps constrain AI adoption in practice. We then summarise the policy direction of travel in the EU and the UK at a high level, before setting out a no-regrets agenda and five priority areas to guide further debate.

> "A forward-looking and ambitious regulatory framework is … central to Europe's fight to become an attractive place for investment again; the Commission must act boldly to recognise the link between scale and investment and a much-simplified regulatory framework that increases investment capacities for all industrial sectors in the context of communication and compute.
>
> **Open letter to President Ursula von der Leyen from EU telecommunications and connectivity leaders**[13]

2

The economic cost of incomplete connectivity

Much like railways in the industrial revolution, fast and reliable communications are now vital for GDP growth, productivity gains and technology adoption.[14] Policymakers increasingly recognise that without robust digital infrastructure, Europe's competitiveness challenge will become harder to solve — especially as AI becomes embedded in everyday work.[15,16]

AI is often described as a 'software revolution'.[17] In reality, it is also a network revolution. AI-enabled work is more data-intensive, more collaborative and more dependent on cloud and edge compute than traditional economic activity. AI adoption depends on a chain, not a single asset. Data centres and edge facilities provide compute and storage; terrestrial, subsea and backhaul networks move data between them; and fixed and mobile access networks deliver that capability into businesses, public services and homes. Weakness anywhere in that chain — whether in data centre capacity, city and in-building connectivity, or last-mile performance — turns theoretical AI capability into a practical bottleneck. This creates four crucial requirements for connectivity:

- **Bandwidth:** not just peak gigabits per second, but sufficient capacity at busy times to enable businesses and public sector bodies to run cloud tools, video and data-heavy applications.
- **Latency:** the responsiveness needed for real-time applications, from remote customer support to industrial control systems and immersive media.
- **Reliability:** consistent performance that businesses and public services can build processes around, including resilience during outages.
- **Upstream capability and in-building reach:** the ability to run AI workloads, upload data, use real-time video and connect devices where work actually takes place: in offices, factories, hospitals, schools and transport corridors everywhere across the country.

These requirements apply across the economy, but they bite hardest where connectivity is the binding constraint on day-to-day operations — and where AI's adoption potential is high.

The wider impact of gigabit connectivity

A substantial evidence base shows the strong positive relationship between broadband connectivity and economic output. For example, the European Commission (EC) estimates that a 10% increase in broadband penetration can drive up to 1.5% higher annual GDP growth and lift labour productivity by around 1.5% over five years.[18] The gains appear larger where networks are ultra-fast: regions with higher gigabit coverage have around 1.1% higher GDP per capita than those with lesser coverage.[19]

In the UK, government analysis suggested that improving broadband speeds could add £17 billion in GVA to the economy, contributing around 0.07 percentage points to annual GDP growth.[20] It also suggested that every £1 of public investment in broadband could yield around £20 in net economic benefits, an unusually high return that reflects the breadth of spillovers into business efficiency and innovation.[21] EU-level analyses point in the same direction: even small increases in high-speed broadband adoption correlate with measurable GDP gains.[22]

In practice, the benefits show up through a mix of operational efficiency and technology diffusion:

- **Day-to-day efficiency:** Faster uploads and downloads, and more reliable performance, reduce delays and cut the 'workarounds' that waste time.
- **New business models:** Ubiquitous gigabit connectivity enables Internet of Things (IoT), automation, telepresence and immersive training, which widen markets and support innovation and company creation.
- **Faster AI diffusion:** As AI embeds into workflows, productivity gains increasingly depend on consistent performance in the real world — in offices, factories, hospitals, schools and homes.[23]

Measuring connectivity's impact on productivity

Our new modelling is intentionally high-level but practical: AI changes workflows, and workflows are only as strong as the weakest link in connectivity. If one site, team, or person cannot connect reliably, the productivity benefits often collapse across the whole process.

We therefore estimate how much of AI's productivity potential is affected by network coverage and, crucially, where the economic cost of incomplete connectivity shows up across the economy. The key idea is simple: connectivity is a binding constraint on the use of AI at scale. Where networks are unavailable or unreliable, AI tools cannot be used consistently in day-to-day operations.[24]

For instance, consider a community doctor or nurse making house calls in rural areas, or a field engineer relying on real-time diagnostics: If they cannot access systems, data and software tools when and where their work happens, AI-enabled efficiency is delayed or lost. The same applies to small to medium-sized enterprises (SMEs) adopting cloud tools, logistics operations coordinating supply chains, and public services moving to digital-first processes.

Our starting point is EY and Liberty Global's 'Wired for AI' analysis, which estimates potential efficiency gains from AI by occupation.[25] We then apply a network dependency factor: The share of those gains that depends on robust connectivity — for example, because tasks require cloud access, real-time video, or data uploads.

'Wired for AI' assumed perfect connectivity. In practice, no European country has reached 100% gigabit-capable coverage. We therefore apply observed coverage levels as a practical constraint — effectively scaling down the AI dividend to reflect where gigabit connectivity is not yet available. This produces a coverage-adjusted estimate of the GDP gap associated with incomplete coverage and a sector view showing where exposure is concentrated.

The productivity penalty

The model implies a substantial productivity penalty from incomplete gigabit coverage. For the EU27, the gap compared with full gigabit-capable connectivity is around 1.30% of GDP — roughly €254 billion of unrealised output each year.[26,27] For the UK, the implied gap is around 1.95% of GDP — roughly £56 billion (about €64 billion) a year.[28] As illustrated in Figure 1, the spread is wide: in markets with near-complete coverage, like the Netherlands, the implied gap reduces to 0.1% of GDP, while in markets where gigabit coverage is around half, like Greece, the implied penalty rises above 3%.

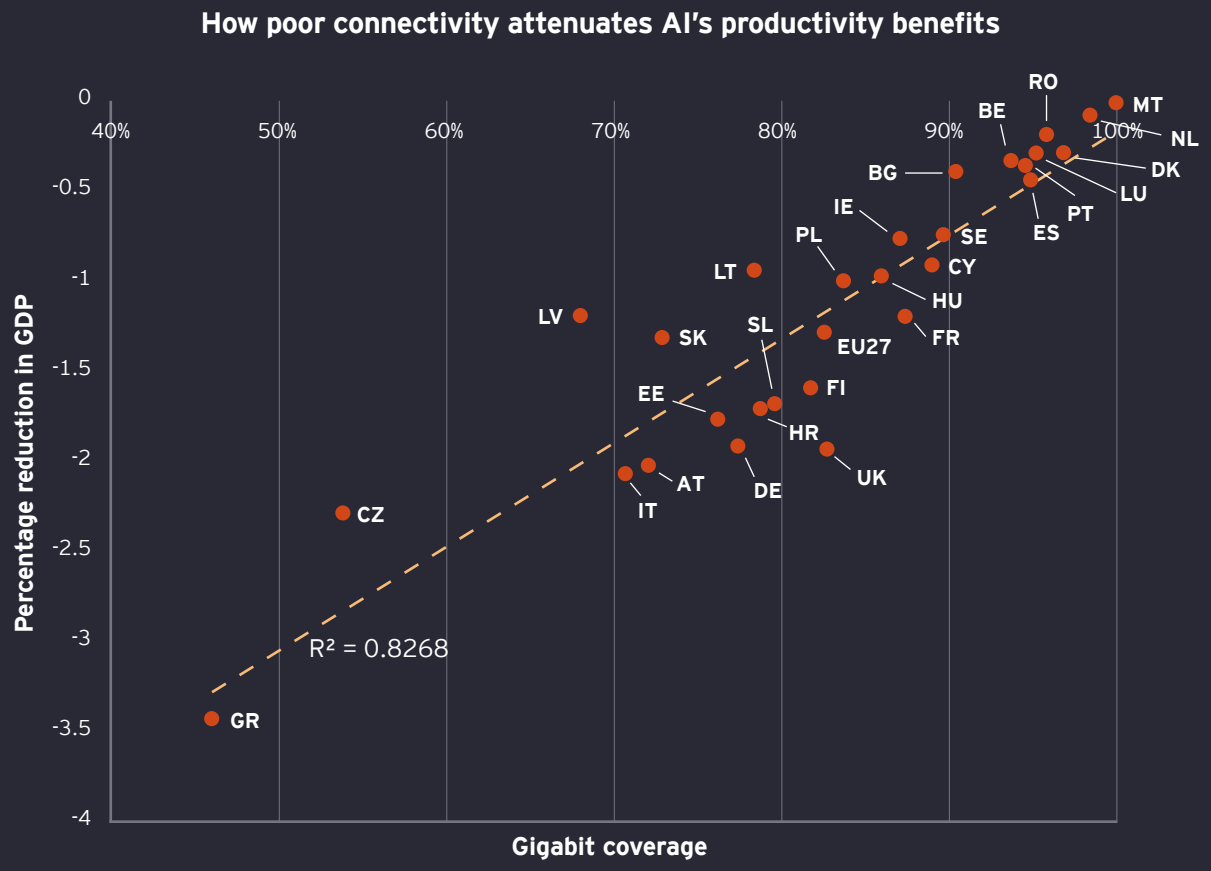


Figure 1. Estimates of GDP lost, by country, due to incomplete gigabit coverage.

Source: EY and Liberty Global.

In Europe's largest economies the gap is not marginal. For example, Germany's implied shortfall is around 1.93% of GDP (€90 billion a year), Italy's is around 2.08% (€49 billion) and France's around 1.21%.

This is why the 'last mile' really matters. Coverage gaps tend to coincide with dispersed business sites and 'always-on' public services — rural enterprises, supply chain nodes, schools, GP surgeries and care settings — where service continuity is crucial. Technology-neutral solutions, including fibre, cable, fixed wireless and, where appropriate, satellite connectivity, will all have a role in closing the remaining gap.[29]

It is also why headline coverage is necessary but not sufficient. For connectivity-dependent sectors, the binding constraints are often upstream capability, in-building reach and reliability at busy times — the performance characteristics that make cloud tools and AI workflows usable in the real world.

Put differently, the AI-enabled efficiency currently 'stranded' by gigabit gaps is equivalent to around 6.3 million full-time workers across the EU27 and around 1.1 million in the UK. That's a useful way to think about the size of the prize — and the opportunity cost of leaving the final 15%–20% of premises outside reliable gigabit reach.

Where gaps bite hardest

The macro numbers are large, but not evenly distributed. Some sectors rely far more on usable connectivity than others to realise AI-driven productivity gains — and several of the most exposed sectors are also large employers and core public services.

In our modelling, network dependency varies markedly by sector. Across the EU27, the share of AI-enabled efficiency gains that depends on usable connectivity ranges from around 47% in transport and storage to around 77% in information and communication. Finance, professional services, public administration and real estate are close behind (around 69%–70%).

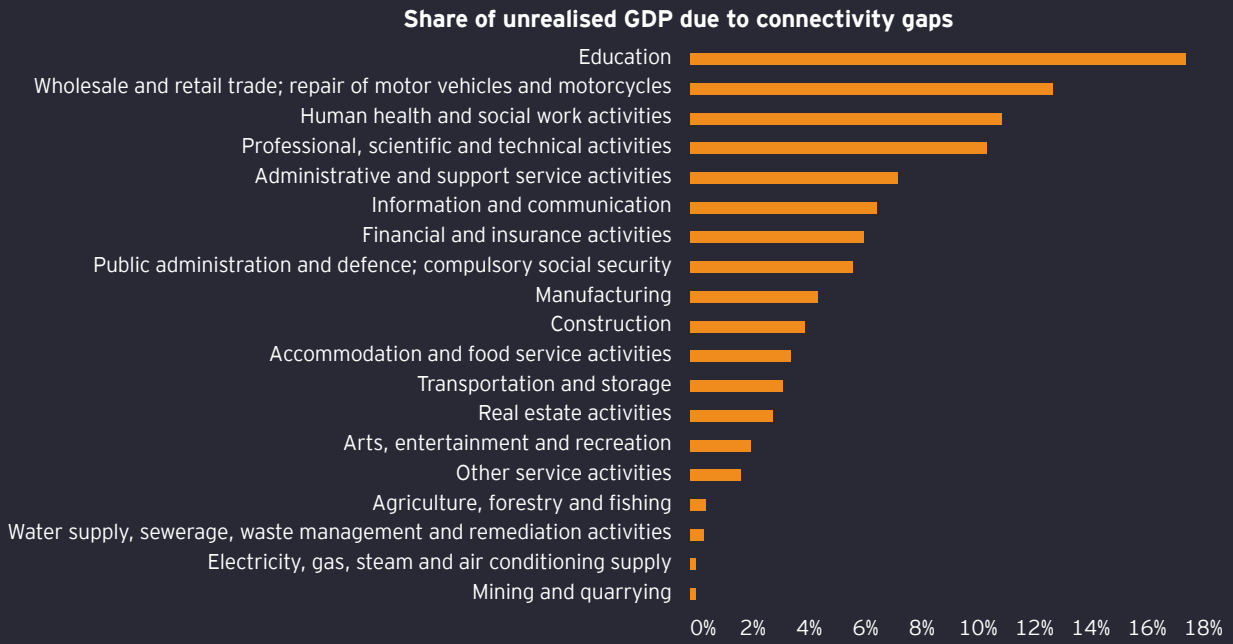
To make the logic tangible, if 70% of a sector's AI productivity potential depends on reliable connectivity, and gigabit coverage is 83%, then roughly 17% of activity sits outside coverage. This implies around 12% of the sector's AI potential is stranded today (17% x 70%).

This is why, at today's coverage levels, sectors with high network-dependency are effectively leaving a meaningful share of their AI productivity potential on the table — not because the AI tools don't exist to help workers, but because they cannot be used everywhere they are needed.

Dependency, though, is only half the story. Scale also matters. When we allocate the EU27's and the UK's annual GDP gap across sectors, just five areas — education, wholesale and retail trade, health and social care, professional services and administrative support — account for around 58% of the total. In the EU, this means roughly €43 billion of the annual gap sits in education alone, alongside €32 billion in wholesale and retail, and €27 billion in health and social work. That emphasis on scale is consistent with the wider EU competitiveness debate, where both Mario Draghi (former president of the European Central Bank) and Enrico Letta (former Prime Minister of Italy) argued in separate reports that fragmentation is now limiting investment, innovation and market reach in sectors including electronic communications.[30,31]

This concentration changes the practical policy question. Universal coverage should remain the goal, but within that objective policymakers should prioritise the gaps that create the biggest economic and public-service costs — especially where network quality, capacity and in-building performance are holding back schools, hospitals, logistics hubs, business growth zones and industrial clusters.

Share of GDP loss by sector (EU27)



Share of GDP loss by sector (UK)

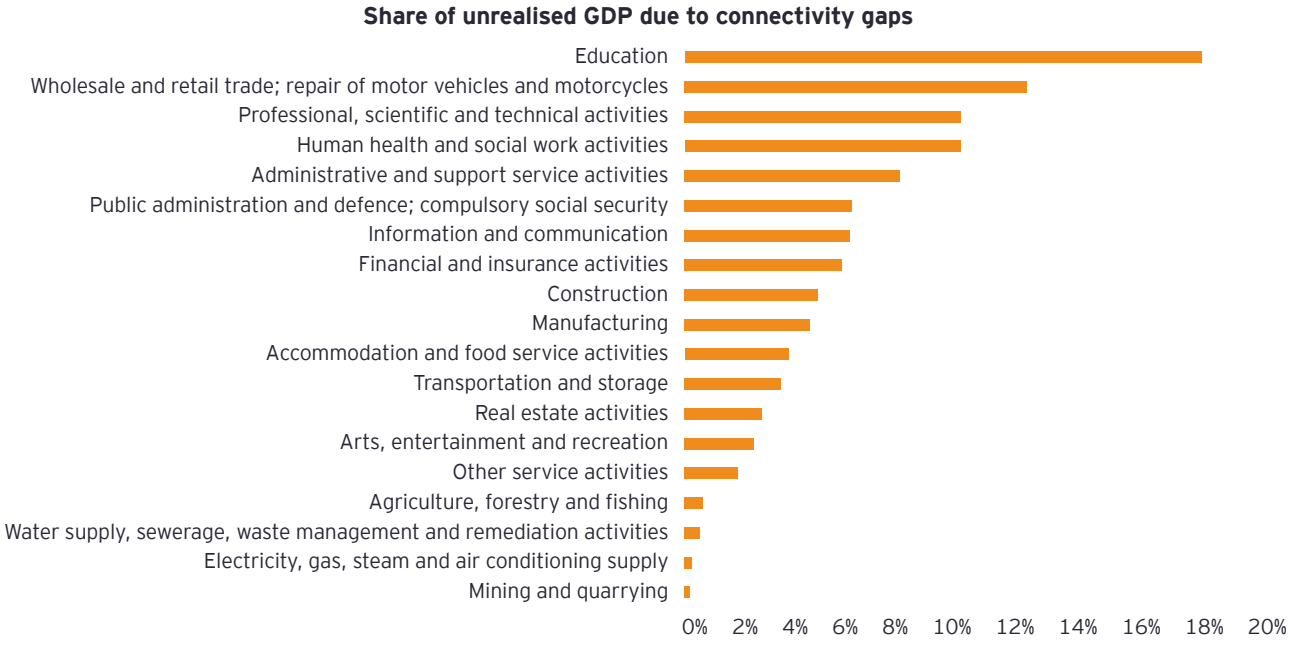


Figure 2. Sector exposure to the AI connectivity gap (EU27 and the UK).

Source: EY analysis for Liberty Global. Shares show each sector's indicative exposure to the GDP gap arising from incomplete gigabit coverage.

Healthcare – connectivity that saves lives

The idea of a surgeon operating on a patient from miles away was once science fiction. Today, high-bandwidth, low-latency networks and robotic systems make it a reality – bringing specialist care to patients without always requiring them to travel.

In early 2026, The London Clinic and Gibraltar Health Authority carried out the UK's first remote robotic telesurgery, with Professor Prokar Dasgupta operating from London on a prostate cancer patient at St Bernard's Hospital in Gibraltar, around 2,400km away.[32] Using a robotic system, he controlled a 3D HD camera and four robotic arms over fibre-optic lines with a backup 5G connection and under 60 milliseconds of delay. The procedure went to plan, and the patient said he felt "fantastic" within days.

This milestone showed how advanced connectivity can overcome distance in healthcare. For patients in smaller or more remote communities, it points to a future in which access to specialist care is less constrained by geography, and where travel, delay and disruption can all be reduced.

Manufacturing – connectivity that boosts productivity

Manufacturing is the backbone of the EU's economy. A modern 'smart factory' uses advanced connectivity, IoT sensors, robotics and data analytics – and, increasingly, AI – to optimise production, predict failures and reduce waste.

Nokia's Smart Factory in Oulu produces 5G base stations using a private 5G network with wireless control of robotic systems, real-time monitoring of machines via IoT sensors, real-time data analytics and augmented reality for technicians.[33] The results are remarkable: a 250% increase in production with no increase in energy consumption. Nokia more than doubled throughput without expanding the plant or workforce, simply by becoming data-driven and automating processes. This has also delivered a 70% reduction in CO_2 emissions per unit produced.

CASE STUDY

Energy – connectivity that powers the green transition

As Europe decarbonises, the energy system is becoming more distributed. Renewables, electric vehicles, smart meters and home batteries all increase the need for real-time control and optimisation – and AI is central to making that system stable and efficient.

The EU-funded Smart5Grid initiative demonstrated the role of 5G in advanced grid functions.[34] In one trial, a 5G network enabled automatic reconfiguration when faults occurred, self-healing in sub-second time by rerouting power, which drastically reduced outages. Another trial used 5G to coordinate distributed solar panels and batteries as a virtual power plant, adjusting output rapidly to smooth fluctuations.

Media and entertainment – connectivity that enables immersive experiences

Media and entertainment are where telecommunications and content converge. As AI enables more personalised, interactive and immersive experiences, network quality becomes a differentiator – shaping what audiences can consume and how creators can monetise.

In April 2025, Formula E launched the Formula E Stats Centre, an AI-powered platform designed to give fans interactive access to driver and team performances, key milestones and storylines across the championship's history via their mobile devices.[35] Powered by a proprietary software platform, it uses dynamic stat cards, AI-generated summaries, key insights and a chat-style AI companion to turn complex racing data into accessible, immersive content. Fans can explore trends across past seasons, follow their favourite teams and drivers in more depth and engage with the sport in a more intuitive way. This is the next phase of connected entertainment: streaming the event as well as turning live and historical data into richer fan experiences that deepen engagement and create new commercial opportunities.

CASE STUDY

These examples highlight a consistent lesson: the activities that connectivity enables are not abstract – and the challenges are very real. They show up as poor in-building coverage, patchy outdoor signals, insufficient backhaul, inconsistent planning permit processes and fragile resilience. Closing the gap therefore requires both extending the coverage footprint and delivering a network experience that businesses and public services can depend on.

3

Policy direction of travel in the EU and the UK

> “In too many areas, regulation still acts as a boot on the neck of businesses, choking off the enterprise and innovation that is the lifeblood of economic growth. Regulators in other sectors must take up the call I make this evening, not to bend to the temptation of excessive caution, but to boldly regulate for growth in the service of prosperity for our whole country.
>
> **The Rt Hon Rachel Reeves MP**
> **Chancellor of the Exchequer**[36]

The connectivity debate often turns into detailed discussions about technical regulations. But the strategic question we ask is simpler: what kind of policy environment will allow Europe to build and sustain the digital infrastructure it needs for AI-enabled growth?

Across both the EU and the UK, the direction of travel is broadly consistent: both jurisdictions treat connectivity as critical national infrastructure, and aim to simplify deployment, strengthen resilience and create stable conditions for greater long-term private investment. In other words, their strategies are genuinely attempting to tackle the key structural constraints outlined in the introduction. But the challenge they both face is how to move from policy intent to execution.

The EU's direction: competitiveness through scale, simplification and delivery

In his 2024 report on European competitiveness, Mario Draghi argued that Europe's growth challenge is fundamentally about weak investment, low productivity and fragmentation.[37] He called for a step-change in capital deployment and a more joined-up approach to industrial policy. Connectivity was positioned as a foundational enabler for digital adoption and innovation.

Subsequent initiatives, including the Competitiveness Compass and the EU's Single Market strategy, reinforced the diagnosis: fragmentation and administrative friction hold the EU back, and growth was shown to depend on removing barriers to investment and scaling cross-border markets.[38,39]

This diagnosis aligns with how parts of the telecommunications industry are framing the challenge: Europe needs competitiveness through scale, a futureproof and harmonised rulebook and an investment-friendly climate that unlocks innovation and infrastructure deployment. These are not abstract principles. They are the conditions required to mobilise capital and accelerate delivery.

Two policy instruments are particularly relevant for connectivity delivery:

- The Gigabit Infrastructure Act (GIA) — published in November 2025 — is designed to speed up deployment by reducing administrative burdens, improving access to civil infrastructure and streamlining permitting.[40]
- The Digital Networks Act (DNA) — as published by the European Commission on 21 January 2026, is intended to modernise the EU connectivity framework, with a stated focus on investment in advanced networks and resilience.[41,42]

Sustainable delivery of gigabit-capable networks ultimately depends on market-driven, operator-led investment decisions, supported by stable and predictable policy frameworks that allow infrastructure transitions to occur at a pace aligned with commercial viability, customer readiness and local conditions.

The GIA and DNA initiatives do not operate in isolation. The EU's scale agenda is now broader than deployment simplification alone. For example, the Commission's review of the Merger Guidelines is reopening the question of how scale, efficiencies and competitiveness should be assessed in a more dynamic economy, while the wider digital infrastructure agenda increasingly links telecoms, cloud and compute. Read together, the signal is that Europe is beginning to treat connectivity, scale and delivery as parts of the same competitiveness challenge rather than as separate policy silos.

The practical point for industry leaders is not the legal detail of these two instruments, but the high-level signal: the Commission is explicitly linking connectivity to competitiveness, AI adoption and Europe's ability to scale digital innovation. The Acts are intended to become the foundational enabler requested by Draghi.[43]

The UK's direction: growth, delivery focus and regulatory predictability

The UK's Modern Industrial Strategy emphasises world-class digital infrastructure as a platform for growth.[44] It aligns connectivity with infrastructure strategy and policies associated with innovation, productivity and regional development.[45,46]

In February 2026, the government published an updated draft Statement of Strategic Priorities (SSP) for telecommunications, spectrum and postal services.[47] The update frames growth and investment as core objectives, alongside coverage ambitions, resilience and delivery discipline.

The UK's policy direction has also aligned around delivery. Ofcom's now-published Telecoms Access Review 2026-31 sets out a regulatory approach designed to support continued investment in gigabit-capable networks while sustaining competition where it is viable.[48] The significance for competitiveness is not only the detail of specific remedies. It is that the regulator is now explicitly linking high-quality connectivity to growth, AI adoption and long-term investment confidence. The next test is whether that clearer direction translates into faster delivery, stronger take-up and sustainable economics in the hardest parts of the market.

> We need genuine, infrastructure-level competition in urban areas to create more investment overall, which benefits both consumers and businesses.
>
> Giles Rowbotham
> General Counsel and Chief Development Officer, Nexfibre[49]

A new agenda for delivery and adoption

The EU and the UK are converging on a shared destination: ubiquitous, resilient gigabit-capable connectivity as a foundation for productivity and AI adoption. The contested part is the route — the balance between investment incentives, competition, affordability and the practical burden of deployment.

This is why the debate needs to be reframed. Telecommunications policy should be judged less as a standalone regulatory instrument and more as an economic enabler: Do the rules support faster rollout, greater resilience, stronger investment and wider AI adoption across the economy?

Answering this question — and translating the EU and the UK's ambition into buildable, financeable and adoptable infrastructure — is unlikely to be achieved with just one policy 'silver bullet.' But there is a 'no-regrets agenda' that can command broad support.

Deploy infrastructure where it matters most

Universal baseline coverage remains the core objective. However, the policy choice is how to prioritise the remaining hardest-to-serve gaps in ways that maximise economic impact and public-service delivery. For example, one starting point is to identify the high impact 'missing links' where connectivity gaps constrain economically important activity in industrial clusters, logistics corridors, dispersed businesses and critical public services.

The modelling in this report suggests this exposure is concentrated in everyday sectors and public services, which points to a pragmatic focus on sites such as hospitals, schools, logistics hubs and business clusters. Where public support is required, it should be outcome-based and technology-neutral: tied to measurable service experience (reliability, latency, in-building performance) and delivered through the mix of fibre, cable, fixed wireless and, where appropriate, satellite that works best locally.

Simplify delivery and reduce deployment friction

In both the EU and the UK, there is no shortage of policy intent, but there is a gap between framework and delivery: Even where simplification measures exist on paper — such as in the GIA — builders still face inconsistent planning permission and permit processes, duplicated requirements and local bureaucracy. Re-use of existing infrastructure should be the default where possible, and local processes should be digitised and made predictable for builders and communities alike. Skills and contractor capacity also matter because training programmes and predictable project pipelines can reduce bottlenecks and increase the pace of delivery.

Provide regulatory stability and investment predictability

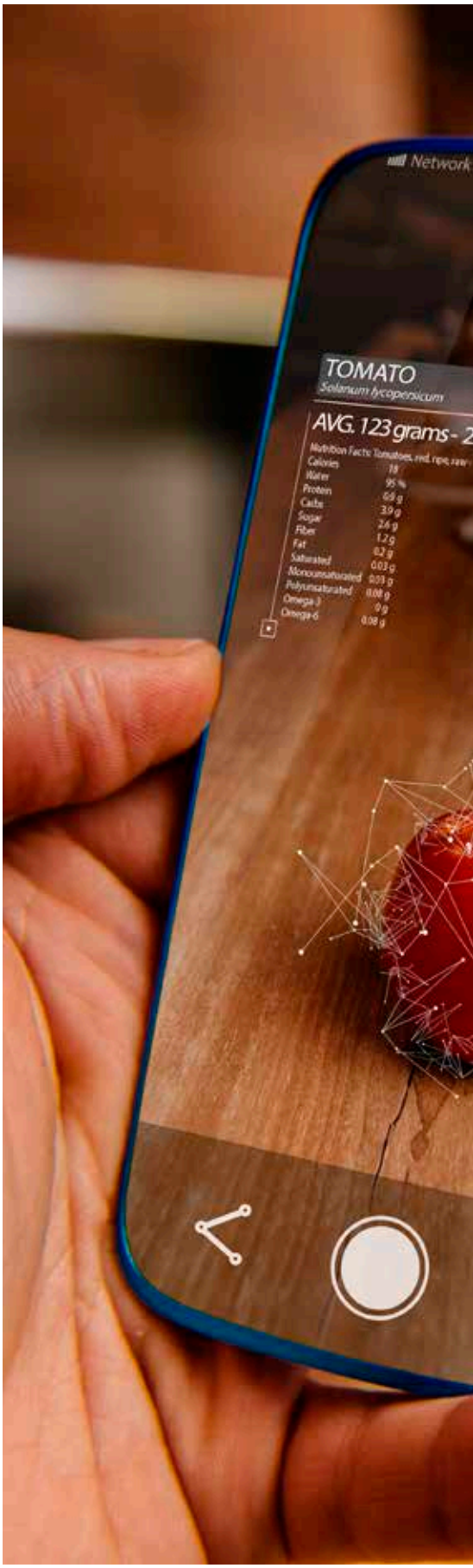
Connectivity infrastructure is built to last for decades and the investment needed flows more freely when there is confidence in rules, returns and demand. Stability also depends on simplicity: Fewer fragmented rules, clearer obligations and early warning of policy change reduce cost and improve confidence for long-term investors.

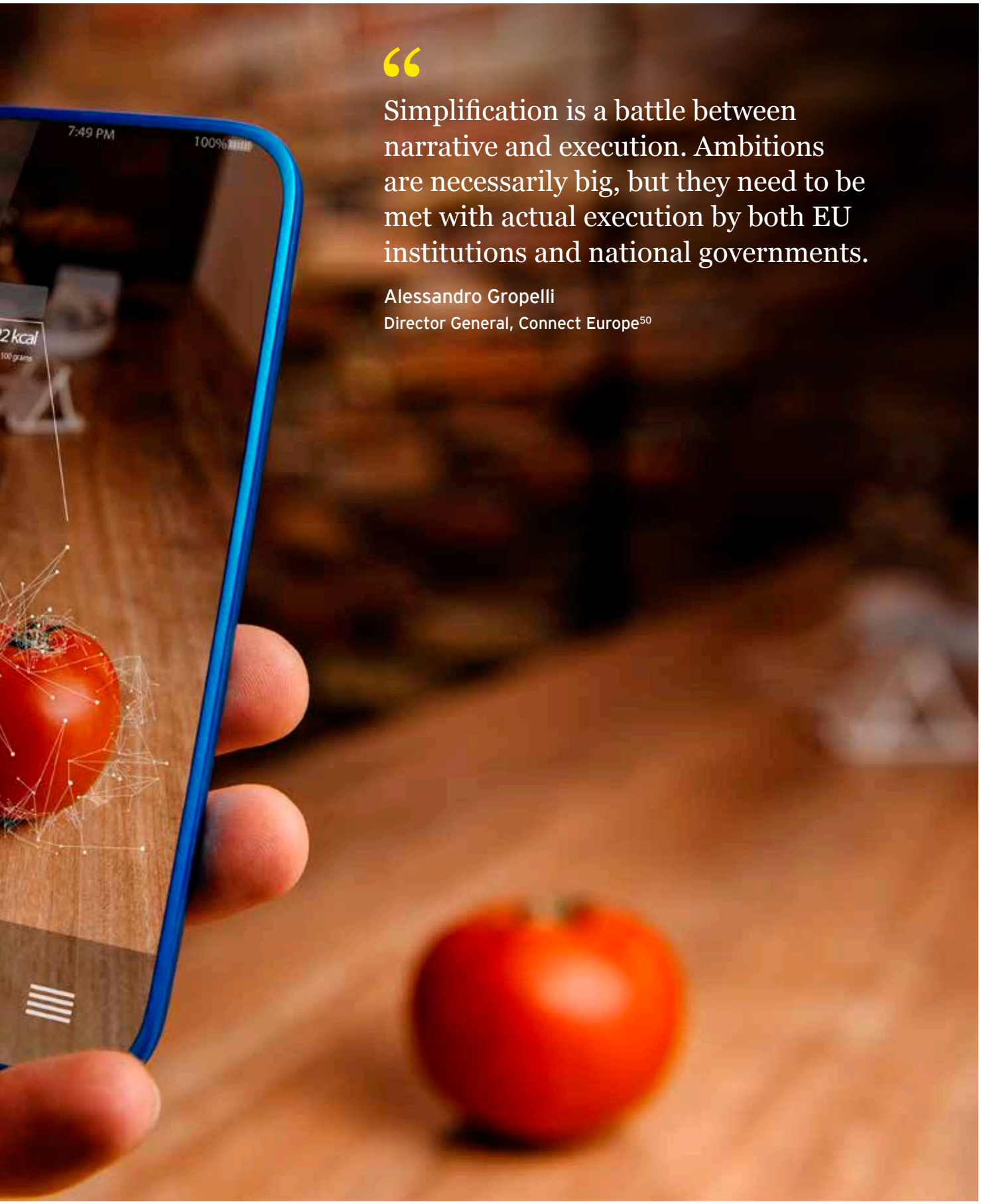
Match network rollout with adoption and demand

Our analysis shows that coverage alone can't deliver productivity gains; instead, the prize comes from the use of connectivity services to enable other activities. This means that the competitiveness agenda should link network rollout to technology adoption in businesses and public services, building practical use cases, procurement capability, data readiness and workforce skills. Where connectivity is clearly a bottleneck, for example, in healthcare, manufacturing, energy and logistics, pilot projects and demonstrators can make the benefits visible and accelerate demand. Affordability and take-up challenges need attention too, but in ways that reinforce, rather than undermine, the investment incentives that make rollout possible.

Treat resilience and security as foundational

As dependence on connectivity increases, resilience is no longer a 'nice to have': networks must be secure, robust and capable of supporting critical services. This means building redundancy and incident readiness into deployment strategies, embedding security-by-design and supply chain resilience across fixed and mobile networks, and recognising that resilience investments may not be fully rewarded by short-term price competition alone. If resilience is a strategic requirement, policy should make it explicit and fundable.





> Simplification is a battle between narrative and execution. Ambitions are necessarily big, but they need to be met with actual execution by both EU institutions and national governments.
>
> **Alessandro Gropelli**
> Director General, Connect Europe[50]

4

A practical competitive agenda

> “Currently, the average monthly 5G tariff in Italy is equivalent to the cost of a sandwich and a beer. How have we reached the point where critical connectivity services are valued less than the cost of a cheap meal?

Alessandro Gropelli
Director General, Connect Europe[51]

Europe does not need a perfect regulatory answer before it can make progress. The priorities are increasingly clear: Finish the hardest parts of network deployment, reduce friction in processes, strengthen investment confidence, and make sure network rollout, adoption and skills move forward together. The following five areas provide a practical agenda for policymakers and industry over the next 12 months.

1. Deployment and delivery can close the hardest gaps faster while preserving incentives

The remaining connectivity gaps are the hardest and most expensive to close, but they are also the places where better delivery can unlock the greatest economic and public service value. Universal coverage remains the goal, but the practical challenge now is to sequence actions in ways that close the highest cost gaps faster, improve real-world service quality and preserve the investment incentives needed by the industry to expand capacity, resilience and innovation across the wider market.

Gigabit networks (fixed and mobile) are the catalyst of the wider European economy and society. They enable the provision and use of a broad range of digital services, support the functioning of the internal market, and are widely considered essential to competitiveness and growth in a digital economy. A technology-neutral approach remains critical, recognising that gigabit capability today and in the future will be delivered through a mix of technologies, including fibre, cable, 5G, future mobile generations and other innovative solutions.

Areas of future interest:

- Target support at the remaining hardest-to-serve locations and the high-value ‘last mile’ that holds back productivity and public services.
- Use outcome-based, technology-neutral delivery models that reward reliability, latency, in-building performance and resilience, not geographic footprint alone.
- Simplify permits, wayleaves, access to existing infrastructure and local processes so that builders can move faster while maintaining transparency and community confidence.
- Measure success through a combination of coverage, service quality and adoption, so that delivery reflects the way connectivity is actually used.

2. Regulatory stability should support long-term investment while adapting to change

Connectivity infrastructure is financed and built on multi-decade timescales. Investors, operators and policymakers all benefit, therefore, when the rules are clear, proportionate and signalled early. Stability should not mean standing still; it should mean creating a predictable framework in which change is managed transparently, transitions are workable and long-term capital can keep flowing into networks and innovation.

Areas of future interest:

- Reduce unnecessary complexity and fragmentation in the rulebook so compliance is clearer and achieved at lower cost.
- Signal policy and regulatory change early, with transition periods that avoid retrospective shocks for long-term investors.
- Focus regulatory certainty on the areas that most shape investment decisions, including returns, deployment conditions, and demand visibility.
- Review rules dynamically where needed but do so in ways that reinforce confidence rather than reset the investment case.

3. Greater scale and smarter cooperation can strengthen Europe's connectivity future

Policy ambition remains important. Europe can pursue resilient networks, strong competition and affordable services at the same time. But in highly fragmented markets, scale may increasingly come from sharing and harmonisation as well as consolidation. The objective should not be consolidation for its own sake. It should be market structures that are investable, resilient and capable of completing rollout while sustaining effective competition, innovation and customer choice. In the UK in particular, the next phase of the market is likely to depend less on passing additional premises and more on sustainable economics, adoption and disciplined consolidation where overlap is high.

Areas of future interest:

- Enable forms of cooperation that improve network economics and delivery speed, including sharing, joint builds and common technical approaches where they strengthen outcomes.
- Reduce fragmentation that raises the cost of capital, slows deployment and limits the spread of innovation across markets.
- Assess competition and market structure with a broader competitiveness lens that includes resilience, investment capacity and long-term service quality alongside price.
- Build a more coherent framework across Europe so successful models can scale more easily.

4. Connectivity and adoption must advance together to unlock productivity

Coverage matters, but productivity gains come from the use of connectivity services. The next phase of the competitiveness agenda is therefore not only about building better networks, but also about making sure businesses and public services can translate connectivity into digital adoption, AI-enabled workflows and measurable performance gains. Supply and demand are mutually reinforcing: stronger adoption supports better investment cases, and better networks make adoption easier and more valuable.

Areas of future interest:

- Focus adoption support on SMEs and public services where skills, procurement capability, trust and organisational readiness often lag behind.
- Pair infrastructure upgrades with practical demonstrators, training opportunities and sector-specific use cases that make the value of better connectivity visible.
- Improve the conditions for connectivity take-up by addressing affordability, capability and data readiness in ways that reinforce, rather than weaken, long-term investment incentives.
- Make the productivity gains from connectivity and AI easier to measure, so demand can scale with confidence.

5. Skills and delivery capability will determine how quickly Europe captures the benefits of connectivity and AI

The connectivity agenda is also a workforce agenda. Building and operating next-generation networks requires specialist engineering, planning, security and operational capability. Capturing the wider AI opportunity also depends on a workforce capable of adopting new tools, redesigning processes and using data responsibly. Europe has the opportunity to strengthen both sides of this equation by aligning training, procurement, delivery pipelines and regional growth strategies with where networks are being built and where adoption can accelerate fastest.

Areas of future interest:

- Expand the pipeline of deployment, engineering, cybersecurity and operations skills needed to build and run resilient networks at pace.
- Strengthen digital, data and AI capability inside businesses and public services so better connectivity translates into practical productivity gains.
- Link public funding, procurement and local growth plans more clearly to measurable skills and adoption outcomes.
- Build stronger regional talent pathways that help specialist capability grow in the places where infrastructure investment and digital adoption are most needed.

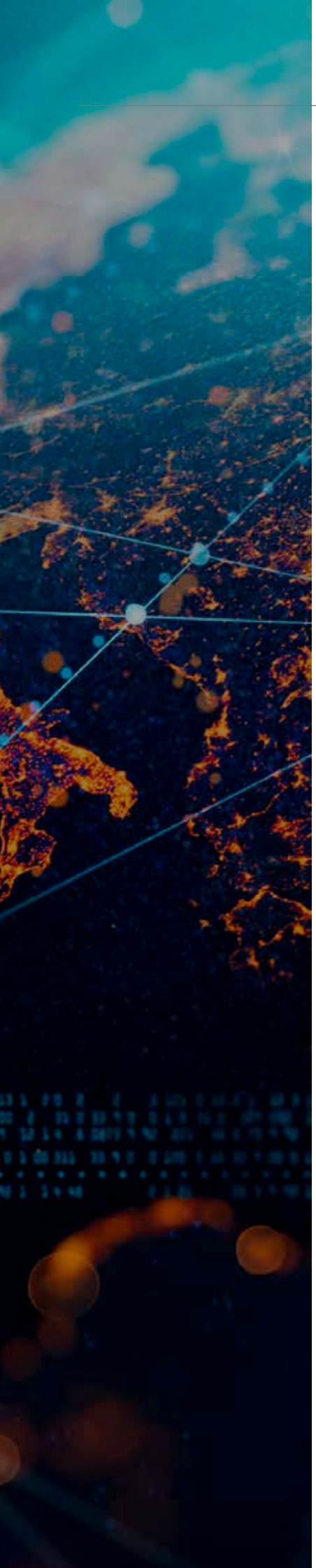
5

Conclusion

Why connectivity is foundational to Europe's AI future

"Europe needs to grow — and be in control of — its own technology options. Digital networks and all the crucial services delivered on top of them require strategic focus by policymakers and supportive industrial policy. We need to execute on the vision of a healthy European connectivity ecosystem.

Alessandro Gropelli
Director General, Connect Europe[52]



Connectivity has historically been viewed as adjacent to Europe's AI future. In reality, it is part of the delivery system that makes AI usable at scale. The prize is large and measurable, but so is the cost of delay: where high-capacity networks, in-building performance and adoption lag, part of the AI dividend remains stranded. Completing connectivity and improving real-world performance goes beyond being a telecoms objective and makes it a competitiveness imperative.

Europe's AI competitiveness will depend not only on applications and models, but also on the full infrastructure stack that makes them usable: data centres, edge capability, backbone networks and last-mile connectivity.

The policy direction to achieve this is becoming clearer on both sides of the Channel. Simplification, resilience, investment predictability, smarter deployment and stronger adoption are increasingly part of the same agenda. The task now is to turn that broad alignment into delivery: finishing the hardest parts of rollout, improving real-world and last-mile performance and ensuring that businesses and public services are ready to use the capability being built.

This report doesn't argue for a single regulatory fix. It sets out a practical competitiveness agenda: close the hardest gaps faster, reduce deployment friction, strengthen long-term investment confidence, create conditions for scale and cooperation, and connect infrastructure policy more directly to adoption and skills. If the EU and the UK make progress on these priorities together, connectivity can become a stronger engine of growth, productivity and AI diffusion across Europe.

The opportunity is therefore much more about building an enduring competitive advantage than simply avoiding a drag on productivity. With the right choices on delivery, investment and skills, Europe can turn connectivity into one of the foundations of a more innovative, resilient and faster-growing economy. In other words, Europe will lay the track — allowing the AI train to run.

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