



Strategy for the sustainable competitiveness of the construction sector and its enterprises /* COM/2012/0433 final */

Short presentation of the new policy and suggestions for
ECCE actions

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Summary of report

- My presentation has two parts
- The first one is purely informative about the running EU policies having major impacts to our profession, policies that in my opinion should be first in ECCE's agenda.
- The second part is suggesting some immediate actions based on the action plan of the Commission for the next steps.
- As you know EU has reacted very delayed and very slowly to the deep economic crisis that hits Europe and especially the construction sector.
- The first measures were the policy about SME's and the late payments directive, the Lead initiative on sustainable construction, some studies for the competitiveness of the construction sector etc, but no money, no investments, no recovery policies.
- Then came the energy efficiency for buildings directive with some fiscal or subvention incentives for renovations with energy performance upgrading. There is a new consultation paper on the financial support of energy efficiency, based on the fact that the rate of building renovations is very small face to the emissions reduction goal for 2020.
- After that we have the **Connecting Europe Facility** with the project bonds, the first real infrastructure investment policy.
- And finally by the end of July 2012 we have the Communication **"Strategy for the sustainable competitiveness of the construction sector and its enterprises"** / COM/2012/0433 final /



Why we need a special policy for the construction sector?

The construction sector plays an important role in the delivery of the Europe 2020 Strategy on smart, sustainable and inclusive growth.

- The construction sector plays an important role in the European economy. It generates almost 10 % of GDP and provides 20 million jobs, mainly in micro and small enterprises. Construction is also a major consumer of intermediate products and related services. Because of its economic importance, the performance of the construction sector can significantly influence the development of the overall economy.
- The quality of construction works also has a direct impact on the quality of life of Europeans. Not least, the energy performance of buildings and resource efficiency in manufacturing, transport and the use of products for the construction of buildings and infrastructures have an important impact on energy, climate change and the environment.
- The competitiveness of construction companies is therefore an important issue not only for growth and employment in general but also to ensure the sustainability of the sector.
- The sector could contribute significantly to job creation[1] by increasing its activity in some very promising areas, such as the renovation of buildings and in infrastructure, with support through, for example, appropriate policies to promote demand but also to encourage investment.



Why does the EU need a construction strategy?

- the **financial and economic crisis** has meant building and infrastructure work fell by 17% between January 2008 and April 2012 across the EU-27
- the **burst of the housing bubble** has continued to significantly reduce activity in the sector, generating unemployment
- the **contraction of credit markets** and **late payment practices** put further pressure on construction enterprises' solvency
- the sector is in constant **need of skilled labour**
- the introduction of **Nearly Zero Energy Buildings** (NZEB), as announced in the recast of the Energy Performance of Buildings Directive, will be a major challenge for the construction sector
- efforts to improve **energy efficiency and to integrate renewable** energy sources are progressing slowly, in particular in the renovation of existing buildings
- the situation in **international markets** is critical for EU operators. Difficulties arise from the competition conditions in other countries such as less stringent social and environmental requirements. Non-EU operators also benefit from state aid , e.g. in China, which limit the opportunities for EU operators to access these markets.



An action plan has been proposed by the European Commission to promote the construction sector as a driving force in the creation of jobs and for sustained growth for the economy in general.

The proposed actions include:

- 1) **stimulating favourable investment conditions** - in particular in the renovation and maintenance of buildings and infrastructures - by promoting financial instruments such as loan guarantees or project bonds and encouraging national level incentives such as reduced VAT rates
- 2) **boosting innovation and improving labour qualifications and mobility** by promoting the share of information on curricula, employment market and employer's needs
- 3) **improving resource efficiency and environmental performance**, promoting mutual recognition of sustainable construction systems in the EU
- 4) **providing standard design codes of practice** for construction companies making it easier for them to work in other Member States
- 5) **fostering the global position of European construction enterprises** to stimulate good performances and sustainable standards in third countries.



1) Stimulating favourable investment conditions

- The **renovation of existing buildings and infrastructure maintenance is a priority**. In particular, in order to achieve the EU 2020 targets for energy efficiency, renovation activities need to be accelerated and ambitious targets set for the energy performance of existing buildings. This could **create up to 1 million new jobs** over the period from 2010 to 2020.
- On June 29, EU leaders agreed a "Pact for Growth and Employment" that will leverage up to €120 billion via the European Investment Bank (EIB) to boost the financing of economies. The Pact provides for a €10 billion increased capital for the European Investment Bank, which will increase its overall lending capacity by €60 billion. The Project Bond pilot phase will bring additional investments of up to €4.5 billion for key infrastructure pilot projects. Finally, a further €55 billion from Structural Funds could be reallocated to share the EIB loan risk and provide loan guarantees for knowledge and skills, resource efficiency, strategic infrastructure and access to finance for SMEs. **This package will enable the Bank to make loans for the energy upgrading of buildings** and infrastructure projects, as well as ensuring support to SMEs.



Stimulating favourable investment conditions

- National level fiscal incentives and financial support measures such as **reduced VAT rates, preferential interest rates and targeted subsidies** are needed to support investment. It is also necessary to ensure coherence between national instruments and EU, private funds and financial instruments. In 2013 the Commission will present recommendations on how to ensure these synergies.
- Trans-European Networks (TENs) and EU policies in the fields of energy, transport and cohesion are a powerful lever for growth in the construction sector. In this context, the **€4.5 billion for "project-bonds"** is already a step toward financing major infrastructure projects. A minimal alignment of national administrative procedures will be necessary to ensure the smooth implementation of the networks' cross-border sections.
- **Research and innovation activities** should combine technologic and socio-economic research to create instruments - training, public procurement, standardisation, insurance, etc. - to accelerate the transition from research to exploitation.



2) Improving human-capital in the construction sector

- It is necessary to anticipate future demands on the labour market, including vocational training, to create the conditions for a better working environment and career prospects for young people. This will provide greater mobility for employees, particularly in cross-border services. An initiative at European level - with the appropriate social dialogue support - should stimulate an exchange of information on how to anticipate these needs, including the capacity of national education systems to meet future business needs.



3) Improving resource efficiency, environmental performance and business opportunities

- In order to allow the concept of “sustainable construction” to be more widely used, it is necessary to develop a common understanding of resource efficiency and environmental performance in project design, construction and evaluation as Member States apply a variety of different definitions. This will contribute to the functioning of the Internal Market.
- Therefore, the Commission will propose initiatives to promote **mutual recognition** or harmonisation of the various **existing assessment methods** and make these methods more practical and accessible to construction companies, insurance industry and investors.
- Pilot projects developed within the context of Green Public Procurement and regional policy could provide planning and contracting authorities with the appropriate tools.



4) Strengthening the Internal Market for construction

- Construction has been recognised as a priority sector in the Commission Communication of 8th June on the implementation of the Services Directive.
- The Commission will continue to analyse Member States' various regulatory and administrative approaches in order to assess their compatibility with EU legislation and any need for clarification or alignment.
- Standardisation through the use of Eurocodes could facilitate this convergence process. Eurocodes, a set of design standards, are the most up-to-date codes of practice applicable to all construction materials, all major fields of structural engineering and a wide range of types of structures and products.
- Each country can adapt the Eurocodes to their specific conditions and risk assessment regarding climate, seismic risk and traditions. Member States' implementation of Eurocodes will also be the subject of a review in 2013. Furthermore, the Commission will mandate the European Committee for Standardization (CEN) to facilitate the use of Eurocodes by construction professionals.



5) Fostering the global competitiveness of European construction companies

- The Commission will continue to insist on securing ambitious market access commitments from partner countries in trade negotiations, for both commercial and procurement markets.
- In addition, cooperation will be developed with Africa, Latin America, Russia and EU Neighbourhood countries with a view to introducing sustainable construction criteria in public procurement and using Eurocodes as a tool for their construction regulations.
- Moreover, the EU-Africa Partnership for Infrastructure Transport offers opportunities for transcontinental connections and more reliable and safer transport system.
- The EU initiative 'Small Business, Big World' will offer relevant information, advice and assistance to small specialised contractors in their attempts to access international markets and to find potential business partners. The European Regional Development Fund also facilitates the development of new business models for SMEs, in particular for internationalisation.



Connecting Europe Facility: Commission adopts plan for €50 billion boost to European networks

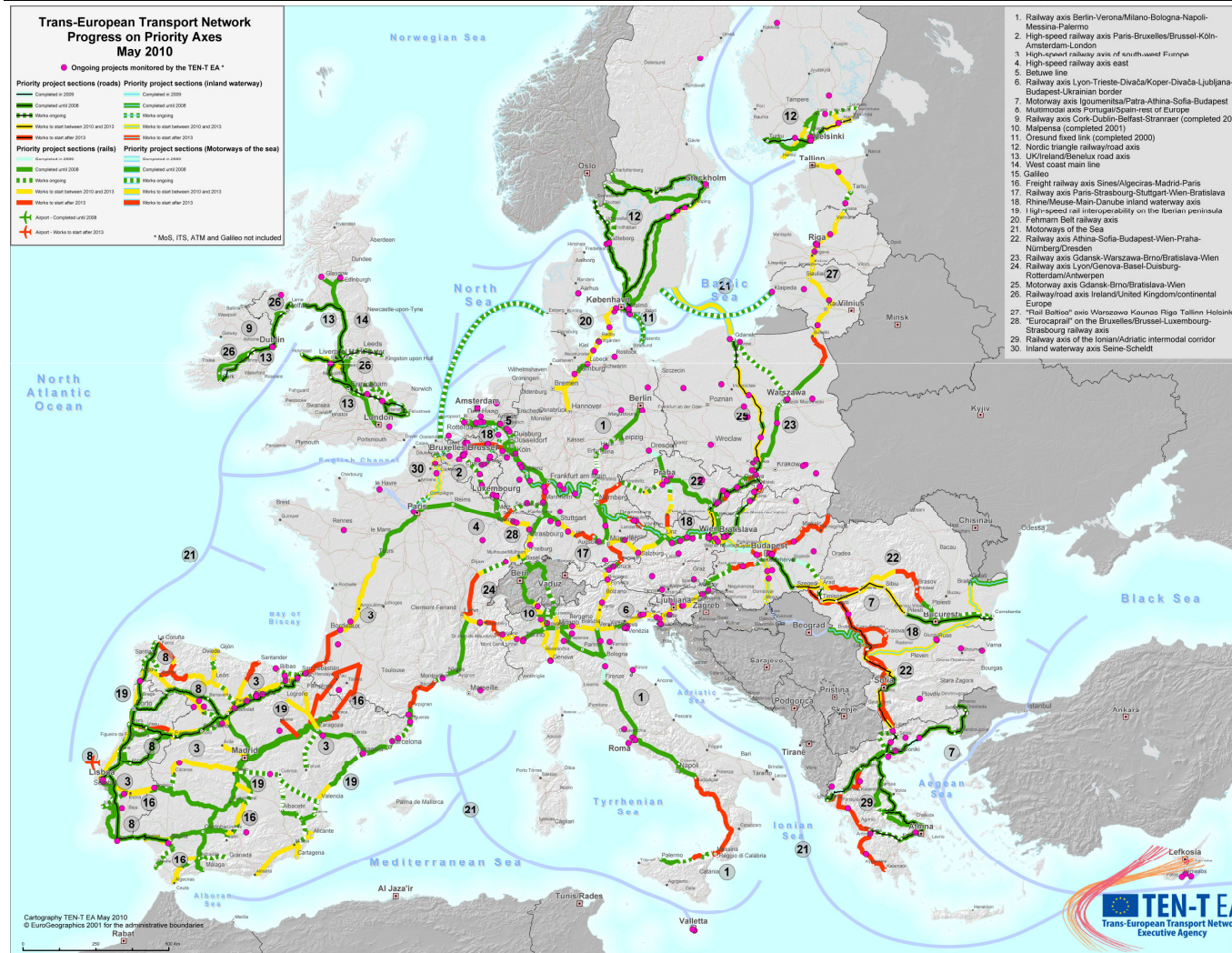
- In October 2011 The European Commission has tabled a plan which will fund €50 billion worth of investment to improve Europe's transport, energy and digital networks. Targeted investments in key infrastructures will help to create jobs and boost Europe's competitiveness at a time when Europe needs this most.
- The "Connecting Europe Facility" will finance projects which fill the missing links in Europe's energy, transport and digital backbone. It will also make Europe's economy greener by promoting cleaner transport modes, high speed broadband connections and facilitating the use of renewable energy in line with the Europe 2020 Strategy. In addition the funding for energy networks will further integrate the internal energy market, reduce the EU's energy dependency and bolster the security of supply.
- To assist with the financing of the Connecting Europe Facility, the Commission has also adopted the terms for the Europe 2020 Project Bond Initiative which will be one of a number of risk-sharing instruments upon which the facility may draw in order to attract private finance in projects. The pilot phase will start already next year.



Connecting Europe: Transport

- The Connecting Europe Facility will invest €31.7 billion to upgrade Europe's transport infrastructure, build missing links and remove bottlenecks. This includes €10 billion ring fenced in the Cohesion Fund for transport projects in the cohesion countries, with the remaining 21.7 billion available for all Member States for investing in transport infrastructure. The idea is to improve links between different parts of the EU, to make it easier for different countries to exchange goods and people with each other.
- By focussing on transport modes that are less polluting, the Connecting Europe Facility will push our transport system to become more sustainable. It will also give consumers more choice about how they want to travel.
- Transport systems in Europe have traditionally developed along national lines. The EU has a crucial role to play in coordinating between Member States when planning, managing and funding cross-border projects. A well-functioning network is essential to the smooth operation of the single market and will boost competitiveness. The Commission proposed to create corridors to cover the most important cross-border projects. It has estimated that by 2020, €500 billion will be needed to realise a real European network, including €250 billion for removing bottlenecks and completing missing links in the core network.

Connecting Europe: Transport





Connecting Europe: Energy

- The energy sector can look forward to €9.1 billion being invested in trans-European infrastructure, helping to meet the EU 2020 energy and climate objectives. The CEF will also help to remove financial gaps and network bottlenecks. The internal market for energy will be further developed through better interconnections, leading to security of supply and the possibility to transport renewable energy in a cost effective manner across the EU. Both citizens and companies need to be able to rely on energy being available at all times and at an affordable price. The money from Connecting Europe will act as a leverage for more funding from other private and public investors.



Connecting Europe: Telecommunications and ICT

- The "Connecting Europe Facility" foresees almost €9.2 billion to support investment in fast and very fast broadband networks and pan-European digital services.
- The CEF finance will leverage other private and public money, by giving infrastructure projects credibility and lowering their risk profiles. On the basis of conservative estimates, the Commission considers that the network infrastructure finance could stimulate investment worth more than €50 billion. [The Digital Agenda for Europe](#) set targets for 2020 of broadband access for all at speeds of at least 30 Mbps, with at least 50% of households subscribing to speeds above 100Mbps.
- As regards digital services, the money would be used for grants to build infrastructure needed to roll-out e-ID, e-Procurement, electronic health care records, [Europeana](#), e-Justice and customs-related services. The money would serve to ensure interoperability and meet the costs of running the infrastructure at European level, linking up Member States' infrastructures.



proposals

Next steps

- As the new policy is very recent a lot of consultations and adaptations have to be done. According to the proposal of Commission a High Level Forum will be arranged with Member States and sectoral representatives to oversee the implementation of the strategy and make recommendations on any necessary adjustments or new initiatives to be launched. In parallel, thematic and other groups will discuss various approaches for the implementation of specific initiatives, appraise the likely effects of existing actions at national and sectorial level on the specific initiatives and identify opportunities for synergies.
- It is obvious that I suggest the full involvement of ECCE in all consultations and the mobilization of ECF to do so. Civil engineers should be in the center of discussions for both Building Renovation actions and infrastructure projects. For buildings besides the energy performance we should suggest the antiseismic performance upgrading also when major renovation is to be considered. For infrastructure projects we must act for immediate starting of the works.
- **Immediate actions**
- Press release
ECCE must give a communication paper to congratulate the Commission for the proposal and to encourage for the next steps.
- Lobbying in Brussels
A meeting must be asked with DG enterprise for better information and possible involvement of ECCE in consultation or in the elaboration of case or sector studies and projects.
- Common actions should be proposed within the European Construction Forum.

Thank you Aris Chatzidakis