64th European Council of Civil Engineers General Meeting

Round Table "Building the future: The road to prosperity is always under construction"

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The way to a sustainable construction sector: The contractors' perspective

Good morning ladies and gentlemen.

I am really glad and honored to be with you here today representing the Contractors' Association of Greece (PEDMEDE), as the Secretary General of the Association.

First of all I would like to express the greetings of both the President and the Vice-President of the Association, who could not be here today since they are attending the Steering Committee meeting of FIEC in Brussels.

So, I am really glad to be here because there is a strong Greek flavor in the connection between the European Council of Civil Engineers (ECCE) and my association, as we both are members of the European Construction Forum. ECF was founded in the mid 1990's by Jannis Papaioannou, a pioneer of the Greek construction industry, who served as president of FIEC (1996 to 1998) and president of PEDMEDE (1996 to 2005).

I would like to stress some points that came to my mind as I was reading the two-page memo drafted by the organizing parties of today's workshop. Apart from the interesting statistical figures which undoubtedly show that we are clearly under-performing in Greece in various sectors, the phrase that actually caught my attention was the one titled "the gloomy picture of the sector". And it caught my attention because it is not only true, but it also is in flat contradiction with the trend (not the situation per se!) of the construction industry on a European level.

Although I would not like to dazzle you with number and statistics, let me just mention two key figures which stem from FIEC's 2015 annual report:

- 3.2 million enterprises are involved in the European construction sector, while 95% are SME's with fewer than 20 employees and 93% are SME's with fewer than 10 operatives. No large difference to what we know for the structure of the sector in Greece.
- 42.3 million workers in the EU depend directly or indirectly on the construction sector. That is four times the population of Greece!

Therefore, these figures explain why the construction industry contributes 8,5% of the European GDP (1,241 billion Euros) and 6.4% of Europe's total employment.

So, the numbers are impressive. Where does the "gloomy picture of the sector" lie then? Well, it lies in the great differences in the performance between the Member States.

The most recent data from 2015 show that the construction activity has been increased in Ireland by 8.3% and a 16% increase is expected in 2016. In the Netherlands the increase was 7.2% due to a strong activity in the house-building sector, whereas in Sweden and Romania the increase was 10%. Even in the southern European countries, which in one way or another, go through the same turmoil as Greece, there was an increase of 5.6% in Spain and 3% in Portugal. Greece on the other hand showed an overall decrease of -15.1% mainly due to cuts in the public investment programs.

There is a dramatic consistency of this trend even if we look at these numbers at more detailed level. For example, you mention that investments in the housing sector have been decreased by 95% since 2007 (true!), while in Germany, where residential construction represents 60% of the total construction activity, there was an increase of 5% in 2015. More importantly, Sweden and the Netherlands showed an increase of 23% in new housebuilding activities driven by projections of significant population increases – these included also projections about the refugees' wave.

You also mention that in infrastructure projects the turnover of the construction activity has fallen by 75.5% (2008-2013); well, only in 2015 there was a decrease of -12.1%. On the other hand, civil engineering projects in the United Kingdom increased by 34% and in Romania by 20% in 2015 alone; and similar increases are expected in 2016.

In fact, the general conclusion of FIEC's annual report is that the European construction industry is recovering. Can we claim the same for Greece?

I don't think so.

Ok, then, enough with the problems. Are there any solutions?

I think that the solutions lie in two fundamental pillars: first, **financing** and second, **reforming** the existing framework which governs construction projects' realization in Greece.

We certainly need to increase the financial resources allocated to investments and the volume of European funds allocated to sectorial programmes, such as railways and infrastructure. The notorious "Juncker Plan" initiatives that were thoroughly discussed in this room two weeks ago are strongly contributing to that direction.

The reformation should be radical and fundamental in all sectors. Of course, the construction industry is directly affected by the general condition of the economy: This includes meeting the fiscal targets in order to contain debt, further relief of the huge public debt by international creditors, strengthening tax administration, reducing non-performing loans and lifting capital controls that would ease financial constraints and subsequently open a path for growth. The product market should be reformed in order to improve competitiveness and create jobs, while public administration reforms would reduce the regulatory burden.

The list goes on and on and I am sure that all of us have different proposals depending on where we stand. Besides, my objective is to stress some points in order to initiate and further enhance this discussion within the framework of today's workshop.

However, there is one additional point that I would like to highlight and which is a high priority from the contractors' perspective: it concerns the abnormally low bids or large discounts in public tendering. This phenomenon has been intensified in the last 2 years and has formed the cornerstone of our strategic proposals for change in the construction sector, since it has proven to be completely catastrophic.

Discount rates of 60% or 70% have led to the de-regularization of the market, with many sovereign companies striving to compete and, actually, survive in an abnormal environment. In view of the European Directive 24/2014 which was integrated in the Greek legal system by Law 4412/2016 (8.8.2016) the issue of the abnormally low tenders is clearly set on the table, but without any specific method or guideline as to how to characterize a tender as abnormally low.

Therefore, in an attempt to fill this gap, our association has proposed a mathematical, algorithmic methodology which can be objectively assessed and easily applied by Public Authorities in Greece. And I will be more than glad to present it and talk more about it in two weeks from now (3/11/2016) in a workshop that is commonly held by our association and the Technical Chamber of Greece.

With these thoughts I would like to thank you once again for the invitation and we will build upon the fruitful results of today's workshop as a real contribution for a more sustainable construction sector.

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