EUROPEAN COMMISSION

Brussels, XXX
[…](2012) XXX draft

COMMUNICATION FROM THE COMMISSION

Strategy for the sustainable competitiveness of the construction sector and its enterprises

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1. Introduction

The construction sector occupies an important place in the European economy. It generates almost 10% of the GDP and provides 20 million jobs, mainly in micro and small enterprises. Construction is also a large consumer of intermediate products (raw materials, chemicals, electric & electronic equipment, etc) 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 has also a direct impact on the quality of life of Europeans. Not least, the energy performance of buildings and resource efficiency in the manufacturing, transport and use of products for the construction of buildings and infrastructures have an important incidence on energy, climate change and the environment.

The competitiveness of 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 and infrastructure, thanks to among others, appropriate policies to promote demand but also encouraging investment. Furthermore, the construction sector plays an important role in the delivery of the Europe 2020 Strategy on smart, sustainable and inclusive growth. The Commission's Communication on the "Energy Roadmap 2050"[2] points out that higher energy efficiency in new and existing buildings is key for the transition of the EU's energy system.

However, the construction sector is confronted by a number of structural problems, such as a lack of skilled workforce in many companies, a low attractiveness for young people due to the working conditions, the low capacity for innovation and the phenomenon of undeclared work. Beyond this, the current situation of this industry can be characterized by three basic elements.

Firstly, the construction sector is one of the hardest hit by the financial and economic crisis (building and infrastructure works fell by 16% between January 2008 and November 2011 across the EU-27[3]). Secondly, there is some increased competition from non-European operators not only in international markets, but also within the internal market, particularly in regard to infrastructure projects. This external competition does not always operate fairly; EU companies are often faced with costs far more stringent than non-European companies. Finally, the energy and environmental issues have created a new dynamic among companies and stimulated various public sector initiatives, which have become key factors in market competition. Significant progress has already been made by construction enterprises, but the achievement of the EU climate, energy and environmental objectives will require important changes that the sector will have difficulties to tackle, without appropriate policy support.

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1 It is estimated that 275,000 new jobs could be created in the sector by 2020. CEDEFOP "Skills, Demand and Supply" 2010, p.96 - http://www.cedefop.europa.eu/en/Files/3052_en.pdf

2 COM(2011) 885/2

3 Eurostat press release 169/2011 of 17 November 2011

The present Communication identifies the main challenges that the sector faces today and up to 2020 in terms of investment, human capital, environmental requirements, regulation and access to markets, and proposes initiatives to support the sector for this purpose. In the short term, emphasis is put on the need to support growth and employment in the construction sector in response to the crisis. In the long term, the challenges the industry faces will require a concerted and co-ordinated approach at European level to improve the functioning of the value chain, particularly through voluntary partnerships between private and public sectors and an appropriate regulatory framework, where necessary.

2. KEY CHALLENGES

The diversity of the activities within each branch of the construction sector results in contrasting realities in terms of socio-economic, organisational, cultural and technological issues and adaptation to new regulations and market opportunities.

There are global challenges that can become enablers of sustainable growth in the medium term provided appropriate measures are taken now. This could result in the development of a range of services to address issues such as health and safety, energy efficiency, green building, indoor climate, re-use/recovery/recycling and design to fit. If rightly addressed, these challenges could also open new market opportunities.

2.1 The general macroeconomic context

The **financial crisis** has particularly affected the construction sector with severe drops in demand especially in the private residential market, but also in other markets, e.g. the infrastructure market. Trends are different from one Member State to another. In some, the burst of the housing bubble was one of the triggers and has continued to significantly reduce activity in the sector[4]. In others, the sector suffers particularly from the contraction of credit markets. The constraints on public spending due to the crisis will further put under pressure investments in infrastructure works.

Some countries have invested in **stimuli packages** as a response to the crisis, for example with up front investments in infrastructure projects, VAT reduced rate for new construction and/or renovation of buildings, preferential interest rates for mortgages, etc. However only those including measures aiming at upgrading skills and qualifications, innovation and a "green" economy will also have lasting effects on the competitiveness of the sector. This outlines the need for an appropriate policy formulation that stimulates growth and employment on the short term but also a restructuration of the construction sector on the long term.

2.2 The performance of the value chain

The markets of the EU construction sector and the sector itself are **highly fragmented** with many micro-enterprises. The participation of enterprises in trade organisations is quite low in most Member States, making it difficult to spread good practices. Moreover, a better value chain integration would significantly increase the potential of spill over innovation effects from collaboration. This is reflected in large differences between Member States in the performance of the sector.

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[4] For instance, production index adjusted by the working days decreased by 49% in Spain and by 76% in Ireland over the period from the 1st quarter of 2007 up to the 2nd quarter of 2011 – Source: Eurostat

On-site construction and to a less extent the manufacturers of construction products will be more and more confronted with the **need for skilled labour**. The massive retirement of skilled people by 2020[5], representing over two thirds of jobs in construction, industry and transportation, will also need to be replaced. The chronic shortage of skilled labour can be explained, on one hand, by the low attractiveness of the sector for young people and, on the other, by the growing needs of skills corresponding to specific qualifications, which education and training as well as the employment market have difficulties to satisfy. The transition to resource efficient and low carbon economy will also bring important structural changes in the construction sector, which will have to adapt and anticipate the needs for skills and competences in these areas. This is especially the case regarding the preparation of the labour force for the construction of "near zero energy buildings", both regarding new build and renovation. The deployment of enabling technologies and the use of flexible work organisation practices will also require changes in skills and qualifications in construction.

The **spending on research and innovation** remains quite low compared with industry in general. This can however be explained by the intensive manpower requirements and the fact that the main interest of construction enterprises is to integrate available external technological developments into their activities. The sector will probably intensify its efforts in research and innovation to cope with the high consumption of inputs (such as metallic and non-metallic minerals, chemicals and wood) and the production of large quantities of waste. Moreover, the industry is developing more and more materials that are easier to collect and reuse and systems or "building solutions" that facilitate the "deconstruction" of the works and the re-use of materials. These efforts are in line with the new basic requirement listed in the Construction Products Regulation concerning a sustainable use of natural resources, as well as with the Raw Materials Initiative (RMI), through the possible development of best practices in collection and treatment of waste, especially in recovery/reuse of valuable materials from waste, and through support for research on economic incentives for recycling/recovery.

2.3 The low carbon economy

As announced in the **recast of Energy Performance of Buildings Directive**[6], the introduction of Nearly Zero Energy Buildings (NZEB)[7] is going to be a major challenge for the construction sector. The market has several years to adapt, but support is required for all market actors ranging from public bodies (which need to implement two years in advance), constructing companies, designers, developers, etc. Adaptation will also be required for areas such as financing structure, procurement, education and marketing.

The number of **"low-energy" buildings** is growing but without reaching a critical mass yet and efforts to improve energy efficiency and to integrate renewable energy sources are progressing slowly.

In the area of **extensive renovation of buildings**, the energy savings achieved are often relatively modest. The "Strategy for a competitive, sustainable and secure energy"[8] , the "Roadmap for moving to a competitive low-carbon economy in 2050"[9] and the "Energy

5 CEDEFOP "Skills, demand and Supply" 2010 p.93 http://www.cedefop.europa.eu/en/Files/3052_en.pdf

6 Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings

7 For more details on the relevant provisions, please see Directive 2010/31/EU, articles 2.2 and 9

8 COM 2010 (639) final

9 COM 2011 (112) final

Efficiency Action Plan 2011"[10] put therefore emphasis on the need for more action in the field of buildings, especially favouring renovation.

Transport Infrastructure has an enormous environmental impact as well as substantial energy and raw materials consumption and waste generation. Infrastructure networks must bring a major contribution towards a more sustainable Europe.

2.4 The competitive position of EU construction enterprises

The competition in the EU markets has improved through the application of public procurement directives and the adoption of the European design and construction standards ("Eurocodes »). EU companies engaged in this competition are not always on an equal footing, especially due to the social conditions in which they operate and **the pressure from non-European companies** (often subjected to less stringent social and environmental requirements and benefitting of state-aid)**,** with the risk of putting European companies in an uncompetitive position.

The situation on **international markets** is even more difficult. Industry often faces serious difficulties both from the technical point of view as well as for the conditions of competition in other countries, e.g. China, which limit the opportunities to access these markets. However, as European construction markets are expected to grow at a slower rate than the emerging markets, the sector will need to develop and maintain a stronger global perspective.

3. EUROPEAN STRATEGY FOR THE SUSTAINABLE COMPETITIVENESS OF THE CONSTRUCTION SECTOR

In order to respond to the key challenges, a European strategy is defined at the horizon of 2020. It is intended to complement the strategies developed by the enterprises of the construction sector themselves to improve their competitiveness and to respond to societal challenges.

This strategy focuses on five key objectives: (a) Stimulating favourable investment conditions; (b) Improving the human capital basis of the construction sector; (c) Improving resource efficiency, environmental performance and business opportunities; (d) Strengthening the Internal Market for construction; (e) Fostering the global competitive position of EU construction enterprises. On the one hand, it suggests recommendations that could address short to medium-term economic and employment challenges of the construction sector. On the other hand, the strategy presents a number of recommendations with a long-term perspective to ensure durable effects on the competitiveness of the sector.

3.1 Stimulating favourable investment conditions

Building renovation and TransEuropean Networks projects can revitalise the growth of the construction activity while contributing to the achievement of the objectives of the European Energy, Transport and Cohesion Policies. Moreover, combating late payment practice will improve the financial viability of construction contractors, in particular craft and small builders, as well as their access to credit. In the long term, the construction sector should increase its capacity to innovate with the view of improving its productivity as well as the added value and the environmental performances of all branches of the value chain.

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[10] COM 2011 (109) final

3.1.1 Short-term measures

Particular emphasis should be put on encouraging the activity of ***building renovation and infrastructure maintenance,*** which represents an important share of the total construction employment and production. In particular, current building renovation rates[11] and practices in terms of energy efficiency improvement are insufficient to achieve EU 2020 energy savings targets. Adopting the proposed targets of annually renovating 3% of buildings owned by public bodies[12] (a doubling of the current renovation rate) as well as 2% of the whole building stock[13] to cost-optimal levels would not only contribute to achieve the targets but also ensure territorial economic growth and employment. Yet the acceptance of these improvements necessitates overcoming a number of regulatory, economic and financial barriers.

First of all, Member States should properly **implement and enforce the energy performance of the buildings Directive**[14]. Low ambition levels and lack of enforcement of building energy codes within some Member States hamper energy efficiency in buildings and thus fail to stimulate the construction sector.

Fiscal incentives[15] are well accepted by the market operators and boost the renovation of existing buildings. However, national schemes and their impact vary greatly. Therefore, an exchange of experiences could be very helpful to understand potential effects from different angles as well as the risks of imperfect implementation and unintended consequences. Complementarities between these national schemes on one hand, and EU and private funds and financial instruments on the other, should also be sought in order to optimise the leverage effect.

The EU provides support and funding through different mechanisms and the Member states should make more use of them. ***Structural and Cohesion Funds*** (2007-2013) may be used for energy efficiency and renewable energy investments not only in public and commercial buildings but also in existing housing. In addition, financial engineering instruments such as JESSICA offer the possibility to invest in small size projects related to urban development and regeneration that would not be financed through normal market mechanisms. Equity funds and loan guarantees from the European Investment Bank (EIB) and the European Energy Efficiency Fund (EEEF) and project development assistance to final recipients, such as ELENA, provide also opportunities to leverage public grants.

A scheme that could stimulate investments in resource efficient renovation is the development of design-build-operation services for ***small size renovation projects*** with ***contractual guarantees on building performances***. This market segment is becoming interesting not only for Energy Services Companies (ESCOs) but also for specialised small contractors that could potentially offer also performance guarantees for a range of building services. Public intervention could support the development of such services, in particular in public procurement and in the residential sector, together with the development of insurance products that could cover the technical risks related to performance guarantees.

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[11] The EU average rate of renovation of existing building is 1.2% per year.

[12] Proposal for a Directive on energy efficiency and repealing Directives 2004/8/EC and 2006/32/EC [COM(2011)370, 22.6.2011]

[13] Roadmap to a resource efficient Europe [COM(2011)571]

[14] Directive 2010/31/EU of the European Parliament and of the Council on the energy performance of buildings (recast), OJ L 153, 18.6.2010, p.13.

[15] Such as reduced VAT rates, preferential interest rates, CO2 and energy tax, targeted subsidies, etc

Finally, it is important that construction enterprises can avail of their own financial resources within normal delays. The new ***Late Payment*** Directive[16] introduces more stringent provisions, in particular through harmonizing the period for payment by public authorities to businesses, increasing the statutory interest rate for late payment and allowing businesses to obtain the reimbursement of their recovery costs. In the context of the revision of the EU Public Procurement Directives, the Commission proposed that Member States can provide that sub-contractors may request direct payment by the contracting authority of supplies, works and services provided to the main contractor in the context of the contract performance.

The Commission:

- will present by the end of 2012 an analysis of various EU and national financial instruments supporting energy efficiency in buildings possibly including recommendations as to how public funding could be better utilised to stimulate building renovation;

- will present in 2013 the preliminary conclusions of a running pilot project aiming at investigating the possibilities for the deployment of insurance schemes that could cover contractual performance guarantees and cross border services, especially for small building contractors;

- will launch in 2012 an information campaign for enterprises on combating late payment in commercial transactions in all Member States

- will implement in 2012 a pilot project for the rapid and efficient enforcement of outstanding claims by SMEs operating across borders in connection to the Late Payment Directive.

Member States are invited:

- to develop or strengthen appropriate programmes for repair, maintenance and renovation projects with ambitious sustainability targets including examine the possibility for relevant fiscal instruments (reduced VAT rate, targeted subsidies, etc.) and for credit mechanisms for renovation projects with ambitious sustainability targets.

- to promote the use of financial instruments and project development assistance schemes offered by the Structural Funds, EIB and EEEF for small size renovation projects with contractual guarantees on building performances, including the use of frontloading of Structural Funds for energy efficient buildings

3.1.2 Medium to long term measures

The new proposal for an EU Cohesion Policy for 2014-2020[17] places even further emphasis on supporting investments related to EU energy targets and suggests nearly doubling the amount allocated to sustainable energy in the current period. A significant share of the Structural and Cohesion Funds is proposed to be allocated to investments supporting the shift

[16] Directive 2011/7/EU of the European Parliament and of the Council on combating late payment in commercial transactions (recast), OJ L 48/1, 23.2.2011.

[17] COM(2011) 615 final

towards the low carbon economy, in particular energy efficiency and renewable energy sources, including for building renovation, and financial instruments will most likely play a more important role in the future for tailored energy efficiency and renewable energies investments in urban infrastructure and the building sector.

The development of a ”Core Network”, as proposed by the European Commission, ensuring efficient multi-modal transport links between EU capitals and other main cities, ports, airports and other main economic centres is essential for the economy. The European Commission has presented a new package of measures on 19th October 2011 in order to create a favourable framework for the development of ***Trans-European Networks for Transport (TEN-T).*** This package includes the revised Guidelines for the trans-European Network of Transport, the “Connecting Europe Facility” with a total budget of 50 billion € and the proposal for an early implementation of project bonds with the European Investment Bank.

The objective is to have a “comprehensive” network in place by 31 December 2050 at the latest, whereas the core network is to be implemented as a priority by 31 December 2030. The core network corridors, as proposed by the European Commission on 19 October 2011, and their “platforms” will bring together the Member States concerned, as well as the relevant stakeholders, e.g. infrastructure managers and users, to guarantee co-ordination, co-operation and transparency. In addition to these proposals, a minimal alignment of the national administrative procedures will be necessary to ensure a smooth implementation of cross-border sections of the networks.

Research and innovation activities should combine technology oriented activities[18] with socio-economic research regarding market-based and demand-side instruments (training, public procurement, standardisation, insurance, etc.) in order to accelerate the cycle from research to the exploitation of innovative solutions. This would require a broader partnership with various interests within the initiatives that will be financed by various EU financial instruments in order to achieve a wider market perspective and to create a critical mass. In this respect, existing initiatives such as Culture Heritage, Smart Cities and Communities and **reFINE** (research for Future Infrastructure Networks in Europe)) could represent a relevant basis for developing such partnerships. EU Cohesion Policy can provide support for research and innovation in these areas under national programs and will also continue to place a strong emphasis on enhancing the competitiveness of SMEs, including their use of ICT. In particular, the development of innovation strategies for smart specialisation, as proposed by the Commission as ex-ante conditionality for the use of Structural Funds in the next programming period 2014-2020, will contribute to deliver more targeted Structural Funds support and a strategic approach to harnessing the potential for smart growth in all regions[19].

The Commission:

- has proposed in the context of the Cohesion Policy for 2014-2020 that a significant share of the Structural and Cohesion Funds is effectively allocated to investments supporting the shift towards the low carbon economy, in particular energy efficiency and renewable energy sources, including for building renovation, and will continue to encourage the use of revolving funds in this area to ensure greater leverage

- will develop a core set of requirements for construction works to be satisfied for

[18] These should cover a broad range of domains such as new materials, the use of ICT, recycling/recovery of construction and demolition waste, comfort in buildings, etc.

[19] http://ipts.jrc.ec.europa.eu/activities/research-and-innovation/s3platform.cfm

cross-border sections of TENs projects in order to ensure a minimal alignment at a technical level of the respective national permit granting process.

- will organize, in Spring 2013, a conference on innovation in the construction sector to identify the technological gaps along the entire value-chain and to define an action plan to address them.

The Member States are invited:

- to develop with other Member States and the private sector joint co-ordinated initiatives combining research, technological development, innovative procurement, certification, insurance, interregional clusters, etc. to speed up the market uptake of new knowledge and technologies at EU and regional levels. The EU will support these initiatives with Horizon 2020, Competitiveness of enterprises and SMEs (COSME) 2014-2020 and EU Cohesion Policy; national and regional authorities will need to ensure an efficient and complementary use of different EU sources of support, in particular based on the innovation strategies for smart specialisation.

3.2. Improving the human capital basis of the construction sector

Nowadays, a significant deficit in the qualified workforce exists for on-site construction enterprises and to a lesser extent for the construction products' industry. Moreover, education and training systems across Europe display great variety in the degree of centralisation or decentralisation, the structure of training provision, the role of the social partners, financial structures, and curriculum content.

It is necessary to better anticipate future skills and qualification needs, to attract sufficient number of students to relevant construction professions and to create the conditions for a better working environment and career management, for a greater mobility of construction workers and for a wider provision of cross border services. This has to take into account the impact of the ageing of the EU workforce and of the specific occupational health and safety situation of the sector.

3.2.1 Short term measures

The BUILD UP Skills initiative carried out under the Intelligent Energy Europe Programme aims at adapting the Vocational Education and Training (VET) system to skills and qualifications needs in terms of energy efficiency and renewable energy sources. BUILD UP Skills will allow the definition of national qualification roadmaps to 2020 and support the set up of large-scale training and certification schemes as well as qualification design to upgrade existing structures, where relevant with the support of funding instruments like the European Social Fund and the Lifelong Learning Programme and its proposed successor programme, Erasmus For All. It would increase the number of qualified on-site workers on the market and improve the confidence of building-owners to invest in energy improvements.

This initiative could also serve as a basis to identify curricula, training programmes or qualifications needs in other areas related to construction and sustainable development (e.g. the industrialisation of the construction process, the use of innovative or unconventional construction products and techniques, the recourse to ICT in building management systems, etc).

The Commission:

- will carry an evaluation of the BUILD UP Skills initiative and in particular assess the opportunity to extend the scope of the first initiative to additional categories of building professionals or to other qualification needs in relation to construction process and sustainable development.

Member States, construction organisations and education institutions are invited:

- to negotiate collective agreements to support skill development in relation to the BUILD UP Skill initiative or other similar schemes.

3.2.2 Medium to long-term measures

The construction sector should improve its ability to identify and anticipate skill needs from a strategic perspective and to tailor training and qualification design programs accordingly. Platforms exist in some countries to identify future employment and skills needs with an indirect impact on the construction sector. An initiative at European level with the support of social dialogue could improve the exchange of information on these needs, including the sector's readiness to adopt resource efficiency practices and to offer sustainable buildings, and on the ability of education systems to meet these needs.

In this context, the European Commission will support financially in 2012 a feasibility study by the European social partners on the establishment of a European sector council. European sector skills councils are networks of national observatories on labour market and skills analysis on a sectoral level. Equally in 2012, the Commission will test the feasibility of sectoral skills alliances in sustainable construction between VET providers, businesses and other stakeholders with the aim of delivering adapted, updated and new curricula and courses as well as innovative ways of delivering VET.

Promotion and deployment of instruments developed in the context of EU policy for continuing education should encourage the mobility of skilled workers. The Posting of Workers Directive aims to ensure that the posted worker has the same core labour rights as the workers of the host Member State. To avoid any abuse and circumvention of rules, and to avoid "social dumping" where non-host Member State service providers can undercut local service providers because their labour standards are lower, the enforcement of the Posting of Workers Directive is to be improved, in particular through more efficient administrative co-operation and information exchange among inspection authorities.

Finally, the sector faces a dual challenge due to demographic changes. On the one hand, EU construction enterprises should look for strategies to counterbalance the declining number of young EU workers entering the sector whereas on the other hand, working conditions should be improved to ensure higher life expectancy. This dual challenge require a more attractive working environment and more attention to health and safety issues in the future, to avoid early retirements due to occupational accidents or diseases.

The Commission:

- will promote from 2012 in the context of the EU Social Dialogue initiatives aimed at adapting vocational education and training to the future qualifications and skills needs of the construction sector, including on resource efficiency matters, identifying basic requirements for skills in specific branches and facilitating the mutual recognition of qualifications;

- will, through the Lifelong Learning Programme, test the feasibility of sectoral skills alliances in sustainable construction, i.e. partnerships between VET providers, businesses and other stakeholders with the aim of delivering adapted curricula or VET qualifications as well as innovative ways of delivering VET;

- will support the European sectoral social partners of the construction industry to create a European sector skills council for the construction sector and will encourage them to develop initiatives in areas such as energy efficiency in buildings, health and safety, quality standards, training including apprenticeship for young people, which may take the form of information campaigns and training and include, depending on the national context, joint management of funds.

Member States, social partners in the construction industry and education institutions are invited:

- to act swiftly for the adoption of the newly proposed directive[20] on the enforcement of Directive 96/71/EC on the posting of workers;

- to establish partnerships for supporting appropriate vocational education and training schemes at national and regional levels, which respond to current and emerging needs of the construction sector, in particular for the development of the management capacity and the deployment of ICT;

- to launch and support campaigns to make the construction sector more attractive to talents.

3.3 Improving resource efficiency, environmental performance and business opportunities

The Roadmap to a Resource Efficient Europe[21] outlines the significant impact of construction on natural resources, energy, the environment and climate change. Improvements in construction activities and construction works further open up business opportunities, including for SMEs as cases may depend on local conditions and require individual solutions.

In order to allow the concept of sustainable construction to be better understood and more widely used, harmonized indicators, codes and methods for assessments of the environmental performances will need to be developed for construction products, processes and works. These should ensure a coherent and mutually recognized interpretation of the performances and preserve the correct functioning of the Internal Market for construction products and services.

The Commission will propose approaches to mutual recognition or harmonization of the various existing assessment methods also in view of making them more operational and affordable for construction enterprises, the insurance industry and investors. This initiative will build on existing platforms, such as the CEN Construction Network, guides such as the JRC's guide to Life Cycle Thinking and Assessment, and European research projects such as SuperBuildings and Open House.

This work will furthermore contribute to the development of a more systematic approach for assessing the sustainability dimensions of projects to be financed by public support schemes, including EU-wide models for cost-benefits analysis. Pilot projects developed within the

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20 COM(2012) 131/3

21 COM (2011) 571 final

context of Green Public Procurement and regional policy could provide planning and contracting authorities with the appropriate tools, especially for the renovation of existing buildings and the upgrading of transport infrastructure.

Some construction projects may face hindering factors in relation to the national authorisation process, e.g. delays due to public opposition, expropriation issues and the existence of several permits to be obtained, including environmental ones. Such issues were identified in the context of the ongoing review of the Environmental Impact Assessment (EIA) Directive[22], which aims inter alia at simplifying and streamlining existing procedures, and will therefore have a positive impact in this regard, as the EIA is part of the authorisation process. The majority of obstacles result from the various provisions of national legislations and administrative procedures regulating the permit granting process, which could be a strain to the formation of a level playing field and to the dissemination of environmental technologies. Whereas it is recognised that these legislations often include areas of exclusive competence of Member States (e.g. property issues), the Commission will encourage the exchange of information and promotion of best practices, e.g. through voluntary adoption of codes of conduct in issues such as the duration and steps of the permit granting process or the establishment of an arbitration process between administrations.

Finally, the goal of re-using, recycling and/or recovering 70% of construction and demolition waste by 2020 according to the Waste Framework Directive represents a valuable business opportunity for the construction value chain. Better and clearer definitions of waste, harmonised registration conditions for waste transports and harmonised rules on the characteristics of construction products regarding material use, durability and environmental compatibility could be beneficial to industry.

The Commission:

- will present initiatives to improve the mutual recognition of environmental performances and risk assessment methods, in particular within the context of EU standardisation activities and insurance schemes
- will support the development of an EU wide life cycle cost benefits models for Green Public Procurement and for sustainable development principles in regional policy
- will assess hindering factors resulting from the national legislations related to the authorisation process for major construction projects with a view to identifying good practices for streamlining the procedures (e.g. codes of conduct for the permit granting process, arbitration process between administrations)
- will develop harmonised rules on the declaration of the performance characteristics of construction products in relation to a sustainable use of natural resources in the context of the Construction Products Regulation

Member States are invited:

- to evaluate the performance of various construction sub-sectors in terms of competitiveness and sustainable development at national and regional levels.

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[22] Directive 85/337/EEC, as amended, on the assessment of the effects of certain public and private projects on the environment

3.4 Strengthening the Internal Market for Construction

The construction sector is highly regulated at many levels (e.g. the products, works, professional qualifications, occupational health and safety, environmental impact) and many aspects are Member States' competences. In order to ensure a better functioning of the Internal Market for construction products and services, it is important that the legal framework is as clear and predictable as possible and that administrative costs are proportionate to the objectives pursued.

This will require a more systematic analysis of different regulatory approaches and administrative provisions relating to the implementation of EU legislation concerning the construction sector. This analysis will show how various EU legal acts interact at European and national levels and if clarification or additional measures are needed to reduce the administrative burden on construction operators and improve the functioning of the Internal Market in the construction sector. Regarding cross-border services, "performance check" would help assessing the cross-impact of various EU legal acts affecting construction enterprises in order to identify possible misapplication of EU legislation and clarification or new measures required. It will generate recommendations for accelerating the process of convergence of different national and regional regulatory approaches.

Eurocodes could facilitate this convergence process. They constitute a set of design standards and the most up-to-date codes of practice applicable to all principal construction materials, all major fields of structural engineering and a wide range of types of structures and products. It is a flexible tool as each country has the possibility to adapt the Eurocodes to their specific conditions and risk assessment regarding climate, seismic risk, traditions, etc. The Commission strongly encourages the EU Member States to take on board the Eurocodes as their national design codes[23].

Communication and dissemination activities, such as the BUILD UP webportal[24] could also support the implementation of legislation and the uptake of new market solutions.

The Commission:

- will undertake "fitness checks" of EU legislation to identify excessive administrative burdens, overlaps, gaps, inconsistencies and obsolete measures;
- will present a report on the ongoing "performance check" in the construction sector, a follow-up initiative of the Services Directive aiming at identifying possible misapplication of EU legislation in the context of cross-border services and clarification or new measures required;
- will present a report on the implementation of Eurocodes in Member States, in response to the Commission Recommendation 2003/887/EC and, then based on the results of such report, propose actions to strengthen or, if need be, enforce the use of Eurocodes in Public Procurement;

Member States are invited:

- to develop effective tools for market surveillance in relation to the implementation of European legislation, as part of the application of Regulation 765/2008/EC.

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23 Commission Recommendation 2003/887/EC of 11 December 2003

24 www.buildup.eu

3.5 Fostering the global competitive position of EU construction enterprises

Since 2006, in the context of its international negotiations, the EU has been seeking ambitious market access commitments by other trading partners on public procurement, especially in the public works area. One of the latest achievements is the opening up of the Korean concession contracts to the EU suppliers in the EU-Korea Free Trade Association. The Commission has proposed a legislative initiative with a view to ensure the opening of third countries' procurement markets and a level playing field between EU companies and their competitors from abroad.

Specific intercontinental fora with Africa and Latin America on sustainable construction could stimulate a transformation of public procurement in these markets towards performance criteria, sustainability and cost / effectiveness.

The EU-Africa partnership for transport infrastructure[25] provides opportunities to improve transcontinental connections and a more reliable and safer transport system.

Besides, as for the financing of the infrastructure, various EU financial instruments and co-operation funds could support the implementation of relevant measures.

The EU initiative "Small Business, Big World" will offer relevant information, advice and assistance to small specialized contractors in their attempt to access international markets and to find potential business partners. The European Regional Development Fund (ERDF) facilitates also the development of new business models for SMEs, in particular for internationalisation.

There is a considerable interest in the use of EN Eurocodes outside the EU by countries that want to replace or update their National Standards based on technically advanced codes, or which are interested in trading with the European Union and EFTA Member States. The EU – Russia Regulatory dialogue has made significant progress in this respect.

The Commission:

- will liaise with the European Investment Bank to raise opportunities for using EU financial instruments in support to transcontinental connections

- will provide financial support to technical assistance to the internationalisation of small specialised contractors.

- will develop co-operation with third countries, in particular Africa and Latin America, but also in the context of the EU-Russia Regulatory dialogue, the EU Neighbourhood policy and the Euro-Mediterranean Partnership, concerning sustainable construction in public procurement, notably by encouraging them to use the Eurocodes as a tool for implementing their construction regulations.

Member States are invited:

- to ct swiftly for the adoption of the newly proposed regulation[26] on the access of third-country goods and services to the EU internal market in public procurement and procedures supporting negotiations on access of EU goods and services to the

[25] COM(2009)301 final
[26] COM(2012) 124 final

public procurement markets of third countries.

4. GOVERNANCE AND IMPLEMENTATION OF THE STRATEGY

The implementation of the strategy could be based on a governance structure that combines co-ordination and monitoring both from a thematic and a strategic perspective, including:

- A high-level tripartite strategic forum (Commission, Member States, sectorial representatives) in charge of commenting on the EU initiatives affecting construction and on the implementation of the strategy, and consequently making recommendations on any necessary adjustments of the strategy or new initiatives to be launched.

- The creation of thematic groups composed of Member States and sectorial representatives with an interest in specific priorities of the strategy, which should liaise with existing European networks and projects. These groups will be supervised by the Commission services in charge of the specific topic addressed by each group.

This structure would allow both strategic guidance from the EU and a bottom-up initiative from Member States and the construction sub-sectors. Co-operation must be strengthened between sub-sectors and across the value chain in order to meet global challenges.

5. CONCLUSIONS

Given the importance of the construction sector in the EU GDP and employment as well as its role in the achievement of some of the critical environmental and energy related objectives, the competitiveness of this sector must be considered as a permanent political priority.

Furthermore, especially in times of financial and economic crisis, EU policies in the areas of climate change, energy efficiency and renewable energies, in particular in the context of a policy for a sustained encouragement of buildings renovation, should be seen as an opportunity to revitalize business and employment in the construction sector.

This Communication identifies areas with growth potential for the enterprises of the construction sector, often within existing policy strategies and instruments. Full implementation of these EU strategies should, for instance, encourage long-term investment in TransEuropean Networks, in research & innovation and in a stronger human capital base thus reinforcing the EU competitiveness of the construction sector both within the EU Internal Market and in international markets. This should be accompanied by a clear and coherent legal framework and harmonized performance assessment methods for sustainability in order to ensure a correct functioning of the Internal Market for construction products and services.

The success of the proposed strategy depends on the commitment of Member States and construction stakeholders at different levels:

- the high level tripartite strategic forum should have a clear role for conducting a critical appraisal of the construction sector performance;
- Member States and construction stakeholders should ensure appropriate links with national and sectorial agendas for construction;

- Member States and construction stakeholders should facilitate the transfer and implementation of the experiences and good practices from the thematic groups into real operation in construction businesses;
- Each policy intervention should be monitored and assessed against a number of indicators.