General Remarks

1. The challenges are correctly identified
   (although we do not know what is meant with the necessary “restructuration of the construction sector”, as mentioned in the paragraph on stimuli packages)
2. Generally the quality overall is much higher than that of previous drafts we have seen and there are more specific examples.
3. However we still see this paternalistic tone towards the sector with terms such as the industry needs support. This is inadequate and should be deleted from the communication.
4. To be competitive the sector needs to be able to operate freely from over-regulation and have the ability to innovate to meet new drivers of demand in the market.
5. The question of market demand is very absent from the paper, especially at the start, as if the sector operated in a bubble from the rest of society.
6. The need for construction investment, be it in infrastructure (transport, energy, telecom …) or be it in energy efficiency of buildings, is both gigantic and obvious. However, funding, both public and private, direct and indirect as tax incentives, is necessary, in order to transform this need into demand. In turn, this demand will lead to further growth and jobs. The Communication should endeavour to use this untapped potential for the benefit of Europe; its citizens and business.
7. The whole document still needs to be proof read in English as there are a number of errors.
8. Numbering of paragraphs throughout would facilitate precise references.

Specific Remarks (following the order of the draft Communication)

1. Introduction

§5 "However, the construction sector …"

"Low attractiveness for young people due to working conditions" seems to say that the construction sector is not a good place to work. There have been studies in the past, e.g. by EOSHA showing that construction had both higher job satisfaction and less stress at work than all other sectors analysed. If necessary, we would certainly be able to find these studies in our archives.
For the time being, we suggest to write “… due to perceived working conditions …”.

Also this term “low capacity to innovate” is untrue.
The construction sector has a high capacity for innovation but cannot meet this through a number of factors that have little to do with the nature of the industry itself but more to do with external factors such as liability regimes.
We would suggest “low rate of innovation”.

§6 "Firstly, the construction sector …"

Line 6: It is not quite clear what is meant by "EU companies are often faced with costs far more stringent (sic!) than non-EU companies". In any case, it would be important to explain for which reasons EU construction companies unavoidably have higher costs than non-EU companies (e.g. social and environmental costs, some competitors subsidised/ state aided)

Last line: The sector does not need policy support to meet the needs of the market. The problem is the market itself that is not pushing the sector to innovate or to increase capacities, which is, for example, a question of demand for innovative solutions. The issue we may have is increasing our capacities in the sufficient timescale. But as an industry, where there is market demand, the sector will respond.

2. Key Challenges

The title is misleading to the extent that also describes the current situation and not only challenges.

§2
We very much agree with the global challenges being enablers of sustainable growth.

2.1 The general macroeconomic context

§1
In the last sentence, "The constraints on public spending due to the crisis will further put under pressure investments in infrastructure works." is likely to be the sad truth. We have been trying to change the minds of politicians in order to convince them that the necessary reduction of public deficits must not sacrifice necessary investments.
So, we propose to continue this sentence with ", unless political decision makers take into consideration that the necessary reduction of public deficits must not sacrifice the necessary investment in infrastructure and energy efficiency, which are the basis for sustainable growth and jobs in the EU."

§2
The term “restructuration” reads too much like state interference in how the construction value chain operates. This should be clarified, for example by:
"This outlines the need for an appropriate policy formulation that stimulates sustainable growth and employment, both on the short term but also (-) on the long term by combating barriers to increased competitiveness. If this leads to restructuration of certain parts of the sector, then this should be accompanied by appropriate policy measures."

2.2 The Performance of the Value Chain

More or less fair assessment.

2.3 The low carbon economy

§3 "In the area of extensive renovation of buildings"
Here not enough emphasis is placed on the role of existing buildings in meeting both greenhouse gas reduction targets and helping to provide opportunities for skilled employment in the construction sector. This requires a level of political vision that is still absent from policymakers for the reason that support for energy retrofits has less visibility than more prestige supply-side policies such as small scale renewables. This is a clear market failure though this is not mentioned here.

2.4 The competitive position of EU construction enterprises

More or less fair assessment.
Perhaps legislative proposals on "abnormally low tenders" (Art. 69 "classical" directive) and the "Market Access" Regulation should be mentioned, in order to show that there is some positive movement.

3.1 Stimulating favourable Investment Conditions

"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" is incomplete to the extent that late payment should be combated without regard to the size of the company to which payment is late.

"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." is acceptable to the extent that it does not blame the construction sector itself for this poor record. Innovation is either encouraged or impeded by public policy, standardisation and liability and insurance regimes. On this specific point we think the draft is pretty spot on.

Infrastructure maintenance is mentioned, however, the construction of new large-scale infrastructure and its effect on growth not.

The EC proposal for direct payment to subcontractors (in the draft public procurement directive) is mentioned as a possible improvement towards late payment, while this directive has not been adopted yet!

The recommendations to Member States seem to be pious wishes.

Correct: "In the long term, the construction sector will increase its rate of innovation…."

3.1.1 Short term measures

OK

Perhaps the Commission should recommend to Member States to establish a long term vision of transforming the building stock towards higher energy performance, together with representatives of the value chain. This horizon should be 2050 with a roadmap of which types of buildings to tackle as a priority.

3.1.2 Medium and Long Term Measures

This chapter focuses quasi exclusively on TEN-T, whereas TEN for energy (we need both energy efficiency in buildings and better grid interconnection) and telecom infrastructure are not addressed, although they are also important both for the EU for the construction industry.

The specific measures proposed seem to be quite vague.

3.2 Improving the Human Capital Basis of the Construction Sector

3.2.2 Medium to Long Term Measures

§4 "Finally, the sector faces a dual challenge"

The tone of this paragraph should be modified to ensure we have a positive message.
We cannot be happy with a sentence that suggests that it is solely the responsibility of construction companies to improve life expectancy through better working conditions. This paints us as being reactionary and uncaring towards our workers.

We propose to modify the second sentence:
"On the one hand, ~~EU construction enterprises~~ <u>the sectoral social partners</u> should look for strategies to counterbalance the declining number of young workers entering the sector whereas on the other hand working conditions should be <u>further</u> improved…".

3.4 Strengthening the Internal Market for Construction

§3 "Eurocodes could facilitate this convergence process"
The implementation of the Eurocodes has not been entirely smooth in the Member States. They are perceived as too complicated for daily practice, excessively academic and work should be undertaken to simplify their usage.

FIEC is clear in stating that no move should be made from the side of the Commission to enforce the use of Eurocodes use in public procurement until the codes' complexity has been adequately addressed by CEN and until practitioners have had time to gain sufficient experience in their use in day-to-day structural design. Failure to do so will jeopardize the credibility of the codes in the longer term both within the EU and internationally.

3.5 global competitive position:

§1 "Since 2006"
Considering that the WTO's GPA has been concluded in April 1994, following several years of negotiations, writing "since 2006" is erroneous and misleading.
The EU has been promoting reciprocal market opening worldwide for several decades and the results for the construction industry are not satisfactory, as FIEC and EIC have told the EU institutions on several occasions over the years.

§3 "The EU-Africa partnership" and §4 "Besides, as for the financing …"
The unfair competitive advantages of third country state-owned and –aided construction companies in particular in Africa have been well documented by a Briefing Paper published by the EP, entitled "Export Finance Activities by the Chinese Government (Document PE 433.862). Considering the disastrous effects on European contractors, this particular aspect should be mentioned.

The invitation addressed at the Member States to adopt the proposed "market access" regulation is very nice, but should be addressed to both Member States and EP. It should also be pointed out that the construction industry is confronted with specific problems in this context. The conflicts of the construction industry's legitimate interest with those of other sectors of industry require an intelligent solution, on the basis of the Commission proposal.

We are not sure whether such a Communication is the place for the Commission to ask for adoption of its proposals.

4 Governance

This is an interesting approach, with pros and cons, risks and opportunities. We will have to discuss it internally prior to coming to an opinion.

5. Conclusions

The Council:
"III. recognises that the European construction industry is a key economic sector in Europe not only in terms of the level of production and employment, but also in its capacity to generate indirect employment and in its effect on the competitiveness of other industrial sectors, users of the buildings and transport infrastructure that construction realises;"
(Industry Council conclusions of 7/5/1998)