



EUROPEAN COMMISSION

Brussels, XXX
[...] (2012) XXX draft

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL**

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

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

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

1. INTRODUCTION

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 (raw materials, chemicals, electrical and 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 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 creation¹ 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. Thus, the construction sector plays an important role in the delivery of the Europe 2020 Strategy on smart, sustainable and inclusive growth. Furthermore, 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 transformation of the EU's energy system.

A sustainable construction sector plays a crucial role for reaching the EU's long term 80-95% greenhouse gas emission reduction objective. According to the Roadmap for moving to a competitive low carbon economy in 2050³ the cost-efficient contribution of the buildings sector would be around 40 to 50% reduction in 2030 and around 90% in 2050. The needed investments would contribute substantially to the competitiveness of the European construction sector. The sector has also an important role to play in adaptation to climate change and resilience to natural and man-made disasters by promoting long term disaster proofed investments.

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

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 COM(2011) 112.

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-27⁴). Secondly, there is increased competition from non-European operators not only in international markets, but also within the internal market, particularly with regard to infrastructure projects. This external competition does not always operate fairly; EU companies are often faced with far greater costs 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 achieving the EU's climate, energy and environmental objectives will require significant changes that will be difficult for the sector to tackle without appropriate policy support.

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 coordinated approach at European level to improve the functioning of the value chain, particularly through voluntary partnerships between the private and public sectors and an appropriate regulatory framework, where necessary.

2. STATE OF PLAY AND 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, disaster resilience, indoor climate, re-use/recovery/recycling and design to fit. If properly addressed, these challenges could also open up new market opportunities.

2.1 The general macroeconomic context

The **financial crisis** has particularly affected the construction sector; there have been severe drops in demand especially in the private residential market but also in other markets, e.g. the infrastructure market. Trends differ 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 sector⁵. In others, the sector suffers particularly from the contraction of credit markets. The constraints on public spending due to the crisis will put further pressure on 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, a reduced VAT rate for new construction and/or renovation of buildings, preferential interest rates for mortgages, etc. However only those approaches that include measures aiming at upgrading skills and qualifications, innovation and a 'green' economy will also have lasting effects on the competitiveness of the

⁴ Eurostat press release 169/2011 of 17 November 2011.

⁵ For instance, the production index adjusted by 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.

sector. This highlights the need for an appropriate policy formulation that stimulates growth and employment on the short term but also a restructuring of the construction sector in 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, large differences between Member States in the performance of the sector and considerable difficulty in spreading good practices. Better value-chain integration would significantly increase the scope for spill-over innovation effects from collaboration.

On-site construction, and to a lesser extent the manufacturers of construction products, will increasingly be confronted with the **need for skilled labour**. The huge number of skilled people retiring between now and 2020⁶, 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 the one hand, by the low attractiveness of the sector for young people and, on the other, by the growing need for skills corresponding to specific qualifications, which education and training (as well as the employment market) have difficulty in satisfying. The transition to a 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’, whether this concerns new or renovated buildings. The deployment of enabling technologies and the use of flexible work-organisation practices will also require changes in skills and qualifications in construction.

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 sustainable use of natural resources, as well as with the Raw Materials Initiative (RMI), through the possible development of best practices in the 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. However, EU and national initiatives need to accelerate the uptake of innovative solutions and best practices.

2.3 The low-carbon economy

As announced in the **recast of the Energy Performance of Buildings Directive**⁷, the introduction of Nearly Zero Energy Buildings (NZEB)⁸ is going to be a major challenge for the construction sector. The market has several years to adapt but support is required for all

⁶ CEDEFOP ‘Skills, demand and Supply’ 2010 p. 93 http://www.cedefop.europa.eu/en/Files/3052_en.pdf

⁷ Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings.

⁸ For more details on the relevant provisions, please see Directive 2010/31/EU, Articles 2.2 and 9.

market actors, ranging from public bodies (which need to implement two years in advance) to construction companies, designers, developers, etc. Adaptation will also be required for areas such as financing structure, procurement, education and marketing.

While the number of **‘low-energy’ buildings** is growing, a critical mass has yet to be reached and efforts to improve energy efficiency and to integrate renewable energy sources are progressing slowly. The enforcement of the regulatory framework, together with appropriate fiscal policies, should help to achieve a critical mass.

Also, in the area of **renovation of existing buildings**, more needs to be done to increase energy savings. Moreover, the number of existing building undergoing extensive renovation is relatively modest. The ‘Strategy for a competitive, sustainable and secure energy’⁹, the ‘Roadmap for moving to a competitive low-carbon economy in 2050’¹⁰ and the ‘Energy Roadmap 2050’¹¹ therefore put emphasis on the need for more action in the field of buildings, especially favouring renovation. This line will have to be pursued.

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

2.4 Competition between construction enterprises within the EU and in international markets

Competition in EU markets has improved through the application of public procurement directives, the implementation of the services directive and the adoption of the European design and construction standards (‘Eurocodes’). However, EU companies engaged in this competition are not always on an equal footing, especially with **non-European companies** which are often subject to less stringent social and environmental requirements and benefit from state aid. Member States should ensure that EU companies and non-EU companies compete for public contracts on an equal footing without jeopardising EU social and environmental achievements.

The situation in **international markets** is even more difficult. Industry often faces serious difficulties not only from the technical point of view but also in terms of 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. It is important for EU construction companies that third countries open their markets for EU companies to compete on contracts. The EU should strengthen its power to engage non-EU countries in negotiations to open their commercial as well as procurement markets further, to investigate possible discriminatory procurement practices and to start consultations with the country concerned to solve market-access disputes.

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

In order to respond to the key challenges outlined above, a European strategy has been defined for the next decade. It is intended to complement the strategies developed by the

⁹ COM 2010 (639) final.

¹⁰ COM 2011 (112) final.

¹¹ COM 2011 (885) final.

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. Each objective covers different key challenges; for example, favourable investment conditions are necessary for stimulating growth, research & innovation and the low-carbon economy. Similarly, a sound human-capital basis is essential to improve the performance of the value chain and to adopt innovative solutions, in particular for a low-carbon economy. On the one hand, the strategy suggests recommendations that could address the short to medium-term economic and employment challenges faced by the construction sector. On the other hand, it 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 sector while helping achieve the objectives of the European Energy, Transport and Cohesion Policies. Moreover, combating late-payment practices 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 a view to improving its productivity as well as the added value and the environmental performances of all branches of the value chain.

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 total construction employment and production. In particular, current building renovation rates¹² and practices in terms of energy-efficiency improvement are insufficient to achieve EU 2020 energy-saving targets. Adopting the proposed targets of annually renovating 3% of central government buildings¹³ (a doubling of the current renovation rate) as well as 2% of the whole building stock¹⁴ to cost-optimal levels would not only contribute to achieving the targets but also ensure economic growth and employment at local level throughout the EU. However, 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 Buildings Directive**¹⁵. In some Member States, a low level of ambition and a failure to enforce building energy codes hamper energy efficiency in buildings and thus fail to stimulate the construction sector.

Fiscal incentives¹⁶ and **financial support measures** are well accepted by market operators and boost the renovation of existing buildings. However, national schemes and their impact vary

¹² The EU average rate of renovation of existing building is 1.2% per year. .

¹³ Compromise text between European Parliament and Council for a new Energy Efficiency Directive (still to be approved)

¹⁴ Roadmap to a resource-efficient Europe [COM(2011) 571].

¹⁵ 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.

¹⁶ Such as reduced VAT rates, preferential interest rates, CO₂ and energy tax, targeted subsidies, etc.

greatly. Therefore, an exchange of experiences could be very helpful in understanding potential effects from different angles as well as the risks of imperfect implementation and unintended consequences. Complementarities between these national schemes on the 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 various 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 urban development and regeneration projects that would not be financed through normal market mechanisms. Equity funds and loan guarantees from the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the European Energy Efficiency Fund (EEEF) together with project development assistance to final recipients, such as ELENA, also provide 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 renovation projects* with *contractual guarantees of building performances*. This market segment is becoming interesting not only for energy-services companies (ESCOs) but also for specialised small contractors that could potentially also offer 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. In particular, public authorities should ensure the integration of active energy management and smart metering in renovation.

Finally, it is important that construction enterprises can access their own financial resources within a reasonable time. The new *Late Payment Directive*¹⁷ introduces more stringent provisions, in particular through harmonising 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 should be able to stipulate that sub-contractors may request direct payment by the contracting authority for 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 an ongoing pilot project aiming at investigating the scope for deploying insurance schemes that could cover contractual performance guarantees and cross-border services, especially for small building contractors;

¹⁷ 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.

- will launch in 2012 an information campaign for enterprises on combating late payment in commercial transactions in all Member States
- will implement in 2012, in connection with the Late Payment Directive, a pilot project for the rapid and efficient enforcement of outstanding claims by SMEs operating across borders.

Member States are invited:

- to develop or strengthen appropriate programmes for repair, maintenance and renovation projects with ambitious sustainability targets, including examining the scope for relevant fiscal and financial 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, EBRD and EEEF for small renovation projects with contractual guarantees on building performances, including the 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 2014-2020¹⁸ places even greater emphasis on supporting investments related to EU climate and energy targets and suggests nearly doubling the amount allocated to sustainable energy in the current period. It is proposed that a significant share of the Structural and Cohesion Funds be allocated to investments supporting the shift 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 presented a new package of measures on 19 October 2011 designed 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 euros and a proposal for the 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 coordination, cooperation and transparency. In addition to these proposals, a minimal alignment of the national administrative procedures will be necessary to ensure smooth implementation of cross-border sections of the networks.

¹⁸ COM(2011) 615 final.

Research and innovation activities should combine technology-oriented activities¹⁹ with socio-economic research into market-based and demand-side instruments (training, public procurement, standardisation, insurance, etc.) in order to accelerate the transition 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 the Energy-efficient Buildings Public Private Partnership, 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 programmes 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 a precondition for the use of Structural Funds in the next programming period 2014-2020, will contribute to delivering more targeted Structural Funds support and a strategic approach to harnessing the potential for smart growth in all regions²⁰.

The Commission:

- has proposed in the context of the Cohesion Policy for 2014-2020 that a significant share of the Structural and Cohesion Funds be 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 by cross-border sections of TENs projects in order to ensure a minimal alignment at a technical level of the respective national permit-granting processes;
- will organise, 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 and Competitiveness of enterprises and SMEs (COSME) 2014-2020, not only with direct grants but also with financial instruments to improve access to finance for SMEs in the form of equity and debt. National and regional authorities are invited to ensure an efficient and complementary use of the various EU sources of support, including Cohesion Policy funds provided the related operational programmes allow for such measures

¹⁹ 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.

²⁰ <http://ipts.jrc.ec.europa.eu/activities/research-and-innovation/s3platform.cfm>.

3.2. Improving the human-capital basis of the construction sector

Nowadays, there is a significant shortfall of qualified workers 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 a 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 wider provision of cross-border services. This has to take account of 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 setting 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 for identifying 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 out an evaluation of the BUILD UP Skills initiative and in particular assess whether it is worthwhile extending the scope of the first initiative to include additional categories of building professionals or to other qualification needs in relation to the 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 programmes 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 supply sustainable buildings, as well as the ability of education systems to meet these needs.

In this context, the European Commission will support a feasibility study by the European social partners on the establishment of a European Sector Skills Council. European Sector Skills Councils are networks of national observatories on labour-market and skills analysis at a sectoral level, which, under the steering of sectors' representatives, European social partners, and with the participation of representatives of education and training providers, exchange information and good practices in order to draw recommendations on the evolution of skills and jobs.

Also in 2012, the Commission will test the feasibility in sustainable construction of Sector Skills Alliances between VET providers, businesses and other stakeholders, with the aim of delivering appropriate, 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 on continuing education should encourage the mobility of skilled workers. The Posting of Workers Directive establishes a hard core of clearly defined terms and conditions of work and employment for minimum protection of workers that must be complied with by the service provider in the host country. The Directive thus provides an adequate level of protection for posted workers.. 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 better information on the applicable working conditions, more efficient administrative cooperation and information exchange between inspection authorities, more effective inspections and the introduction of joint and several liability for the wages of posted workers.

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 and the considerable number of workers retiring in the next years; on the other, 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 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 in relation to resource efficiency, identifying basic requirements for skills in specific branches and facilitating the mutual recognition of qualifications;
- will support the European sectoral social partners of the construction industry to create a European sector skills council for the construction sector;
- will encourage them to develop initiatives in areas such as energy and resource efficiency in buildings, health and safety, quality standards and training, including apprenticeship for young people. These initiatives may take the form of information campaigns and training and include, depending on the national context, joint management of funds
- 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 appropriate curricula or

VET qualifications as well as innovative ways of delivering VET.

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

- to act swiftly to adopt the newly proposed directive²¹ on the enforcement of Directive 96/71/EC on the posting of workers in the framework of the provision of services;
- 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 to enhance management capacity and the deployment of ICT;
- to launch and support campaigns to make the construction sector more attractive to talented people.

3.3 Improving resource efficiency, environmental performance and business opportunities

The Roadmap to a Resource-Efficient Europe²² outlines the significant impact of construction on natural resources, energy, the environment and climate change. Significant improvements in construction activities and construction works all over their life cycle have the potential to contribute to a competitive construction sector and to the development of a resource and energy efficient building stock, with all new buildings being near zero energy consumers and materials resource-efficient.

Improvements in construction activities and construction works open up additional business opportunities, including for SMEs as the action needed may depend on local conditions and require individual solutions. As already stated in the Roadmap to a Resource-Efficient Europe, the Commission will come forward in 2013 with a communication on sustainable buildings, where actions to support a resource efficient sector will be further defined and developed.

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

The Commission will propose approaches to mutual recognition or harmonisation of the various existing assessment methods, also with a view to 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 to 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

²¹ COM(2012) 131 final.

²² 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.

Industry stakeholders reported during the public consultation that some construction projects may be hampered by the national authorisation process, e.g. delays due to public opposition, expropriation issues and the need to obtain several different permits including environmental ones. Such issues were identified in the context of the ongoing review of the Environmental Impact Assessment (EIA) Directive²³, 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. This may impede the formation of a level playing field and 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 covering 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 transporting waste 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 model for Green Public Procurement and for sustainable development principles in regional policy;
- will assess hindrances resulting from national legislation governing 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.

²³ 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 the various regulatory approaches and administrative provisions that govern 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 checks' that were made in 2011-2012, have assessed the cross-impact of various EU legal acts affecting construction enterprises, thus identifying certain misapplication of EU legislation and needs for clarification and new measures to be taken. 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 option of adapting 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 codes²⁴ to ensure that buildings are disaster proofed .

Communication and dissemination activities, such as the BUILD UP web portal²⁵ 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 target construction as a priority in the follow up of the Communication on the implementation of the Services Directive "A partnership for a new growth in services"²⁶;
- will present a report on the implementation of Eurocodes in Member States in response to the Commission Recommendation 2003/887/EC; based on the results of this report, it will then propose action to strengthen or, if need be, enforce the use of Eurocodes in Public Procurement and other instruments., such as national risk assessments and management plans.

Member States are invited:

- to develop effective tools for market surveillance in relation to the implementation of

²⁴ Commission Recommendation 2003/887/EC of 11 December 2003.

²⁵ www.buildup.eu .

3.5 Fostering the global competitive position of EU construction enterprises

Since 2006, in the context of its international trade negotiations, the EU has been increasingly seeking ambitious market-access commitments by other trading partners on trade in services and public procurement, especially in the public-works area. One of the latest achievements is the opening up of the Korean concession contracts to EU suppliers in the EU-Korea Free Trade Agreement.

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 infrastructure²⁷ provides opportunities to improve transcontinental connections and create a more reliable and safer transport system.

As for the financing of infrastructure, various EU financial instruments and cooperation funds could moreover support the implementation of relevant measures.

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

There is 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:

- has proposed a legislative initiative²⁸ with a view to ensuring the opening up of third countries’ procurement markets and a level playing field between EU companies and their competitors from abroad;
- will continue to insist on securing ambitious market access commitments from partner countries in trade negotiations, regarding access to both commercial and procurement markets.
- will liaise with the European Investment Bank to enhance the scope for using EU financial instruments in support of transcontinental connections;
- will provide financial support for technical assistance to aid the internationalisation of small specialised contractors;
- will develop cooperation 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

²⁶ COM(2012) 261 final

²⁷ COM(2009) 301 final.

²⁸ COM(2012) 124 final.

in public procurement, notably by encouraging these partners to use the Eurocodes as a tool for implementing their construction regulations.

Member States are invited:

- to act swiftly to adopt the newly proposed regulation²⁹ 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 public-procurement markets of third countries.

4. GOVERNANCE AND IMPLEMENTATION OF THE STRATEGY

An action plan providing details on the expected outcome from each recommendation, the share of competence between the European Commission, the Member States and sector organisations and the timeline for implementation is attached to the present Communication.

Implementation of the strategy requires streamlining and coordination of the many ongoing initiatives at EU, national and sectoral levels to create more synergies and maximise their impact in the short, medium and long term. It should be based on a governance structure that combines coordination and monitoring from both a thematic and a strategic perspective, including:

- A high-level tripartite strategic forum (Commission, Member States, sectoral representatives) that would comment on the EU initiatives that affect construction and on the implementation of the strategy, subsequently 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 sectoral 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 together with the construction sub-sectors. Cooperation 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 for the EU's GDP and employment, as well as its role in the achievement of some of the critical climate, environmental and energy-related objectives, the competitiveness of this sector is 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 sustained encouragement of building renovation, should be seen as an opportunity to revitalise 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

²⁹ Ibid.

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 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 harmonised performance-assessment methods for sustainability in order to ensure proper 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 various levels:

- the high level tripartite strategic forum should have a clear brief to conduct a critical appraisal of the construction sector's performance;
- Member States and construction stakeholders should ensure appropriate links with national and sectoral agendas for construction;
- Member States and construction stakeholders should facilitate the transfer of experience and good practices from the thematic groups so as to achieve their operational implementation in construction businesses;
- Each policy intervention should be monitored and assessed against a number of indicators.

ANNEX – ACTION PLAN

Short term actions (2012-2014) – reference in sections 3.1.1 and 3.2.1 of the Communication

Actions	Output	Policy context	Main competence	Time horizon
Analysis of various EU and national financial instruments supporting energy efficiency in buildings	European Commission report and recommendations on financial support for energy efficiency in buildings	Directive 2010/31/EU on energy performance of buildings/ Energy Efficiency Action Plan 2011	European Commission	Ongoing – end in 2013
Fiscal instruments and credit mechanisms for renovation projects proportional to the sustainability targets to be achieved	Staff Working Document on the implementation by Member States of energy efficiency measures (including fiscal instruments and credit mechanisms in the building sector) based on National Energy Efficiency Action Plans	Directive 2006/32/EC on energy end-use efficiency and energy services/Directive 2010/31/EU on energy performance of buildings	European Commission	2012-2013

Pilot project on insurance and performance guarantee	Preliminary recommendations on insurance schemes to cover performance guarantees by small building contractors	New pilot project supported by the European Parliament (started in 2012)	European Commission	2013
Information campaign on new Late payment Directive	Raising awareness of contractors rights on payment terms	Directive 2011/7/EU	European Commission	2012
Pilot project for the rapid and efficient enforcement of outstanding claims by SMEs operating across borders	Raising awareness of contractors rights on payment terms	Directive 2011/7/EU	European Commission	2012-2013
Evaluation of the BUILD UP Skills initiative with a view to extend the initiative to other categories of building professionals and other qualification needs	Evaluation Report	Intelligent Energy Europe Programme	European Commission	2013-2014
Financial engineering instruments and project development assistance for small scale renovation projects with contractual guarantees on building performances	Report from MS on the implementation of the financial instruments and mechanisms	Structural Funds	Member States	2012-2014
Inclusion of Build-up skills roadmaps under the priorities for 2014-2020 European Social Fund financing	Build-up skills roadmaps rolled out through the ESF financing	Energy policy Regional policy Employment	European Commission Member States	2012-2013

		policy		
--	--	--------	--	--

Mid to long term actions (2014-2020)

1. Stimulating favourable investment conditions – references in section 3.1.2 of the Communication

Actions	Output	Policy context	Competence	Time horizon
Minimal alignment at a technical level of national permit granting process for TENs cross border sections	Common EU technical specification	Trans-European Networks for Transport	European Commission	2014 - 2016
Identification of technological gaps in the construction value chain and development of an action plan to address these gaps	Conference and recommendations on innovation priorities for construction	Innovation Policy	European Commission	2013
Joint coordinated initiatives between Member States and private actors combining research-innovation-procurement, certification, insurance, interregional clusters, etc to speed up the uptake of new knowledge and technologies at EU and regional levels	Projects	Horizon 2020 COSME EU Cohesion Policy Funds	Member States	2014 - 2020

2. Improving the human capital basis – references in section 3.2.2 in the Communication

Actions	Output	Policy context	Competence	Time horizon
EU Social Dialogue' initiatives for adapting vocational education and training to the future qualifications needs of the construction sector, identifying basic requirements for skills in specific branches and facilitating the mutual recognition of qualifications	Study to develop an information platform	EU Social dialogue	European Commission	2012 - 2014

Creation of a EU Sector Skill Council for construction to develop initiatives in the fields of energy and resource efficiency in buildings, health and safety, quality standards, apprenticeship, joint management of funds by social partners, etc.	EU Sector Skill Council	EU social dialogue	European Commission	2013-2016
EU Sector Skills Alliance in sustainable construction	Partnerships to deliver adapted curricula or Vocational and Educational Training (VET) qualifications in innovative ways	New jobs for new skills	European Commission	2013 - 2016
To act swiftly for the adoption of the newly proposed directive on the enforcement of Directive 96/71/EC on the posting of workers	Adoption of a new EU directive	Directive 96/71	Council and European Parliament	2012-2014
Partnerships for vocational education and training schemes at national and regional levels to respond to current and emerging needs of the construction sector, in particular in the field of ICT	Targeted Partnerships for vocational education and training (VET)	National VET policies	Sector organisations	2013-2016
Campaigns to make the construction sector more attractive to talents	Awareness campaigns		Sector organisations	2012-2020

3. Improving resource efficiency, environmental performance and business opportunities - references in section 3.3 in the Communication

Actions	Output	Policy context	Competence	Time
----------------	---------------	-----------------------	-------------------	-------------

				horizon
Mutual recognition of methods to assess the environmental performance of buildings ³⁰	EU scheme for environmental assessment of buildings and EU technical specifications	EU resource efficiency policy and EU standardisation policy	European Commission	2014-2016
Mutual recognition of risk assessment methods taking into account environmental performance, in particular within the context of EU standardisation activities and insurance schemes	EU technical specifications	EU standardisation policy	European Commission	2014-2018
EU wide life cycle costing (LCC) methodology for buildings for Green Public Procurement ³¹	EU guidance on Life Cycle Costing in public procurement	Green Public Procurement	European Commission	2014-2016
Increasing the use of Green Public Procurement in regional policy in coming programming period ³²	Further promotion of construction related GPP criteria in EU financed projects	Regional Policy	European Commission	2014-2020
Assessment of hindrances resulting from national legislation governing the authorisation process for major construction projects	Operational conclusions from the revision process of the	Environmental assessment and national permit-granting	European Commission	2013-2016

³⁰ action to be further developed in the Communication on sustainable buildings in 2013

³¹ action to be further developed in the Communication on sustainable buildings in 2013

³² action to be further developed in the Communication on sustainable buildings in 2013

	Environmental Impact Assessment Directive Guidance for streamlining environmental assessment procedures of energy infrastructure projects of common interest	procedures		
Harmonised rules on the declaration of the performance characteristics of construction products in relation to a sustainable use of resources ³³	Harmonised EU rules and updated harmonised EU standards	ENTR/Construction Products Regulation	European Commission	2013-2018
Evaluation of the performance of construction sub-sectors in terms of competitiveness and sustainable development at national and regional levels	Reports	National construction policies	Member States	

4. Strengthening the Internal Market for Construction- references in section 3.4 in the Communication

Actions	Output	Policy context	Main competence	Time horizon
----------------	---------------	-----------------------	------------------------	---------------------

³³ action to be further developed in the Communication on sustainable buildings in 2013

“Fitness checks” of EU legislation to identify excessive administrative burdens, overlaps, gaps, inconsistencies and obsolete measures	Evaluation report and recommendations on EU legislation	Smart Regulation	European Commission	2013-2015
Review of the Eurocodes implementation in Member States and proposals to enforce the use of Eurocodes in Public Procurement and other instruments, such as national risk assessments and management plans.	Report on and possible standardisation mandate for other core construction design standards	EC Recommendation Eurocodes 2003/887/EC	European Commission	2013-2014
Market surveillance in relation to the implementation of European legislation	Reduced complaints from industry	Regulation 765/2008/EC	Member States	

5 Fostering the global competitive position of EU construction enterprises - references in section 3.5 in the Communication

Actions	Output	Policy context	Main competence	Time horizon
Negotiation of trade commitments regarding access to third country commercial and procurement markets	Trade agreements securing market access for construction products and services	EU Trade Policy	European Commission	Ongoing
Raise opportunities for using EU financial instruments, e.g. from European Investment	Targeted information on the	E.g. EU-Africa partnership for	European	2013-2016

Bank, in support to transcontinental connections	use of EU financial instruments	transport infrastructure	Commission	
Financial support to technical assistance to the internationalisation of small specialised contractors	Technical assistance to EU small contractors	“Small business, Big World “ Communication	European Commission	2012-2015
Develop co-operation with Africa, Latin America, Russia , Neighbourhood countries concerning sustainable construction in public procurement	International forum	EU foreign and regulatory dialogue	European Commission	2013-2015
To act swiftly for the adoption of the newly proposed regulation on the access of third-country goods and services to EU public procurement and procedures supporting negotiations on access of EU goods and services to the public procurement markets of third countries	Adoption of an EU regulation	Proposal for a regulation on market access reciprocity	Member States	2012-2014