

*Dear prospective member of the European Parliament,*

It has been hard to ignore the economic news of late. Europe is going through its toughest economic crisis since the Second World War and the recession is expected to last well into 2010, taking a huge toll on employment and the well-being of citizens. In order to bring Europe out of recession and avoid a protracted economic slump, European leaders should ignore the siren calls of protectionism and instead focus on coordinating economic recovery throughout Europe through large scale investment in buildings and infrastructure, essential for Europe's long term growth.

### **In the short-term: A credible response to the global economic downturn**

In order to help viable enterprises through the economic downturn, banks need to be encouraged to extend credit facilities, especially to small and medium size enterprises. Banks which have benefited from public funds should use the money to lend to the private sector and not simply shore up their balance sheets. Furthermore, at a time when enterprises are facing a lack of short-term credit and credit insurance is being withdrawn, public authorities should show the right example by ensuring timely payment to contractors as works progress which in turn will ensure the financial viability of the whole value chain. Moreover, in order for projects to begin as quickly as possible, the process for issuing permits and for tendering in public procurement should be made more streamline.

### **Over the longer term: creating the right conditions for renewed and sustainable growth**

#### **1. Develop a truly sustainable vision for the construction sector**

The construction industry is ready to address the challenge of creating a sustainable future with its expertise, whether this be through designing and building low and surplus energy homes or developing infrastructure that will meet the needs of future generations. Representing 7.2% of total EU employment, the construction industry also has a key role to play in social integration by providing decent jobs to skilled and unskilled workers and by helping them to develop new skills through good quality vocational training.

#### **2. Invest in Infrastructure**

The Obama Administration recently announced investment worth some €80 billion in US transportation, sanitation and energy infrastructure as part of the US recovery plan. States have been quick to get to work on specific projects. Europe needs a similarly rapid and decisive approach as speed is essential to get the economy moving and to deliver the infrastructure Europe needs for its long term growth. A first rate 21<sup>st</sup> century infrastructure cannot be created without sizeable and steady investment over many years, way beyond the current crisis. In this respect, FIEC believes that public-private partnerships (PPPs) should be facilitated and further developed as they can, in many cases, deliver value for money for the taxpayer and faster, more efficient projects. With this in mind, FIEC regrets that the EU's commitment to the trans-European networks for both transport and energy is wholly insufficient.

#### **3. Invest in energy efficiency in the building stock to fight climate change and secure future energy supply**

It is an oft-repeated mantra: Europe's buildings are the single biggest source of energy demand through heating and lighting our homes and offices. Furthermore the vast majority of Europe's housing stock is poorly insulated and in dire need of improvement. It has been estimated that action in the building stock alone could put Europe on track to meet its goal for a 20% reduction in greenhouse gas emissions by 2020. Neither should the benefits in terms of reduced reliance on fossil fuels be underestimated.

#### **4. Foster activity in the residential sector through reduced VAT**

Economic recovery will be led by the small and medium size enterprises that make up the construction industry. Therefore FIEC welcomes the political agreement reached in the Council enabling Member States to apply reduced rates of VAT to renovation services, though we regret the agreement did not go further. Renovation is key to boosting energy efficiency in the building stock. Given this, it is unacceptable that measures taken to save energy continue to be taxed at a higher rate than the consumption of energy!

#### **5. Avoid protectionism and boost employment**

The current crisis has seen the rise of the spectre of protectionism. This should be resisted. It is precisely by eliminating barriers and opening the Internal Market that we have created the prosperity we have today. Labour force mobility is key to economic growth in the construction industry and beyond and it should be encouraged. Of course, this should not be done at the detriment of the protection of workers. Legislation exists at EU level aiming precisely at the protection of workers (e.g. the "Posting of Workers" Directive). It is essential that this legislation is correctly and fully implemented and enforced.

#### **6. More flexibility in the use of EU measures for employment**

As in other industrial sectors, employment in the construction industry is affected by the economic downturn. Public authorities should allow a more flexible use of existing funding schemes to provide assistance to those losing their jobs. In particular, at European level, access to the "European Social Fund" and the "European Globalisation Adjustment Fund" should be facilitated.

#### **7. Avoid undue red-tape and legal burdens**

At a time when enterprises are under immense financial pressure, the last thing they need is undue red-tape and unnecessary legal burdens. Construction projects involve many enterprises, the vast majority of which are SMEs, acting both as main contractor and sub-contractors. Legislators should not seek to set a "one size fits all policy" making, for instance the main contractor liable for the employment and fiscal practices of all sub-contractors in the value chain. This will unfairly penalize honest companies with proven track-records for the wrong doing of others and make them take the responsibility of public authorities.

#### **8. Ensure the public sector shows the right example**

A significant share of construction activity depends on public investment and public clients therefore play a crucial role in the current global economic downturn. Ensuring timely payments to enterprises will help avoid further bankruptcies and lay-offs throughout the value chain. Furthermore, access to financing should be facilitated, especially for SMEs: banks receiving public money should lend to viable companies.