



EUROPEAN BUILDERS CONFEDERATION

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REPLY

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17th December 2009

Consultation EU 2020 Strategy

Established in 1990, the European Builders Confederation - E.B.C. - is a European professional organisation representing national associations of Craftsmen and SMEs working in the construction sector. Through its national members, E.B.C. represents 600,000 micro, small and medium sized enterprises from the construction sector.

The construction sector is of vital importance to the European Economy. With 2.7 million enterprises, an annual turnover of almost € 1300 billion, a total direct workforce of almost 14 million, the construction sector contributes about 10% to the GDP of the European Union.

The European construction sector is composed at about 99% of Small and Medium-sized Enterprises (SMEs), who produce 80% of the construction industries output. The small enterprises (less than 50 employees) ensure 60% of the production and employ 70% of the sectors working population.

General remarks

The EU 2020 Strategy is a very important piece of the future direction of EU policy for the next 10 years and as a successor to the Lisbon strategy, whose real success is largely debatable. The consultation exercise launched by the European Commission comes in a time of deep economic-financial crisis and calls for inputs from the relevant stakeholders. This time coincidence focuses the discussion on the strategy to exit from the crisis, but a more mid to long term strategy must be drawn.

Indeed, in the light of this strategy, EBC – as the voice of construction crafts and SMEs in Europe – believes that no EU-wide strategy can be launched without clear mention and focus on SMEs. Small and Medium-sized Enterprises in the European construction sector represent 99% of the 3 million companies, 80% of the total sector's turnover, which represents 12% of the EU GDP. In addition, the construction sector is by definition the sector of micro-enterprises, since 92% of the companies have less than 10 workers, with an average of 4 employees per enterprise.

In this respect, it is clear that the consultation document is a very disappointing paper! SMEs are very rarely mentioned and the Small Business Act for Europe is completely absent. These absolutely fundamental pillars of the EU enterprise policy in the past years must be taken into strong consideration if the EU2020 strategy aims at being successful.

Indeed, the 4 axes of the SBA - better framework conditions, less administrative burden, better access to finance and to markets for SMEs - must be maintained and reinforced by all future EU legislation, always based on the "Think Small First" approach and on the "SME Test". The very ambitious, well accepted and positive SME policy which has been endorsed by all EU institutions and Member States by the adoption of the SBA in 2008 can not be erased 2 years later. All European Institutions recognised the importance of high quality regulations for the success of the European Union. The "Better Regulation Action Plan" as well as the "European Small Business Act", which includes the commitment to follow the "Think Small First" Principles when regulations that may have an impact on small companies are designed, proves that there is a strong need to improve the quality of regulations within the European Union.

Specific comments

(1) *Creating value by basing growth on knowledge.*

Concerning innovation and R&D, it is true that most SMEs are not exercising R&D activities, as normally defined. However, they play a key role as innovators in the European economy. Innovation in SMEs relies to a large extent on qualified entrepreneurs and employees and on cooperation with suppliers and customers. The economic success of these enterprises in a competitive environment depends on their capability to improve their products, services and distribution models.

EBC believes that training should be enshrined in the EU 2020 strategy, taking into account the specificities of SMEs, which do not perform large amount of official training, but carry out a lot of informal training, with apprentices and young workers being educated on-the-job. In order to improve the uptake of training and meet the environmental goals in terms of energy efficiency, the EU must put considerable means at the disposal of the MS, in forms of training funds, expanding the ESF and refocusing its priorities towards green jobs, for employees, but also to self-employed craftsmen/women, who make up the vast majority of the construction companies in the EU.

(2) *Empowering people in inclusive societies.*

The current crisis has demonstrated once again that SMEs act as an important buffer in economic downturns and are much more reluctant to dismiss employees in difficult times. At the beginning of 2009, the number of large enterprises that reported a decrease in employment was twice as high than for small enterprises and three times higher than for micro enterprises, which makes SMEs an important stabiliser throughout business cycles. Craft and SMEs also play a central role in providing vocational education and training on the job. Furthermore, SMEs are crucial for the integration of migrants into the official labour market, who start often as self-employed, as small entrepreneurs or as employees in SMEs.

The Commission objective, as expressed by Mr. Barroso, to bring the percentage of the EU active population in entrepreneurship from 10 to 15 is optimistic, positive and included in the consultation document. However, it is simplistic and naïve to consider it possible that self-employment would absorb all unemployed people.

(3) *Creating a competitive, connected and greener economy.*

One of the biggest problems limiting the exit from the crisis, but always present for construction SMEs are access to credit and treasury. In order to solve problems in these two fields, two main points must be kept in mind and should be included as priorities of the European Union.

1. Improving existing and introducing new ways to further SMEs' access to finance
2. Shortening payment delays in commercial transactions by applying the late payments directive

A solution to the problem of access to bank loans is to further enhance successful financial instruments for SMEs such as guarantee funds and micro-credit with the support of the EIB Group. Based on the same idea as what is already in existence for bank loans, the EIF could provide a similar portfolio guarantee for insurers. This would solve the problem of small companies' access to compulsory insurance policies, which the insurers are either unwilling to provide or do so at extremely high prices. This approach is currently being studied thanks to a European pilot project – Elios – which should, thanks to the support of the EIF, give way to an experimentation phase to be closely watched.

Small bank loans are the most important way of financing construction SMEs investments, which are small in financial terms but frequent. Considering this, it is evident that, contrary to what the consultation document outlines, the issue of SMEs access to finance cannot be solved through venture-capital only, since this tool is rarely used by SMEs.

Concerning direct benefit of EU finance, it is difficult and time-consuming for SMEs to be directly involved in European Programmes. Indeed, EU support programmes should focus on SMEs associations. The impact on SMEs is higher, thanks to a large multiplication effect. Similar problems exist regarding access to financing and access to professional insurance schemes. Generally banks are wary of giving loans to new entrepreneurs or entrepreneurs that take over a company. When such loans are accepted they come at a premium rate or the banks demand personal guarantees such as the entrepreneurs private estate or even that of the entrepreneur's spouse.

The EU directive on late payments, which is currently undergoing revision, has to be improved. Fighting late payments, most of all by public procurement must become a priority of the EU, since the majority of construction SMEs suffer from late payments, in private and public procurement contracts, badly damaging otherwise viable companies' treasury policies, leading, in the worst cases, to bankruptcies.

EBC appreciates the Commission principle – as expressed in the consultation document – to reflect political priorities in public budgets and urges the Commission and the European Union to modify the future EU budget, diminishing the impact of the CAP on the EU budget.

In light of this principle, EBC urges the Member States to improve the financing of improvement works and restructuring in private housing in the field of better energy performance. If the public sector does not help private citizens in taking up those investments, the energy goals will not be reachable. This is why EBC invites the Commission to increase the availability of structural funds (i.e. ERDF) to be dedicated to energy efficiency, making sure that the MS use these possibilities in wider terms.

On the other hand, construction SMEs fear the recent interest by the European Commission in Public Private Partnerships and the willingness to mainstream them. EBC warns the European Commission that PPPs cannot be considered as viable financing instruments (delays in delivery, higher budgets and less advantageous credit terms for enterprises than for public authorities) and should be kept as limited exercises for extremely complex infrastructural projects, because of their inherent lack of competition.