

POSITION PAPER

Letta Report on the Future of the Single Market

Brussels, 27/06/2024

Key messages

Enrico Letta's Report on the Future of the Single Market touches on many issues of importance to the construction industry. For example, the report recognises that a circular economy model is pivotal for the EU's sustainability and economic resilience and that the EU Public Procurement market plays a critical role in economic activity. FIEC welcomes several suggestions made in the report, such as increasing SME participation in public tenders or creating an EU Task Force on Housing Affordability. However, FIEC has some reservations about some of the proposals made. It also raises issues that are not addressed in the report.

In April 2024, former Italian Prime Minister Enrico Letta presented his *Report on the Future of the Single Market*, commissioned by the European Commission and the European Council.

The Report reinforces the case for the Single Market and makes several proposals to improve it. These include boosting investment to finance Europe's many needs through a "savings and investment union"; lowering the cost of decarbonisation and making it easier for European companies to grow and scale; and introducing a fifth freedom to boost research, innovation and education in the single market.

Several of the measures that Enrico Letta proposes will have a direct impact on the European construction sector. These range from public procurement, to infrastructure, to the circular economy, and to labour mobility issues. Given the wide range of issues addressed in the Report, FIEC would like to make the following general observations:

General observations

Several of the measures that Enrico Letta proposes will have a direct impact on the European construction sector. These range from public procurement, to infrastructure, to the circular economy, and to labour mobility issues. Given the wide range of issues addressed in the Report, FIEC would like to make the following general observations:

- FIEC considers that there should be a Vice President of the Commission with responsibility for ensuring policy coherence and coordination across the various areas related to construction, which are currently spread across many Commissioners within the College.

- **Relationship between companies of different sizes:** FIEC agrees that scaling up within the Single Market is vital for EU companies. We are also in favour of preserving the European model, which balances large and small companies, ensures fair competition among them.
- **Small and medium sized enterprises (SMEs):** According to FIEC data, around 95% of construction companies in Europe have less than 20 workers.¹ FIEC agrees with the Report's conclusions that SMEs face many obstacles in accessing the Single Market and its opportunities but believes that the Report should propose more concrete measures to address this issue.
- **State aid:** The Report mentions the need to strike a balance between rapid national support for industry and preventing fragmentation of the Single Market by enforcing stricter national rules and increasing funding at EU level, including a state aid contribution mechanism for pan-European initiatives. FIEC warns that this approach has several implications for SMEs, which have better access to funding schemes at national or local level than at EU level.
- **Simplifying regulations:** The Report suggests prioritising the reduction of burdensome regulation and argues in favour of reassessing reporting and compliance obligations. FIEC agrees that there is a need to reduce the administrative burden on companies while maintaining high standards. Streamlining reporting obligations is important.
- **Competition distortions:** The Report mentions that the EU has strengthened its arsenal with autonomous trade defence instruments, such as the Foreign Subsidies Regulation to complement the existing traditional mechanisms. However, the high thresholds and strict notification requirements mean that a fairly wide legislative gap remains for construction companies. FIEC therefore continues to insist on the adoption of a Trade Defence Instrument (TDI) for construction (and dredging) services. Moreover, the report does not refer specifically to state-owned enterprises in third countries and it is unclear what is meant by the sentence "the efficacy of these measures hinges on the unwavering political support from Member States towards the Commission".
- **Standardisation:** The report states that a new and stronger effort is also necessary to reduce fragmentation of standards and product quality requirements. FIEC fully supports these ideas and considers that encouraging a stronger European Standardisation System (ESS) is of crucial importance for our sector.
- **Closing the green investment gap:** FIEC fully agrees that there is a need for a unified financial framework to achieve the EU's green (and digital) targets. The investment gap in the green transition should be one of the priority issues of the new European Commission.
- **European Green Guarantee (EGG):** The Report recommends that the European Commission and EIB create a framework and secure funding for an EU-wide guarantee scheme to support green investments, enabling European banks to fund these projects by mitigating the associated "green transition risk." FIEC considers the EGG to be a very interesting proposal that could be used in conjunction with the concept of EU renovation

¹ <https://fiec-statistical-report.eu/>



Afonso Brito
Policy Officer for Economic & Legal Affairs

FIEC - European Construction Industry Federation
Avenue des Arts 20, BE-1000 Brussels - +32 2 514 55 35 - info@fiec.eu

Transparency Reg. 92221016212-42 aisbl Nr Enterprise: BE 0688919.140



loans (proposed by the European Parliament). Financing is crucial for the implementation of the "renovation wave".

Key observations

In addition to the observations above, FIEC would like to highlight and comment specifically on the following proposals:

Labour mobility

The report highlights that the principle of free movement is underutilized due to barriers to occupational mobility and disparities in professional regulations, suggesting actions like simplifying qualification recognition, streamlining procedures, and improving social security coordination, while targeting cross-border workers and expatriates to enhance intra-EU mobility and enforcement of mobility rights.

Our comments:

- FIEC considers that enhancing labour mobility is crucial for a well-functioning single labour market and will contribute to tackling existing problems such as the skills and labour shortages experienced by construction companies across Europe.
- FIEC considers that the simplification of procedures is important as the administrative burden for employers is huge, for example when posting workers abroad. It is therefore a priority to ensure a correct implementation of the Posting of workers' directives. Additionally, FIEC supports a better coordination of social security systems to ensure efficient and fair mobility. Digitalisation should be also further developed for this purpose, in particular as regards the exchange and access to data.
- FIEC reaffirms the importance of the fight against social dumping and fraud, which must be taken into account when considering new measures to strengthen the single market.
- The report mentions the strengthening of the European Labour Authority. FIEC is actively involved within ELA and supports this proposal as the role of ELA is key in the fight against all kind of fraudulent practices in the construction industry. However, FIEC considers that ELA can fully carry out its activities within its actual mandate.
- Regarding the recognition of qualifications, FIEC reaffirms the need for facilitating the mutual recognition of all kind of qualifications (non-formal and formal qualifications) while maintaining quality levels of the training and professions, especially on OSH.

Health and safety at work

The report stresses the need for robust measures to protect the single market, prevent labour and social security exploitation, ensure health and safety in sectors like construction, cooperate with social partners and clarify third-country nationals' legal framework. It mentions that data collection



Afonso Brito
Policy Officer for Economic & Legal Affairs

FIEC - European Construction Industry Federation
Avenue des Arts 20, BE-1000 Brussels - +32 2 514 55 35 - info@fipec.eu

Transparency Reg. 92221016212-42 aisbl Nr Enterprise: BE 0688919.140



of workplace incidents is essential while procurement guidelines should emphasize safety and workers' rights. The report also considers that fostering external partnerships enhanced socioeconomic cohesion, using the European Training Foundation as an example.

Our comments:

- FIEC considers that the EU should simplify and make the existing health and safety legislative framework more easily enforceable without lowering the level of protections for workers and companies and envisage incentives for virtuous companies.
- FIEC agrees that there is a need for more data collection and analysis on workplace accidents. This data can be used to identify accident hotspots and risk of illness, or by national authorities to investigate health and safety at work. This could be important in terms of developing a culture of prevention amongst construction companies and workers.
- However, FIEC considers that data collection should not result in additional reporting obligations for companies, which are already obliged to report workplace accidents of a certain severity threshold.

Public procurement

The report highlights several key areas for improvement including simplifying procedures, leveraging digitalisation and relying solely on the lowest bid when awarding contracts. Equally, the report mentions that competition in public procurement has declined over the last decade, highlighting the need for further reforms. The report mentions the need to avoid "goldplating" of EU procurement rules by individual Member States and suggests transforming the current directives into a regulation as a possible solution. Regulating subcontracting practices is also suggested.

Our comments:

- FIEC urges the Commission to analyse and identify the causes of lack of competition in public tenders but points out that it is important to avoid treating different sectors in the same manner. An analysis of the current EU framework for public procurement should include in-house procurement and address the issue of direct awards in procurement procedures and the award of contracts on the basis of the lowest bid.
- FIEC generally supports the objective of moving away from price-only decisions in procurement procedures, which can, among other things, help to combat unfair competition from third country companies operating in the internal market, a growing concern for the construction sector over the last decade.² However, it must be ensured that this will not lead to increased transaction costs and bureaucracy.
- Aligning procurement with "strategic" objectives is suggested as a solution to the problem of lack of competition in public tenders. This solution needs to be carefully assessed and

² <https://soes-in-europe.eu/map.php>



Afonso Brito
Policy Officer for Economic & Legal Affairs

FIEC - European Construction Industry Federation
Avenue des Arts 20, BE-1000 Brussels - +32 2 514 55 35 - info@fiec.eu

Transparency Reg. 92221016212-42 aisbl Nr Enterprise: BE 0688919.140



it is essential to maintain the direct link between the award criteria/contract performance conditions and the objective of the contract. FIEC warns that the introduction of ESG criteria could become a barrier for SMEs and distort competition.

- While recognising that the existing EU public procurement framework has several shortcomings, FIEC considers that the Commission should carefully consider whether a revision of the framework is really needed or whether there is an enforcement problem that needs to be addressed. Moreover, FIEC believes that, in the event of a revision, the choice of legal instrument should not change due to the complexity of the issue and the national contexts involved.
- Regarding the regulation of subcontracting practices, while remaining open to discussion on this issue, FIEC recalls that current legislation already allows for such restrictions and that we must be careful not to overregulate nor hinder the participation of SMEs.

Transport infrastructure

The report underscores the critical role of strategic development in the EU's transport sector to achieve green economy goals, stressing the importance of a unified trans-European transport network. It mentions the objectives of establishing a comprehensive high-speed rail network and expand electric vehicle charging infrastructure in Europe by 2030. The report also notes that significant investment will be needed to achieve these goals and recognises that funding is insufficient. Other topics emphasised are the role of Urban Mobility and the integration of Ukraine's railways into the EU.

Our comments:

- FIEC considers that only with a strong transport sector at its core will Europe be able to meet its climate and resilience goals and maintain its supply chain sovereignty but recalls that investment in infrastructure requires sustainable and increased funding by the EU budget or other sources of financing.
- FIEC agrees with objectives such as the creation of a comprehensive high-speed rail network, the deployment of innovative charging infrastructure on major routes and networks, and the implementation of Sustainable Urban Mobility Plans and the expansion of transport corridors to Ukraine, especially as it is on the path to EU accession.
- The question of how to finance the development of the TEN-T network is crucial and FIEC agrees with the observations that there is still a lack of financial resources to implement many projects on the core TEN-T network. The redefinition of the Connecting Europe Facility could be an important step in addressing this issue. FIEC argues that TEN-T rules and the CEF Regulation should incentivise construction projects with a comparatively low carbon footprint, for example by providing higher EU grants or lower EU loan interest rates.
- FIEC regrets that the Letta report does not place more emphasis on infrastructure maintenance. A large part of Europe's transport network is ageing and coming under increasing pressure due to a rise in traffic. FIEC stresses that continuous maintenance of existing infrastructure is necessary not only to ensure the safety of users, but also to



Afonso Brito
Policy Officer for Economic & Legal Affairs

FIEC - European Construction Industry Federation
Avenue des Arts 20, BE-1000 Brussels - +32 2 514 55 35 - info@fiec.eu

Transparency Reg. 92221016212-42 aisbl Nr Enterprise: BE 0688919.140



ensure the proper functioning of the internal market, to contribute to a more circular economy and to reduce CO2 emissions.

- FIEC notes that the report does not pay sufficient attention to the issue of delays in starting or completing work on major infrastructure projects.
- FIEC believes it is important to ensure that "green" legislation does not jeopardise the rapid approval and implementation of infrastructure projects. As such, the Commission should assess whether current environmental legislation is proportionate to the objectives it seeks to achieve.

Housing

The report acknowledges that access to affordable housing has become a significant issue across Member States, threatening both freedom of movement and stay. Factors contributing to this crisis include high building costs, mortgage rates, and increased demand for short-term accommodation. While housing policy remains under Member States' jurisdiction, the report suggests that EU must coordinate a response by revising regulations, funds, and policies affecting national housing markets and by setting up a Task Force to gather information and exchange experiences on addressing the housing crisis.

Our comments:

- The latest FIEC figures show that the residential construction sector will decline significantly in several EU Member States.³ This has led to the loss of thousands of construction jobs across Europe. In several countries, measures by governments to tackle the crisis in housebuilding have so far proved insufficient. FIEC therefore agrees there is an urgent need for a coordinated EU response to address housing shortages.
- FIEC agrees that due consideration should be given to the option of reviewing EU rules, funds and policies that have an effect on national housing markets. We are also in favour of the redefinition of "social housing".
- The report rightly lists high building costs as one of the factors leading to the current housing crisis. FIEC considers it is necessary to work towards a "housing friendly" implementation of future European legislation, in particular energy and environmental legislation, which can have a significant impact on construction costs through the upstream value chain, as well as on administrative burdens, making it even more difficult to obtain building permits, especially in Member States with different/several regional building codes/regulations.
- FIEC fully supports the proposal to set up a Task Force on housing affordability and would be more than willing to actively participate in it. FIEC reminds EU policy makers that the construction sector will play a key role in addressing Europe's housing shortage and must be involved in discussions aimed at finding a solution to this problem.

³ <https://fiec-statistical-report.eu/european-union>



Afonso Brito
Policy Officer for Economic & Legal Affairs

FIEC - European Construction Industry Federation
Avenue des Arts 20, BE-1000 Brussels - +32 2 514 55 35 - info@fiec.eu

Transparency Reg. 92221016212-42 aisbl Nr Enterprise: BE 0688919.140



Circular economy

The report emphasizes the importance of a circular economy for the EU's sustainability and economic resilience, highlighting the need for integrating circular principles into the Single Market to avoid missed opportunities and unsustainable practices. Key initiatives like the Ecodesign for Sustainable Products Regulation and promoting recycled materials, along with tackling water sector challenges and setting circular design standards, are essential for fostering a Circular Single Market and enhancing the EU's sustainability leadership.

Our comments:

- The EU's new circular economy and decarbonisation policies represent a huge business opportunity for the construction sector. FIEC therefore fully supports the proposal to create a Circular Single Market.
- FIEC considers that striking the right balance between an ambitious green agenda and flexibility for the industry remains essential.
- The construction sector is ready to further accelerate its transition to a fully circular economy. However, FIEC stresses that it must be given sufficient time to become more circular, and adequate financial support is needed to cope with the enormous effort required to decarbonise the entire construction value chain. We also believe that further support for investment in research and development is needed and that further steps should be taken to facilitate the development of circular solutions.
- FIEC believes that the current European legislative framework is ill-prepared to protect EU society and economy from water scarcity, physical damage and economic losses due to extreme weather events. The development of a New European Water Framework would be useful, in line with FIEC's (and EIC's) position on the EU Blue Deal.⁴

Digital Products Passports (DDP) and Green Claims

The Report urges the EU should also support the rapid uptake of DPPs, which will be made mandatory for all regulated products by the Ecodesign for Sustainable Products Regulation in 2024, prioritising key products where consumer information is confusing. The necessary technical standards for DPP should be rapidly developed to maintain EU leadership in this promising innovation for consumers and virtuous value chains. Finally, The Report suggests adopting the Green Claims Directive as soon as possible.

Our comments:

- FIEC considers that DPPs will be a key tool for information 'users' (contractors). The increasing demand for sustainability information and digital solutions makes the DPP a

⁴ https://www.fiec.eu/application/files/2817/0919/8300/2024-02-27_FIEC-EIC_Joint_Call_for_a_European_Blue_Deal_common_position.pdf



Afonso Brito
Policy Officer for Economic & Legal Affairs

FIEC - European Construction Industry Federation
Avenue des Arts 20, BE-1000 Brussels - +32 2 514 55 35 - info@fiiec.eu

Transparency Reg. 92221016212-42 aisbl Nr Enterprise: BE 0688919.140



key tool to ensure a good and efficient flow of information, e.g. from product manufacturers to contractors, which will have to be used to comply with a multitude of new regulations (EPBD, Life Cycle Assessments, sustainability reporting...).

- FIEC supports a clear European framework on Green Claims to combat “greenwashing” and fraudulent practices.



Afonso Brito
Policy Officer for Economic & Legal Affairs

FIEC - European Construction Industry Federation
Avenue des Arts 20, BE-1000 Brussels - +32 2 514 55 35 - info@fiec.eu

Transparency Reg. 92221016212-42 aisbl Nr Enterprise: BE 0688919.140

