

4.0 to top the agenda

The new president of FIEC, Kjetil Tønning, tells Sandy Guthrie what his priorities will be

After nearly a lost decade, construction activity in Europe is “going better and better”, according to the new president of FIEC (the European Construction Industry Federation).

However, Kjetil Tønning’s two-year term as president comes at an interesting time for the industry in Europe, with the next election for members of the European Parliament due next year, and huge changes on the horizon.

He said those changes were probably going to happen faster than expected, because in his experience, it was hard to appreciate how fast the speed of development had been.

“If people had asked me ten years ago,” he added, “I could not have predicted what was going to happen.”

While much, if not all, of the FIEC focus is on the Brussels machinery, Tønning comes from outside the European Union. Having worked in the construction industry for more than 30 years, he has been at Veidekke, Norway’s largest contractor, for four and a half years. Before that, he spent 11 years with NCC.

UNEQUAL POSITION

There are a number of main goals in his sights, including the perceived unequal position regarding Chinese state-owned enterprises (SOEs) and EU public procurement. Then there is the new posting of workers Directive concerning the cross-border provision of services within the EU.

Probably at the top of Tønning’s list, though, is what is increasingly being called Construction 4.0 – the fourth industrial revolution. Effectively, this means the digitalisation of the industry, and everything that this entails.

Tønning said that a working group had been established within FIEC a couple of years ago, and that there had been a lot of interest from all the federations participating in it.

“So it is obviously at the top of the agenda, not only for federations but for construction companies – both large companies and small companies – involving the entire value chain.”

He said construction had to ensure that it was part of the digitalisation process, rather than just the IT industry.

“If we are not involved, the IT industry would take charge and we need to avoid that.”

He said he didn’t see digitalisation as a threat internally within companies.

“But it is a threat that the stakeholders and the authorities consider the IT industry to own this topic and not the end user, which is the construction industry. We have to actually focus on the end user, and our needs.

“We have been accused of being an industry that is lagging behind, doing more or less what we were doing 20 years ago.”

Tønning felt that there was a shift within the industry, and there was a need to attract young people into it.

“It has been considered a dirty industry, or not very high tech, but the introduction and the way we include construction 4.0 into all branches is probably going to help us a lot in making us a more attractive industry for younger people.

“They are the ones who are actually able to use the new technology, I expect, to a higher extent than the older ones.”

He stressed that misconceptions lay at the heart of the “old fashioned” labels.

“Construction is not low tech, it is not low productivity,” he said, adding that these perceptions needed to be changed.

“We already made a BIM (building information modelling) manifesto, together with more or less the entire construction industry – the suppliers, the products. This will probably make people outside the industry aware of the kind of role we are playing.”

The various industry associations, many of whom have a raft of shared goals, are increasingly working together to deal with the barriers which are lying in their way.

“We are much stronger if we join forces with others in the same value chain – and we need to be. So when we are saying something and we have a kind of consensus, we are much stronger representing a lot of the production in Europe, and this is a part of the new way of working,” he said.

“People realise that using BIM, using these tools, is involving the entire value chain. If you are not doing that, you are not benefiting 100% from what you can gain from the new technology.

“So we are depending on SMEs (small and medium-sized enterprises), we are depending on the suppliers – so everybody is dependent on each other to take full advantage of the new technology.”

Tønning said the industry needed SMEs.

“Construction is not low tech, it is not low productivity”

KJETIL TØNNING, FIEC president

“We are always depending on SMEs, and we are involving them – and they are rather quick in absorbing and using the new technology. Sometimes you think that the smaller companies are less developed – they more or less have the same skills.”

BLUE COLLAR/WHITE COLLAR

He pointed out that there was not a big difference between white collar and blue collar workers nowadays when it came to using new technologies.

“Blue collars are as good as we are at using mobile phones and taking pictures. They understand that in the same way we do.

“In the early 1980s, it was more or less only the white collars that understood what was going on, but that is not the situation anymore. It’s completely different.”

FIEC has also expressed its concern about Chinese state-owned enterprises (SOEs) and EU public procurement, and is looking for a level playing field in the matter.

Tønning said, “The access of Chinese state-owned enterprises to EU public procurement markets has become an active issue again.

“Considering that China excludes foreign contractors from domestically-financed



tenders, and with respect to China's overarching strategy, covering business, transport, science, education and society in the whole world, it is high time that the EU and the Member States developed strategies for defending the interests of their industries and citizens."

Tonning gave what he described as "particularly striking examples". He cited OBOR (One Belt, One Road, also known as BRI – Belt & Road Initiative), and the meetings of China with Central and Eastern European Countries in the framework of China's 16+1 initiative, in which bi-lateral relations are being fostered and financial dependencies created.

FIEC felt that contrary to China's advertising of the BRI as a win-win situation for the whole world, it actually exported Chinese construction capacities overseas.

"In fact, OBOR/BRI can be considered as a kind of a Trojan horse", said Tonning. He pointed out that for the European construction industry, the consequences were becoming increasingly visible, both in the EU Internal Market and in third country markets.

For example, the recent award of the EU-financed contract for the Pelješac bridge in Croatia to a consortium of Chinese SOEs was said to raise issues such as abnormally low tenders, distortion of competition by state aid, the use of EU funds and reciprocity.

The question of reciprocity was also said to be relevant in relation to third markets, as well as project financing, export credits and tied aid/loans.

"The EU Commission should investigate the project and the absence of a real check of this abnormally low tender by the Croatian authorities," said Tonning.

For the European construction industry, FIEC and EIC (European International Contractors) are asking the European Commission and the co-legislators, the Parliament and Council, to take urgent action in order to create fair competition and a level playing field for European contractors, worldwide, as soon as possible.

CROSS-BORDER PROVISION

FIEC said that with the adoption of the new modified Posting of Workers Directive, the EU legislator was intending to provide some answers to problems and fraud observed in the cross-border provision of services within the EU.

"Ensuring a level playing field for companies requires a legislative framework which provides an adequate balance between the freedom to provide services within the Internal Market and the protection of workers' rights," said Tonning. "This plays a crucial role in the competitiveness of genuine companies."

"However, contrary to what some organisations are claiming, the recent modifications to the Posting Directive are not the panacea against all fraud. We therefore remain careful at this stage about the possible positive added value introduced by the new provisions."

He added that much of the fraud seen in the area of posting was due, among other things, to factors such as fraudulent A1 forms, unpaid or incorrectly paid social security contributions, undeclared working time, etc, which would normally require other types of intervention.

FIEC at EU level, and its members at national

level, will, it said, continue to co-operate in a constructive manner with the concerned authorities and stakeholders, in order to develop a comprehensive framework that can effectively guarantee fair mobility and the respect of workers' rights within the Internal Market.

GROWTH FORECAST

Presenting FIEC's annual statistics for the construction industry, Tonning said there was a 3.5% growth in activity in the overall EU construction industry in 2017, and a forecast of 2.9% growth in 2018.

He said, "In 2017, an increase in activity was seen in all segments, even in civil engineering which is the most dependent on public investment."

"And 2018 will also show an overall increase in activity, although a bit less strong."

FIEC figures showed that overall, EU total construction output amounted to €1,364 billion in 2017, which represents an increase of 3.5% compared to 2016.

Tonning said, "This is positive, but we have not yet reached the pre-crisis levels, except in the housebuilding segment."

According to FIEC, behind the overall figure for the EU as a whole, disparities between Member States remained significant in some cases. In general terms, North Western European countries are still doing better than those in the South East of the continent.

A positive sign, however, was said to be that even those countries that were the hardest hit by the crisis were starting to see light at the end of the tunnel.

It added that the main driving forces in 2017 were clearly the new housebuilding segment, which was up 8.6%, and the private non-residential segment, which rose 2.8%, influenced by the overall economic recovery.

FIEC also said that "the very good news" was that a recovery started in civil engineering activity, at 2.8%, which it pointed out depended most on public investment. While it claimed this was certainly not the only driver, it said it was a sign that the investment policy launched under the Juncker Commission was starting to show effects.

In contrast, FIEC figures showed that the public non-residential segment's recovery had remained timid, at a rise of just 0.4%.

It said that despite the overall decline in general government deficit, several Member States were still having to cope with the necessary budgetary consolidation measures which had often led to significant cuts in public investment.

FIEC said this was still having an impact on the sector, in particular when it came to building and maintaining public infrastructure.

Renovation and maintenance activity maintained relatively stable development before and throughout the crisis, it said, and this therefore had an important cushioning effect for the entire construction sector.

FIEC felt this trend was expected to slow down in the near future – at 1.1% in 2017, and 0.8% in 2018 – as new construction was taking the lead again.