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Position Paper

The European Commission proposal for the next EU long-term budget

Background

In May 2018, Commission President Jean-Claude JUNCKER presented the proposal for the next EU budget cycle, the so-called Multiannual Financial Framework (MFF) that is due to cover the period from 2021 to 2028.

The overall proposal amounts to almost 1.3 trillion Euros, which constitutes 1.14% of the total gross national income (GNI) of the EU Member States. Even being substantially lower than the European Parliament's call to reach 1.3% of GNI, the proposal represents an increase, most of all considering that this will be the first MFF after Brexit, with only 27 contributing countries.

The lion share are the Cohesion Fund and the Common Agricultural Policy, which absorb together close to 65% of the whole amount, albeit being both reduced in overall allocation and in percentage compared to the present. The expenditure for the functioning of the EU public administration is stable at 6%.

The overall MFF proposal and all its components are currently being considered by the European Parliament and the European Council. The Commission pointed out to the legislators that an agreement by the end of 2019 would be key to ensuring a seamless transition between the two MFFs and the entry into force of the new one in 2021.

General comments

CECE approves of the European Commission's intention not to decrease the EU multiannual budget, most of all when considering the many challenges facing the EU.

We now call on the European Parliament to welcome this ambition, even if short of the 1.3% GNI threshold that MEPs had called for. Indeed, while the Commission's proposal has set the bar high, it is now up to the co-legislators to deliver on this potential and to do so in a timely manner.

Indeed, CECE believes that there is no time to lose, considering that European industry operates in increasingly fierce competition globally: such a proposal for MFF has the potential to help manufacturing industries, such as construction machinery, master today's and tomorrow's challenges, in order to maximise the benefits for all European citizens.

CECE singled out three areas of the budget proposal which are of concrete relevance to the construction equipment sector and to the construction industry more widely. On these three areas, CECE has comments and proposals for improvement, which can be found here below.



Infrastructure

The Commission proposed to confirm Connecting Europe Facility (CEF), the EU fund for all infrastructure-related investment, with a total allocation of 42 billion Euros, a 47% increase compared to its current size. Its biggest element, the CEF Transport, has a budget envelope of 30 billion Euros, mainly going towards the completion of the Trans-European Transport Network.

CECE congratulates the European Commission for such a strong push on CEF, which comes from a concrete awareness that European infrastructure needs more resources, most of all in terms of upgrade and maintenance. The European Commission also pledged to devote resources to the road infrastructure area of CEF, which is also important, according to CECE. We call on the European Parliament and Council not to distort such focus and not to decrease funding.

CECE particularly appreciates the new allocation of 6.5 billion Euros to military mobility. This is key to create added-value to the existing civil infrastructures, mainly targeting roads renovation. Among the specific targets of this new allocation would be the much-needed adaptation of bridges both in terms of weight capacity and dimension. Adapting existing infrastructure to military mobility also has a key added-value of allowing mobility of special military vehicles/equipment also in case of natural or humanitarian disasters.

CECE also welcomes the positive novelty that, under the new CEF programme, it will be possible to blend EU grants with other financial instruments, such as the InvestEU Fund – the so-called Juncker Plan. This will enable additional sources of financing for transport projects and will act as multiplier. This is indeed a positive development for the transport sector, since the leverage effect is guaranteed, with national governments also contributing and the potential overall investment tripling in size.

CECE particularly appreciates the specific allocation to digital infrastructure within CEF, but calls on the Parliament to increase its limited 3 billion Euros allocation. The digitalisation of European industry and the modernisation of sectors like construction depend on universal access to reliable, affordable, quality, high and very high capacity networks. With an ever-increasing demand for high-capacity networks and infrastructure in electronic communications, it is fundamental that the new CEF will devote more resources to digital connectivity infrastructure, such as 5G.

Digital Europe

Another major novelty proposed by the Commission is the Digital Europe Programme, with a total allocation of 9.2 billion Euros, in addition to the already mentioned digital infrastructure funding. The most innovative element of this programme is its comprehensive nature, summarised in the 5 focus areas: Supercomputing, Artificial Intelligence, Cybersecurity, Digital Skills, Support to Digitalisation.

CECE fully supports the proposal to create a proper digital programme, to continue and expand the effort of the Digitising European Industry initiative. Indeed, the industrial element of the Digital Europe Programme must be preserved and guaranteed as a key enabler of the overall societal uptake of digital technologies. Digital transformation of industry and society is indeed ‘the talk of the town’. However, the levels of digitalisation across Member States and industries are currently too diverse, with the Digital Single Market being far from complete. This is even truer for the construction sector, currently the lowest ranked economic sector in terms of digital uptake in Europe. The financial support from the EU is a crucial step in facilitating the transition.



This is why, when it comes to industrial sectors, CECE and other relevant representatives of the construction value chain have joined forces in a Digital Construction Manifesto. Reiterating a major point of such document, CECE calls for a clear prioritisation of construction in this field. Allocating funds to developing digital industrial platforms for the construction industry and investing in training for both employees and management are fundamental elements of the digital transformation.

Research and Innovation

Within the MFF proposal, the European Commission announced the landmark and ambitious figure of 97 billion Euros for Horizon Europe. This is a substantial increase compared to the current allocation of roughly 60 billion for Horizon 2020.

An interesting element of Horizon Europe is the increased operational links with other EU programmes, like the already mentioned Digital Europe Programme. These linkages with other funds, brings the overall investment for research and innovation to a record figure of 114 billion Euros.

CECE highlights that, compared to the past, Horizon Europe does not have a proper Industrial Pillar. This is partially balanced by the Commission's announcement that the overall programme will keep European industrial competitiveness as a driving factor when approving research projects.

Indeed, CECE believes that, while implementing Horizon Europe, the EU must ensure industry's participation throughout the whole programme and strengthen linkages with academia and education. In fact, research and development are of enormous added-value if the purely academic projects become relevant for industrial replication and reach the market, while preserving their innovative potential. This can indeed only be achieved by close cooperation between the research world and the industry.