



CECE Position Paper on the European Commission's Long Term Investment Plan

# Infrastructure investments are growth enabler

May 2015

## Executive Summary

- Time is right for infrastructure investments in Europe
- Thoughtful Investment Plan proposed by the European Commission can create new momentum
- Confidence is the key factor for success
- Projects must be based on economic merit



## Introduction

Manufacturers represented by the Committee for European Construction Equipment (CECE) employ 130 000 people within 1200 companies in the EU. Customers turn to construction equipment to help develop transport, energy, telecommunications and other kinds of infrastructure across the world.

The sector sees first-hand that infrastructure development is not only beneficial to the economy in the short term but also creates the conditions for sustained competitiveness, growth and jobs, both in developed economies and in emerging markets.

CECE also sees - on all continents – that infrastructure projects are competing for finance, both from public and private sources. As a consequence of the economic and financial crisis, the level of investment in the EU has dropped by about 15 per cent or €434 billion since its peak in 2007, according to the European Commission. This has affected investments in key infrastructure in the transport, energy and building sectors as well as in broadband extension and many more. And although financial liquidity seems to exist again at present, the substantial uncertainty in terms of the economic outlook and the high public and private debt in parts of the EU are holding back investments.

To reverse the downward trend, Europe needs to continue its path of enabling sustained growth. It therefore needs infrastructure investment to kick-start and to sustain growth over time.

## 1. The time is right for infrastructure investment

CECE has for long called for a renewed focus on infrastructure investment across the European Union<sup>1</sup>. The construction equipment industry is for the first time in many years seeing some positive momentum. Quantitative easing has led to a more competitive currency and lower oil prices have reduced input costs. Now it is necessary to further re-build investor confidence and add to the renewed momentum through infrastructure investment. Europe has no shortage of opportunities – with 2000 infrastructure projects identified in the pipeline. Project prioritisation processes, that often take too long and stifle progress, must now be thoughtfully managed and brought to conclusion soon.

## 2. A thoughtful Long-term Investment plan for Europe

The construction equipment manufacturers welcome the fact that Commission President Juncker made the “Investment Plan for Europe”<sup>2</sup> (COM/2014/0903) his first priority, presenting it after just three weeks in office in November 2014. The industry has taken good note of the expectation of the European Commission that this plan should mobilize at least €315 billion in private and public investment across the European Union, in three years until 2017. CECE also acknowledges the swift adoption of the European Commission’s legislative proposal for the European Fund for Strategic Investments<sup>3</sup> (2015/0009 COD), which is established in close partnership with the European Investment Bank. For CECE, this is clear sign that such plan was long due and will meet true needs in the field.

---

<sup>1</sup> See also “CECE Contribution to EC Public Consultation on the Review of the Industrial Policy Flagship, 7<sup>th</sup> August 2012” , the CECE-CZMA Manifesto “10 for 20: 10-Point Plan of Action to raise the share of industry of GDP to 20%” and” CECE Position Paper - 2012 03 27 - Infrastructure as a Growth Enabler”

<sup>2</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52014DC0903&from=EN>

<sup>3</sup> [http://ec.europa.eu/priorities/jobs-growth-investment/plan/docs/proposal\\_regulation\\_efsi\\_en.pdf](http://ec.europa.eu/priorities/jobs-growth-investment/plan/docs/proposal_regulation_efsi_en.pdf)

### 3. Sustainable growth needs sustained investments

Member States need to continue the efforts for structural reforms and for improved economic governance, using the framework of the Stability and Growth Pact while maintaining a high level of productive public investment at European level and at national level, through effective budget prioritisation. However, new sources of financing are necessary now. Besides necessary structural reforms, there is a need for the financing of innovative businesses, especially for SMEs and mid-caps, funding of infrastructure projects and the transition towards a resource-efficient, low-carbon economy. Regarding infrastructure investment, CECE stresses the need for retaining a high-level of public commitment, underlines the benefits of a strong cohesion policy and supports initiatives like the Connecting Europe Facility, European Project Bonds or Public-Private Partnerships. The new sense of urgency from the side of European Commission President Juncker and the resulting European Strategic Fund for Investment proposed by the European Commission are encouraging signs. CECE hopes the new instruments will indeed serve as the intended multiplier for projects and budgets previously allocated, including those for the Connecting Europe facility. CECE also welcomes the additional commitments from national investment banks but regrets these will be only made available for national projects, as this could limit the overall effectiveness of the Investment Plan for Europe.

### 4. Confidence will be the key factor for success

The Juncker plan relies heavily on attracting private investment, leveraging €21 billion of public money. To be successful, the confidence factor will be therefore key. The expertise of the European Investment Bank (EIB) in executing the ambitious plan will be crucial. The European Strategic Fund for Investment must effectively reassure and encourage private investors that projects are economically attractive and sustainable. Nevertheless, the EIB loan guarantees will not work miracles on their own. Ultimately, a concerted effort, long-term commitment and, most fundamentally, a shared European vision on how to boost Europe's "real" economy, will be necessary. The main challenge will be how to encourage long-term investments to support competitiveness, jobs creation and to revive smart, sustainable and inclusive growth. To attract private investors, projects must be selected on the basis of their economic merits under market conditions. Europe should avoid market distortion through political intervention. To be successful, the European Strategic Fund for Investment must effectively manage the Member States' and European Parliament's influence in the prioritisation process through robust governance, reassuring and indeed encouraging private investors that projects are economically attractive and sustainable. The European infrastructure funding strategy should not lead to the introduction of artificial shifts between energy sources or transport modes.

## CECE recommendations

EU ministers have endorsed the governance structure of the European Strategic Fund for Investment; it is now for the European Parliament to co-decide.

CECE counts on legislators to work towards a swift adoption of the supportive legislation - before summer 2015 – to enable the best investment projects to be selected and financed without delay.

- To inspire confidence and attract private investors, projects must be selected on the basis of their economic merits under market conditions.
- Project prioritisation processes must now be thoughtfully managed and brought to conclusion soon.
- Europe should avoid market distortion through political intervention.
- The new funding strategy should avoid moving earlier approved projects off track, or causing artificial shifts between energy sources or transport modes.
- The strategy should keep its pan-European focus, as infrastructure works often impact citizens across borders, while keeping an open mind for national projects

Europe needs infrastructure investment as part of a sustained growth policy, and the Union's political leadership must continue to take decisive action to make it happen. Ultimately, a concerted effort, long-term commitment and, most fundamentally, a shared European vision on how to boost Europe's "real" economy, will be necessary.

*CECE is the recognized organization representing and promoting European construction equipment and related industries. CECE represents 14 national associations from 13 countries. The industry behind CECE comprises of 1,200 companies employing directly around 130,000 people with a total turnover of 26 billion Euros from European production in 2014.*