

Mr. Valdis Dombrovskis, EXECUTIVE VICE-PRESIDENT, COMMISSIONER - TRADE

Mrs. Margrethe Vestager, EXECUTIVE VICE-PRESIDENT, COMMISSIONER - COMPETITION

Mr. Thierry Breton, COMMISSIONER - INTERNAL MARKET

EUROPEAN COMMISSION

Brussels, 6 May 2021

Dear Executive Vice-President Dombrovskis,

Dear Executive Vice-President Vestager,

Dear Commissioner Breton,

I am writing to express alarm about the significant price increase in construction related raw materials and products, that is currently adversely affecting construction companies throughout the European Union. This phenomenon is jeopardising the construction sector's contribution to economic recovery and is threatening the potential impact of European recovery programmes.

Some examples :

- **Steel** : according to the "European Steel Review", between November 2020 and March 2021 price increases have been observed for all steel products, for instance the basic price of "iron - steel reinforcing bars" increased by about 110% in Italy, more than 70% in France and Germany and about 64% in Spain.
- **Bitumen** : a price increase of around 15% between November 2020 and February 2021.
- **Cement** : an increase of around 10% in January 2021, compared to the previous month.
- **Wood** : increases of up to 20%.
- **Others** : polyethylenes (an increase of more than 40%), copper (+17%), oil (+34%) and its derivatives, between November 2020 and February 2021.

As well as price increases, companies are experiencing delays in the delivery of products. Suppliers are often reluctant to agree to a specific delivery deadline. With the constantly changing market conditions, this means that suppliers are therefore also unable to specify a final delivery price for basic materials. Consequently, construction companies cannot confirm the final price for their completed works and services.

Whilst we recognise that the situation has been partly provoked by the pandemic on one hand and some natural phenomena on the other (for example the current widespread infestation of bark beetles), we would like to alert you to other factors, which are exacerbating the problem. These include the delayed redistribution of unused steel, a malfunctioning international supply chain and trade policy on third parties (US tariffs on Canadian lumber in 2020). Furthermore, China is currently hogging resources, in particular steel. (China accounts for more than 50% of world steel production and consumption and the construction sector in China uses 40% of all steel produced).

Construction companies' involvement in public contracts is also being severely hampered. Price increases are rarely taken into account once work has already started. Contracts either exclude clauses of price revision or they are inadequately applied, or applied too late in the execution of the contract, the duration of which can be many years. This means that contractors bear the burden of the price increases in the meantime. This risk is not adequately compensated.

I would also like to mention the resulting impact on inflation, which could inadvertently hinder projects foreseen in the national recovery plans.

We recognise that there are some national solutions to some of the above problems. Nevertheless, we believe that the European Commission has a crucial role to play, in particular as regards projects funded by the EU and more specifically those projects that will be financed by the Next Generation EU Recovery Plan.

We call on Member States to implement sensible price revision mechanisms for ongoing contracts and to be alert to opportunistic behaviour, which contravenes rules governing competition and business practices. Furthermore, as this international problem cannot be adequately addressed at national level, we call on the Commission to exercise the same caution and ensure that the Union's trade and industrial policies are adhered to.

Specific initiatives that could be undertaken by the Commission, could include an analysis of the causes of such increases, a recommendation as regards adjustments to the completion deadlines, a clear political statement or a guidance document addressed to the Member States regarding the above mentioned concerns. This was done on occasions during the first wave of the Covid crisis and would be highly welcome now.

We remain at your disposal for further discussion.

Yours sincerely,



Thomas Bauer
President