



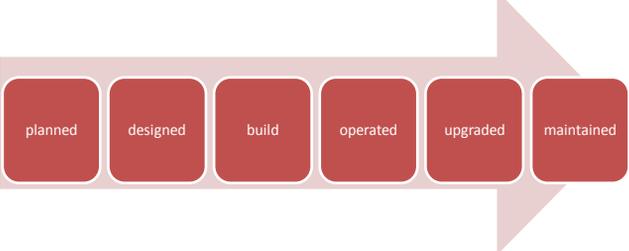
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Brussels



### 1. BACKGROUND

A road network is sustainable when it is



by means of integrated policies respecting the **environment** and still providing the expected **socio-economic** services in terms of mobility and safety

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## 1. BACKGROUND

Two main challenges:

- Need for a more efficient use of financial resources at EU level
- Need to ensure that our transport system is more efficient and cleaner
  - ✓ This also includes more resource efficient infrastructure!

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## 1. BACKGROUND

- Roads represent a key element for Europe's economy and society
- Road sector is investing significant resources into the development of innovative, greener and more durable products and techniques
- Existing PP rules are still a barrier to deploy in the market these sustainable solutions due to the principle of "**cheapest price**"
- New PP rules provide a positive step forward prioritising a **cost-effectiveness** and "**best value**" approach

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## 2. Importance of roads to EU economy

- Road Infrastructure = one of the largest EU community assets
- Some 5 million km in the EU
- Roads provide access to trade & services, employment and economic development

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## 3. Challenges facing the road sector

**The current problematic approach**

- Road infrastructure: long term investment (30 year life span)
- Traditional approach to road maintenance: reactive
- Short-term budgeting principle – no strategic maintenance plan
- Inability of authorities to respond to unexpected phenomena (harsh winters)

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### 3. Challenges facing the road sector

**An unsatisfactory public procurement regime**

- Current procurement rules: cheapest price model
- Inability to establish criteria for more cost-effective and innovative solutions
- Consequence: often sub-optimal solutions applied on the road
- Major disincentive for companies to innovate
- Problem acknowledged by road authorities today

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### 4. Towards a new approach: Public Procurement

Importance of Public Procurement in Europe:

- EUR 425 billion – Public Procurement Spending (2011)
- 4.3% of EU GDP
- Public procurement can be a huge driver for innovation and resource efficiency

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## 4. Towards a new approach: Public Procurement

- February 2014: EU adopted **Directive 2014/25/EC** on procurement by entities operating in the water, energy, transport and postal services sectors
- New PP rules replace **Directive 2004/17/EC** which sets as main criterion for awarding contracts the “MEAT” option
- New Directive aims at **modernising rules for Public Procurement** as tool to achieve **Europe 2020 objectives** boosting economic growth and jobs creation

• Transposition deadline: **18 April 2016**

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## 4. Towards a new approach: Public Procurement

**New Directive 2014/24/EC**

- Encourage Public Authorities to adapt a new purchasing philosophy **apart from price**
- Promote a more **innovative, greener and social procurement**
- Introduce on the award criteria the **life-cycle costing (article 82)**
- **Life-cycle costing**
  - ✓ Costs borne by contracting entities
  - ✓ Environmental externalities

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**5. New Directive 2014/24/EC**  
**Contract award criteria (article 82)**

- The most economically advantageous tender from the point of view of the contracting entity shall be identified on the basis of the price or cost, using a cost-effectiveness approach, such as **life-cycle costing** in accordance with Article 83, and may include the **best price-quality ratio**, which shall be assessed on the basis of criteria, including qualitative, environmental and/or social aspects, linked to the subject-matter of the contract in question.
- Member States may provide that contracting entities may **not use price only or cost only as the sole award criterion** or restrict their use to certain categories of contracting entities or certain types of contracts

11



**5. New Directive 2014/24/EC**  
**Life-cycle costing (article 83)**

Life-cycle costing shall to the extent relevant cover parts or all of the following **costs over the life cycle of a product, service or works**

(a) costs, borne by the contracting entity or other users, such as:

- (i) costs relating to acquisition,
- (ii) costs of use, such as consumption of energy and other resources,
- (iii) maintenance costs,
- (iv) end of life costs, such as collection and recycling costs

(b) cost imputed to **environmental externalities** linked to the product, service or works during its life cycle, provided their monetary value can be determined and verified; such costs may include the cost of emissions of greenhouse gases and of other pollutant emissions and other climate change



**5. New Directive 2014/24/EC**  
**Environmental Externalities**

- Costs of emissions of GHG
- Other pollutants
- Other climate mitigation costs

**NB:** Methodology for calculating externalities must be:

- Based on objective verifiable and non-discriminatory criteria
- Accessible to all parties
- The data can be provided with reasonable effort by economic operators



**5. New Directive 2014/24/EC**  
**Opportunities for the road sector**

- Opportunity for road authorities to create a legal framework which allows smarter purchasing
- Incentives for innovation for companies
- Better use of public money when it comes to roads and safety



## 5. New Directive 2014/24/EC

**The way forward**

- Need for common approach on how to determine LCC for roads and road equipment
- Involving all stakeholders: road authorities / construction companies / road equipment manufacturers / test houses and notified bodies / European Commission
- Planning: Development of commonly accepted methodologies integrating LCE approach can be the perfect complement for sustainability performance assessment of road elements



## LCE4ROADS

- LCE4ROADS: tangible example of stakeholders' cooperation
- Elaboration of common indicators that authorities can use to procure greener road pavements
- Promotion of greener R&D, innovation and market uptake
- Similar initiatives required for all road elements (road equipment)
- Part of ERF future objectives:
  - Monitor implementation of the Directive
  - Identify good practices
  - Engage with road authorities to maximise opportunities



## 6. Conclusions

- Positive step to move away from a purchasing model based on the lowest price to a more modern approach
- Encouraging the industry to continue investing in R&D
- Improved balance between price and quality to implement greener solutions

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## 7. Conclusions

**HOWEVER:**

- Optimization of investments and time
- Need to building bridges between industry and public authorities
- Open a dialogue to find suitable assessment methods during the whole-lifecycle of the products and services





## Encouraging Sustainable Roads through Public Procurement



# Thank you



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