

## POSITION PAPER

# EUPAVE CALLS ON MEMBER STATES TO TAKE FULL ADVANTAGE OF NEW EU RULES ON PUBLIC PROCUREMENT

Since 18 April 2016, new EU rules on Public Procurement and Concessions<sup>1</sup> are in effect. Public procurement is of great economic importance, accounting for around 18% of EU GDP<sup>2</sup>. The new rules will impact the way more than 250,000 public authorities in the EU countries spend a large part of the €1.9 trillion spent on public procurement every year in Europe<sup>3</sup>. The EU Directives establish rules on the procedures for procurement by contracting authorities with respect to public contracts as well as design contests, whose value is estimated to be not less than certain thresholds (i.e. €5,186,000 in the case of public works contracts).

These new Directives call for the award of contracts on the basis of the most economically advantageous tender to *"be assessed on the basis of the best price-quality ratio, which should always include a price or cost element"* using a cost-effectiveness approach, such as life-cycle costing and foreseeing the possibility of including the best price-quality ratio<sup>4</sup>. Furthermore, the Directives lay down the criteria of awarding a contract by using the 'life-cycle costing'.

While welcoming the application of the new Directives, EUPAVE looks forward to their full transposition in the EU Member States. This is essential so that the full benefit of the Directives can be exploited to promote the procurement of sustainable transport infrastructure. EUPAVE welcomes the move towards the Most Economically Advantageous Tender as the sole criterion to award public contracts.

EUPAVE believes that the new EU Directives offer a good opportunity to use a holistic approach when planning and building infrastructure for a sustainable transport system in the European Union. However, the success of the new Directives will depend on effective enforcement in EU countries and the readiness of the relevant contracting authorities to capitalise on the benefits provided in these pieces of legislation. For that reason, EUPAVE calls on contracting authorities to follow and respect the principles contained in the new Directives as well as to move towards an application of life-cycle costing as the ultimate criterion to assess the awarding of public contracts.

***The new Directives offer a chance to move away from "lowest initial cost" criteria and promote procurement that is environmentally and economically more sustainable***

Life-cycle costing is unfortunately rarely applied today in Europe in procurement of transport infrastructure, despite the savings it can offer over the life of a piece of infrastructure, such as a road. By focusing on initial cost of construction in assessing bids, as is currently often the case, authorities fail to capture cost savings that are possible thanks to durable, low-maintenance solutions. Thanks to the new Directives, there is an opportunity for Member States to update their procurement practices and save tax-payers' money, while also benefiting the environment. Furthermore, promoting healthy competition by means of open tendering processes has been shown to reduce costs for public authorities<sup>5</sup>.

EUPAVE is committed to providing further guidance to its members by offering its technical expertise and know-how to all Member States and contracting authorities in the European Union who wish to use cost-effectiveness approaches to provide better value for money and more sustainable infrastructure.

<sup>1</sup>These are: Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement (replacing Directive 2004/18/EC); Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors (replacing Directive 2004/17/EC), and; Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts. Official Journal of the European Union, L 94/243 28.03.2014.

<sup>2</sup>The EU Single Market Scoreboard [http://ec.europa.eu/internal\\_market/scoreboard/index\\_en.htm](http://ec.europa.eu/internal_market/scoreboard/index_en.htm)

<sup>3</sup>European Commission – DG GROW [http://ec.europa.eu/growth/single-market/public-procurement/index\\_en.htm](http://ec.europa.eu/growth/single-market/public-procurement/index_en.htm)

<sup>4</sup>Whereas 89, Whereas 90 and Article 67, Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement.

<sup>5</sup><http://www.eupave.eu/documents/position-papers-and-leaflets/eupave-healthy-competition-position-paper.pdf>