

## Picture of the month



Navigation channel. New lock at Seville Harbour.

## Current events

- ▶ SEOPAN signs an occupational health and safety agreement with unions

## ALPINE

- ▶ ALPINE/FCC internship programme
- ▶ ALPINE participates in "Tunnel Building: Turning Left-over Materials into Raw Materials" project

## Subsidiaries

- ▶ Espelsa opens its new electrical service panel construction and assembly workshop.

## Contract Awards

- ▶ Murcia tram
- ▶ Arad bypass in Romania

## Other contract awards

- ▶ Contracts financed by the National Fund for Local Investment, in the cities of Fuenlabrada, Madrid, and Santa Coloma de Gramanet, Barcelona.
- ▶ Dredging of Castellón's southern basin entry channel for the Castellón Port Authority, for 21 million euro, in a seven-month completion period.
- ▶ Road surface maintenance in eastern Barcelona for the city government, for 11.9 million euro.
- ▶ Expansion of the Segura River Basin SAIH (Automatic Hydrological Information System) for the Ministry of the Environment's Directorate-General of Water. Worth 11.5 million euro.

## Finished projects

- ▶ Castellón harbour's southern basin.
- ▶ Bracons Tunnel.
- ▶ Ranilla wastewater treatment plant enlarged.



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## CSR

- ▶ FCC Construcción's Equality Plan under way
- ▶ Madrid 2016 Volunteer Programme

## Events

- ▶ 2008 Fomento Quality and Innovation Award ceremony
- ▶ New Seville lock site holds open house
- ▶ Participation in FICON
- ▶ Participation in the Third Encounter of Civil Engineering Firms in Santander

## Contributions

- ▶ Analysis of the sector

## FCC to build the Murcia tram line and manage it for 40 years, for 264 million euro



Murcia City Council has awarded the 40-year Murcia Tram Line 1 concession to a joint venture featuring FCC Construcción. The concession includes construction, maintenance and operation.

This is the biggest investment in public works ever made in the city's history and has strengthened FCC's leadership in the field of Spanish urban rail transport concessions.

The contract also includes the construction project's design and the supply of rolling stock.

The new tram line is nearly 18 kilometres long and connects the centre of Murcia with the Nueva Condomina shopping area and the universities, crossing the city's main avenues. It will have 28 stops an average of 450 metres apart.

There will be two types of platforms, side platforms and central platforms. Both types will be 40 metres long. The central platforms will be a minimum of four metres wide and the side platforms will be at least 2.50 metres wide. Four viaducts and one flyover have been designed as part of the package.

During the 40-year concession, 513 million people are expected to use the tram. That means in the first year 5.5 million people will ride. This figure will grow as time goes by.

According to forecasts, work will commence next summer and the tram is scheduled to roll out on its first trip in late 2010, after a six-month testing period.

## FCC wins the Arad bypass in Romania

The Romanian National Road Administration has awarded FCC Construcción a contract to build a bypass around the western Romanian city of Arad for 141.5 million euro.

The 12-kilometre-long Arad bypass will have two lanes running in each direction and a three-metre-wide central reserve. It will make it unnecessary for traffic to go through the city and will connect interstate E-68 with E-671, a road FCC is currently engaged in building to the city of Timisoara, 32 kilometres from Arad.

### Other projects in Romania

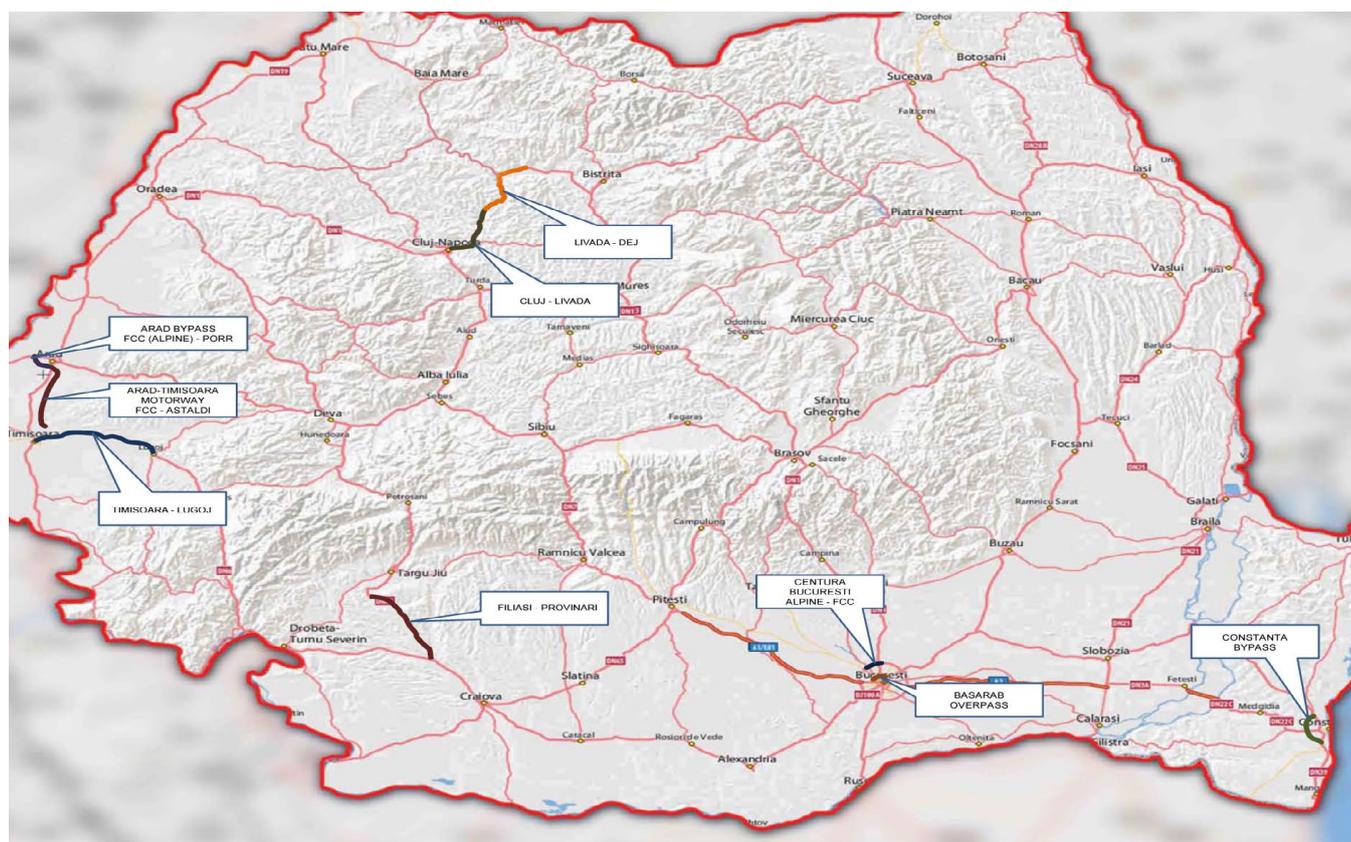
In late 2004 the same administration awarded FCC Construcción the contract to refurbish 30 kilometres of road DN1C, in Cluj-Livada, in northern Romania. In 2007 FCC won the tenders for the construction and expansion of road DN1C Livada-Dej-County Limit Cluj, road DN 66 Filiasi-Petrosani and the northern circuit of the Bucharest ring road, which includes a 240-metre-long cable-stayed bridge. In the first quarter of 2008 it won the tender to widen and upgrade the Timisoara-Lugoj section of National Road NR6, and in September 2008 FCC won the tender to design and build the Constanza bypass, a job worth 141.8 million euro. Recently the Romanian National Road Administration awarded

a section of what is known as the European Corridor to a joint venture featuring FCC Construcción; the section is 32 kilometres long, between Timisoara and Arad in western Romania, it is worth 161.2 million euro and it has a 24-month completion period.

FCC is also building the bridge over the Danube that will link Bulgaria with Romania, plus the roads leading to the bridge.

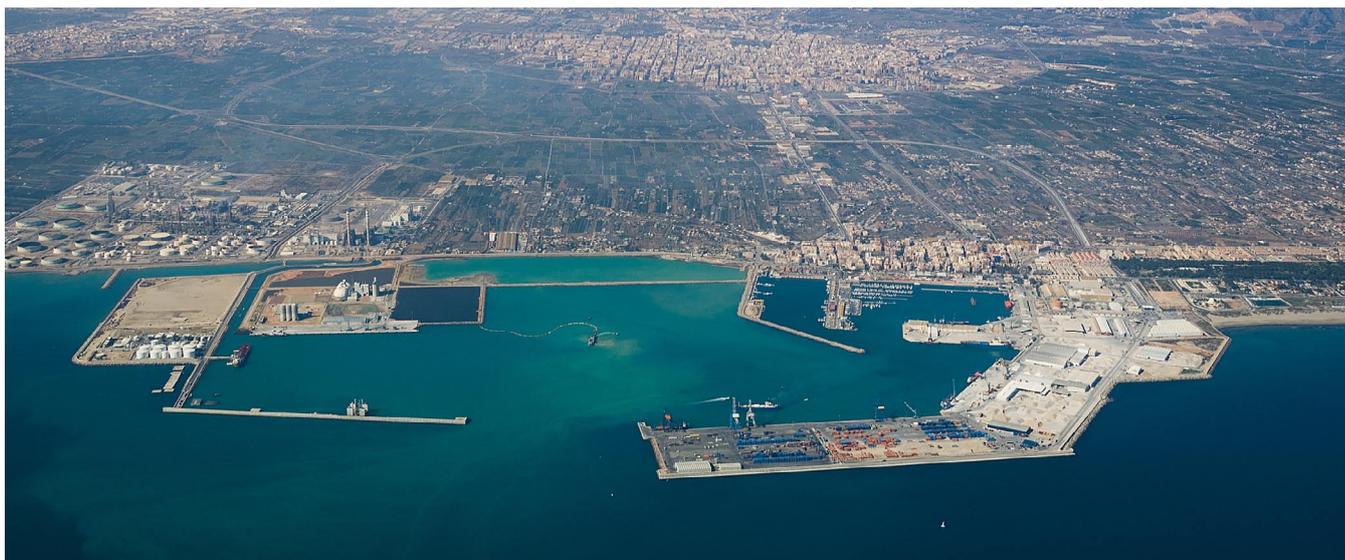
Through its Austrian subsidiary ALPINE, FCC has secured contracts including two environmental designs for the installation and sanitation of two landfills in the Romanian district of Dambovitia. In Bucharest the company is building the new head offices of Petrom, southeast Europe's biggest producer of oil and gas, and a cable-stayed bridge. For more thorough coverage of the Romanian market in all its breadth, ALPINE has recently opened its third Romanian branch office, in Timisoara.

FCC Construcción's backlog of work in Romania is worth over 550 million euro. This does not include the backlog handled by Austrian facility ALPINE, which is worth an additional 200 million euro.



FCC Construcción at work in Romania.

## Castellón harbour's southern basin



Full view of Castellón harbour, northern and southern basins.

FCC Construcción has finished the jobs it contracted to do in the southern basin of Castellón harbour for the Castellón Port Authority, for 59.6 million euro.

The following work has been done:

- ▶ Southern basin, phase one: Outer harbour wall, preliminary alignment of the barrage and adjacent yard. This consisted in the construction of an area of approximately 28 hectares protected from the sea by a vertical reflecting jetty 338 metres long. This jetty was constructed with ten floating caissons at a distance of 656 metres from the protected area, connected to the protected area by a breakwater whose primary layer was built of 12-ton mass concrete blocks in an 18-month completion period, for 41.36 million euro.
- ▶ Southern basin, phase two: Second section of the barrage. The work, which had a budget of 14.6 million euro and an eight-month completion period, consisted in extending the ten-caisson barrage built in phase one by an additional 13 caissons in length, plus two caissons at the nose to constitute a RORO ramp, and the construction of a section of a cooling-water intake channel for Iberdrola's power plant in El Serrallo Industrial Park.

- ▶ Construction of the logistics area bulkhead with a core of quarry run and a primary layer of riprap to close off future lots along the port's southern basin, for 3.6 million euro, in an eight-month completion period.

In addition, FCC Construcción is building the Southern Castellón Port Bulk Solids Terminal for 27.5 million euro in a 16-month phase-one completion period and a five-month phase-two completion period. In phase one, which has been finished, the job consisted in building a 50,000-m<sup>2</sup> area paved with HP-45 concrete and a 500-metre-long quay built with floating caissons, for unloading and handling bulk solid goods. The second phase covers the filling and paving of an additional 27,000 m<sup>2</sup>. Its completion will depend on the terminal's success. Nevertheless, approximately 19,000 m<sup>2</sup> of the second phase has already been completed, and a 5,000-m<sup>2</sup> covered storehouse, a 900-m<sup>2</sup> covered shop and a three-storey, 450-m<sup>2</sup> office building have been built as well.

### Team

Construction manager: Antonio Carlos Piqueras Ruiz

Technical Office chief: Francisco Sánchez Gómez

Production chief for the floating dock: Enrique Arana García

Health and safety technician: Helios García Asensio

Surveyor: Benjamín Garriga Castelló

Foremen: José Campos Salom and Andrés Rodríguez Marrero

Administrative head: Rafael Guiralt

Draughtsman: Antonio de la Blanca

## Bracons Tunnel now open to traffic

Bracons Tunnel, built by FCC Construcción for G.I.S.A., was opened to traffic on 3 April.

The job consisted in the construction of the section between Torelló and la Vall d'en Bas on the new road from Manlleu, Osona, to Olot, Garrotxa, through Bracons Tunnel. This is an entirely new 16-kilometre-long stretch of road and the terrain is quite mountainous, especially the last eight kilometres, where several viaducts of respectable size and five tunnels had to be built. The biggest of the tunnels is Bracons Tunnel, which, at 4,560 metres, is the third-longest road tunnel in Cataluña, surpassed only by Vielha Tunnel and El Cadí Tunnel.

With the opening of the new Bracons Tunnel, a key portion of the new road between Vic and Olot, 30 minutes has been shaved off the travel time and driving safety has been improved as well.



Bracons Tunnel.

Contract worth: 134,375,139.90

Completion period: 36 months

Road commissioning date: 3 April 2009

### Team

Manager: Josep Maria Pujals i Raymi

Construction manager: Oscar Badias Puig

Tunnel production chief: David Berenguer Viñas

Structure production chief: Jordi Chiva Blay

Systems production chief: Jose Pascual de la Viuda

Quality and environment technician: Cristina de Beascoa Creixell



Salinas viaduct.

## Ranilla wastewater treatment plant enlarged



New Ranilla wastewater treatment plant. Seville.

On 27 March the ribbon was cut on the enlargement of the Ranilla wastewater treatment plant in Seville, built by FCC Construcción for EMASESA, Seville's municipal water company.

The new purification plant is able to treat 90,000 m<sup>3</sup> of wastewater a day and will provide service for 400,000 people and 4,500 enterprises. It has also got tertiary treatment facilities capable of producing a net flow of 15,000 m<sup>3</sup> of water per day and removing the impurities from a product water flow of 2,000 m<sup>3</sup>/day. This kind of treatment helps to further reduce water pollution, disinfect polluted water and make the reuse of water in tertiary set-ups possible.

The connection from the box collecting raw water from the mains in Guadaira and Ranilla to the new facilities was also built.

The plant boasts some novel features and major steps forward to improve water quality. The entire structure is roofed, and small industrial buildings are used to cut odours and noise to a minimum, with low environmental and visual impact.

### Team

**Manager:** Antonio Escudero Bermejo

**Construction manager:** Manuel Sainz de Baranda (Aqualia)

**Civil works production chief:** Fabio Gálvez Piñal, Ignacio Záforas y de Cabo

**Administrative head:** Susana Joyanes Abancens

**Surveyor:** Luis Rubio Rodríguez

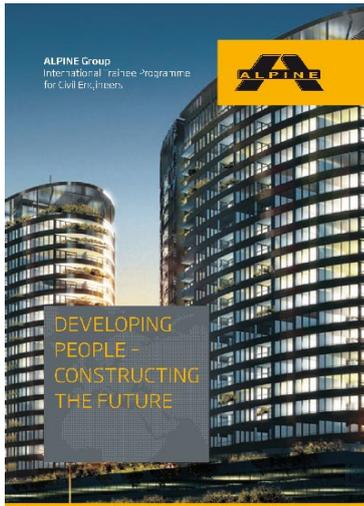
**Safety and quality:** Jesús Rodríguez Gómez

**Mechanical equipment:** Francisco Urquijo Zamora and Juan Antonio Mateos Monforte (Aqualia)

**Site foremen:** Manuel Acevedo López and Antonio Páez Delgado

**Site office staff:** Fernando Lancharro Alberti

## ALPINE/FCC internship programme



Cover of the brochure

ALPINE and FCC Construcción have launched an international civil engineering internship programme.

Participants will spend 18 months performing different functions in various departments and on two international works sites. This hands-on experience will be supplemented with training in theory.

If you are interested in this programme, send your application, with an introduction letter, your picture and a copy of your degree, to:

**Residents in Spain:** (CV in Spanish and English)

FCC Construcción. Recursos Humanos  
C/ Federico Salmón, 13  
28016 Madrid. España  
dsp@fcc.es

**Residents in Germany:** (CV in German and English)

ALPINE BAU GMBH. Recruiting &  
Personalentwicklung  
Philip Kriser. Oberlaaerstraße 276  
1239 Viena. Austria  
recruiting@alpine.at

Applicants must hold a master's degree in civil engineering, be mobile and be prepared to work in several locations in eastern Europe. In addition to speaking Spanish or German, applicants must speak and write English well. Applicants with a knowledge of other European languages, experience in the construction sector.

Applicants are offered the structure, conditions and support necessary to learn and opportunities to demonstrate their talent and skills.

Applications should be received by the end of May 2009

## ALPINE participates in "Tunnel Building: Turning Left-over Materials into Raw Materials" project



Aerial view, Leipzig Tunnel.

There are more than 200 kilometres of tunnels planned or already in progress in Austria right now. Most of the displaced earth and rock goes to landfills.

ALPINE and other enterprises in the construction sector will be signing onto an initiative by the University of Leoben to turn tunnel waste into raw materials. The cement industry is working with the

project as well, for other applications, with the ensuing savings in transport and landfill space.

In recent years the FCC Group has been putting tunnel waste reuse measures into practice. The Guadarrama Tunnel, on Spain's northern high-speed railway line, is a good example.

At FCC Construcción, in 2008 a total of 24,183,012 m<sup>3</sup> of earth and rock left over from boring were used right at the tunnel site, and so were considered raw materials instead of being classified as waste and dumped at a landfill. Also 88,213 m<sup>3</sup> of left-over clean rubble (concrete, mortar, bricks, precast components, other rubble) were consumed at the tunnel site. This meant 24,271,225 m<sup>3</sup> of inert waste were routed back into the production cycle as resources.

## Espelsa opens its new electrical service panel construction and assembly workshop



New workshop.

ESPELSA has opened its new electrical panel construction and assembly workshop in Tobarra, Albacete. It has started up the workshop through its investee ELCEN, with which it shares the field of high- and low-voltage wiring and assembly and system, transformer station and substation construction and maintenance. These modern new facilities, equipped with cutting-edge machinery and tools, have got an area of 1,200 m<sup>2</sup> to house the Technical/Sales Area, the Engineering Area, the Production Area and the General Services Area.

The workforce of fifteen specialists does the production work assembling and testing low-voltage 4000-A to 85-kA distributing boards. Although the workshop has been in operation for only a short time, it has already earned some magnificent references for a number of very important jobs it has done. These include the design, supply and assembly of the distributing boards for the 23-Mwpeak Espejo Photovoltaic Power Plant (Córdoba), the Water Building at EXPO Zaragoza 2008, the Bracons Tunnels, Motril Port and the enlargement of Tenerife Airport.

The workshop's portfolio features accomplishments such as the electrical panels for the new Málaga Economic and Social Centre, Campollano Business Centre and Hospital de Son Dureta in Palma de Mallorca.

To hone the knowledge and qualifications of the workshop's specialists as well as the quality of their products and services, the workshop runs a great deal of training activities, all aimed at bringing personnel to peak specialisation.

## 2008 Fomento Quality and Innovation Award Ceremony

On 20 February the 2008 Fomento Quality and Innovation Awards, which FCC Construcción gives to the year's finest projects, were handed out.



The award.

The 2008 Fomento Quality Award for Building went to Torre Caja Madrid, by Zone 2, the Madrid Building 1 office. This skyscraper, designed by Norman Foster and raised in the former Real Madrid Sport City, is the city's tallest building, a jaw-dropping 250 metres high. It has two types of elevations. One is all glass, open and airy, looking south and north. The other is a stepped elevation looking east and west, comprised of a thin solid core and glassed-in floors.

Also in this category, an honourable mention went to the BANPRO Corporate Building, in the American Zone, built by subsidiary MSG-Nicaragua. The building's striking, elegant architectural design is by the Costa-Rican firm Zucher Arquitectos. The building itself was built to an excellent quality standard and completed on time.

The 2008 Fomento Quality Award for Civil Works went to the work done by Zone 5, the Balearic Islands office, on a project to utilise the water resources of the Sierra de Tramontana. The job covered all building necessary to collect excess water from the Sierra de Tramontana and the infrastructure necessary to use that water to refill the S'Estremera aquifer. Also included were connections to the urban water systems of Sóller, Bunyola, Palmanyola and Palma de Mallorca. The average amount of water collected yearly by the new system is 10 Hm<sup>3</sup>, which is equal to nearly one-fourth of the amount of water the city of Palma de Mallorca consumes in one year.

The winners received a plaque made especially for this award by José Luis

Sánchez, one of Spanish contemporary art's most important sculptors.

The 2008 Fomento Innovation Award was given to Prefabricados Delta for its work to automate the railway sleeper-manufacturing process. The project has made for improvements in more ways than one: It brings down production costs through automation; it enables activities to be followed more closely by increasing the number of log readings available and incorporating the appropriate alarms; it provides dimensional control of 100% of the sleepers made, so that any deviation appearing in a mould is immediately discovered; and it guarantees the traceability of the process, so that progress can be made toward computerising production data and thus facilitating subsequent data processing and data reporting to customers.

At the 2008 ceremony the title of 2008 Honorary Construction Manager was given to Juan Antonio Muro Murillo, who has spent nearly 37 years with FCC, during which time he forged a model organisation at the Machinery Department, and Jaime Redondo Vergé, who since 1973 has held different positions of responsibility in the company, up to his current post as manager of the Development and Management Department.

The ceremony, held at FCC's central offices in Torre Picasso, was attended by the award-winning offices, FCC Chairman and Managing Director Baldomero Falcones, Directors Fernando Falcó, Felipe García and Antonio Pérez Colmenero, and FCC Construcción Chairman José Mayor Oreja.



From right to left: Baldomero Falcones, José Mayor and Francisco García giving Juan Antonio Muro the Honorary Construction Manager title.

## New Seville lock site holds open house



The FCC/AZVI stand. Open house.

On 21 and 22 March the Seville Port Authority held an open house so citizens could visit the site of the new lock, which is being built by FCC Construcción and AZVI in a joint venture.

Visitors had the opportunity to get to see how the lock works. The lock also gives the city of Seville a defensive wall against floods; when flash floods occur, the lock is closed to keep the city from being inundated.

The approximately two-kilometre-long tour started at a building next to the control tower, where a display space was set up with informative posters, explanations of how the job was done and a video show with infographics about how the finished lock works. FCC Construcción and AZVI had a stand at the display to give tours an added dimension. Next, visitors were taken inside the lock and allowed to walk through the canal that ships will occupy when the lock is full.

The weekend included fun activities and athletics, too. On Saturday the Seville Municipal Band and the Puertos del Estado Handel Group gave a concert in the lock basin, thirteen metres below what will be

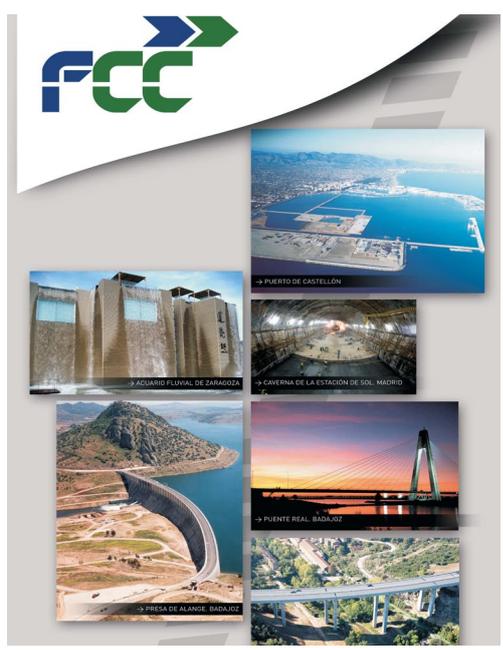
water level when the lock is filled. On Sunday there was a bike-a-thon from the Galia building at the port to the lock.

The new lock replaces the old lock, which was more than 60 years old. The new lock is 434 metres long and has a useful breadth of 35 metres, which accommodates ships up to 20,000 DWT and 290 metres in length. Its construction will considerably increase the amount of short-distance shipping done by water, from the five million tonnes of today to as much as 12 million tonnes in the next few years



The lock.

## Participation in FICON, the Seventeenth Iberian Construction Industry Trade Fair



FCC Construcción participated in FICON 2009, the Iberian Construction Industry Trade Fair. FICON is attended by the Spanish and Portuguese construction sector's foremost companies and professionals who make, sell and provide services for the real estate sector, development, the environment, renewable energies and general construction.

FICON was held from 11 to 14 March 2009 at Extremadura's FEVAL fairgrounds in Don Benito, Badajoz.

## Participation in the Third Encounter of Civil Engineering Firms in Santander

For many students, this was their first taste of the labour market



FCC Construcción participated in the Third Encounter of Civil Engineering Firms, which took place on 5 and 6 March at the Advanced Technical School for Civil Engineers in Santander.

Andrés Alonso Quintanilla, of FCC Construcción's North Office, told students what the company was all about and shared with them a bit of what practical work experience is like.

This event, organised jointly by the school's management and students, endeavours to foster contact between companies in the sector and the school's students and thus to facilitate students' entry in the job market after graduation, and to furnish an overall view of the business sphere. This year's encounter strove to be as much of a success as its predecessors, consolidating itself as one of the country's most important domestic events in civil engineering.

## FCC Construcción's Equality Plan under way



The Ministry of Equality has given a report on its inspection of company equality plans. Only 14 sector-specific or company collective bargaining agreements have included equality plans. FCC Construcción is on the list as the holder of an equality plan in compliance with Organic Act 3/2007.

On 19 November FCC Construcción and trade unions signed the company equality plan, which is applicable to all company employees and will remain in force until 31 December 2012 or until it is replaced by another equality plan.

The plan is an orderly set of measures aimed at achieving equal treatment and equal opportunities for women and men and to eliminate any hint of discrimination for reason of sex.

To reach these goals, the plan envisages a series of activities focusing on access to jobs, promotion, training, remuneration,

reconciliation of home and work, prevention of harassment for reasons of sex and sexual harassment, gender violence and other areas, and there is a positive action proposal to address each problem area. A tracking plan has also been designed, with yearly reviews to evaluate the scope of measures and to program the strategy for the following year.

The Equality Plan also contains the Protocol for the Prevention of Workplace and Sexual Harassment Situations in the FCC Group. The protocol is a specific, detailed document on immediate intervention, which ensures that workplace and sexual harassment situations are prevented, investigated if reported and, if found, pursued and eradicated, with the utmost respect for the principles underlying the Equality Act and other legislation.

## Sign up for the Madrid 2016 Volunteer Programme!

ya somos *voluntarios* apúntate 



Patrocinador  
Preferente



Madrid 2016 has kicked off its volunteer programme, created and led by the Olympic candidacy authorities, to make sport lovers and Olympic fans part of the 2016 Olympic project. The more volunteers support Madrid 2016, the more the Spanish people's support for the project will show, and that's a factor the International Olympic Committee values highly.

To volunteer:

<http://www.madrid2016.es/es/apoyacandidatura/voluntarios/paginas/haztevoluntario.aspx?nameenterprise=fcc>

FCC is a Preferred Sponsor in the Madrid 2016 candidacy sponsorship programme.

## SEOPAN signs an occupational health and safety agreement with unions

SEOPAN and the national construction federations Comisiones Obreras and Unión General de Trabajadores have signed an occupational health and safety agreement, the basic idea of which is to boost, implement and supplement legislation on this subject in the construction sector.

The three signatory organisations have thus taken yet another step forward on issues that they see as top priorities, in accordance with their respective corporate social responsibilities.

The foremost aspects of the agreement are these:

### Safety training:

Prevention and training are basic elements of the culture of safety. A trained worker is a worker who has been pre-insured against potential accidents.

The three signatory organisations therefore give priority to training activities, these to be provided in the form of courses drawing upon the human and physical resources of the companies in SEOPAN.

Training in prevention must moreover be seen as a necessary element applicable to future technical staff who may eventually join SEOPAN member companies as construction professionals.

### Health and Safety Forum:

The signatories of this agreement will create a forum where the different risk prevention stakeholders will participate. Occupational accidents have various causes, due to the different circumstances involved. Therefore the signatories believe that a useful tool for boosting innovation, improving activities and procedures and preparing occupational health and safety proposals can be created through cooperation, sharing of experience and comparison of focuses and analyses by the professional associations of civil engineers, architects, the Labour Ministry, the courts, the Office of the Special Prosecutor for Risk Prevention, mutual societies insuring against on-the-job accidents, unions and employers.

### Subcontracts: Mechanisms for transparency.

Because of the intrinsic features of the construction business, decentralisation and production outsourcing are intense in our sector. The three organisations therefore will reinforce their mutual communication to an extent above and beyond what is called for in the Act on Subcontracting, to ensure the greatest possible transparency.

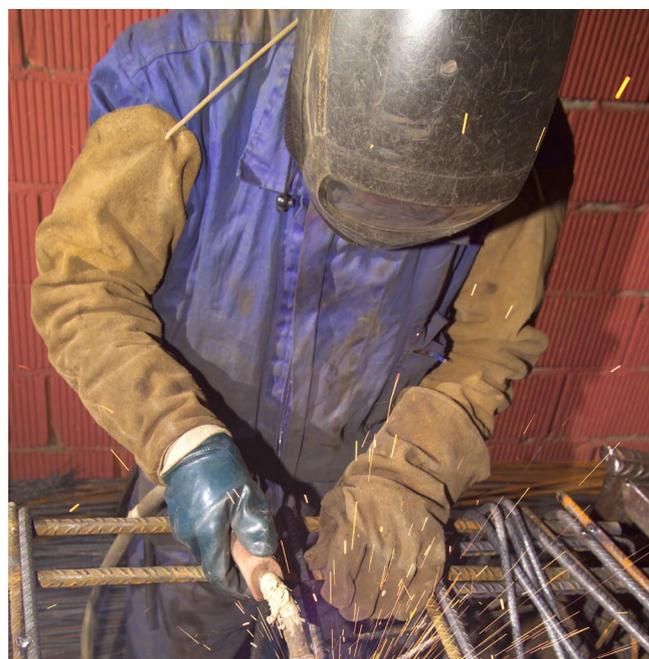
Thus, items such as the extension of access to the Subcontracting Book, communications about the extension of subcontracting to an additional level and reporting of certifications of entry in the registry are things that also add to the solvency and quality of subcontracting companies and therefore add to site safety. In addition, the companies in SEOPAN will facilitate additional information about job stability to the signatory unions.

Cooperation in matters of workplace safety and worker involvement in responsible compliance with their own prevention obligations. Lastly, it was decided that site visits by the two signatory federations in joint action with the companies in SEOPAN will constitute an additional and effective element for designing future strategies for optimising safety.

This, together with prior information for Comisiones Obreras and Unión General de Trabajadores any time when corrective measures applicable to workers are taken in response to possible omissions in safety matters, is yet another preventive mechanism and a clear example of cooperation amongst the stakeholders and application of the principle of shared responsibility for prevention.

### Term of the agreement

The agreement is initially scheduled to remain in force until 31 December 2011, although as the agreement is intended from the start to be an ongoing instrument for addressing company initiatives in health and safety, the agreement will be renewed automatically for periods equal to its initial term.



## Analysis of the sector

### Current situation

The Spanish economy is now in a period of serious adjustment, in an international scenario of wrenching financial crisis, insolvency, uncertainty and risk aversion. The crisis has manifested itself in the real economy as a lack of competitiveness and plummeting figures in residential construction, which had been showing signs of fatigue since mid-2006 and has now been affected by shrinking expectations of revaluation.

The paths by which this huge crisis penetrated Spain were exposure to toxic financial products, the impact of the real estate crisis on solvency (despite the Spanish banking industry's excellent regulation, efficiency and diversification), the crisis of confidence and the need for financing.

Our economy's response has taken the form of a brusque adjustment in employment, with low-level inflation caused by the moderation of the demand and low interest rates, which may very possibly not be passed on in their entirety to new borrowers, as financial institutions' risk premiums have risen.

The measures taken by the administration resemble those of other countries similar to Spain, but the experts say some breathing room could be created through five fiscal measures that would moderate the fall of the demand:

- ▶ Creation of an account of public sector debt that can be offset with taxes.
- ▶ Adaptation of VAT payment times to match invoice payment times.
- ▶ Increase of the VAT rate by at least one point.
- ▶ Reduction of social security payments by at least three points.
- ▶ Five-point reduction of corporate income tax.

Budgetary measures steering expenditure toward investments in upkeep, replacement, refurbishment and R+D and labour-related measures, such as making the job market more flexible for new contracts and staying at work until a more-advanced age.

Big trouble getting financing is anticipated for 2009. Wage costs are high due to the problem of the loss of economies of scale. Recognised experts such as Professor Iranzo are more and more insistently recommending a restoration of market unity through mutual recognition of each other's legislation by all autonomous communities, to avoid curtailing the competitiveness of our industrial fabric.

Greater austerity in recurrent expenditures and grooming of the potential for growth through public spending in

investments in production are becoming increasingly urgent. The market has got to reinvent itself in order to try and rebuild the production sector.

The financial crisis that set off the current situation and the bursting of the real estate bubble, which was anticipated but no less intense for all that, have had an impact on the construction sector. The chain reaction has travelled on to non-residential building and, to a lesser degree, civil engineering.

After a fiscal year plagued with uncertainties, construction as a whole is facing its third consecutive year of production downslides that are affecting the four traditional subsectors, residential, non-residential, refurbishing and civil works. As said before, this places construction activity at recession levels during the fourth quarter of 2008.

The construction sector wound up the fiscal year with a total production of 193,280 million euro and a downward variation of 5.1% in real terms, in comparison with 2007 (a 9.1% reduction in building and a 4.5% increase in civil works). This variation was 6.3 points less than the national economy lost in terms of gross domestic product, which was penalised by almost an entire point by the fall-off in construction. The investment in construction, which accounted for 18.6% of the GDP in 2007, ebbed to 16.6% in 2008.

In civil works, which has provided the underlying energy of the construction sector, the financial crisis is having the effect of postponing the start of projects that have already been through the tender process and require the builder to provide financing until the time comes for final settlement with the government.



Casasola dam. Malaga.

Because of the investment in infrastructure, the infrastructure subsector will keep its leading role, and it is not farfetched to think that in 2010 and 2011 infrastructure will resume growing at rates higher than those of the GDP. The activities called for in the PEIT (the Spanish government's strategic plan for infrastructure and transport) will furnish the foundations for growth in civil works.

Housing construction is feeling the lack of enough financing to reinvigorate sales and get new developments going. In addition the number of housing units available on the market is lower than expected, due to the inertia of developments in progress during 2008. Therefore, in a context of a high supply and a demand cowed by the weight of circumstances, the only thing that can be expected is a severe slump in production.

The non-residential market is hard beset by severe crisis conditions as well. It has followed the same patterns as the construction sector as a whole, and the outlook is also one of decline, although without quite the spectacular nosedive the residential market took in 2008.

Looking at the construction industry by subsectors, residential building in 2008 accounted for 32% of the entire construction industry. The number of homes finished came to 615,000, 4% fewer than in the previous fiscal year.

Non-residential building accounted for 16% of construction activity, with a reduction of 6% over the previous fiscal year. Building refurbishment and maintenance, which made up 24% of the total, declined by 4.5%. This subsector continues to display investment figures 13 points below the same figures for the EU, due, amongst other reasons, to the fact that families' financial difficulties have weakened the demand, and this effect has not yet been offset by public plans to foster refurbishing.

During 2008 263,000 residential construction permits were secured, 60% fewer than in fiscal year 2007. This volume places the demand at the same level as in 1995. Construction permits in non-residential building experienced a drop of 30%, while the estimate of the cost of work under enlargement and alterations permits has come down 3% in nominal terms.



Civil works accounted for 28% of the sector's total overall production, with an annual rate of increase over the previous fiscal year of 4.5%, just one point below the rate for 2007. The national government has made a telling effort to keep this subsector from collapsing.

Spain holds fourth place in the European Union construction market, with 13.5% of the total, after France, with 19.3%, Germany, with 18.3%, and the UK, with 13.8%.

On average government tenders for the 1995-2007 period grew by more than 15% per annum in current terms. Last fiscal year, government tenders reached 40,588.46 million euro, 1% (in current terms) above 2007, with a central government participation of 43.7%. The tenders concentrated on roads and railways, social services, urban development, hydraulic works, etc. (The Ministry of Development alone was responsible for more than 36% of all tenders). Autonomous communities maintained their rate of investment, although local governments reduced theirs by nearly 8%.



Ningbo- Sheng Zhou railway, China.

The volume of tenders for concessions out of the total worth of government tenders in 2008 came to 4,993 million euro (12% of all tenders). This was 48% less than in 2007.

One highly revealing indicator of the deterioration of domestic construction activity is the apparent consumption of cement, which recorded a drop of 23.8%, its first decline in the last ten years.

## The job market

The working population (11.9% of which is employed in the construction sector) experienced a decline of 10.9%, with an average of 2,404,200 jobs. That means close to 300,000 jobs no longer exist. Taking the fourth quarter of the year as the benchmark, employment has come down to 2,135,000 jobs and the number of jobs lost is 560,000.

The average number of persons registered with Social Security in the construction sector in November 2008 was 1,996,400, 20% fewer than in the same month in 2007. That brought the figure down to the same level as in early 2004. The decline may be foreseen to be somewhat gentler in 2009 than in 2008, although employment in construction will continue to fall.

## Forecasts

The forecasts for 2009 point to a trend consistent with recession, with a reduction of between 8 and 12% in the sector's overall production in constant terms.

Investment in infrastructure is a fundamental tool for injecting fresh vigour into the economy in sluggish periods, and although the overall resources earmarked for infrastructure will grow in 2009 less than other expenditures (4.5%), the investment in infrastructure scheduled in successive national budgets is a consolidated investment aimed at giving priority to recovery.

The allocations of the Ministries of Development and the Environment call for an investment 3.4% higher than in 2008 in current terms, earmarked for the infrastructure policy.

The Ministry of Development, with a nominal investment growth rate of 5.8%, will be focusing on the creation and upkeep of new road, rail, port and airport infrastructure.

The Ministry of the Environment and its regional counterparts will have a 4.4% nominal reduction with respect to 2008, earmarked for water infrastructure and environmental activities within the framework of the AGUA programme.

Residential building will go down 21 to 26%, the same as investment in the sector. It is thought that the process of getting the housing sector back on track may be a long one, until the gap between supply and demand is adjusted. The gap is anticipated to continue widening until mid-2009 because of housing construction started in 2006 and 2007, when the sector was not yet expected to come to such a startling halt.

In the last quarter of 2009 and the first quarter of 2010, part of the housing surplus will begin to be absorbed by the market, and during 2011 the stock of residential construction (which some experts place at 600,000 units of flats actually for sale) will have been reduced significantly, to the same levels as in 2005.

The forecasts for new permits and the start of work on new construction call for 250,000 to 350,000 new homes. The market would be able to assimilate the latter, larger figure under normal conditions. If these forecasts are accurate, in 2010 residential activity will begin to speed up, as the demand would be favoured by the lessened economic effort families would have to make due to the reduction in mortgage rates (if the reduction is actually passed on to the consumer and risk premiums do not rise) and the price of flats.

Policies aimed at jump-starting the rental market, such as market regulation, faster rulings on lease litigation and the liberalisation of initial leasing periods, will be decisive.

Non-residential building will go down between 8 and 12%, the same as investment in the sector.

Civil works will continue to keep construction activity going. The investment in infrastructure in the upcoming fiscal year is expected to reach 3% more than in 2008.

The big challenge in 2009 is to build confidence back up so that the crisis can be shortened and to try to keep any fiscal measures that are taken from encumbering the consolidation of growth once the crisis is over.

Concessions will continue to be a source of business for the construction sector. Private initiative will keep providing its technological and financial muscle to make up for the investment deficit in Spain and abroad.

Because of internationalisation (one result of the potential generated during the upward leg of the cycle), the reduction in national business can now be offset by activity in emerging countries, where big Spanish construction companies have forged a place for themselves as the leaders of markets that did not even exist until less than a decade ago.

### FCC Construcción 2008 Results

FCC CONSTRUCCIÓN in figures (millions of euro)		
	2008	2007
Turnover	7,744	6,922
% Variation	11.9%	
National	3,909	4,057
International	3,835	2,865
Gross operating profit	463	374
% of turnover	6.0%	5.4%
Operating profit	325	262
% of turnover	4.2%	3.8%
Pre-tax Profit	299	267
% of turnover	3.9%	3.9%
Main company result	204	174
% of turnover	2.6%	2.5%

The data for 2007 have been restated so they conform to the same standards as the data for 2008 and can be compared.

### FCC Construcción Group's Production within the FCC Group

