

# Public Procurement and Foreign Contractors in Sweden

An examination of obstacles, opportunities, and the current state of affairs.



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## **Abstract**

In recent years the Swedish construction sector has enjoyed a literal building boom. This is the culmination of a growing population and lack of housing, construction is at its highest level in decades. Swedish contractors are simply not meeting the demand and numerous analysts have warned against the consequences of a crash in the construction sector. Industry interest organizations have suggested that the solution to this lack of capacity could be to draw help from contractors elsewhere in Europe. Despite the favorable market in Sweden at the moment there is a noticeable lack of foreign contractors placing bids on public tenders.

This thesis examines the situation regarding public tenders and foreign contractors with the help of a qualitative study and series of interviews. Four interviews were conducted with industry professional with experience of procuring foreign contractors. It was made clear throughout the course of the study that the need for foreign contractors is obvious to industry members and policymakers alike. Efforts are being made to help facilitate the arrival of foreign contractors into the Swedish construction sector, efforts such as increased education and translating construction regulations, however these efforts are simply not sufficient. Regarding public tender administration even less is being done.

In the conclusion it is stated that policymakers for public procurement are too slow to react to the changing situation and are doing the bare minimum to fulfill European Union regulations for tendering. Should Sweden wish to avoid a lack of bids crippling the construction sector then serious steps need to be taken to accommodate foreign bidding, the thesis concludes with comments on the current state of affairs and suggested solutions moving forward. The current situation for foreign contractors is not expected to improve drastically going forward.

**Keywords:** procurement, bidding, contractor, foreign, tender, policymakers.

## **Foreword**

This thesis is part of the final year of studies in the Bachelor of Science in Engineering, Civil Engineering program at the LTH School of Engineering at Campus Helsingborg. Work began in March 2018 and was finished the following June.

The author would like to extend a very special thanks to supervisor Radhlinah Aulin as well as Benjamin and Abigail Hellström.

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## **Abbreviations and definitions**

AML	Work Environment Act
Boverket	National Board of Housing, Building and Planning
EU	European Union
SABO	Swedish Association of Public Housing Companies
SCB	Statistics Sweden
LOU	Public Procurement Act



# 1 Introduction

*This introductory chapter is intended to provide the reader with a background to the thesis work as well as outlining the structure and target audience of its contents.*

## 1.1 Background

Sweden has been enjoying an exceptional building boom in recent years. In 2017 alone, there were 51 500 new homes completed, the highest level since the early nineties (SCB, 2018). In spite of there being such a favorable market there is still an acute shortage of capable construction firms to meet infrastructure and housing goals. While the construction rate for Swedish firms is high, they simply are not meeting the demand according to industry influencers (Nordstrand, 2017).

There certainly have been periods of intense development in the Swedish construction sector before, yet this particular surge bears a unique contextual characteristic. This is the first boom to occur after Sweden becoming a member of the European Union (European Union, 2018a). Membership essentially means that any construction company within the EU is eligible to compete for Swedish construction contracts (European Union, 2018b). Even so, there are few major contractors competing for public tenders. Many public tenders are only receiving one bid, some municipal tenders are not even receiving any (Kindahl, 2016).

According to statistics from the Swedish Association of Public Housing Companies nearly 20% of all available housing in Sweden was built by a public building company (SABO, 2018). The issue facing public procurement is simply put, staggering. In such a promising market, one would expect contractors from all over the European Union to be flocking to Sweden to compete for tenders, however there are relatively few (SABO, 2016a). To fill this vacuum Sweden has identified the need to seek help beyond the Nordics.

Various reports have identified the language barrier as being a major factor preventing foreign companies from entering the Swedish construction sector. Another issue cited as being an obstacle is the difficulty of verifying foreign certifications (ibid.). Many have commented on Sweden's cost of construction, which has been the highest in the EU for 10 years as a disincentivizing factor for any developer (Svensson, 2017). A further justification for increased competition and lower prices. In 2016, out of Sweden's top ten largest construction companies, there were none with roots from outside the Nordics (Sveriges Byggindustrier, 2016).

## **1.2 Purpose**

This paper intends to examine the current state of foreign contractors operating in Sweden while bringing to light some of the challenges and opportunities they may face with public tenders. While highlighting the current obstacles and opportunities that exist solutions can then be postulated, while the effectiveness of initiatives underway can be evaluated.

Writing this paper in English as opposed to Swedish has been done to benefit those companies interested in testing the waters of the Swedish construction sector.

## **1.3 Problem statement**

There is a lack of bids being placed on public tenders and the proposed solution has been to make the bid process more accessible to foreign contractors. For that reason, this thesis sets out to answer the following questions.

- What are the opportunities and obstacles facing foreign contractors (both already operating in Sweden and outside Sweden) from placing bids on public tenders?
- What solutions are currently being laid forth to accommodate foreign contractors entering the Swedish construction sector?
- How could solutions already laid forth be improved?

## **1.4 Limitations**

This thesis chooses to focus on the situation involving public procurement and foreign contractors, why it is being done, and what opportunities and obstacles they may face entering the Swedish market. Aspects such as performance and quality of work are not the objective of this thesis, neither are issues of private procurement. Public procurement was chosen as a limitation due to the transparent nature of the public procurement process in Sweden. In regard to where foreign contractors are coming from, the thesis is limited to contractors from within the EU.

Instead it aims to take a sample of opinions and impressions from those working in the area of study, and then analyze those results in the context of the Swedish construction sector.

## **1.5 Outline**

### **Chapter 2- Methodology**

This chapter outlines the methods employed for data collection and analysis in this thesis. Additionally, the scope of the results are discussed.

### **Chapter 3- Current state of construction in Sweden**

This chapter provides an overview of what the construction industry currently looks like in Sweden regarding changes and public procurement.

### **Chapter 4- Tendering**

This chapter provides an overview of what the construction industry currently looks like in Sweden regarding changes and public procurement.

### **Chapter 5- Being a foreign contractor in Sweden**

In chapter five some of the core concepts related to working as foreign contractor in Sweden are discussed. The chapter encompasses topics from worker mobility, tax implications, and labor union disputes.

### **Chapter 6- Solutions and workarounds**

Chapter six details some of the more high-profile solutions currently being undertaken to accommodate foreign contractors.

### **Chapter 7- Result**

This chapter presents the results of the qualitative study including a series of four interviews with industry professionals that have experience with procuring and working with foreign contractors.

### **Chapter 8- Analysis and discussion**

Chapter eight contains an analysis of how the qualitative study compares to the literature study. Points related to the problem statement will be raised here and paralleled with results from chapter six.

### **Chapter 9- Conclusion**

Closing notes and suggestions for future initiatives to accommodate foreign bidding.

## **2 Methodology**

*This chapter outlines the methods employed for data collection and analysis in this thesis. Additionally, the scope of the results are discussed.*

### **2.1 Qualitative study**

The results of this thesis rely on the results of a literature study followed by a series of interviews. These interviews were conducted with the ambition of verifying certain conclusions made during the literature study. Since no statistics have been collected, and no results can be quantified the method of this thesis is entirely qualitative.

### **2.2 Interview questions**

Interview questions focused on investigating what presence, if any, foreign contractors have in the Swedish construction sector. After a preliminary literature study it was apparent that finding foreign contractors to interview would not be an especially easy task. For that reason, several questions are directed more towards Swedish respondents to imply that foreign contractors are often hired in a subcontracting capacity. This was done to incite a discussion with the respondents as to why foreign contractors were being used at all. From there it would be easier to pivot the discussion to *why* they thought these same subcontractors were not submitting bids themselves to open tenders.

As the study focuses on an apparent lack of foreign contractors in Sweden, this type of interview respondent would be difficult to seek out. For the sake of consistency, no questions were changed after the first interview was conducted. While only direct responses to the interview questions are included in the appendix, each interview resulted in a broader discussion giving suggestions for further research.

### **2.3 Interview respondents**

Four interviews were conducted with industry professionals working in Sweden who either were foreign born, worked with foreign contractors, or themselves were working as a foreign contractor. An overview of who the respondents are and their relevance to the study is available in figure 1.1.

<b>Age</b>	<b>Role</b>	<b>Company</b>	<b>Relevance to study</b>
<b>24</b>	Project manager	Rover Alcisa	Closely involved with the establishing of one of Spain's largest contractor in Sweden after winning a public tender. Prime example of a foreign contractor breaking into Swedish market.
<b>60</b>	Owner, director	Solna Hus AB	Foreign born, founded property development company in Sweden. Directly involved in all business choices including strategies related to production and seeking projects. Intimate knowledge of establishing construction business Swedish system.
<b>33</b>	Production manager	Arcona AB	Intimate knowledge of current Swedish construction practices including the presence of foreign contractors.
<b>31</b>	Project manager	Skanska AB	Employed by Sweden's largest contractor, extensive onsite experience with foreign contractors.

*Figure 1.1 Tabulated overview of interview respondents and their relevance to study.*

Since the interviews were not conducted with the intention of producing quantifiable results, respondents with different, yet similar, work titles were contacted. This was done to both ensure consistency and provide a spread to the voices featured in the study.

## **2.4 Finding respondents**

Respondents were sought out with the aid of internet searches, LinkedIn, and via references. Once contact was established the interview prospects, they were presented with the interview questions available in part A of the attached appendix. All respondents were promised anonymity to ensure that answers were as open and honest as possible.

Interviews were conducted in whatever manner was most suitable to the respondent, this resulted in interviews being conducted through email correspondence, over the phone, and in person. Further details are available in the appendix attached to the corresponding interview.

## **2.5 Data collection and analysis**

Information and statistics pertaining to tendering practices in Sweden and the construction industry were gathered in order to provide context to the current status of the construction sector. Practices of foreign companies in Sweden were also examined using similar data. These sources are very recent, most having been published within the past 5 years. As this thesis focuses on the situation today, it is necessary to use the most up to date resources as possible. General tendering theory however was researched via sources found in books, journals, and internet-based resources.

## **2.6 Reliability**

Comments from the industry professionals that were interviewed are considered to be quite reliable. All interview respondents are professionals with several years of work experience in their respective roles. Their responses were written down during the actual interviews to ensure that nothing was lost in post-interview note making. As this thesis intends to investigate a situation that is highly dynamic it is vital to get seek the opinions of those currently involved in the thesis topic. "

## **2.7 Methodology discussion**

While contact was made with many industry professionals throughout the interview process, and many were initially willing to sit down for an interview, most declined to comment when presented with the thesis topic. This proved to be incredibly frustrating yet raised important questions about what the general attitude and understanding is about foreign contractors in Sweden. It also highlighted the importance of studies like this thesis.

Contacts at smaller foreign contractors already present in Sweden declined to speak, members of large Swedish construction companies also declined to comment. It is possible that these companies have strict policies regarding interviews and public relations. However it is also possible these contacts declined to comment due to a lack confidence in their business practices, they may not have been sure they were adhering properly to Swedish competition regulations.

For the sake of consistency most written sources regarding tendering used were from Europe. This is simply due to a difference in terminology that may arise when citing sources from different English speaking countries. There was a plentiful selection of recent articles and publications commenting on the construction industry in Sweden. It is a topic that is often treated in the mainstream media owing to the special situation at this time. This is also why

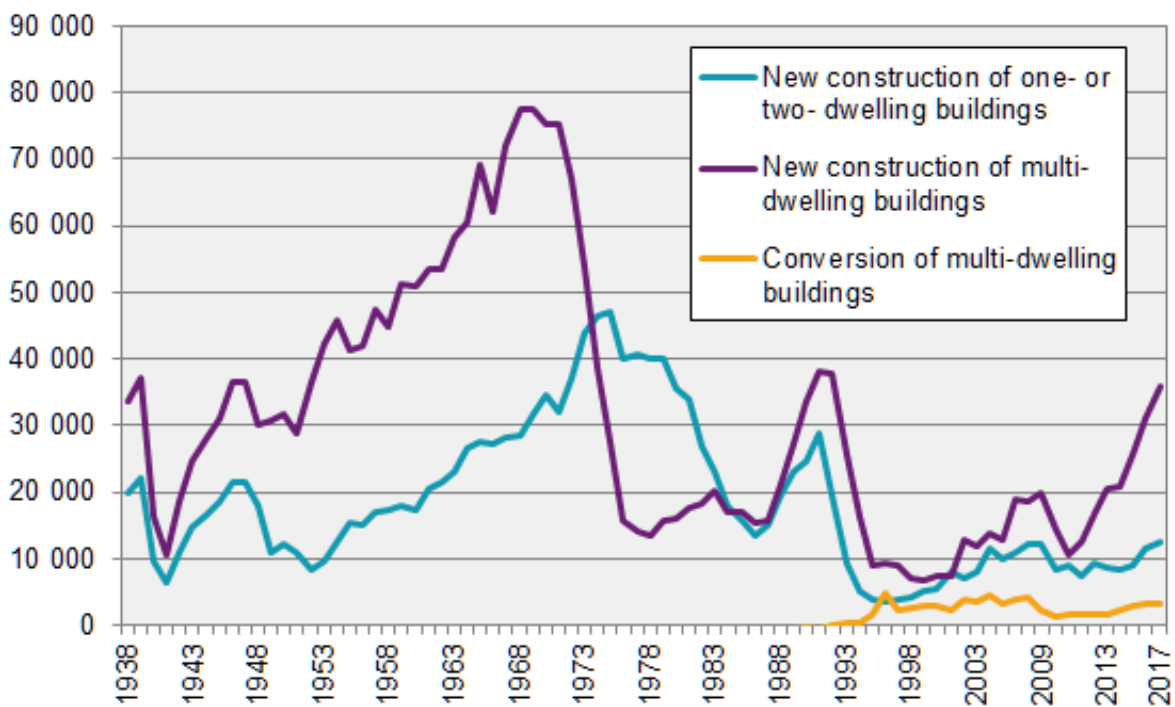
this thesis has to rely so heavily on internet-based sources, especially those that are just recently published. While this is positive from a data collection standpoint, it runs the risk of being quickly outdated.

### 3 Current state of construction in Sweden

*This chapter provides an overview of what the construction industry currently looks like in Sweden regarding changes and public procurement.*

#### 3.1 Construction rates

Throughout Sweden there is currently an acute lack of housing, resulting in a widespread awareness to build more. There are 290 municipalities in Sweden today, 250 of them are reporting a lack of housing according to a study made by the Swedish public service television (SVT Nyheter, 2016). According to statistics from Statistics Sweden the population is expected to reach 13 million by the year 2060, with one million of those coming already within the next 10 years (SCB, 2018).



*Figure 3.1: Number of completed dwellings in Sweden by year. (Source of figure and statistics: Statistics Sweden)*

In 2017 alone 51 500 dwellings were completed (SCB, 2017). In figure 3.1 above one can notice a sharp upward trend in the production of multi-dwelling buildings starting in the early 2000's. In a recent report by the National Board of Housing, Building and planning 710,000 new dwellings will need to be built by the year 2025 if Sweden is going the match demand for new housing.



This is equivalent to an average of approximately 88,000 dwellings per year (Boverket, 2016). As can be deduced by the aforementioned numbers including the population predictions in figure 3.2, enough isn't being built.

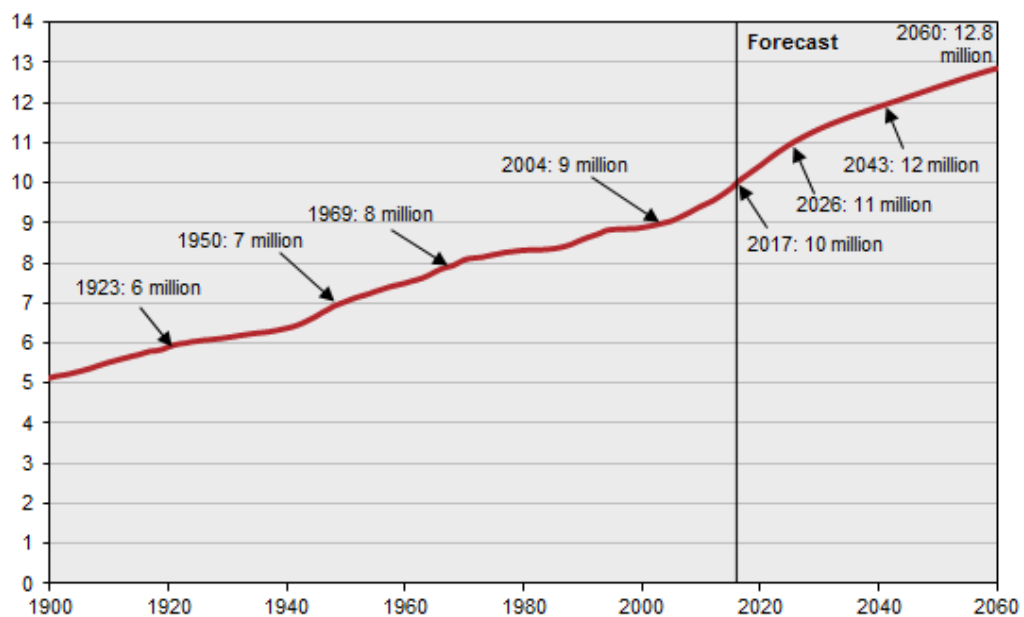


Figure 3.2: Swedish population over time including predicted growth. (Source: Statistics Sweden)

### 3.1.1 Concerns about language barriers and safety

A challenge facing both foreign contractors and Swedish ones alike is the clear language barrier that exists. This is an unavoidable product of the internationalization of any workplace and may serve as an obstacle for development. A key component for being able to interpret safety rules is a means of communication, the absence of a lingua franca puts both the quality of work and worker safety at risk. The Swedish Work Environment Authority has reported several instances in which they believe language to be directly related to the cause of an accident (Sveriges Radio, 2013).

Construction sites in Sweden are required to have a health and safety plan available onsite as well as there being at least one official appointed as a coordinator for health and safety according to the Work Environment Act, Arbetsmiljölagen 1977:1166. If this plan isn't available in all languages represented on site then serious accidents can occur.

It is not uncommon for certain projects to have English as their project language. This is especially apparent specialty constructions throughout Sweden where numerous international experts and subcontractors are employed such as the Citybanan project in Stockholm (Fransson, 2012).

### **3.2 Lack of bids to public tenders**

Recently it has become apparent that there has been an exceptionally low amount of bids being placed on open tenders both in the public and private sector. Municipal property developers cannot find enough companies willing to place bids on their tenders (Eriksson, 2017). A lack of bids with such a large demand is worrisome. The Swedish Association of Public Housing Companies, SABO, and other industry interest organizations have already suggested that this gap can be filled by companies outside of Sweden (SABO, 2016b).

SABO, an industry interest organization for public housing has conducted their own studies related to precisely this problem. According to their survey of 64 public construction companies the average number of bids received after a call for tender was between zero and two. Nearly one third of those surveyed only received a single bid (SABO, 2016a).

Sweden has a long tradition of public housing policies, with many municipalities being owners or partial owners of publicly owned construction companies. This policy is so widespread and rooted in the housing culture that according to statistics from the Swedish Association of Public Housing Companies 20% of all housing existing in Sweden is built by a public housing company (SABO, 2018). The tenders available in the public sector are not only significantly large but are vital to the continuation of Sweden's policy of public housing.

In 2015 the Swedish Competition Authority published a report detailing the methods of procurement in the public housing sector. In this report the presence of foreign contractors in public procurement is practically nonexistent. Those few companies that were profiled were considered exceptional (Konkurrensverket, 2015).

## 4 Tendering process in construction

*Chapter three is a walkthrough of general tendering theory and an explanation of tendering as a means of procurement. These are core concepts that are important for understanding the basis of this thesis.*

### 4.1 Tendering

Tendering is a method of procurement in which an individual or company advertises the need to have a project completed on their behalf. Procurement simply meaning the purchase of a product or service that enables the completion of said project (Woodhams, 2001). Construction is an industry where tendering is often the method of procuring building projects. An example of tendering for construction services could be a government organization advertising a contract to build a new university, or a private company requesting proposals to build a corporate office building. The City of Malmö for example may advertise a tender on a new hospital building. As the City of Malmö is not a construction company, they must advertise their need to have something built on their behalf.

Once the size and costs of a project are determined tender documents will be written and made available to interested contractors. In the content of these tender documents the purchaser will outline the terms and conditions of their project to which a contract will be made. This can include a list of approved contractors, materials, techniques, and just about any other demand that the purchaser may have for their project (Davis, et al., 2008).

Construction contractors that believe they can fulfill demands outlined in the tender documents will submit a bid. A bid is an offer to complete the project which includes the estimated budget and timeline (Bogren, 2017). The company that submits a bid will do so after evaluating the tender documentation and making their own estimates. A company may believe that they can complete the tender with a smaller budget or shorter timeframe than what is requested in the tender documents, thus making them appear to be a favorable choice. Once enough bids have been submitted, the purchaser will choose to review the bids and then award the contract (ibid.).

#### 4.1.1 Open procedure

Open procedure tendering is a common form of tendering in the public sector in Sweden and the EU, this type of purchasing is subsequently referred by EU directives as public procurement (Woodhams, 2001). Depending on the literature referenced this can also be referred to as public competitive bidding, public tendering, or simply an open tender.

In an open procedure in the EU any company may submit a bid as long as they meet the requirements of bidders in the tender documents (European Union, 2018b). In an open tender the tender documents and bids are typically available to the general public to guarantee that the process is as transparent as possible. An open tender ensures that a winner is chosen in legal and transparent manner with the general public's interest in mind (ibid).

## **4.2 Supervision of public procurement in Sweden**

Public procurement via open procedure is supervised by the Swedish Competition Authority and the National Agency for Public Procurement. Both of these agencies are tasked with monitoring and providing guidance in how the Swedish Public Procurement act should be implemented, they are not judiciary boards that issue sanctions against companies that break business laws related to procurement. The National Agency for Public Procurement is a very new agency, being founded in 2015 with the sole purpose of providing guidance and supervision to government agencies and public-sector organizations (Upphandlingsmyndigheten, 2014).

### **4.2.1 Swedish Public Procurement Act**

Public procurement in Sweden falls under the jurisdiction of the Swedish Public Procurement Act, Lag om offentlig upphandling (2016:1145), an act that is intended to protect consumer rights and integrity concerning the rights to fair competition. Often referred to simply as the LOU.

This law is applicable to all consumers in both the public and private sector. It outlines standards that the companies and government agencies must adhere to in order for the fair treatment of all parties. It also includes protocols for disqualifying bidders for violations of the LOU. Financial penalties may also be issued to those that commit violations on top of being barred from competing for certain bids (LOU 2016:1145).

### **4.2.2 Tender administration language**

It is forbidden for tender administration to discriminate against bids coming from elsewhere inside the EU (European Union, 2018b). There is currently no legal precedence in Sweden for what language calls for tender must be in, however in a court case from 2015 in Sundsvall it was ruled that unless a language is stated in the tender documents then by default all official EU language bids submitted must be accepted as valid. For that reason it has been advised to specify in calls for tender that Swedish is the required language (Andersson & Nilsson, 2015).

## **5 Being a foreign contractor in Sweden**

*In chapter five some of the core concepts related to working as foreign contractor in Sweden are discussed. The chapter encompasses topics from worker mobility, tax implications, and labor union disputes.*

### **5.1 EU Charter of Fundamental Rights**

Articles 16 and 45 respectively of the EU Charter of Fundamental Rights state the following.

*“Every citizen of the Union has the freedom to seek employment, to work, to exercise the right of establishment and to provide services in any Member State”.*

*Every citizen of the Union has the right to move and reside freely within the territory of the Member States”*

(European Parliament, 2000)

One of the core values of the European Union is the right to free mobility for not only citizens of member nations but also trade. In essence this means that EU citizens and companies registered in the EU do not require any supplementary permits to conduct business in Sweden. (European Parliament, 2000)

### **5.2 Tax implications**

Despite the EU charter of fundamental rights safeguarding the individuals right to live and work beyond borders there are certain tax implications for such entities. Business by foreign companies cannot be conducted in Sweden indefinitely before certain tax implications are made (Skatteverket, 2018).

According to the Foreign Affiliates Act, Lag om utländska filialer m.m, it is stated that foreign companies must register an affiliate in Sweden. The intention of this law is not to discourage foreign trade, but rather to ensure that business is conducted fairly (Lag om utländska filialer m.m.1992:160).

### **5.3 Issues with labor unions**

A point of contention between Swedish labor unions and foreign contractors is the need of having a collective bargaining agreement. Detractors claim that forcing foreign companies to adopt Swedish collective bargaining agreements

is a threat the free mobility that is supposed to be guaranteed by the EU. While proponents celebrate the consistency that collective bargaining agreements bring to levels of pay (SVT Nyheter, 2017). Skepticism may be a remnant of the following case in chapter 5.3.1, a case that is still fresh in the public memory regarding foreign contractors.

### 5.3.1 Open conflict

A highly publicized conflict between a Latvian contractor and Swedish labor unions is still fresh memory in the collective memory of the construction sector. This conflict and ensuing media coverage was eponymously named the *Vaxholm Conflict*.

Laval un Partneri Ltd was a Latvian construction company which in 2007 had won a contract via open procedure tendering to perform renovation work on a school in the municipality of Vaxholm. Laval un Partneri Ltd made use of Latvian construction workers to perform much of the work, however several Swedish firms were also subcontracted.

Subsequently the Swedish Building Workers Union demanded that Laval un Partneri Ltd sign their collective bargaining agreement. This was done in an effort to guarantee the fairness of the wages that Latvian and Swedish workers were earning. When Laval un Partneri Ltd refused the Swedish union organized a strike paralyzing the construction.

When the dispute was taken to court, a ruling eventually established that the strike by the Swedish Building Workers Union was ultimately illegal as Laval un Partneri Ltd had never signed a Swedish collective bargaining agreement, instead being attached to a Latvian agreement, so the Swedish strike rules could not be applied to them. Damages were awarded to Laval un Partneri Ltd (Case nr A 268/04, 2009).

Few in Sweden seem to be in agreement as how to handle the question of collective bargaining for foreign companies even still today. Some fear that forcing foreign contractors to adhere to Swedish collective bargaining agreements will both threaten free mobility principles of the EU and disincentivize companies from coming to Sweden (SVT Nyheter, 2017).

## **6 Solutions and workarounds**

*Chapter six details some of the more high-profile solutions currently being undertaken to accommodate foreign contractors.*

### **6.1 Industry reactions**

While impressions may be that the construction industry is slow to react, industry interest organizations and the government of Sweden does recognize that there is a need to facilitate foreign contractors entering the Swedish market.

On site concerns are indeed being recognized, for example onsite safety with multiple contractors of multiple nationalities. Recently in an effort to curb accidents related to miscommunication the Swedish Construction Federation has launched a series of web-based safety courses available in in English and Polish (Sverigers Byggindustrier, 2018). Poland being a country where many foreign contractors visit Sweden from, with English being a common lingua franca. As a testament to the current sluggishness to react, these online courses were only launched in April of this year. Completion of the course will grant the participant with a certificate that they can then present to employers (Sverigers Byggindustrier, 2018).

In July 2017 the Government Offices of Sweden issued a statement recognizing that the current level of competition from foreign contractors in Sweden is too low. Sweden's National Board of Housing, Building and Planning has since been given the task of creating an English language website that compiles and explains Swedish construction regulations. Multiple national authorities have also been ordered to cooperate on this undertaking including the Swedish Public Employment Service, the Swedish Work Environment Authority, the Swedish Transport Administration, and numerous others. This project was slated to be completed within a year however as of yet no website is currently active (Regeringskansliet, 2017).

SABOs report from 2016 is further proof that Sweden is aware that many answers to the current construction crisis lay beyond its borders. Their proactive nature is a positive sign considering their size and influential nature in public procurement. Spearheading trade delegations to nations with companies that have expressed an interest in coming to Sweden is another initiative (SABO, 2016a).

## **6.2 Subcontractors instead of general contractors**

It appears that much of the focus of policymakers has been on helping Swedish companies procure foreign contractors in a subcontracting capacity. Sweden's Public Employment Service has warned that the lack of construction workers in Sweden is a threat to the current rate of construction. According to a recent study, 45 percent of construction employers interviewed answered that there was a lack of workers in their latest recruitment period (Arbetsförmedlingen, 2017). The government has expressed an interest in investing in trade schools and other initiatives to close the gap. Other suggestions like bolstering education have also been laid forth (Enochsson & Andersson, 2016). Due to the nature of these programs results from such initiatives will take some time to take effect. This however only serves to benefit local companies in their lack of manpower, and not foreign contractors in a leading role.

## **6.3 Success in the infrastructure sector**

Infrastructure is a section of the construction sector that has recognized the need for foreign contractors and has made great strides in bringing them to the Swedish market. By realizing the need to adapt to the changing market they have created a procurement structure that announces public tenders both in English and Sweden. These initiatives have proven to be greatly successful with over 10% of the Swedish Transport Administration projects being held by foreign contractors (Andersson, 2017). Not only is the Swedish Transport Administration heavily reliant on public procurement, but they have proven the feasibility of foreign contractors being a solution to the current lack of bids.



## 7 Result

*This chapter presents the results of the qualitative study including a series of four interviews with industry professionals that have experience with procuring and working with foreign contractors.*

### 7.1 Interviews

Interviews questions were formulated to gather the impressions from industry professionals what the presence of foreign contractors in Sweden looks like, as well as how the use of foreign contractors impacts the bidding process.

#### 7.1.1 Using foreign contractors

All respondents reported that the usage of foreign contractors was common practice both for their companies and elsewhere in the industry, however this was only in a subcontracting capacity. It was the pricing and availability of these contractors that was cited as the most common reason for using them. There was no justification for avoiding using foreign contractors unless there were issues with cost and accessibility.

The respondent from Skanska stated explicitly that subcontracting foreign contractors was necessary for them to complete certain projects, owing to the lack of other available contractors. These hired contractors would use their own equipment, whether they were specialty tools or simply the most basic equipment required for the job. Freedom of movement in the EU was specifically cited by other respondents as being a helpful factor when importing specialty machinery when needed.

As the tender administration for the public procurement of housing projects is often relegated to individual municipalities it is not unexpected that these smaller contractors find ample opportunity to sell their services as subcontractors. While still beneficial considering the acute manpower shortage in Sweden, this does very little to help these same contractors place bids on public tenders.

#### 7.1.2 Verifying skills

In regard to verifying the skills and competency of the foreign contractors three of the respondents could say that the task was up to their own organizations for the most part. Proof of education, preferably Swedish, was the main method of verification employed even to tender administration. Considering that the legal precedence for tender documents currently is to specify Swedish, this is not unexpected either.

Having recently won a public tender, Rover Alcisa could reveal that the organization administering their tender documents was very proactive in reviewing their team, even notifying Rover Alcisa of the certifications and specializations they wished to see proof of if they expected to be able to execute the tender. Solna Hus AB and Arcona AB mentioned that in most instances of using foreign contractors they cooperate with those that have gone some sort of Swedish education or certification process rather than reviewing the documents from their home countries.

### 7.1.3 Methods of procurement

Much like in other business sectors the importance of good references and previously demonstrated skills was important to all interviewees in regard to how foreign contractors suitability was evaluated.

Rover Alcisa's open tender is primarily infrastructure related, including numerous instances of specialty bridge building. Drawing from experiences abroad they intend to use Spanish bridge building specialists to complete their Swedish contract, simply because the contractors that are capable of executing such a project are in short supply in Sweden. This is something that is not only apparent to them, but also the tender administration.

### 7.1.4 Open tenders

The project manager from Rover Alcisa had the most to say about the process of approaching tenders and placing a bid. While praising the favorable market in Sweden at this time, the interviewee commented on several types of delays that were considered to be unnecessarily complicated. Most of which had to do with the bureaucratic nature of verifying that their own workers had the necessary skills to work in Sweden.

Solna Hus AB, the smallest of the 4 companies interviewed, revealed that they actively try to avoid open tenders, preferring to focus on private property development ventures. For the most part this is done due to a perceived difficulty in interpreting the Swedish Procurement Act and understanding the bid process. In discussions that reached outside of the interview questions it was made clear that Skanska, Rover Alcisa, and even Arcona AB have departments or sections of people who are versed in methods of competing for public tenders.

### 7.1.5 Efforts to make things easier

No respondents were aware of any initiatives underway to make things easier for procuring foreign contractors. The general impression was that if anything

was to be done, it was up to each and every individual company to find solutions. Issues with tax implications and the cost of construction were not considered to be obstacles however, it was said that costs may certainly be considered high compared the rest of Europe but the payoff was considered to be proportional. The main issue at hand was navigating construction regulations and laws, an issue compounded by the fact that none of which are available in English.

#### 7.1.6 Solutions offered by respondents

Out of all the interview questions, the one that saw the most diverse answers was number 9, an open-ended question asking the respondents what they thought could be done to make it things easier for foreign contractors. Rover Alcisa considered the lack of English tender documents to be a major issue preventing contractors from placing bids on open Swedish tenders. In fact, consultants are employed by them for the sole purpose of seeking out open tenders and then translating the tender documents. This corresponds with the SABO report from 2016 referenced earlier in this thesis.

Solna Hus AB wished to see an improvement in the general education of workers in Swedish construction methods rationalizing that this would increase the confidence that Swedish purchasers and tender administration would have in foreign contractors when procuring companies to execute projects.

Arcona AB reasoned that the due to the deeply ingrained traditions in the Swedish construction industry it is simply too hard for foreign contractors to find footing. Traditions in this case being the general business practices and construction methods currently considered standard practice in Sweden. Should public purchasers be open to alternative methods then there may not be such a resistance to outside contractors who can bring lessons and skills from their respective building cultures.

## 8 Analysis and discussion

*Chapter eight contains an analysis of how the qualitative study compares to the literature study. Points related to the problem statement will be raised here and paralleled with results from chapter six.*

### 8.1 Obstacles

It is apparent that for any company unfamiliar with the Swedish method of procurement placing a bid is reckless. While not insurmountable it is all too clear that much of the burden lays on the shoulders of those on their way in to Sweden.

#### 8.1.1 Lack of recognition

A prevailing theme during the course of the interviews has been the apparent lack of recognition that foreign contractors are getting for their skillsets by tender administration. This coupled with the general reluctance that many tender administrations may have to awarding contracts to foreign contractors has made placing bids on open tenders a very risky move for foreign contractors.

Rover Alcisa's situation is a prime example of why this is a considerable obstacle, even for such a large contractor with great resources. Despite Rover Alcisa being awarded the contract and clearly being a suitable contractor for the job, they are bogged down by the bureaucracy of proving the value of their workers by obtaining Swedish certifications. It is a cumbersome process that only serves to damage the confidence of contractors and purchasers alike.

#### 8.1.2 Obstacles from both literature study and interviews

Numerous problems with the current state of affairs identified during the literature study were validated by the interviews as being factors preventing foreign contractors placing bids, they are as follows.

- Awareness, no contractor interviewed was aware of any initiatives underway to accommodate foreign contractors bidding on public contracts. It is impossible to attract foreign bids if the eligible contractors are unaware of the demand.
- Language, the current status quo for public contracts in Sweden is that tender administration has been advised to specify Swedish as the only accepted bid document language.

- Timing and foreign verifications, as in the case of Rover Alcisa, their expertise and skillset is well suited to the awarded contract. Instead of being able to use their existing certifications, their skilled workers must instead obtain Swedish certifications. A seemingly redundant step.
- Policies too focused on facilitating subcontractors as opposed to general contractors.

## **8.2 Opportunities**

Sweden is experiencing a seemingly insatiable demand to build, a growing population and a construction sector struggling to keep up serves as the perfect backdrop for foreign contractors to claim a larger piece of the market.

### **8.2.1 Lack of bids**

It is hard to deny that the current construction climate isn't an excellent opportunity for foreign contractors. Lack of bids to open tenders are the perfect chance to move out from under the shadow of the Vaxholm Conflict and prove that foreign contractors are the solution that Sweden is looking for.

### **8.2.2 Need for specialists**

As noted during the interviews specialists are a common motive for subcontracting foreign contractors. Solna Hus AB's frankness regarding the perceived poor quality of work performed by newly graduated trade school students in Sweden lends credence to the mantra that there is no substitute for experience. While these subcontractors may certainly be hired to help a Swedish contractor complete a public tender, they do very little to increase the presence of bids on public tenders. It can be argued however that their use in any capacity strengthens the case that the current market is a promising opportunity for foreign contractors to prove that they have what Sweden needs right now.

An additional key takeaway is the need for some sort of fast-track credential reviewing system. Large contractors are practically penalized for bringing their specialists as in Rover Alcisa's case, it is like a speed-bump in a very time sensitive industry.

### **8.2.3 Expertise**

It was apparent that most respondents were satisfied with the quality of work being performed by foreign contractors, with the exception of Solna Hus AB. Nor was it considered odd or unusual to procure foreign subcontractors in order to complete projects in the current climate. With that being said, it

should not be too much of a jump to assume that these same foreign contractors are also worthy competitors to public tenders, considering their successes as subcontractors to Swedish companies.

Even the Swedish respondents were wary of the LOU citing its confusing nature and many different rules. For that reason, it should be no surprise that the foreign contractors are even less likely to seek out public tenders. What's lacking is clearly not quality or skills, but a framework for submitting bids to public tenders that is intuitive even for foreign contractors.

## 9 Conclusion

*Closing notes and suggestions for future initiatives to accommodate foreign bidding.*

### 9.1 Final remarks

It is apparent that foreign contractors are often the go-to solution when considering price, availability, and skill as subcontractors. These same prices, skills, and availability are in short supply in Sweden and considering the current need for construction could be allocated to public tenders. The reason why there are so few foreign contractors placing bids is simply because there are so few foreign contractors established in Sweden, not because they are too scared or confused to place bids.

While there is no obligation for the tender administration of public contracts to provide complete English tender documents, the lack in doing so is indicative of an ambivalence to their presence. This is only strengthened by the fact that none of the interviewed respondents were aware of any initiatives underway to make procurement of foreign contractors easier. Why more isn't being done has become the proverbial elephant in the room.

There are multiple government authorities appointed to monitor, supervise, and give advice on public and private procurement alike. Yet initiatives to bolster foreign contractors currently underway seem to only focus of facilitating subcontracting. Efforts to facilitate subcontractors are misguided despite having good

More trade delegations like those spearheaded by SABO are needed. While this may look like literal hand holding it is obvious that this is what it is going to take for now. The effort required for a foreign company to seek out these public tenders in Sweden, translate them to their own language, make estimates, and then submit a bid is significant. Considering the risk and money that this requires it should not come as a shock that there are so few big foreign contractors interested in establishing themselves in Sweden.

Initiatives currently being made are unimpressive to say the least. For tender administration, the best thing that can be done going forward is to produce more English tender documents. Considering the amount of translating required it is certainly no easy task, even harder when one takes into account that the National Board of Housing, Planning and Building has yet to finish their English website explaining building regulations.

## 9.2 Solutions moving forward

With that being said, the growing recognition and attempted initiatives are signs of an important thawing in the relationship between today's norms in the Swedish construction sector and the entrance of foreign contractors.

Unfortunately, the situation today does not seem to be one of great change.

With the absence of any coordinated effort on the behalf of Swedish policymakers, little progress can be expected in the immediate future.

Suggested solutions going forward:

- The best course of action would be to emulate the Swedish Transport Administrations initiatives. More English tender documents would be a great leap forward. Tender administrations must work harder to accommodate foreign bidders, even if they don't necessarily have to according to EU regulations.
- Fast-track programs verifying foreign certifications and skills. In an industry where time is literally money, streamlining certification equivalencies would do away with a great burden.
- Stir interest with the help of trade delegations and other promotional initiatives to countries that have the skills Sweden needs.
- English everything. Training, tenders, regulations, guides, etc. With no means of communicating in Sweden it is unlikely that any foreign company would take the risk entering the Swedish market.
- Boost government support, a concentrated policy shift in change is sorely needed.



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## 11 Appendix

<b>Part</b>	<b>A</b>	Interview questions
<b>Part</b>	<b>B</b>	Interview response Rover Alcisa
<b>Part</b>	<b>C</b>	Interview response Solna Hus AB
<b>Part</b>	<b>D</b>	Interview response Arcona AB
<b>Part</b>	<b>E</b>	Interview response Skanska AB

## Part A

1. Does your company make use of foreign construction workers, why or why not? Which type of work does your company procure foreign workers for?

*Använder ni utländsk byggarbetare, varför eller varför inte? Vilka sorters jobb använder ni utländska byggarbetare till?*

2. How do you ensure that your foreign contractors have the following?:  
*Hur försäkras ni att arbetarna har följande?:*
  - a. Competence and knowledge (*Rätt kompetens och kunskap*)
  - b. Quality of work meets Swedish standards (*arbete uppfyller svenskas standarder*)
  - c. Able to communicate - Language (*Kan kommunicera med avseende på språk*)
  - d. Health and safety knowledge? (*Kännedom om arbetsmiljöregler och säkerhet*)

When are these requirements specified? (pre or during procurement)  
*(Och när ställer ni dessa krav? Innan eller under upphandling?)*

3. Do these foreign construction workers use their own equipment (machinery, tools, vehicles)? Or from Sweden? Why? *Använder de utländska byggarbetena utrustning från deras hemland eller Sverige? Varför?*
4. Have any changes to the following helped make procuring foreign labor easier or more difficult? *Har det skett några ändringar inom följande punkter som har gjort att det har blivit lättare/svårare att upphandla utländskt arbetskraft?*

General legislation (Generell lagstiftning)

Industry specific regulations (Branschspecifika regler)

The general state of the construction market (marknadsförutsättningar)

Tax laws (Skatteregler)

5. How do you procure foreign workers? *Hur upphandlar ni utländskt arbetskraft?*

6. When your company places a bid on a tender, is it open to all within the EU?  
*Ingår utländskt arbetskraft i förfrågningsunderlaget när ni lämnar anbud?*
7. Does the bid process look any different when planning to use foreign labor as opposed to using only Swedish labor? utländska entreprenörer ska kunna tävla på lika villkor  
*Ser anbudsprocessen annorlunda ut när man tänker använder utländskt arbetskraft jämfört med enbart svensk arbetskraft?*
8. Is the well-being of foreign workers considered in bid documents? For example: accommodation, health insurance, working hours, collective wages. *Tar man hänsyn till byggnadsarbetenas välbefinnande i anbuds/förfrågningsunderlaget? T.ex: boende, försäkring, loner.*
9. What do you think can be done in order to make procuring foreign labor easier?  
*Vad tycker du kan göras för att underlätta upphandlande av utländskt arbetskraft?*

## Part B

Date: March 23<sup>rd</sup> 2018

Location: Rover Alcisa office at Odenplan in Stockholm, Sweden

Method: In person interview

1. We work with a lot of local subcontractors however we have bridge specialist from Spain. You consider pricing and expertise mostly when picking a subcontractor. If the expertise isn't here then we'll get it from where we know it is.
2. Admin (Trafikverket, client) local Admin that has issued the tender looks at the bidders qualifications and says whats missing. It's never a question of whether or not our workers (Spanish) are qualified or not. We just have to get the correct papers from Swedish authorities, certifications.

Requirements are specified during the tendering process.

3. Spanish specialists will probably use their own equipment, if they can't get what's available in Sweden. Otherwise freight and transport isn't an issue in the EU. Its mostly just convenience. Example: excavators.
4. Nothing noticeable at least. It's a favorable market however.
5. Through connections and previous experience.
6. Yes, the tender was open to any country in the EU given that they pass pre qualification. Pre qualification is mostly just the admin checking that your company has the capacity to complete the contract and have done so with similarly scaled projects in the past. We have consultants, an international development team that searches for foreign tenders when we need it.
7. No not really. We just have to look everything up ourselves because none of the tender documents were in English. An English translating company had to do it on our behalf which is how we usually do it when we look for foreign contracts. We even have a private Swedish teacher teaching our people Swedish. On site English is the main communication language however, we hire Swedish consultants.



8. No, not at all. Never. Admin would have no means of evaluating the well-being of the workers. If people were mistreated then their reputation would be damaged and they'd have a hard time winning future tenders.
9. English tender documents! The need to get new certifications for all the workers in Sweden is an unnecessary extra step for us. There are certain certifications which exist in Spain too, but some are just uniquely Swedish.

## Part C

Date: May 8<sup>th</sup> 2018

Location: Stockholm, Sweden

Method: Telephone interview

1. Yes but not for any reason in particular. It has to do with pricing and availability mostly. We've hired foreign construction workers for regular carpentry and general work.
2. We have to check ourselves and rely on references. We don't use them for specialized work though so there's not much to check.
3. If they have their own stuff with them then of course they use that. Otherwise they use what we have.
4. Not really, I would say that the schools do help but the quality of students coming directly from school aren't very good in my experience.
5. Usually we have to rely on the suggestions and references from other companies that we cooperate with. Otherwise its hard for us to know who does good work and who doesn't.
6. N/A
7. We don't go for any LOU tenders, there are too many rules and it's easier to just do private projects.
8. Of course we don't want any of workers to be feeling bad, but there isn't much we can do outside of work. It's not a part of any contracts.
9. I think that we need to increase the quality of education for both Swedish and foreign workers. It would make things easier for us since then we could feel much more confident with our hires. It's too hard otherwise for us to assume what the quality of their work is like.

## Part D

Date: May 9<sup>th</sup> 2018

Location: Stockholm, Sweden

Method: Email correspondence

1. Vi använder utländsk arbetskraft i bl.a. stommar glasfasader. Då är företaget från ett Eu land. Priserna är mycket bättre än svenska priser. Kvalitén är lika då de använder Eurocodes.

På mindre byggen används ofta svenskregistrerade företag men de har arbetare från olika Eu länder. Tex stomkomplettering, golvläggning

Nästan alla installatörer är svenska

2.
  - a) utbildningsbevis eller liknande.
  - b) AMA koder förklarade i text, genomgång på arbetsplatsen, arbetsberedningar
  - c) Ledande Montör, Lagbas eller arbetsledare ska kunna Svenska eller Engelska.
  - d) Inskrivningsregler/reglerna för arbetsplatsen är skrivna på olika språk, tex Ryska, Polska, Albanska mm

Kraven ställs i kontrakt med underentreprenören.

3. Lätta maskiner, tex handverktyg skruvdragare är deras egna. I övrigt hyr de maskiner av svenska hyresbolag. Att transportera större maskiner är inte lönsamt.

4.
  - a) EU är en stor faktor till arbetskraft.
  - b) Eurocodes arbetas det hårdare med inom byggsektorn.
  - c) Vet ej
  - d) Vet ej, Vi reglerar i kontrakt och innan inköp att de uppfyller kraven som svenska regler säger.

5. Ibland via LOU, ibland för att vi vet vad de levererar

6. Vet ej, Ligger i ramarna för LOU. (sitter inte på inköp.)

7. Nej Lika vilkor. Annars kommer inte ekonomin stämma.

8. Ja, Vi vill inte ha en arbetare som inte trivs på arbetet.
9. Vi är väldigt traditionella i vårt byggande i Sverige.  
Om Arkitekterna skulle våga föreskriva nya byggsätt och material, helt enkelt våga mer då skulle vi vara tvungna att leta utomlands efter rätt kompetens. Denna fråga är ett projekt arbete i sig, AMA,PBL,mm ;)

## Part E

Date: March 2018

Location: Stockholm, Sweden

Method: Email correspondence

1. Yes, our company is procuring international construction companies. It is not something new in industry generally. Generally, main reasons are as usually – there is always competition in following 3 factors : prize, skills and quality in construction industry. Nowadays there are many international companies that can deliver all 3 factors in the way which is not lower then local Swedish companies can deliver. Of course, you can also win in terms of costs. Especially in the current market situation in building industry – there are simply no local (manpower) recourse to realize all coming projects. Regarding “why not” – I shall say that there is only commentary “evaluation of risks” we can have. So basically there are no limitations to specific areas for international companies. There are only management and evaluation of time you shall invest in international companies to be sure, that specific work will be realized according to local regulations (standards), as well as control if the company can proceed with this scope of work, so that it is not something new for them.

Regarding which type or works we are procuring mostly – I shall say that top areas for us are following :

- a. Load bearing structure (slabs, columns – concrete + steel structures)
- b. Façade part (glass-facades, frames)
- c. Installations (el, vs, vent)
- d. Final works (for example flooring works – wooden floor etc.)