CONSTRUCTION INDUSTRY FEDERATION

BUDGET 2025 SUBMISSION

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Foreword

WE ARE PLEASED TO PUBLISH THE CONSTRUCTION INDUSTRY FEDERATION’S BUDGET 2025 SUBMISSION.

The Construction Industry Federation is the largest and longest-established membership organisation representing the construction sector in Ireland.

We represent construction companies of all sizes from a broad spectrum of areas including main contracting, home building, civil engineering, mechanical and electrical, specialist contractors and offsite construction.

As the voice of the construction sector in Ireland, we have a strong legacy of articulating industry insights and of partnering with Government and other stakeholders for the advancement of Ireland's built environment, economy and society.

Our 2025 budget submission sets out the construction industry's recommendations under four key themes:

- Infrastructure and regional development
- Housing and planning
- Green and digital transition
- Cultivating people, skills and capacity

These four interrelated themes contain a detailed outline of pragmatic recommendations drawn from the frontline experience of construction leadership in Ireland in their work to build homes, infrastructure and green initiatives. The policy measures we propose aim to remove blockages, increase efficiency and boost innovation to stimulate greater construction activity for the benefit of the state and consumers.

Ireland is experiencing a period of unprecedented and rapid population growth. As stated by the ESRI, the population is expected to reach over 6.106 million people by 2040. The draft revision of the National Planning Framework has recently projected an annual housing demand of 50,000 additional homes a year.

This year, the National Competitiveness and Productivity Council warned that the country's slow delivery of housing and infrastructure could harm our global competitiveness.

Ireland's prosperity as a nation depends on the essential development of balanced, quality infrastructure across such areas as water, energy, roads and transport, to ensure that the economy can maintain its competitiveness and that a surge in housing supply can take place successfully. All of this can only be achieved with an effective planning system, alongside a clear pipeline of work to allow the industry to scale up and invest in resources.

The Government's commitment to delivering on the National Development Plan is key to Ireland's ability to maintain sustainable economic growth and to progress as a successful player within the European and global landscape.

Overall construction investment in Ireland is forecast to increase by 3.9% in 2024. Residential, non-residential, and civil engineering sectors will continue to expand during 2025. It is in the country's interest to have a strong construction industry, with a stable cost base, that can provide an engine for economic growth.

Our members are ambitious about the contribution they can make in delivering for Ireland's growing population. And they are committed to playing their role in delivering world-class infrastructure, housing and green transformation, as Ireland evolves.

Budget 2025 provides a critical opportunity to take decisive action and to bravely forge a new path for Ireland's built environment, as a vital enabler of economic health and societal wellbeing. We strongly urge the Government to commit the investment necessary to develop infrastructure fitting to support our growing nation for decades to come. Investing now will reap immense dividends, setting Ireland on a sustainable economic footing and providing stability and hope for those striving to build a life in Ireland.

We look forward to engaging with you in advance of Budget 2025 and thank you for your consideration of this submission.

Joe Conway
President

Hubert Fitzpatrick
Director General

EXECUTIVE SUMMARY

The CIF calls for an expansionary Budget in 2025 to support Government's competing policy choices in the year ahead, in the context of Europe's twin green and digital transitions and growing geopolitical and economic instability.

The construction industry will be a thriving and innovative partner responsible for successfully delivering on many of these future policies to ensure sustainable growth and wellbeing.

The construction industry has never been as important to the Irish economy as it currently is. It will play a central role in delivering on the substantial state-backed investment plans to address Ireland's housing needs, critical infrastructure requirements and climate change targets over the next two decades.

Ireland continues to rank among the most competitive economies globally, with this year's ranking the second year Ireland has ranked in the Top 5 economies according to the National Competitiveness and Productivity Council (June 2024)[1]. However, the most glaring competitiveness deficit remains Ireland's Infrastructure performance (17th), in particular its performance under Basic Infrastructure where Ireland is ranked at 38th (down from 29th in 2023).

Ireland's economy has remained resilient despite the level of global uncertainty and high inflation that has existed in recent years. Employment levels are at an all-time high, though labour and skills shortages exist across many sectors, including construction.

The Summer Economic Statement 2024[2] stated that the economy is facing into a period of slower growth, brought on partly by a slowdown in the growth of labour supply and productivity. Ireland must also navigate a set of structural changes namely demographic change, decarbonisation, digitalisation and deglobalisation.

Hyperinflation in many building and construction materials in recent years, as well as fuel, has put a strain on the cost of delivering some of the infrastructure projects in the National Development Plan (NDP), as capital budgets are pre-determined. The commercial viability of many residential schemes has also been challenged by this hyperinflationary cycle. Though easing, the duration of inflation and rising prices remains somewhat uncertain. Slow economic growth and diverging levels of inflation across European Member States is a reality for the European Commission and EU Member States.

Even so, tax revenue remains strong, with an overall budget surplus of €8.3 billion in 2023, providing resources to improve public services and deliver connected infrastructure. FDI continues to play a critical role in Ireland's economy with €13 billion invested in Greenfield development in 2022 according to a recent CSO publication. This reflects both investment in new FDI enterprises and new capital injections into existing enterprises.

Modified Domestic Demand is forecast to grow by 1.9% and 2.3% in 2024 and 2025 respectively. However, private consumption and total investment are forecast to weaken over the medium term, which precipitates pressure on existing services and infrastructure. For economic growth to be sustained, then investment momentum must be supported.

1 'Ireland's Competitiveness Challenge 2024 Report', National Competitiveness and Productivity Council, (July 2024), https://www.competitiveness.ie/media/d2nhry3o/icc_2024_final_version.pdf

2 Summer Economic Statement, Department of Finance, (July 2024), https://www.gov.ie/en/publication/ee21b-summer-economic-statement-2024/

We must continue to invest in Budget 2025 because Ireland is facing many significant long-term challenges, including:

- A housing shortage and a congested planning system.
- Affordable clean energy, water, and wastewater.
- Facilitating the opportunities for green and digital transition.
- Active labour market integration and upskilling.
- An ageing population.
- Growing the circular economy; and
- Development and retrofit of climate resilient physical infrastructure.

At a minimum, Irish society needs the construction industry to deliver 50,000+ housing units annually from now until 2050. Our cities, provincial towns and regional communities require Irish construction companies to deliver billions of investments in critical infrastructure under the National Development Plan to drive economic growth.

National Accounts show that Gross Value Added in construction reached €11.7 billion in 2023, bringing the sector back in line with its pre-pandemic trend. Gross Fixed Capital Formation investment reached €31.5 billion in current prices in 2023. Overall construction investment in Ireland is forecast to increase by over 3.9% in 2024 and 5.7% in 2025 according to EY/Euroconstruct.

Unprecedented demographic growth and an ageing population will mean that Ireland's demand for investment in critical infrastructure will reach beyond the existing capital ceilings, especially in water services, housing and health.

Government is familiar with the current capacity constraints of key portfolios including housing, energy, transport, health, and education.

Since the *National Planning Framework and National Development Plan* were published in 2018, Ireland has begun to increase its share of infrastructure investment as a percentage share of GNI*, bringing Ireland into closer alignment with the European average for infrastructure investment.

Construction is at its most effective by assisting other parts of the economy to function more productively – by providing the transport, water and wastewater infrastructure which homes, schools, hospitals, offices and other amenities require to function effectively.

The ESRI's recent publication 'Population Projections, the Flow of New Households and Structural Housing Demand' (July 2024)[3] finds that in the baseline population scenario, the population is expected to increase by 922k between 2022 and 2040, resulting in a total population of over 6.106 million people by the end of the period. Over the 20-year period 2001 to 2021, the population in Ireland grew by 30.3 per cent compared to population growth of just 4.1 per cent in the EU27 (as a block).

We urge Government to bravely lead Ireland in responding to these challenges by pursuing an expansionary Budget 2025 to support infrastructural development, to maintain jobs and foreign direct investment, enable innovation and productivity, and sustain strong economic growth.

Coordinated public policy, in partnership with industry, has the potential to address competing demographic, environmental, social, and economic demands for the betterment of all present and future stakeholders in Irish society.

3 'Population Projections, the Flow of New Households and Structural Housing Demand', ESRI, (July 2024), https://www.esri.ie/system/files/publications/RS190.pdf

Summary Recommendations

The CIF Budget 2025 Submission sets out the construction industry's recommendations under four key themes:

THEME 1

Infrastructure and Regional Development

THEME 2

Housing and Planning

THEME 3

Green and Digital Transition

THEME 4

Cultivating People, Skills and Capacity

THEME 1

Infrastructure and Regional Development

1. Investment in Construction and Operation of Water and Waste-Water Infrastructure - Uisce Éireann must be given better budget certainty through a simpler governance process that guarantees multiannual budgets, while also ring-fencing capital and maintenance investment in Ireland's water and wastewater infrastructure
2. Support for transport infrastructure projects
3. Ensure a plan-led approach to the delivery of infrastructure
4. Accelerate the delivery of NDP projects
5. Address capacity constraints across Local Authorities, Procurement Authorities and An Bord Pleanála
6. Address Regional Imbalances
7. Establish an Independent Infrastructural Commission
8. Establish a Department of the Built Environment
9. Provision of an adequate project pipeline to support the development of the 3D Modular Industry
10. Promote Regional Development through Off-site Construction
11. Develop a testing facility for construction
12. Increase capital and financial incentives to support the MMC Industry
13. Fully fund and resource the Building Standards Regulator to oversee building control nationwide and act as a custodian of the Building Control Management System
14. Support the NSAI Agrément Service
15. Resource the OGP to make the necessary procurement and contractual changes to enable greater facilitation of Modern Methods of Construction
16. Develop an effective commercial model to support the operation and maintenance of Ireland's water and wastewater infrastructure

THEME 2

Housing and Planning

1. Allocation of Funding to Infrastructure Delivery & Capital Projects
2. Infrastructure & Planning for the Future
3. Reform the Residential Zoned Land Tax
4. Reduction in Soft Costs - Extension of the Development Contribution Scheme Waiver & Uisce Eireann New Connection Rebate
5. Regulatory Impact Cost Assessment of all future regulatory or taxation measures
6. Taxation Incentives for Development of Brownfield Sites
7. Reduce VAT on the Sale of New Apartments
8. Deduction on PAYE over eligible expenditure on apartment costs
9. Reduce VAT on Housing to 9%
10. Help to Buy Scheme for the Older Generation
11. Measures to Support First Time Buyers
12. Construction Capacity - Increase Resources to the Planning System, Local Authorities & The Judiciary
13. Establish an efficient online planning portal
14. Rental Income to be treated as a Separate Tax Class
15. Encourage conversion of commercial to residential
16. Allocate funding towards data collection and maintenance
17. Review policies and taxation measures which penalise land assembly
18. Increase in Inheritance Tax Bands
19. Fund the Standardisation of Design in relation to Housing
20. Expand the Accelerated Delivery Programme for Housing
21. VAT recoverability on acquisition of older buildings (for refurbishment on onward sale) and possibility of VAT credit on the acquisition costs to incentivise refurbishment
22. Application of RCT to private individuals engaging contractors and sub-contractors to build private one-off houses.

THEME 3

Green and Digital Transition

1. Proposed C&D Waste Levy on Soil & Stone – apply zero rate levy for period of 2 years
2. Allow the construction industry to become part of the circular economy
3. HVO: Amend policy to allow the construction sector to avail of the full Renewable Transport Fuel Obligation (RTFO) rate, aligning the price with white HVO used in transport
4. Benefit-in-Kind on Electric Vehicles: Defer the tapering of BIK reliefs on electric vehicles beyond 2030
5. Crew Cab Vehicles
6. Sustainable Business Support Grants for all of industry
7. Mobile Crusher Permitting on Demolition Sites
8. Introduce an Accelerated Capital Allowance for new and Sustainable Construction Machinery and Equipment.
9. Capital investment in the Biomethane AD industry
10. Incentives for Low Carbon Products & associated R&D
11. Promote the use of Off-Site technologies in Irish Construction
12. Establish 3rd Level Training in the use of Timber as a Structural Element

THEME 4

Cultivating People, Skills and Capacity

1. Protect the SEO process, including amending legislation if necessary
2. Implement National Training Fund Advisory Group recommendations
3. Funding for off-the job training for both craft and consortium led apprenticeships
4. Sufficiently resource the transition to a Single Integrated System for Apprenticeship
5. Apprentices should be exempt from the national minimum wage
6. Further fund the Careers in Construction Campaign to ensure skills are available to meet the requirements of National Development Plan and the European Green Deal
7. Fund the availability of technical subjects to all schools at second level
8. Fund supports to implement digital technologies that enhance the productivity of the sector
9. Fund the recommendations outlined in the report from the Expert Group on Future Skills Needs on MMC Skills
10. Removal of Contribution Fee for Apprentices in phases 2 and 4
11. Reinstatement of the Apprenticeship Incentivisation Scheme
12. Introduction of a Cap of the Redundancy Entitlements
13. Recruiting instructors for apprenticeships
14. Fund a long-term plan to ensure sufficient training places remain available to apprentices and to avoid future back-logs
15. Developing a mechanism for payment to individuals on traineeships
16. Review changes to the CGT Retirement Relief for Family Businesses

BUDGET 2025 RECOMMENDATIONS

THEME 1

Infrastructure and Regional Development

RECOMMENDATION 1

Investment in Construction and Operation of Water and Waste-Water Infrastructure. Uisce Éireann must be given better budget certainty through a simpler governance process that guarantees multiannual budgets, while also ring-fencing capital and maintenance investment in Ireland's water and wastewater infrastructure

Dialogue and Engagement

CIF welcomes the continued and strengthening partnership between Uisce Éireann (UE), The Water Services Operators Group (WSOG) and the industry in general. There is now a robust and resilient structure of engagement, which supports accessibility and open channels of communication. This is evident through the establishment of forums with the Civil Engineering Contractors Association (CECA), WSOG and the Development Services Group along with key points of contact. These formal structures alongside ongoing communication help to identify and understand the challenges and solutions that face both UE and the infrastructural and development industry.

Summary of Key Concerns for the Industry

The industry is now very concerned with the projected levels of capital budget allocations to Uisce Éireann which will not be adequate to address population growth, housing and FDI. In 2024, CIF members are seeing their projects cancelled, curtailed and/or delayed across a swathe of Uisce Éireann investment programs. The budget cuts are now leading to job losses and the failure to follow through on the delivery of much needed infrastructure for housing. CIF members are telling us that they are now strongly realigning their order books to other clients, who have stronger and more certain pipeline for work both in Ireland and internationally.

Industry has a pivotal role to play in providing essential resources and skills to support Uisce Éireann in the safe operation of treatment plants and in accordance with EPA parameters after Uisce Éireann has taken them "back in charge". CIF is calling on Uisce Éireann to adopt a pragmatic technical and commercial approach to the "taking in charge" of treatment plants by leveraging industry expertise gained over a quarter of century of operating many of Ireland water and wastewater infrastructures.

Further details of industry concerns relating to infrastructural delivery and operational activities are set out below:

1.1 Infrastructure Delivery and the Capital Pipeline:

The certainty and visibility of Uisce Éireann's Pipeline of projects is very important for supporting effective business planning, investment and allocation of scare resources by contractors and operators. Contractors are now beginning to lay off workers due to the unexpected drop in UE investment and are already realigning their order books to other clients. This will impact on FDI, commercial activity and housing delivery in Dublin and across the country.

The Government underpins housing delivery by providing:

- **a)** A commitment to providing UE with adequate levels of Multiannual Budgets to reduce uncertainty for the industry
- **b)** Reform of the Department of Expenditure, NDP and Reform's budget allocation mechanism so that investment is allocated directly to Uisce Éireann based on plan led development.
- **c)** Ringfenced capital funding for critical and ongoing water and waste-water infrastructure projects.
- **d)** A separate budgetary process for operational maintenance and upkeep works like leakage reduction, which is segregated from UE main capital and operational delivery budget.

While recognising the strong engagement from UÉ, unfortunately the ongoing budget uncertainty this year is leading to a reduction in the volume of work. This is having a significant detrimental effect on the ability of contractors to retain talent and plan their resources. The uncertainty risks undermining regional economic activity, employment and job growth. This will impact the delivery of housing schemes in Dublin and regionally in areas like Foynes, Mallow and New Doolough.

CIF members have geared up their resources with the expectation that UÉ will increase their budget year on year up to 2026; but this no longer appears to be the case. CIF members are now genuinely nervous about the continuity of investment by Uisce Éireann with a growing number of projects being paused or cancelled. CIF members are now strategically assessing their order books to ensure a sustainable pipeline of work with clients providing greater certainty around their capital budgets. This will further undermine Housing commencements and FDI investment because of delays and uncertainty.

Action:
UE must be given better budget certainty through a simpler governance process that guarantees multiannual budgets, while also ring-fencing capital and maintenance investment in Ireland water and waster-water infrastructure.

RECOMMENDATION 2

Support for transport infrastructure projects

Ensure that capital investment in the NDP (for NTA/TII/Irish Rail) transport infrastructural projects is allocated with the necessary levels of funding to support the roll out of active travel, rails, metro and bus connects to meet the needs of increased population, housing for all, climate action and FDI investment.

RECOMMENDATION 3

Ensure there is a plan-led approach to the delivery of infrastructure

A significant deficit in regional infrastructure from water to wastewater services, and from roads to rail, is impacting the ability of the regions to grow and become an economic counterbalance to Dublin, as envisaged by the NPF. A modern, dynamic, and competitive economy needs a plan led approach to infrastructure.

It is essential to Ireland's success that energy, water, broadband, public transport, schools, hospitals, ports and roads infrastructure, through effective and efficient planning, are provided in a balanced but targeted regional basis, and under-pinned by a delivery model that is built on the principle of putting the necessary infrastructure in first.

RECOMMENDATION 4

Accelerate the delivery of NDP projects

Accelerate the delivery of NDP projects. The industry can meet increased investment capacity. A recent CIF survey of its members show that 72% of them either do not tender for public works or engage a very low level with public works.

The industry will respond if the Government commits to accelerating investment in the NDP. The data shows this to be the case, for example, since 2011 non-residential industry output has increased by 98% in productive value and 60% by volume. Between 2020 (pre-Covid) and 2023, employment has risen by 18%.

RECOMMENDATION 5

Address capacity constraints across Local Authorities, Procurement Authorities and An Bord Pleanála

Address existing capacity constraints across Local Authorities, Regional Authorities and An Bord Pleanála – essential actors in the delivery of infrastructure. Planning at the local and regional level has a considerable impact on the progress of infrastructure plans.

The contracting environment has given rise to a reduced appetite for involvement in public procurement and an adversarial nature which forces contractors to focus on contract management rather than project delivery. It is in the country's interest to have a strong construction industry that can provide an engine for economic growth.

Counter cyclical investment, the NDP, procurement reform and the ongoing planning and design of critical infrastructure is essential to building a strong visible pipeline of work for the industry. This creates confidence in the future and certainty, which are critical factors supporting construction companies to invest in their people, technology, and processes. A recent EU report into Public Procurement recommends making public contracts more attractive to construction contractors to encourage more contractors to be willing, able, and motivated to bid for and to deliver successful public sector contracts.

Collaborative working relationships can lead to the delivery of more successful outcomes for all the parties involved in public capital projects and we look forward to working with the Office of Government Procurement on their reform agenda.

RECOMMENDATION 6

Address Regional Imbalances

The Northern & Western Region is suffering continued population decline, lower disposal income levels and an ever-increasing disparity in infrastructural investment. We therefore suggest that the Government addresses this imbalance by supporting infrastructural investment in the Northern & Western Region. It must also ensure that all state agencies have the necessary finances and resources to immediately address regional infrastructural deficits.

RECOMMENDATION 7

Establish an Independent Infrastructural Commission

The delivery of the state's infrastructure has been sporadic at best, therefore we need to change how we prioritise, plan and deliver our infrastructure. The industry suggests that the Government establishes an independent Infrastructural Commission, like in the UK and other Commonwealth countries. The commission would consist of industry experts that would prioritise, design, plan, procure and manage the delivery of all state infrastructure. The commission would report to the Government of the day, and while the Government may change, the commission would remain in place to advise the new Government, thus ensuring a consistent approach to the delivery of all state infrastructure.

RECOMMENDATION 8

Establish a Department of the Built Environment

The turnover in the Irish construction industry exceeds that of agriculture, forestry and fishing combined, yet we do not have a dedicated department for the industry to address the scale and complexity of the industry. We therefore suggest that the Government establish a Department of the Built Environment that would operate like the Department of Agriculture, Food and the Marine.

RECOMMENDATION 9

Provision of Adequate Project Pipeline to Support the Development of the 3D Modular Industry

For the 3D modular construction industry to reach economies of scale, it is imperative that manufacturers are provided with sufficient pipeline to develop their processes, invest in innovation, and grow their workforce. Without this pipeline, Ireland will be unable to grow its 3D indigenous Irish sector at a point in time when investment is crucial for development. Indeed, failure to provide sufficient pipeline will ultimately result in the collapse of these companies, particularly SME's due to the large capital outlay required to enter into the 3D sector.

Request budgetary measures to assist with the stop-start nature of public procurement in areas where the outlay is certain in the form of multi annual budgets. This would benefit the entire industry but would particularly assist with the growth of 3D manufacturing. In circumstances where 3D is the most advantageous form of construction, this would provide a baseline level of certainty that would allow manufacturers to plan and grow. This has the potential for better value for money for the taxpayer as the consistent throughput in a manufacturing facility provides economies of scale, which can result in lower costs.

RECOMMENDATION 10

Promote Regional Development through Off-site Construction

Most off-site manufacturing facilities are located outside of the urban centres; however, generally close to the regional motorway network. By incentivising off-site construction through use of a sufficient percentage of Pre-Manufacture Value (PMV) in tender criteria and / or mandating that a percentage of construction is undertaken using MMC methods on public projects such as has taken place in the UK, it would allow for the further development of manufacturing facilities which will in turn create jobs in regional areas where these factories are located. This supports the National Development Plan (NDP) in relation to regional employment and partially towards meeting sustainability requirements. Also, by facilitating workers to secure employment close to their homes, it strengthens regional communities and alleviates the strain on high pressure rental zones.

RECOMMENDATION 11

Develop a Testing Facility for Construction

To prevent the stifling of innovation in the construction sector it is of importance that the Republic of Ireland has its own testing facilities that provides durability, acoustic, thermal, structural, fire and moisture testing. Great strides have been taken by Government towards the modernisation of sector through the establishment of Build Digital and Construct Innovate; however, the lack of testing facilities is slowing down the innovation process. This service is one of the keystones to the development of the industry which can work in tandem with the work being done by Construct Innovate.

RECOMMENDATION 12

Increase capital and financial incentives to support the MMC Industry

The 'Roadmap for increased adoption of Modern Method of Construction in Public Housing delivery'[4] specifically highlights two schemes available to all companies but also the MMC Industry. These schemes include: the Growth and Sustainability Loan Scheme (GSLS) and the and the Ukraine Credit Guarantee Scheme (UCGS). While there is merit in these schemes, in many circumstances they are not of adequate value to facilitate the level of funding necessary to develop an off-site manufacturing facility. The Irish Strategic Investment Fund could develop a proposal specifically aimed at this sector with the social objectives of increasing the productivity of the Irish construction industry, the growth of an offsite worldclass industry and regional development.

RECOMMENDATION 13

Fully fund and resource the Building Standards Regulator to oversee building control nationwide and act as a custodian of the Building Control Management System

The CIF welcomes a fully funded, resourced and independent Building Standards Regulator to oversee building control nationwide and to act as custodian of the Building Control Management System including being a body of final judgment on building control matters. It is critically important that this body can support Building Control Authorities in providing the services that fall under their remit, particularly in relation to inspections, inspectors and the National Building Control Management ICT System. There needs to be more inspectors that engage earlier and more regularly on construction sites. Furthermore, there must be a national training programme and competence standard amongst all inspectors to ensure consistent application of building control so that inspectors understand clearly the roles of the architect, designer, builder, contractor and the statutory roles under BCAR. A fully funded and resourced regulator must be capable of providing construction companies with a clear and consistent understanding of what is expected from them under Building Control across also Local Authorities/Building Control Authorities. The funds must urgently be made available for a significant upgrading and ongoing maintenance of the ICT underpinning the Building Control Management Office and system.

4 'Roadmap for increased adoption of Modern Method of Construction in Public Housing delivery', Department of Housing, Local Government & Heritage and Department of Enterprise, Trade & Employment, (July 2023), https://www.gov.ie/en/publication/414cd-roadmap-for-increased-adoption-of-mmc-in-public-housing-delivery/

RECOMMENDATION 14

Support the NSAI Agrément Service

Increasingly it is being reported that contracting authorities are requesting NSAI Agrément certification in tender award criteria resulting in a growth in the number of applications. In order to prevent a backlog, it is of major importance that the NSAI Agrément service is fully resourced in the immediate term to prevent a backlog. Industry recognises that great efforts have been made by NSAI Agrément to support the industry. With greater resources, NSAI can increasingly become an important catalyst in the transformation of the Irish Construction Sector.

RECOMMENDATION 15

Resource the OGP to make the necessary procurement and contractual changes to enable greater facilitation of Modern Methods of Construction

Modern Method of Construction introduces new ways of working that require contractual changes addressing the carrying of risk, particularly in relation to payment, for off-site manufacturers. The OGP should be adequately resourced to ensure these changes can be introduced in a timely fashion to facilitate the growth of off-site manufacturing and ensure that risk sits with the party best able to manage and bear that risk.

CIF members are now strategically assessing their order books to ensure a sustainable pipeline of work with clients providing greater certainty around their capital budgets.

RECOMMENDATION 16

Develop an effective commercial model to support the operation and maintenance of Ireland's water and waste water infrastructure

CIF members have a vital and strategic role to play in supporting UÉ in maintaining and operating its water and wastewater infrastructure. UÉ can underpin this by putting in place a commercial model that is both workable and commercially attractive to members.

It is acknowledged that UÉ is fully committed to the long-term delivery and operation of water and waste-water infrastructure in Ireland and is undergoing a significant strategic transition. The extensive and ongoing industry engagement with UE on a range of important matters on the operation of its infrastructural assets is welcome.

The operation of Ireland's water and waste-water infrastructural assets is critical to support Irish society, health and industry. Industry has and wants to work in partnership with UE and bring its technological expertise to support UE in its objectives in this area. While CIF members have a crucial role in supporting UE in this, UE also has a crucial role in supporting its supply chain. It has significant influence over how WSOG members will plan their businesses, choose work and retain the industry's technological expertise and talent into the future.

Many of the CIF members with extensive water services expertise are growing their business in new markets both domestically and abroad, with both public and private clients. In recognising the vital role CIF members have in supporting its objectives it can maintain its attractiveness as a leading client and avoid a disproportionate expansion of members' orders in the above areas.

While the CIF supports the UET process a, WSOG members maintain the strong belief that their expertise will be essential to ensuring the safe operation of treatment facilities in accordance with EPA parameters now and into the future; particularly for plants that are more complex and technologically advanced.

To do this it is essential that UÉ put in place a sustainable commercial model around the operation of its plants that is both workable and commercially viable.

THEME 2

Housing and Planning

The many different initiatives to aid housing supply that have been implemented over the last number of years are welcomed by the industry. We do acknowledge that schemes such as the Help to Buy, First Home Scheme, Development Waiver and Water Rebate, Croi Conaithe, Project Tosaigh, Approved Housing Bodies (Cost Rental) are significantly aiding housing supply. Without these schemes, the sector would not be building the current number of homes.

The draft NPF, the Housing Commission report and the ESRI 'Structural Housing Demand' report all acknowledge the need to increase housing supply to 50,000 units per annum. Our budgetary comments on housing supply are therefore aimed at increasing the supply of housing and attracting international capital to deliver the housing the country requires.

It is vital that there is certainty in relation to housing policy and as such certainty must remain around funding and continuation of these schemes.

RECOMMENDATION 1

Allocation of Funding to Infrastructure Delivery & Capital Projects

Infrastructure funding is vital to unlock housing delivery. To prioritise and support the provision of infrastructure for housing, hospitals, schools, utilities etc, funding and resourcing for infrastructure providers must be ring-fenced. Similarly, funding must be provided on a multi-annual basis with a special fund established for housing activation on zoned land. This will guarantee a commitment to infrastructure delivery and targeted housing growth, particularly with the guaranteed funding available. Government should review the recent underspend in capital allocations for infrastructure and ensure that timely decision making to fund infrastructure is taken; too often delays are occurring in the approval process for public infrastructure works. Infrastructure is key and must be fast-tracked.

RECOMMENDATION 2

Infrastructure & Planning for the Future

As mentioned, increased housing supply must be administered in tandem with long-term infrastructure provision on a predictive basis. This should be introduced in accordance with national development framework and census results. Infrastructure provision should be plan-led with adequate funding ring-fenced to facilitate this; a coordinated approach to unlock and activate zoned and serviced lands can be facilitated through LA levels. Recent legislative proposals, such as the Draft Planning and Development Bill, emphasize a pivot towards a longer-term planning system, with ten-year development plans being proposed. Provision of infrastructure should follow the same process.

The ongoing uncertainty associated with the lack of planning and infrastructure provision also adds to the cost of housing delivery in Ireland, as acknowledged by the Housing Commission. They also note that hard costs of construction are "negatively affected by delays and uncertainty in the planning system". Therefore, certainty and clear infrastructure delivery planning is essential.

RECOMMENDATION 3

Reform the Residential Zoned Land Tax

The proposed Residential Zoned Land Tax needs to be reassessed; amendments should be made in the Finance Act to ensure that there is no additional taxation on active builders attempting to build homes on lands they own. As detailed in the IHBA letter to the Department of Housing (09/02/23), there are many circumstances where builders may be subject to the 3% RZLT despite being delayed from commencing due to factors outside of their control. There are a range of issues in relation to the RZLT being applied which will only result in an increase in the costs of housing delivery including:

- Phased Housing developments,
- Access to infrastructure
- Capacity constraints in settlement caps or infrastructural caps
- Planning or legal delays
- Viability issues
- Definition of serviced or serviceable lands.

The above are an outline of some of the areas where the RZLT will only increase the costs of delivery and not assist in the activation of zoned lands.

The RZLT needs to be reformed as outlined above and in our various submissions to the Department of Housing and Department of Finance. We also recommend offsetting any RZLT expense against profits – the legislation in its current form does not allow any expense/ deduction, and this would help overcome financial challenges associated with the taxation measure.

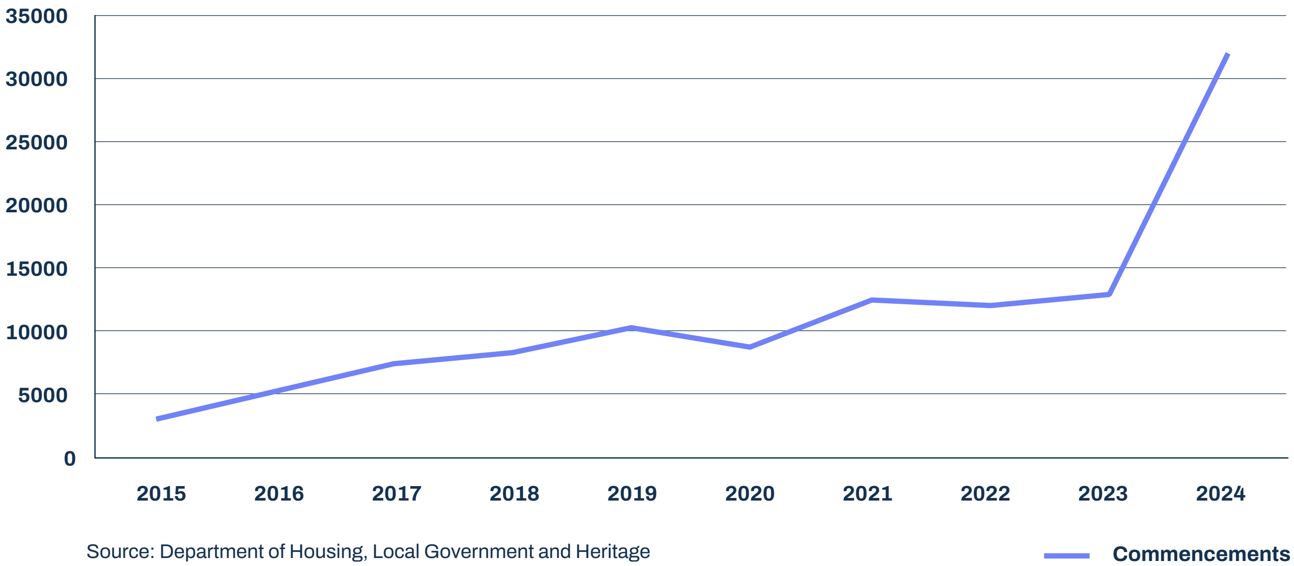
RECOMMENDATION 4

Reduction in Soft Costs - Extension of the Development Contribution Scheme Waiver & Uisce Eireann New Connection Rebate

The cost of construction is a major barrier to housing delivery, and we therefore recommend a range of policy measures are introduced to address this. These are referenced throughout our submission, and include a reduction in soft costs and the overall cost of development, incentivising brownfield development, terminating the proposed waste levies, measures to aid the rental sector and continue with cost reduction measures including the development contributions levy and water connection rebate. Crucially, policy must be consistent.

The extension of the Development Contribution Scheme Waiver to the end of 2024 and the Uisce Eireann new connection rebate to September 2024 is welcomed, however, given the cost challenges and pressures that the industry is facing, we recommend that this is extended for another two years. The success of the scheme is clear, with almost 55,000 units commenced since it was introduced in April 2023. This directly offsets some of the major viability challenges that the sector faces, attracting investment in projects that would likely otherwise not go ahead. Increasing support for the industry from funders is hugely important to deliver large scale housing delivery, and we can see the impact that these measures (and other schemes) have had in enabling new housing supply and addressing viability challenges. We therefore call for both the waiver and rebate to be extended and applied to all new commencements up until 2026

COMMENCEMENTS YEAR TO DATE (JANUARY - MAY) 2015 TO 2024



Source: Department of Housing, Local Government and Heritage

RECOMMENDATION 5

Regulatory Impact Cost Assessment of all future regulatory or taxation measures

Costs and uncertainty resultant from policy changes has a major impact on housing delivery. This has been recognised in the recent Housing Commission report, which recommends that all policy measures and interventions are assessed against their impact on housing supply. The IHBA supports this recommendation and advises that further regulatory or tax measures should be rigorously assessed to ascertain their intended and unintended consequences. It should be noted that residential housing delivery is impacted by substantial lead in times, and therefore, any new policy measures which may have a negative impact on viability or affordability, must be subject to suitable transition measures as well as timely stakeholder and industry engagement. Stress testing is also recommended (as per the Housing Commission report). Moreover, there should be no tax measures imposed on lands that are under development or lands that are inhibited from development due to infrastructural constraints, which are not within the developer's control as they would simply increase the cost of residential delivery.

We also support the Housing Commission report in calling for the implementation of the recommendations set out in the Residential Cost Study Report which would have an impact on the costs associated with housing delivery.

RECOMMENDATION 6

Taxation Incentives for Development of Brownfield Sites

Brownfield and infill sites are some of the costliest and financially challenging sites to develop, due to the associated works required to bring them up to standard, the cost of remedial and decontamination works, and the high level of waste removal. A fiscal strategy must be established to identify measures which can be used to attract private investment back into the construction sector. Private investment is vitally needed if we are to ensure that a range of housing options are available to meet future population needs. Engaging with the private sector on this should be done urgently.

The Housing Commission report recommends that the scale and capacity of the housebuilding sector is increased. For this to happen, private investment must be attracted to the sector; they note that the availability of appropriately priced and sustainable sources of finance is essential to the function of a stable housing system. Research by the Government's National Economic Dialogue found that Ireland needs the private market to invest "tens of billions of Euro" before 2030. As such, we support the recommendations of the Housing Commission that a regular review of the financing environment for housing be carried out, with measures introduced to incentivise competition in both the banking and non-banking sectors.

Brownfield and infill sites offer the opportunity to unlock housing in built up environments and are of course part of the Government's strategy for increasing housing delivery over the coming years. Despite this, due to the challenges associated with the delivery of housing on these sites, IHBA members are currently unable to overcome the viability constraints in these sites. Indeed, the Housing Commission acknowledged that "incentives for urban brownfield/infill development are wholly inadequate". The report recommended that "overall provisions for taxation and financial incentives to deliver housing on strategic sites, including urban centres, brownfield sites..." and the role that releasing levies or taxes within these areas to "incentivise and unlock more complex and challenging sites".

Taxation incentives should therefore be introduced to facilitate easier conversion of these sites. A key barrier to their redevelopment is the associated high costs and subsequent viability issues. Internationally, tax rebates are offered on associated decontamination costs on these sites; this should be considered in Ireland. A step further for this would be to undertake a study of land development capacity to understand the realistic potential of brownfield development; this would enable us to better understand reforms needed to release this capacity (i.e. understand residual value).

Outside of Ireland, there has been some success in implementing funding packages to support brownfield and infill site development. In the UK, a local authority identified the viability gap associated with brownfield site delivery (the main costs were associated with decontamination and remediation works). They proposed a grant funding scheme permitting a contribution per unit for developments on brownfield sites. We recommend that a similar exercise is carried out in Ireland, with a grant fund of €15,000/unit issued. Alternatively, the tax system could address the viability gaps associated with these sites and kickstart development in urban areas.

One of the key challenges to delivery of brownfield and infill sites lies in how to develop these areas in towns and villages; internationally, the Private Rental Sector (PRS) plays a huge role in the provision of a range of housing types. For example, they aid the delivery of housing stock at scale and offer a solution to people in the market who are potentially not ready to buy or form part of a transient workforce who won't buy. Despite this, this group are still net contributors to the state through their PAYE contributions and other tax payable. Whilst it is acknowledged that there has been criticism of the role of PRS funds in the housing system in the past decade, they form part of a well-functioning housing supply system that offer housing options for everyone.

They can support the delivery of balanced housing stock, as well as housing at scale, and to incentivise international investment in Ireland, market conditions need to be created to attract them. The rent cap policy that is in place nationally is a challenge for PRS investors; we therefore recommend that a tax break is offered over a period of, for example, seven to ten years. This would encourage investment from funders and enable them to avail of tax relief whilst meeting the 2% per annum rent cap.

RECOMMENDATION 7

Reduce VAT on the Sale of New Apartments

As mentioned above, viability challenges are associated with brownfield and infill sites which typically suit high density accommodation delivery, usually apartments. Whilst we acknowledge the various measures and schemes implemented by the Government, further measures, including reducing costs in apartment delivery, would have a significant impact on making these schemes more viable, helping address supply issues. A reduction in the amount of VAT payable to 0% on new apartments that are sold to the private market would help incentivise apartment delivery and sales. Apartment construction poses viability challenges, with a limited amount of interest from private buyers. Reducing the VAT payable will encourage purchasers to consider buying apartments, as well as supporting the Government's drive to offer dense housing delivery, particularly in inner city locations.

RECOMMENDATION 8

Deduction on PAYE over eligible expenditure on apartment costs

Consideration should be given to the introduction of a targeted scheme whereby eligible expenditure on the purchase of a new apartment would be allowed as a deduction against PAYE over 7 years for purchasers and investors (small-scale landlords) in high density residential developments. This could occur in designated areas identified by local authorities. The scheme could apply up to a set maximum number of apartment purchases by one individual.

This would support the delivery of compact growth, sustainable development patterns and taxation structures. As mentioned, these schemes face major viability challenges, and this proposal would facilitate an easier purchasing process and encourage more purchasers to consider buying apartments.

RECOMMENDATION 9

Reduce VAT on Housing to 9%

A reduction in the VAT rate of 13.5% (and other taxes) on new homes to 9%, which could be capped to values in line with the Help to Buy thresholds. This is an action that could have a significant impact on housing delivery, particularly in helping the end purchaser (the high tax rate is ultimately passed on to the end user, in this case, the homeowner).

This recommendation is seen as one measure to address the increasingly serious affordability issues for housing, which are being further exacerbated by high production costs and regulatory increases. Other countries, including the UK, allow a reduced VAT rate on the construction of apartments. This helps address viability concerns with apartment delivery and would subsequently aid with density and compact growth concerns, as well as delivering a range of housing types.

RECOMMENDATION 10

Help to Buy Scheme for the Older Generation

The Help to Buy (HTB) scheme that was announced in 2016 has been hugely successful and assisted many first-time buyers in getting onto the housing ladder. Similarly, the HTB scheme has been a real incentive for first time buyers to purchase apartments as a first home, offering them the chance to springboard into purchasing a house later down the line and utilise the tax rebate available to them. However, the second-hand housing market is stagnating due to challenges with supply and the low availability of downsizing options available for homeowners in existing homes who are looking to move on (for example, pensioners looking to sell their family homes for a smaller space). Our members have reported issues with people considering downsizing to apartments uncertain about proceeding; an incentive would help to encourage this.

We therefore recommend a Help to Buy for the Older Generation; this scheme could work as follows:

- Qualifying age bracket: 55-75 years
- €30-50,000 tax rebate on taxes paid in the last 5 working years of the applicants' life to trade down and purchase a new build apartment.
- Additional inheritance tax benefit that permits each seller to release an optional €30,000 tax free donation to each of their children upon completion of the sale of the family home. This would enable their children to use this donation as a deposit for their own first home.

The above proposal benefits new buyers through them being incentivised to purchase apartments (which will in turn encourage homebuilders to build and sell these units to the private market) – this is an area that we are seeing struggle due to the viability challenges associated with apartment delivery. Apartments also offer a safe and suitable accommodation option as people grow older. Furthermore, this incentive would also see an increase in supply in the market of existing 3- and 4-bedroom homes which are urgently needed.

RECOMMENDATION 11

Measures to Support First Time Buyers

Saving for a first home is becoming increasingly challenging, with recent research completed by the Housing Commission indicating that affordability based on net income nationally was at 27.2%, and 31.0% for Dublin first time buyers in June 2023. Similarly, many FTBs have struggled to save the 10% required to secure a mortgage, which itself is a barrier to homeownership.

We therefore support the Housing Commission's recommendation based on the following fiscal measures, and call for these to be introduced as part of the next Budget:

- Policy interventions should be analysed on a cost-impact basis to ensure proposed policies do not create further uncertainty or disrupt the market. Measures to assist FTBs should be consistent.
- Supports to households identified in the middle-income cohorts should be targeted via regular income analysis (aims at supporting the 'squeezed middle').
- Establish a central fund and organisation that deals with all of the support systems in place to ensure people have access to consistent information which is easy to understand and engage with. Funding for the above should be allocated within the next Budget.

The First Home Scheme ceilings have been hugely successful in supporting first time buyers bridge the affordability gap when purchasing new homes. Whilst it is positive news that the Government has committed to an extension of this scheme (and the Help to Buy) for five years, as well as reviewing the ceilings in July 2024, to ensure they meet the needs of applicants' going forward, the price ceilings must be reviewed (ideally on an annual basis and indexed in line with inflation) to reflect the regional differences across the country.

Furthermore, as recommended in the Housing Commission report, measures to assist access to home ownership must be reviewed and recalibrated to ensure they are robust, fit for purpose and meet the cost challenges associated with home purchasing.

RECOMMENDATION 12

Construction Capacity - Increase Resources to the Planning System, Local Authorities & The Judiciary

Adequate financial support must be provided to An Bord Pleanála to ensure the system is suitably supported, both in terms of head count and resources. Whilst the recent measures announced to improve resourcing at ABP, these will still not be able to address the backlog in planning applications that are needed to deliver housing needs over the coming months and years, or meet higher housing targets in the future. A commitment from the Government should be made to continue to deliver the financial support that the Board requires. Resources have been based on inaccurate planning requirements, and there has since been a significant increase in the number of applications made. ABP therefore needs a much-increased staff number to deal with this volume of applications and enable the Board to deliver decisions which will impact housing delivery. Dedicated funding must be provided to support the Board in delivering planning decisions to aid housing delivery.

There are significant capacity constraints in the planning system, outside of ABP, which are hindering deliverability of critical infrastructure projects. The biggest challenge to delivering on key infrastructure is under-investment in the people, processes and technology that support our planning system. The Government urgently needs to increase investment in the system to ensure that the appropriate resources are allocated to support Ireland's ability to support FDI, economic growth, climate action, flood management, protecting our environment, biodiversity, and Housing for All. Since the introduction of the Large-Scale Residential Development process and the Residential Land Tax mapping process considerable resources in the Planning Departments at LA level are now required to manage the increases in workload. This is particularly the case in LA areas that have a considerable volume of housing construction activity taking place. It is therefore imperative that extra resources are allocated to planning departments in LA to ensure a more streamlined decision-making process for housing delivery.

All parties agree that certainty in planning is needed to allow clients to programme in capital investment deliverability.

Many planning decisions are legally more complex, which causes a delay in the decision-making process and associated costs. The legislative environment and volume of EU environmental and climate law means that planning is increasingly more complex. The Irish planning system is not making decisions on critical infrastructural and housing projects in a timely and cost-effective manner, and while the new Planning & Development Bill is progressing, it is likely to be some time before it becomes an Act and is fully operational.

In the meantime, the Local Authorities and the Courts need to be adequately resourced to deal with the mounting challenges to planning decisions that they must deal with. This resourcing is also required to address complexities of the planning system, deliver timely planning decisions as well as meeting the higher planning demands associated with increased housing targets set out within the revised NPF.

RECOMMENDATION 13

Establish an efficient online planning portal

Suitable funding is required to facilitate the national implementation of an online planning portal. This will enable all planning applications and supporting documents to be submitted digitally, encouraging faster planning processes and more efficient use of time (i.e., uploading relevant documentation, commenting on applications, plans being properly processed).

This will develop an efficient, cost-effective way of submitting planning applications and reduce the added costs associated with a slow, bureaucratic, paper-based application process, which are all passed onto the homebuyer. The inefficiency and uncertainty associated with the current system also discourages applicants. Specific funding must be allocated by the Government to resource this.

We understand that under the Construction Sector Group (CSG), the rollout of an e-planning portal (allowing for online applications, submissions and Part 8s) is planned across the 31 Local Authorities. The "Project Ireland 2040 Build 2024" published in June advised that this had been completed across 27 LAs, with full rollout anticipated for Q3 2024.

RECOMMENDATION 14

Rental Income to be treated as a Separate Tax Class

The private rental sector (PRS) has been affected by a mass-exodus of landlords vacating the market; 15,000 tenancies were lost in 2023 according to Sherry Fitzgerald. The role of smaller landlords within a functioning housing market should not be overlooked, especially given that many play a big part in the rental systems in regional areas. To address this, the rental income of small-scale private landlords should be treated as a separate class of tax. This could work by way of landlords paying tax on their rental income at the standard income tax rate of 20% (i.e., a maximum of 32% including PRSI and USC). Alternatively, consider reforming the tax treatments of landlords to incentivise the few that remain within the sector by introducing a standard tax rate for rental income (as recommended by the Housing Commission).

The exodus of small-scale landlords from the private rented sector is impacting the supply of affordable rented accommodation in many locations where there is an absence of the large scale 'Build to Rent' accommodation. This measure also aligns with the sustainable initiative for the regeneration of derelict, vacant and underutilised buildings in cities, towns, and village centres, as such buildings can only accommodate smaller numbers of residential units. Incentivising the PRS will encourage a range of housing options to be provided and help address supply issues.

RECOMMENDATION 15

Encourage conversion of commercial to residential

The CV-19 pandemic and the shift towards hybrid working means that there is an increase in redundant office space in locations across Ireland. An initiative should be introduced to encourage conversion of redundant office space to residential use. This could be facilitated through a 'Change of Use' system, similar to that adopted by the UK, for example, a pre-lodgement validation check rather than a full planning application required to convert such properties to residential use. Using pre-lodgement validation checks rather than having to apply for full planning application to convert these spaces will make the process quicker, as well as incentivising people to convert spaces where they may previously have been discouraged from doing so because of the lengthy planning process involved. This would also assist with in providing much needed housing and utilising existing spaces, which is more sustainable. This recommendation is supported by the Housing Commission's report, which recommends that vacant commercial buildings are converted into housing.

Furthermore, taxation incentives should be considered where a site is bought for development of non-residential to residential. This could be in the form of a full stamp duty refund. Taxation incentives to re-develop sites from non-residential to residential will encourage the redevelopment of redundant sites that may otherwise be too costly and unviable to develop.

There is substantial data which supports the potential for conversion of commercial space (esp. office) to residential, with Lisney advising that no new office buildings are due to be constructed from 2026 onwards (Build 2024). There has been some success in converting such spaces to resi, however, BNP advised that "technical obstacles to such schemes can be challenging" (Build 2024). Fiscal policy therefore needs to be implemented to support these conversions, utilising existing redundant space which can have an impact on short term supply.

RECOMMENDATION 16

Allocate Funding Towards Data Collection and Maintenance

Accurate and reliable data is crucial to understanding future housing requirements, particularly for researchers, policy makers and the public. Developing and maintaining high-quality data resources covering all areas of the housing system was one of the core recommendations set out by the Housing Commission, and this is supported by the IHBA/CIF. We therefore recommend that funding in the forthcoming budget is dedicated to this. This commitment should include funding to re-establish and maintain "My Plan.ie" which previously provided vital planning, zoning and other information regarding land across Ireland.

RECOMMENDATION 17

Review Policies and Taxation Measures which Penalise Land Assembly

This recommendation is included in the Housing Commission's report and emphasises the importance of large-scale land assembly which in turn unlocks large scale housing delivery. To prevent policy having a negative impact on extensive housing delivery, a review of these measures should be carried out.

RECOMMENDATION 18

Increase Inheritance Tax Bands

It is well known that many younger people are struggling to afford to purchase their own home, due to high rents and the cost of living compounded by challenges in the supply of homes. This forces many of the 'younger generation' to remain at home with their parents. Many are dependent on inheritance left by parents to enable them to afford a deposit for a home to purchase. This is evident in research recently completed by the Housing Commission, which found that Ireland saw the largest increase in the share of young adults living with parents from the 2012 – 2022 period, this was the highest compared to other European peers.

To assist with this affordability challenge, it is recommended that existing inheritance tax bands are reviewed, enabling people to gift a higher amount to their dependents which will enable people to use this money as a deposit for their own home. The bands could be changes as follows:

- **Group A:** Threshold currently €335,000 exemption. Increase this to €350,000.
- **Group B:** Threshold currently €32,500. Increase this to €35,000.
- **Group C:** Threshold currently: €16,250. Increase this to €17,000.

Alternatively, consider increasing the annual tax-free allowance for transfer of gifts from €3,000 to €5,000. This would again help support those saving for a deposit who dependent on support from their families. It would help them get onto the property ladder quicker.

It is vital that there is certainty in relation to housing policy and as such certainty must remain around funding and continuation of these schemes.

RECOMMENDATION 19

Fund the Standardisation of Design in relation to Housing

Standarisation of Design allows for the greater efficiencies that can be gained through MMC to be realised due to the repeatability of tasks and the purchase of products in bulk. These efficiencies are not coming to fruition on a national level in relation to housing partly due to the inconsistent dwelling design standards in various counties. By funding the transition to standarised design, this will allow the whole market to gain efficiencies due to repeatability and allows for economies of scale.

RECOMMENDATION 20

Expand the Accelerated Delivery Programme for Housing

Expand the Accelerated Delivery Programme which has been put in place for the development of circa 1,800 homes. This Programme has been beneficial to companies operating in offsite construction particularly in relation to 2D manufacturing and should be maintained and grown to support the continued development of offsite construction sector.

RECOMMENDATION 21

VAT recoverability on acquisition of older buildings (for refurbishment on onward sale) and possibility of VAT credit on the acquisition costs to incentivise refurbishment.

Acquisition and refurbishment of property for resale:

Where older properties which are not currently subject to VAT are purchased, renovated and disposed of in the ordinary course of business, the vendor is liable to charge VAT on the total sales consideration received and not on profit, if any, earned. This anomaly arises in circumstances where the vendor was not charged VAT on the purchase price of the property and accordingly is not entitled to claim input VAT credit. This onerous VAT cost makes refurbishment projects, particularly in the current market, uneconomical and is not in the spirit of normal tax legislation which endeavours to tax businesses and enterprises on profits.

This difficulty is particularly acute in urban areas where protected structures, many of which are residential units, simply cannot be purchased for renovation and resale because of the VAT treatment on the subsequent sale makes the refurbishment project uneconomic. This discourages renewal in urban areas such as the Georgian areas of our cities.

This is illustrated by the example below where a VAT registered entity purchases a non-VAT registered property for refurbishment and resale:

Original purchase price of property	€500,000
Stamp duty 1% plus legal/associated costs	€10,000
Refurbishment cost (say 30% original price)	€150,000
Total cost	€660,000
Sale price after refurbishment (inclusive of VAT @ 13.5%)	€750,000
Broken down as follows:	
Net slae price:	€660,793
VAT	€89,207
Total:	€750,000
VAT to be resubmitted to Revenue on sale	€89,207
Net sales' price	€660,793
Net profit	€793

For a building contractor to buy a non-VAT registered property (e.g. a domestic protected structure/ house), spend 30% of original cost on refurbishment, and sell the property on at 50% more than the original cost, the only beneficiary will be Revenue with a VAT receipt of €89,207 plus stamp duty at 1%, €5,000, total Exchequer benefit €94,207. This deters any interest from compliant contractors to undertake such investment and refurbishment on any form of speculative basis. Renovation and associated re-sale of such second-hand properties following refurbishment should be encouraged. Where older property (which is not subject to current VAT) requiring refurbishment is purchased, renovated and sold within a two-year time limit by a VAT registered entity, a notional VAT input credit should be allowed on the initial purchase price of the property. This measure will assist in incentivising regeneration and restoration of run down properties in areas requiring renewal. At the same time, it will assist in reducing extent of shadow economy activities that currently prevail in restoration of such properties.

RECOMMENDATION 22

Application of RCT to private individuals engaging contractors and sub-contractors to build private one-off houses.

RCT should be applied to private individuals engaging contractors and sub-contractors to build private one-off houses. The non-application of RCT in this area is leading to huge losses of tax revenues and black economy in the construction of one-off houses.

THEME 3

Green and Digital Transition

RECOMMENDATION 1

Proposed C&D Waste Levy on Soil & Stone – apply zero rate levy for period of 2 years

The recent introduction of the Waste Recovery Levy (to be introduced by 1 September) and Landfill Levy needs urgent review as this will significantly impact project viability, especially on brownfield sites, which the NPF will be prioritising. While the Industry supports using Article 27 Greenfield Soil & Stone National Decision to reduce the quantity of greenfield soil and stone classified as waste, we require clarity around how the levy applies to Article 27 and 28 materials. We expect that greenfield soil and stone going to Soil Recovery Facilities are not subject to Waste Recovery Levy and/or Landfill Levy, where these facilities are permitted to receive greenfield soil and stone. We also expect that products such as crushed concrete achieving End-of-Waste Article 28 will not be subject to the levy, although clarity is sought on this process to ensure that the demolition contractor isn't levied prior to the crushed concrete leaving site prior to Article 28 reclassification for example.

The Waste Recovery and Landfill levies applicable after 1 September 2025 could apply as follows:

- €5 per tonne for mixed skips – partial adoption of Waste Recovery Levy to drive better waste segregation;
- Zero rate levy for brownfield and greenfield soil and stone, to apply for a further 2 years pending review, with the phased introduction of monetary levies to be applied thereafter; and
- Article 27 facilities and/ or Soil Recovery Facilities will not be subject to imposition of Landfill and/ or Waste Recovery Levies.

This timeframe for implementation is on the basis that adequate progress is made in relation to the following:

- Embedding the forthcoming national greenfield soil and stone decision and associated delegation of responsibility to the Local Authorities (LAs), allowing time for both industry and LA's to understand and apply the decision.
- Develop initiatives around brownfield soil and stone assessment and routes to avoid the levy whereby uncontaminated brownfield soil and stone could be classified as Article 27 By-product in a timely manner and thus avoid the levy.
- Allow industry time to develop more Article 27 Soil Recovery Facilities with better regional distribution and/or modify their licencing to accept Article 27.
- Allow time for the industry to work with state agencies in developing methods to allow for the reuse of recycled aggregates in 'bound' applications, e.g. as secondary cementitious materials in concrete
- Consider using some of the proceeds of the Levy to develop an app to allow for the matching of sources of excess material with end users e.g. a soil dating app.

A review period of at least six months to be allowed prior to the final implementation date to assess progress on the above issues.

RECOMMENDATION 2

Allow the construction industry to become part of the circular economy

Construction waste has a value. Allow the construction industry to become part of the circular economy. Currently the industry is curtailed from reusing construction by-product and demolition waste.

The use of recycled materials and components in construction projects is limited by the requirements of Articles 27 By-Product & 28 End-of-Waste for the European Waste Framework Directive and by concerns about the quality of recycled materials and components. There needs to be more primary legislation for designers and specifiers to encourage circularity and incentives to encourage circularity. Support a construction circular economy by providing investment support for the development of a construction by-product recycling industry. Development of digital waste tracking tools is recommended to provide more insights into real time waste movements further increasing transparency.

According to research by consultant Sweco, one reason the aggregate sector isn't fully circular yet is due to the product's weight. Rocks used for aggregates are typically 2-3 times heavier than water. This often means that if a lorry of aggregates is transported further than 30 km, the transportation costs can exceed the value of the load. Additionally, there's a risk of relying on local construction projects for reusing surplus materials due to timing issues. Just because aggregates are available doesn't mean that local projects needing those materials are ready, creating a matching problem. In such cases, storage space is necessary. The shortage of areas for sorting, crushing, and handling is also a limitation. Therefore, we would urge local authorities to consider providing storage facilities to bridge the time gaps between the supply and demand of materials. Additionally, we propose extending the permitted storage time on-site for soil and stone beyond the current 6-month window to at least 24 months (Sweden permits 3 years).

RECOMMENDATION 3

HVO. Amend policy to allow the construction sector to avail of the full Renewable Transport Fuel Obligation (RTFO) rate, aligning the price with white HVO used in transport

Industry strongly advocates for a policy change that would allow the construction sector to avail of the full Renewable Transport Fuel Obligation (RTFO) rate, aligning the price with white HVO used in transport. Industry understands that the Non-Road Mobile Machinery (NRMM) category, included under the RTFO, encompasses construction site machinery and temporary generator sets, as defined in Regulation EU 2016/1628. While it is appreciated that the incorporation of NRMM in the scheme, when HVO is used as a drop-in replacement for gasoil, the full RTFO rate should be applied to the construction industry. This is because none of the operations in the sector would be deemed non-transport-related, such as boilers or 'permanently installed' generator sets. This policy change is crucial to support CIF members' net-zero strategies and to ensure the economic viability of the construction sector.

Under the Government's Climate Action Plan, the Irish construction industry is moving towards a net-zero future, with many firms committed to achieving significant reductions in greenhouse gas emissions by 2030 and aiming for net-zero emissions by 2050 at the latest. Some enterprises have verified their emission reduction targets by the Science Based Targets Institute (SBTi) and publicly disclosed them to stakeholders, including civil society. A pivotal aspect of their net-zero strategies involves utilising low-carbon fuels for on-site equipment and temporary generators, such as substituting gasoil with HVO in their Non-Road Mobile Machinery (NRMM).

Several firms have embraced this strategy, incorporating it into their client-demanded Pre-Qualification Questionnaire (PQQ). Subsequent tender negotiations included a premium for HVO (15c/litre) over gasoil. Initially, the adoption of HVO before November 2023 showed promising results, with some contractors achieving up to 90% substitution of gasoil, leading to significant greenhouse gas reductions.

However, the reclassification of HVO used in NRMM towards the end of last year (according to the 80:20 rule) has had a significant economic impact. The resulting premium of 35 – 40 c/litre over gasoil has rendered HVO economically unviable, posing a risk to decarbonisation efforts. Emissions from fossil fuels used in on-site equipment represent a substantial portion of Scope 1 emissions for the construction sector. This reclassification also exposes contractors, who have published their net zero strategies, to allegations of 'greenwashing'. Contractors working on projects tendered and awarded before this decision now must absorb this additional cost that is unforeseeable and is outside their control, potentially jeopardizing the economic viability of their projects.

Unfortunately, the feedback from industry is that the price impact of the 80:20 rule has and will continue to discourage the use of HVO fuel altogether in NRMM. The CIF's view is that had the full RTFO rate been applied, as previously, the industry would have continued to adopt a policy of absorbing the smaller premium associated with HVO in its sustainability strategies.

RECOMMENDATION 4

Benefit-in-Kind on Electric Vehicles. Defer the tapering of BIK reliefs on electric vehicles beyond 2030

If the Government's climate action targets are to be met, the tapering of BIK reliefs on electric vehicles needs to be deferred beyond 2030. Feedback from the industry indicates that many employees are pushing back against EVs and are now opting for diesel vehicles instead due to range anxiety and a lack of high-speed charging infrastructure. Flat rate taxes like the system applied in the UK should be applied here also. Staff should be incentivised to take an EV and not punished.

Until the charging network infrastructure is installed, the CIF recommends allowing Plug-in Hybrids to receive some subsidies as a transition measure until 2030. As PHEVs are typically petrol driven, the VAT on petrol needs to be examined as the price differential is prohibitive and BIK is too high for most employees.

RECOMMENDATION 5

Crew Cab Vehicles

Contractors in the republic are being disadvantaged when compared to contractors from Northern Ireland or the UK. Firms in NI and the UK working on sites, such as building fit-outs and remote civil engineering contracts, can send four or five operatives to the site in a single vehicle, making significant savings versus a company based in the Republic who have to send two vehicles to the same site. Running two vans in place of one crew cab van and the punitive tax regulations around pool vehicles are driving unnecessary, wasteful and environmentally damaging single-occupancy vehicle journeys. There are also safety concerns as there are fewer drivers who can share the driving duty – these vans can cover 60k km per annum. A van with five operatives, has more options to spread the daily driving duties and reduce the potential for accidents due to driver fatigue.

Obviously, the CIF recognises that the taxes raised by transport are crucial for Government revenue, but if the industry is to have any chance of achieving its 2030 goals and keeping global warming within 1.5 degrees, then using these taxes as a crutch needs to end. It should be noted that state employees are permitted to keep a pool car at their home overnight without incurring BIK.

Flat rate taxes like the system applied in the UK should be applied here also.

As an example, a Ford Transit Trend Van (3 seat) in basic form costs €46,484 including VRT of €200. The same 6-seat version (DCiV) costs €85,065 including punitive VRT of €30,595 or 36%. Opting for two 3 seat vans will result in an additional CapEx of €7,903. In addition, running two vans to site will double OpEx cost including the fuel requirements, toll costs, parking cost, annual tax, insurance and maintenance. Regarding fuel, alone, over 60k km, this will result in an additional 3,840 litres of diesel or 9.83 tonnes of CO_2e. This excludes additional travel to the depot each day to pick up the van, as it can't be stored overnight at the employee's home. This tax is unsustainable and contrary to Government climate action targets.

It should be noted that the UK Government has reversed its decision to change the taxation rules on double-cab vehicles. Initially, HM Revenue & Customs (HMRC) announced on February 12, 2024, that double-cab pick-ups would be reclassified as company cars starting from July 1, 2024. This change would have meant that these vehicles would be taxed based on their CO_2 emissions rather than the flat rate benefit-in-kind (BIK) applied to commercial vehicles, leading to significant tax increases for users.

However, following a backlash from the motoring industry, farmers, and small businesses, the Government made a U-turn on February 19, 2024. HMRC acknowledged that the change could negatively impact businesses and individuals, which is inconsistent with the Government's goals to support these sectors. Consequently, the planned changes were scrapped, and double-cab pick-ups will continue to be treated as commercial vehicles for tax purposes, provided they meet the existing criteria (e.g., payload of 1,000kg or more).

RECOMMENDATION 6

Sustainable Business Support Grants for all of industry

Grants offered by Enterprise Ireland for EI member firms and by Local Enterprise Office (LEO) for micro firms should be accessible to the wider industry. These grants, such as the Climate Action Voucher (up to €1.8k), GreenPlus (up to €50k), and GreenStart (up to €5k), will assist businesses in developing a Sustainability Action Plan, providing training to enhance environmental management capabilities, and creating a decarbonization strategy and action plan, among other benefits.

RECOMMENDATION 7

Mobile Crusher Permitting on Demolition Sites

A review of the mobile crusher permitting regime is also required to help streamline recovery and reuse in-situ of demolition materials. Demolition is the first step in the Circular Economy – without demolition there would be no circularity in construction. The permitting regime for mobile crushers used on construction demolition sites is governed by several regulations and authorities to ensure environmental protection and public safety, including the Waste Management Act 1996, the Environmental Protection Agency and Local Authorities. Indeed, the permitting regime is not in place in most local authorities, or they have never completed a permit before. This process is no longer fit for purpose and is not agile enough to respond to the needs of a circular economy.

We would recommend the following:

- Centralised Online Permitting System
  - Implement a centralised online permitting system where operators can submit applications, track their status, and communicate with regulatory authorities. This can reduce paperwork, improve transparency, and speed up the approval process.
- Standardised Application Procedure
  - Develop standardised application forms and checklists that outline all necessary information and documentation. This can ensure that all applications are complete and consistent, reducing the need for back-and-forth communication and speeding up the review process.
- Clear Guidance and Training
  - Provide clear, comprehensive guidance documents and training sessions for operators on the permitting process, environmental regulations, and best practices. This can help operators understand requirements better and submit more accurate and complete applications.
- Tiered Permitting Approach
  - Adopt a tiered permitting approach based on the scale and potential environmental impact of the operations. For example:
    - Minor Permits for small-scale operations with minimal environmental impact, which can be processed quickly with simplified requirements.
    - Major Permits for larger, more complex operations requiring detailed assessments and longer review times.
- Use of Technology and Innovation
  - Encourage the use of advanced technologies and best practices in environmental management and monitoring.

RECOMMENDATION 8

Introduce an Accelerated Capital Allowance for new and Sustainable Construction Machinery and Equipment.

For the last number of years, the UK has operated an accelerated capital allowance which is an incentive to buy machinery which would be beneficial for the construction sector including integral features that feature in a building or other long-life assets. This could be delivered under the green agenda with the incentives to buy environmentally sustainable and more efficient machinery and equipment. In the UK situation, both the super deduction and special rate allowance give businesses investing in qualifying equipment a much higher tax deduction in the tax year of purchase than would otherwise normally occur – a ‘first year allowance’ (FYA). These allowances are available alongside the ongoing Annual Investment Allowance (AIA) which already gives 100% relief for costs of qualifying plant and machinery in the tax year of purchase.

As an example, the use of Battery Energy Storage Systems (BESS) on construction sites has been trialled, and significant fuel and carbon savings can be achieved. The number of hours that generators run on site can be greatly reduced, with associated reductions in noise and air pollution. In one trial, generators only ran for two hours per day rather than the typical eight to ten hours per day. Incentivising the use of battery storage through ACA would help drive the widespread adoption of this technology.

RECOMMENDATION 9

Capital investment in the Biomethane AD industry

In 2022 the European Commission announced that the target for biomethane production by 2030 will increase to 35 billion cubic metres (bcm) (350TWh), from sustainable agricultural biodegradable materials. The Irish Government committed in the Climate Action Plan 2022, to delivering up to 5.7 Twh of indigenously produced biomethane. Ireland has not progressed at the same rate as other EU countries such as not having policy and legislation to support the establishment of an indigenous biomethane industry. However, Ireland is particularly suited to supporting and growing sustainable agricultural feedstock to supply to Anaerobic Digestion (AD) in producing sustainable biomethane and bio-fertiliser production because 80% of its land is pasturelands, with a strong agri-food and dairy industry, and ready availability of sustainable forage (multi species, silage) and animal slurry feedstock. There are 9,000 AD Biomethane plants in Germany. There are approximately 70 Biomethane AD plants in Northern Ireland. There are only about 10 such plants currently in the Republic of Ireland.

The CIF's position is that for the Biomethane AD industry to become competitive in the energy sector, requires significant investment and ongoing support from the Government to make the industry commercially attractive for providers of the technology and ability to construct the processing plants. The Government has provided similar supports like this in the wind energy sector and the CIF holds the view that a similar approach could work again for this industry. It will require a significant scaling up of the sector if Ireland is to achieve 5.7TWh of biomethane production by 2030 in accordance with the climate action plan. To achieve this will require up to €12bn of investment from private industry and Government. The CIF is calling on the Government for capital funding of 50% (€6 billion) to match and complement both the Ireland Strategic Investment Fund (ISIF) (which would be the anchor fund) and private industry funding, subject to commercial loan terms and conditions. In numerical terms this equates to around 200 AD plants to be built in the Republic of Ireland before 2030 which are typically a minimum of 20 GWH in size.

RECOMMENDATION 10

Incentives for Low Carbon Products & associated R&D

Provide incentives which make low-carbon products more economically viable to procure.

Funding should also be provided for R&D in difficult-to-abate sectors such as cement production. In the US, the Biden administration's Inflation Reduction Act (IRA) has provided substantial research funding for innovations in low-carbon construction, including cement production.

More than $1.2 billion is being directed towards cement decarbonisation projects. These projects aim to eliminate CO2 emissions from cement plants by developing and implementing new technologies and methods. This includes exploring alternative materials and innovative chemistry changes to reduce the inherent carbon emissions from cement production processes, which are traditionally very carbon-intensive due to the reliance on limestone ($CaCO_3$)

Additionally, the DOE's Industrial Demonstrations Program supports six specific projects within the cement and concrete sector. These projects will pioneer new pathways to make Portland cement with lower or zero emissions and introduce new materials and mixtures that can drive the sector toward net-zero emissions.

RECOMMENDATION 11

Promote the use of Off-Site technologies in Irish Construction

Promote and incentivise the use of off-site technologies in Irish construction as a means of addressing the commitments outlined in the Climate Action Plan particularly in relation to embodied carbon in construction materials. Ireland has the potential to scale up its off-site construction sector with significant investment.

RECOMMENDATION 12

Establish 3rd Level Training in the use of Timber as a Structural Element

Ireland grows enough softwood timber to be self-sufficient making it a valuable resource with a low carbon footprint. Building technologies such as Cross-laminated timber and other Engineered Wood Products are being increasing adopted as building methods because of their low carbon benefits.

Though Ireland has the potential to be a world leader in this area, 3rd level training in the use of timber as a structural element is severely lacking on both engineering and architectural courses. Resources should be provided to develop 3rd level syllabuses to educate students on the use of timber particularly in terms of Modern Methods of Construction. This will assist with the development and enhancement of both the growing timber processing and timber engineering industries in Ireland.

A two-year levy exemption on greenfield soil and stone will allow the industry to adapt to new environmental policies without jeopardising project viability.

THEME 4

Cultivating People, Skills and Capacity

RECOMMENDATION 1

Protect the SEO process, including amending legislation if necessary

The Industrial Relations (Amendment) Act 2015 provides for the introduction by the Minister of an SEO in an economic sector. The first SEO in the construction sector was introduced in 2017 and since then, a number of new SEOs have been introduced. SEOs make a substantial contribution to supporting and maintaining harmony between employers in the industry and their employees. They are also beneficial in providing certainty to employers with regard to labour costs, while also providing a level playing field when tendering for work. Following a constitutional challenge, in 2021 the Supreme Court declared that the Industrial Relations (Amendment) Act 2015 was constitutionally sound with regard to the introduction of SEOs. The Supreme Court declared that the Act ensures Oireachtas oversight when SEOs are being contemplated. The Supreme Court also stated that the Act contains sufficient principles and policies to enable the Labour Court carry out its functions prior to making a recommendation to the Minister on an SEO. Despite this, however, since the Supreme Court Judgment in 2021, SEOs have continued to be the subject of legal challenges. In the past two years, the electrical and mechanical SEOs were struck out by the High Court as a result of legal challenges.

SEOs are vital to an industry employing substantial numbers of workers. Political support for the SEO process is essential in ensuring that contractors can tender for work on a level playing field, and that a mechanism exists to ensure that disputes that may arise between employers and their employees can be resolved in an orderly manner. Protecting the SEO system, including amending the legislation if deemed necessary, is essential. CIF is supportive of the role of the state bodies, including the WRC Inspectorate, in ensuring compliance with employment legislation. It is essential that Labour Inspectors have the adequate powers to ensure compliance with employment legislation, including SEOs.

RECOMMENDATION 2

Implement National Training Fund Advisory Group recommendations

Implement the recommendations emanating from the National Training Fund Advisory Group (NTFAG) regarding the current (and growing) surplus of funds within the National Training Fund.

RECOMMENDATION 3

Funding for off-the job training for both craft and consortium led apprenticeships

Under the Action Plan for Apprenticeship 2021 – 2025[5], government set out its plan to integrate both the traditional craft apprenticeship and the consortium led apprenticeship models. Two primary concerns raised by the CIF has been firstly in relation to funding and secondly in relation to the day-to-day operation of the apprenticeships. While concerns surrounding the operation of the apprenticeship system has been addressed in theory; concerns surrounding funding remain; particularly in relation to funding for off-the-job training for consortium led apprenticeships.

As outlined in “The plan for the New Single Integrated Apprenticeship System” the following key component should be implemented - “additional funding is recommended in order to address the difference in the annual contribution to training costs which the state makes to craft and non-craft apprenticeship employers”. Further to this, while it is expected that funding in relation to the craft apprenticeship training will remain at its current level, the importance of such funding is reiterated. Any attempts to cut or reduce this funding would have a detrimental impact on the Irish construction sector.

5 Action Plan for Apprenticeship 2021 – 2025, Department of Further and Higher Education, Research, Innovation and Science, (April 2021), https://www.gov.ie/en/publication/0879f-action-plan-for-apprenticeship-2021-2025/

RECOMMENDATION 4

Sufficiently resource the transition to a Single Integrated System for Apprenticeship

It is requested that the transfer to the new Single Integrated System is sufficiently resourced to ensure a seamless integration. Uncertainty in relation to changes will act as a significant deterrent to employers when taking on new apprentices. Also change in process, as well as roles and responsibilities, come at a substantial costs and burden to companies. Therefore, it is imperative that the new system is simple and streamlined in its use with sufficient supports.

RECOMMENDATION 5

Apprentices should be exempt from the national minimum wage

Apprentices are employed on a training contract. While this has no legal basis it does mean that the employer is investing in training the apprentice over a 4-year period for minimum productivity return. Apprentices are, therefore, different from other workers in that regard. The minimum wage is currently €12.70 – this rate is too high for an apprentice who is just commencing training.

The NMW will be abolished in a couple of years and will be replaced by the Living Wage, which currently is over €14.80 per hour. To include apprentices in the NMW would distort the relativities that currently exist between the pay of apprentices and the pay of craft persons. This would cause industrial relations difficulties as it is likely that the unions would look for a corresponding increase in the craft rate.

Many apprentices decide within the first two years that a trade is not for them, and they leave. The employer's investment is, therefore, lost. The cost of employment is increasing continually with demands for increases in pay, pensions and sick pay, etc. The redundancy rebate was abolished approximately 10 years ago which means that employers now bear the full brunt of a redundancy payment.

Adding further to the cost of employment will not entice employers to employ more apprentices.

RECOMMENDATION 6

Further fund the Careers in Construction Campaign to ensure skills are available to meet the requirements of National Development Plan and the European Green Deal

CIF welcomes the Careers in Construction Campaign launched by DFHERIS and requests that the campaign be further funded and developed due to the huge labour expectations on the construction industry. A report from research carried out by TUS and Build Up Skills Ireland 2030 estimate's that the industry requires more than 280,000 workers to be hired or re-skilled to meet the requirements of the climate action and housing targets alone.

Failure to support the development of the necessary skills will have a detrimental impact on the future growth and development of the country which will in turn impact the daily lives of citizens. The Careers in Construction Campaign if further funding can help turn the dial and illustrate the rewards that are associated with working in the construction industry and attract the necessary talent that the industry requires.

RECOMMENDATION 7

Fund the availability of technical subjects to all schools at second level

Currently a high number of schools, particularly single sex schools, do not offer technical subjects at second level. Funding should be put in place to ensure all students have the opportunity to complete technical subjects as failure to do so acts as a barrier for a substantial percentage of the population entering STEM related careers. Diversity in the workforce across all sectors provides substantial gains to both employees and employers and should not be hindered due to availability of education in certain subjects at second level.

RECOMMENDATION 8

Fund supports to implement digital technologies that enhance the productivity of the sector

The BIM Mandate was introduced to the Capital Works Management Framework on 1st January 2024 and will continue to impact the industry on a phased basis at 6 monthly intervals over the next 3 years 2025 - 2027. To support the implementation of the mandate, it is important that the construction industry is supported in the introduction of technologies and new ways of working with the overall aspiration of increasing the productivity of the sector. These supports should be made available to all sectors of the industry to ensure no company is left behind.

RECOMMENDATION 9

Fund the recommendations outlined in the report from the Expert Group on Future Skills Needs on MMC Skills

Great work has taken place in relation to the report on MMC Skills through the EGFSN including a high level of collaboration with industry through surveys, workshops and interviews. It is requested that the Action Plan that is to follow this report is fully funded to allow for the recommendations included in the report be realised in terms of training.

RECOMMENDATION 10

Removal of Contribution Fee for Apprentices in phases 2 and 4

While the 33% reduction in the contribution fee for apprentices in higher education due to the costs of living has been welcomed; consideration should be given to total removal of the contribution fee for apprentices in phases 2 and 4.

RECOMMENDATION 11

Reinstatement of the Apprenticeship Incentivisation Scheme

The Apprenticeship Incentivisation Scheme provided financial support to an employer who took on an apprentice and was removed in 2021. To assist with the continued growth in the number of people undertaking apprenticeships, particularly in relation to construction, it is asked that this scheme be re-instated. Taking on an apprentice is a substantial investment both in time and resources by an employer and such an incentive helps relieve some of this strain in tandem with growing the apprenticeship population in Ireland.

RECOMMENDATION 12

Introduction of a Cap of the Redundancy Entitlements

Currently an employer is responsible for the payment of redundancy entitlements, at two weeks per year of an employee's employment plus an additional week's pay to the value of €600 per week with no limit to the number of years of service on which payment should be made. It is asked that a limit be put in place as currently this payment can be a substantial cost to a business that is in the process of ceasing either all or certain operations.

RECOMMENDATION 13

Recruiting instructors for apprenticeships

Continued funding should be made available to support SOLAS in recruiting instructors for certain apprenticeship categories and to make the positions more attractive to highly skilled instructors. Due to the wage rates paid in industry, it has been difficult to attract instructors to certain positions. This should be reviewed to ensure that payments reflect what is being paid in industry.

RECOMMENDATION 14

Fund a long-term plan to ensure sufficient training places remain available to apprentices and to avoid future back-logs

Covid-19 resulted in a substantial backlog in training for apprentices, particularly for phase two across numerous apprenticeships but particularly plumbing and electrical. While great work has been done to alleviate this backlog, it is of major importance that a long-time plan is put in place ensure there are no further back-logs in the future. Such experiences reflect badly on the apprenticeship system and will result in result in potential apprentices opting for alternative choices. This will have a heavy impact on the future development of the country given that such skills are so highly sought after.

RECOMMENDATION 15

Develop a mechanism for payment to individuals on traineeships

CIF propose developing a mechanism to allow for the additional payment of trainees on training allowances who are currently on traineeships when required to do work experience. Members have found barriers to paying "top ups" to these trainees while attending work experience and therefore this has been a disincentive to trainees to complete their programmes.

RECOMMENDATION 16

Review Changes to the CGT Retirement Relief for Family Businesses

Capital Gains Tax ("CGT") is a tax paid on any capital gain (profit) made on the lifetime transfer of an asset – currently the rate of CGT in Ireland is 33%. Full relief from CGT is currently available for individuals who dispose of qualifying shares or assets used during a trade to a child (or a nephew or niece in certain circumstances) where the individual is aged between 55 to 66. Relief is currently capped at a value of €3 million for individuals aged 66 and over.

From 1 January 2025 full relief from CGT will only be available for individuals aged 55 to 69 on a transfer to a child (or niece / nephew) where the market value of the qualifying assets or shares does not exceed €10 million at the time of disposal.

These changes, announced in Finance Act 2023, could impact negatively on the performance and future incentive to grow Irish family businesses in terms of the following matters:

- Orderly successions with minimal interruption to the business
- Long-term sustainable growth through inter-generational transfers of family businesses
- Lifetime transfers, to harness the energy and vision of the next generation
- Lifetime transfers, to facilitate the transmittal of invaluable experience to the next generation
- Growth of large Irish owned businesses that balance the multinational sector in Ireland
- Generating sustainable employment and opportunities that are rooted in local communities

For some medium-sized Irish family businesses the changes due to take effect in January 2025 will result in an additional taxable event worth over 40% of the total notional value of the business on the retirement of the current owner. This is due to both the direct cash tax bill due and the marginal income tax which will come due on removing the funds from the business to meet the first liability. For multi-generational companies, which often operate in the low margin and capital-intensive industries, a bill of this scale could be unaffordable from their own resources alone.

The potential impacts, because of this change, could include drains on cash flow; creating succession planning issues to avoid a significant tax event or in some cases forcing a sale of the business. The impacts will be particularly felt for the many family businesses which operate in capital intensive and low margin industries such as construction which provide durable and embedded employment in communities throughout the country.

CIF urges that the plan to introduce a cap from January 2025 should be abandoned.

SEOs are vital to an industry employing substantial numbers of workers. Political support for the SEO process is essential in ensuring that contractors can tender for work on a level playing field, and that a mechanism exists to ensure that disputes between employers and employees can be resolved in an orderly manner.

Protecting the SEO system, including amending the legislation if deemed necessary, is essential to maintain harmony in the industry and provide certainty for employers regarding labour costs.

ECONOMIC ANALYSIS OF THE CONSTRUCTION SECTOR

The CIF welcomes the opportunity to engage with the Department of Finance and the Department of Public Expenditure, NDP Delivery and Reform on the status of the construction industry and what is needed to ensure Ireland has a strong and competitive construction industry which can deliver a sustainable built environment to support Ireland's economic growth trajectory over the next decade and beyond.

The economic impact of the building and construction sector is considerably larger in the economy than the initial amount spent directly on construction. Based on an assessment of economic multipliers for construction by EY, it is estimated that, after all direct, indirect and induced economic impacts are considered in the construction supply chain and the wider economy that every €1 million of construction activity:

- Delivers an additional €0.66 million in GVA (i.e. profit and wages) to GDP
- Creates 8.9 FTE jobs across the economy
- Returns €0.16 million in tax revenue to the Exchequer

Medium-term Macroeconomic Outlook

Ireland's economy has remained resilient despite the level of global uncertainty that has existed in recent years. Economic activity underperformed slightly in the second half of last year, with the result that the economy began this year with less momentum than previously assumed by the Department of Finance in its Autumn 2023 forecast.

Unemployment levels are at an all-time low, but labour and skills shortages are at an all-time high across public and private sectors, including construction, where demand is more cyclical compared to other sectors of the economy. Lack of supply – of labour, housing and infrastructure – remains the binding constraint on Ireland's competitiveness and growth at present.

Ensuring competitiveness will be a key focus of the construction industry in 2025.

Employment is set to expand over the course of this year and next, though at a slower rate than last year. Inflation (on a harmonised basis) is set to average 2.1%, with a similar rate in expected for next year.

Tax revenue remains strong, with an overall budget surplus of €8.3 billion in 2023, providing resources to improve public services and deliver connected infrastructure.

Modified Domestic Demand is forecast to grow by 1.9% and 2.3% in 2024 and 2025, respectively.

Private consumption and total investment are forecast to weaken over the medium term, which precipitates pressure on existing services and infrastructure.

MACROECONOMIC AND LABOUR MARKET GROWTH FORECASTS 2023 - 2026

	2023	2024	2025	2026
Real MDD (% growth)	0.5	1.9	2.3	2.9
Real GDP (% growth)	-3.2	2.6	3.9	3.5
Real GNI*	1.8	2.0	1.9	2.4
Total Employment ('000)	2,685	2,735	2,775	2,845
Employment (% growth)	3.4	1.9	1.5	1.5
Unemployment (%)	4.3	4.6	4.7	4.7
Inflation (HICP)	5.2	2.1	2.1	2.0
DI	8330	8550	9735	8685
General government Balance % GNI*	2.9	2.8	F3.0	2.6
General Government Debt € bn	220.7	220.8	223.2	226.4

Data Source: Department of Finance

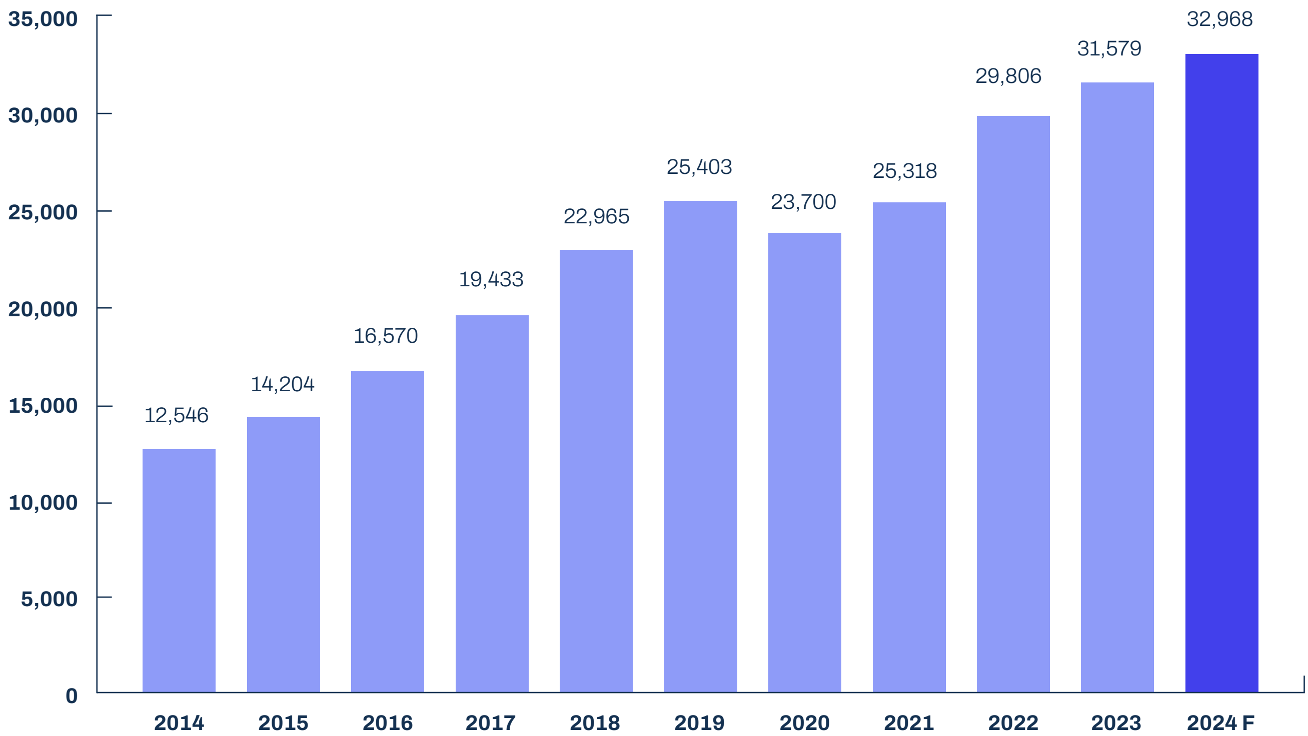
Construction Growth Forecast

National accounts show that the official measure of construction investment, Gross Domestic Fixed Capital Formation (GFCF) in Building and Construction was valued by the Department of Finance at approximately €31.5 billion (in current prices) in 2023.

GFCF IN BUILDING AND CONSTRUCTION 2019 - 2024(F)

	2019	2020	2021	2022	2023	2024 (F)
Domestic Construction GFCF at Current Prices (€ million)	25,403	23,700	25,318	29,806	31,579	**32,968F**
Domestic Construction GFCF at Constant Chain Linked 2021 Prices (€ million)	28,768	25,885	25,318	26,033	25,735	**27,000 F**

GROSS DOMESTIC PHYSICAL CAPITAL FORMATION IN BUILDING AND CONSTRUCTION 2014 - 2024 IN CURRENT PRICES



Data Source: National Accounts CSO

Investment in building and other construction fell in 2024 Q1, but housing commencements increased sharply. The latest quarterly National Accounts point to weakness in both the residential and non-residential activity in Q1 2024, with building and construction down 13.5% year-on-year adjusted basis, modified investment grew 6.9% in 2024 Q1 compared to the previous quarter.

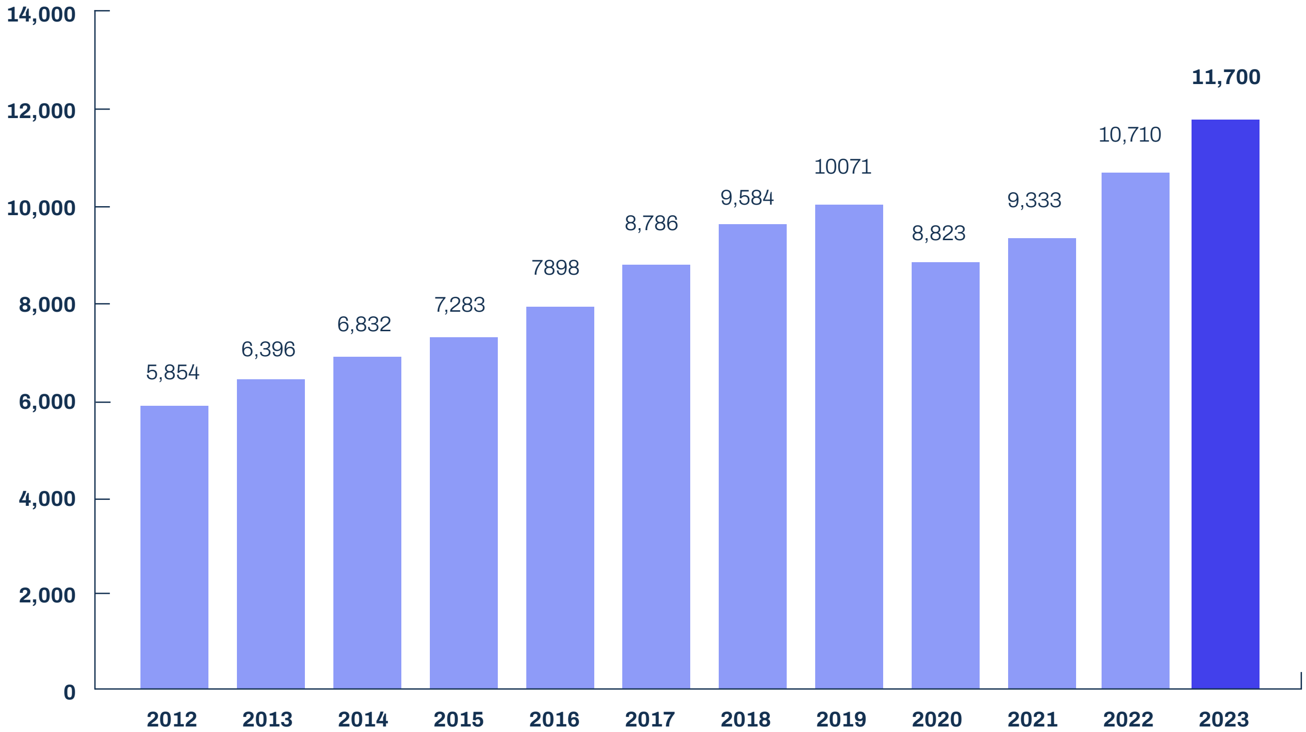
However, housing investment has shown early signs of growth with an annual increase of 21% in the total number of dwelling units approved for planning permission in the twelve months to 2023 Q4 (to 41,225 units).

Housing commencements increased by 205% in the first four months of 2024 compared with the same period in 2023. The volume of activity in the Residential Building sector was up 8.5%.

The construction industry had a significant rebound in demand in 2022 (post- pandemic), which produced a 2022 bounce in GVA (+14%). Real Gross Value Add (GVA) for the sector reached €11.7 billion in 2023, bringing the sector back in line with its pre-pandemic trend.

GROSS DOMESTIC PHYSICAL CAPITAL FORMATION IN BUILDING AND CONSTRUCTION 2014 - 2024 IN CURRENT PRICES

Real Growth in Construction GVA at Constant Prices (chain linked) 2012-2022



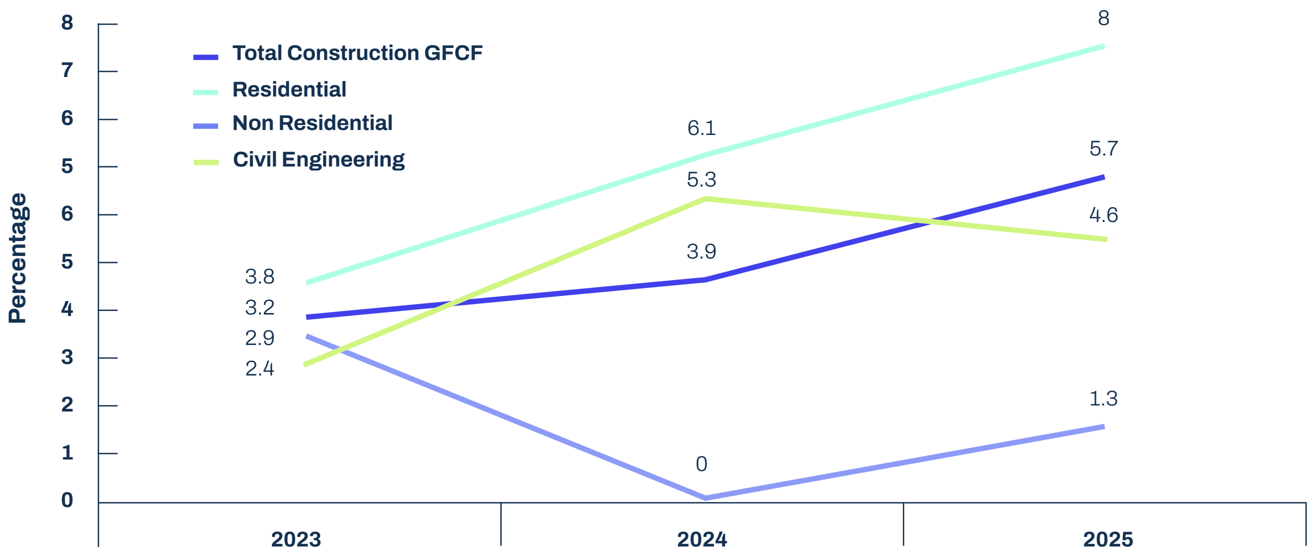
Data Source: National Accounts CSO

EY / EUROCONSTRUCT[6] forecast that overall construction investment in Ireland will increase by 3.9% in 2024 and 5.7% in 2025. The forecast for residential growth has been revised upwards following an acceleration in the construction of new residential homes in Ireland. The volume of new non-residential building (including retail, office and industrial buildings, student accommodation and hospitality) is expected to break even in 2024 before recovering modestly in 2025 (up 1.3%).

The Irish construction forecast is in direct contrast to the wider European trend where construction activity is forecast to fall in 2024 by -2.7% before recovering by 1.5% in 2025 on account of a range of influences – some geopolitical and some such as inflation, higher interest rates and higher costs.

6 https://www.ey.com/en_ie/news/2024/06/irish-housing-completions-forecast-to-be-strongest-among-19-european-countries-ey-euroconstruct

EY / EUROCONSTRUCT SECTOR FORECASTS FOR CONSTRUCTION 2023 - 2025 (PERCENTAGE)



Data Source: EY / EUROCONSTRUCT

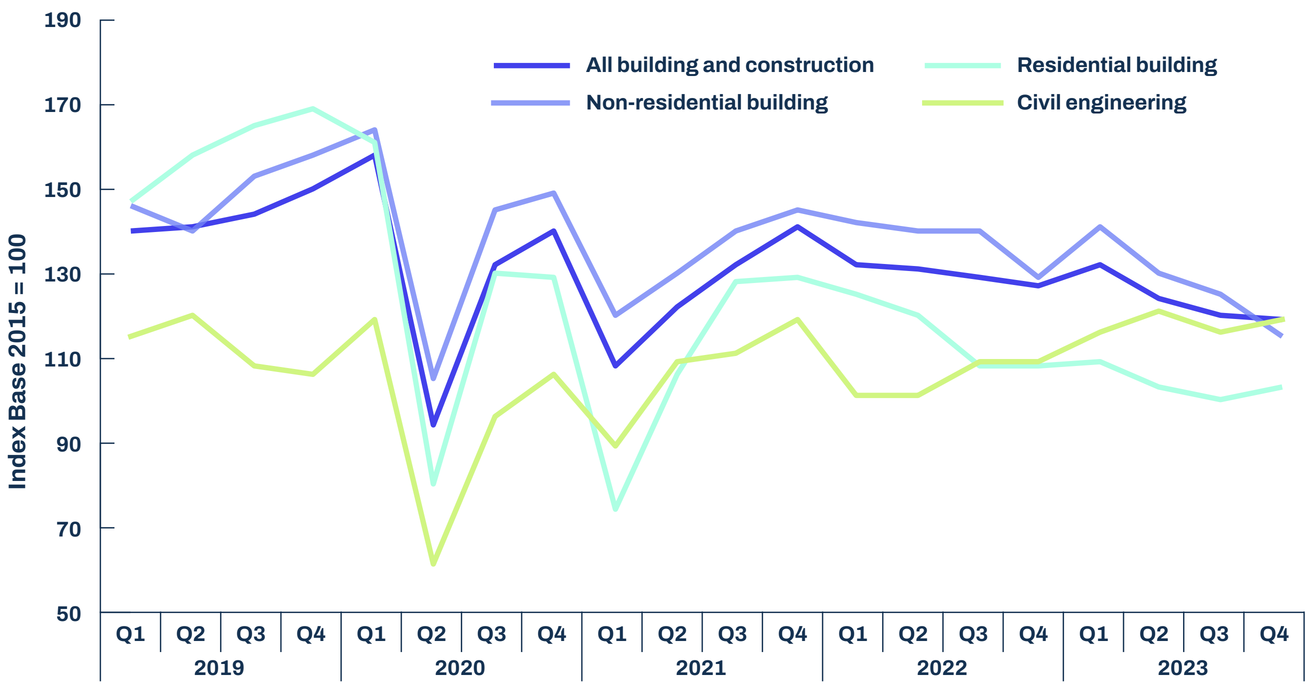
Meanwhile, the volume of production in Building and Construction fell by 0.7% in Quarter 4 2023 when compared with Q3 2023, on a seasonally adjusted basis. On an annual basis, a decrease of 6.3% was recorded in the volume of production.

The seasonally adjusted volume index for the Non-Residential Building sector declined by 8.0% between Q3 2023 and Q4 2023.

The volume in the Residential Building sector was up 3.1% in Q4 2023 when compared with Q3 2023. The seasonally adjusted volume index for the Civil Engineering sector rose by 2.4% between Q3 2023 and Q4 2023.

The seasonally adjusted value index for All Building and Construction was down by 0.4% on a quarterly basis and by 3.6% on an annual basis.

SEASONALLY ADJUSTED QUARTERLY VOLUME OF PRODUCTION IN BUILDING AND CONSTRUCTION



Source: CSO

Construction Labour Market

The most recent CSO data shows that the number of persons in employment increased across most economic sectors in the year to the end of Quarter 1 2024, notably in construction, which increased by 5.4% to 171,700 persons employed directly at the end of Q1 2024.

The CIF's position is that economic migration must play an integral role in the construction labour force. Net inward migration continues to be the main driver of labour force growth in recent years. Non-Irish employment growth has accounted for almost 75% of the growth in the manufacturing and construction sectors since the pandemic. Direct construction employment stands at 171,700 persons at the end of Q1 2024. An increasing share of construction related employment is also potentially captured by the manufacturing (off-site) data. Additionally, adopting, investing in, and engaging with Modern Methods of Construction and Offsite Manufacturing will help to address the labour and demographic challenges facing the sector into the future.

The focus of the employment permits regime in recent years has been to ensure that the skills requirements of enterprise in the state can be met through economic migration where necessary.

There were 616 permits issued in construction in 2020, 607 in 2021, 1,474 in 2022 and 1,349 in 2023 and almost 400 issued in the first four months of this year[7].

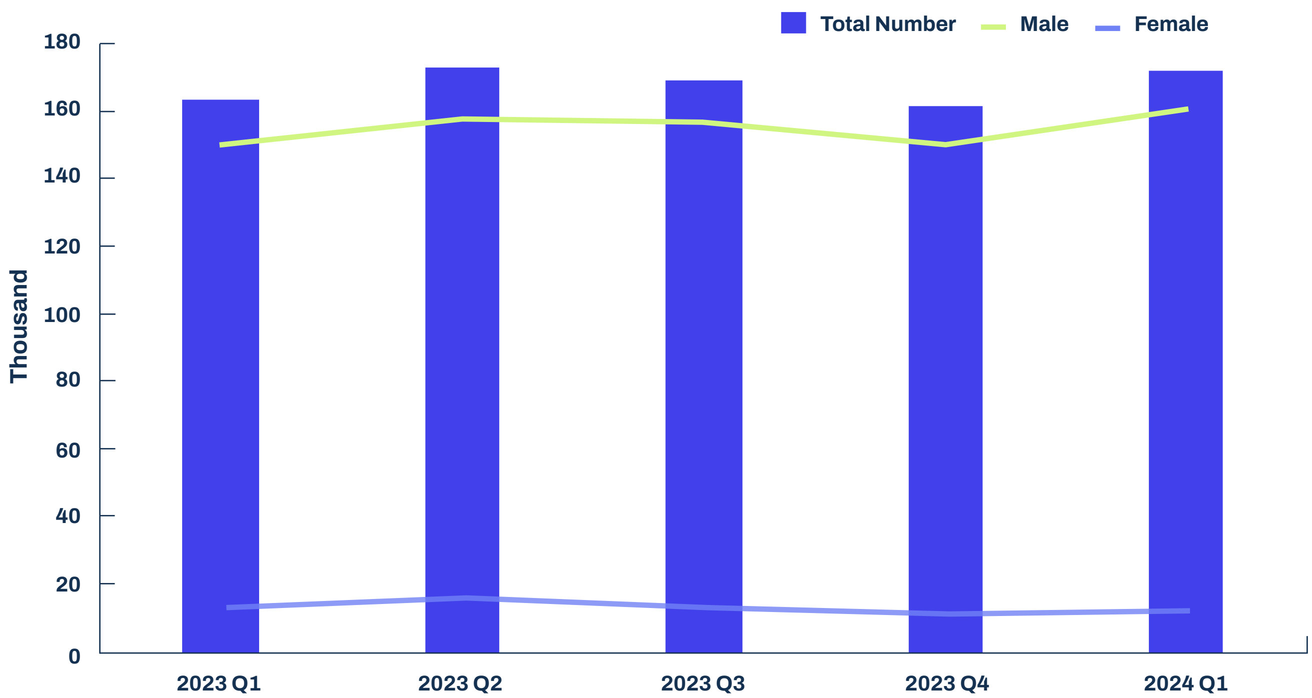
There is no doubt that the skills requirement over the next decade will be influenced by the outlook for the economy. Public investment under the NDP 2030 will remain an important stabiliser for construction demand and employment. It is likely that additional skilled employment is needed in the short term as the sector continues to grow.

While labour market capacity tends to be quite elastic in construction, it is important that short-term policy supports are considered in the current geopolitical and economic environment that may minimise labour market exits, and support the employer and employee, by investing in skills and by maximising firm survival rates through business supports.

The construction sector knows only too well that the cyclical nature of the industry can lead to extreme fluctuations in employment at any given point in time based on the underlying economy, however many of the skills needed over the coming decade will be the same as those required today.

7 https://enterprise.gov.ie/en/what-we-do/workplace-and-skills/employment-permits/statistics/

QUARTERLY CONSTUCTION EMPLOYMENT (THOUSAND)



Data Source: CSO LFS 2024

Public Capital Investment

The €165 billion NDP represents the most ambitious programme of public capital investment ever seen in Ireland and all stakeholders agree that Ireland's public infrastructure needs significant modernisation.

MEDIUM TERM EXPENDITURE STRATEGY, € BILLION

	2024	2025	2026	2027	2028	2029	2030
Gross Total Voted Capital Expenditure	13.1	14.5	16.2	15.5	16.0	16.5	17.0
Year-on-year growth rate, per cent		10.6	11.2	-3.9	3.2	3.1	3.1
Of which:							
Funded by Windfall	0.25	0.75	1.25				
Funded by Infrastructure, Climate and Nature Fund			0.6	0.6	0.6	0.6	0.6

Data Source: Dept. Finance and Dept. Public Expenditure & Reform

Even so, there has been a significant degree of capital carryover since the NDP was launched and this is concerning to the CIF. Since 2021 capital carryover levels have decreased but remain substantial compared to pre-pandemic levels.

CAPITAL CARRYOVER PER ANNUM 2016 - 2023

€ million	2016	2017	2018	2019	2020	2021	2022	2023
Capital Carryover	74	70	93	215	710	819	687	519
% share of total capital expenditure	1.9%	1.5%	1.5%	2.9%	7.2%	5.8%	6.3%	3.8%

Data Source: Dept. Finance and Dept. Public Expenditure & Reform

Our cities, provincial towns and regional communities require billions of investments in critical infrastructure under the National Development Plan to drive sustainable economic growth.

Unprecedented demographic growth and an ageing population will mean that Ireland's demand for investment in critical infrastructure will grow exponentially, especially in housing and health.

However, both infrastructure and housing are stymied by our planning and judicial system which cannot deliver services in a timely or cost-effective manner.

It is essential that energy, water, wastewater, broadband, public transport, ports and roads infrastructure through effective and efficient planning, are provided in a balanced but targeted regional basis, and under-pinned by a delivery model that is built on the principle of putting the necessary infrastructure in first.

A significant deficit in regional infrastructure from water to wastewater services, and from roads to rail, is impacting the ability of the regions to grow and become an economic counterbalance to Dublin by creating balanced economic development as envisaged by the National Planning Framework.

Planning at the local and regional level has a considerable impact on the progress of infrastructure plans. The Government must address its own capacity constraints across Local Authorities, Regional Authorities and An Bord Pleanála – essential actors in the delivery of infrastructure.

The contracting environment has given rise to a reduced appetite for involvement in public procurement and an adversarial nature which forces contractors to focus on contract management rather than project delivery.

It is in the country's interest to have a strong construction industry, with a stable cost base, that can provide an engine for economic growth.

Sustained high levels of uncertainty and geopolitical instability have destabilised the European economy and led to an energy and supply chain crisis which in turn has led to a delay in the roll out of some NDP projects. This is extremely concerning and a continuation of delays in rolling out projects, or indeed the cancellation of projects, would have a detrimental effect on construction activity.

A significant deficit in regional infrastructure, from water to wastewater services, and from roads to rail, is impacting the ability of the regions to grow and become an economic counterbalance to Dublin by creating balanced economic development as envisaged by the National Planning Framework.

Housing Supply

One of the most significant challenges facing Ireland is the adequate supply of new homes. At a minimum, Irish society needs the construction industry to deliver 50,000+ housing units annually from now until 2050.

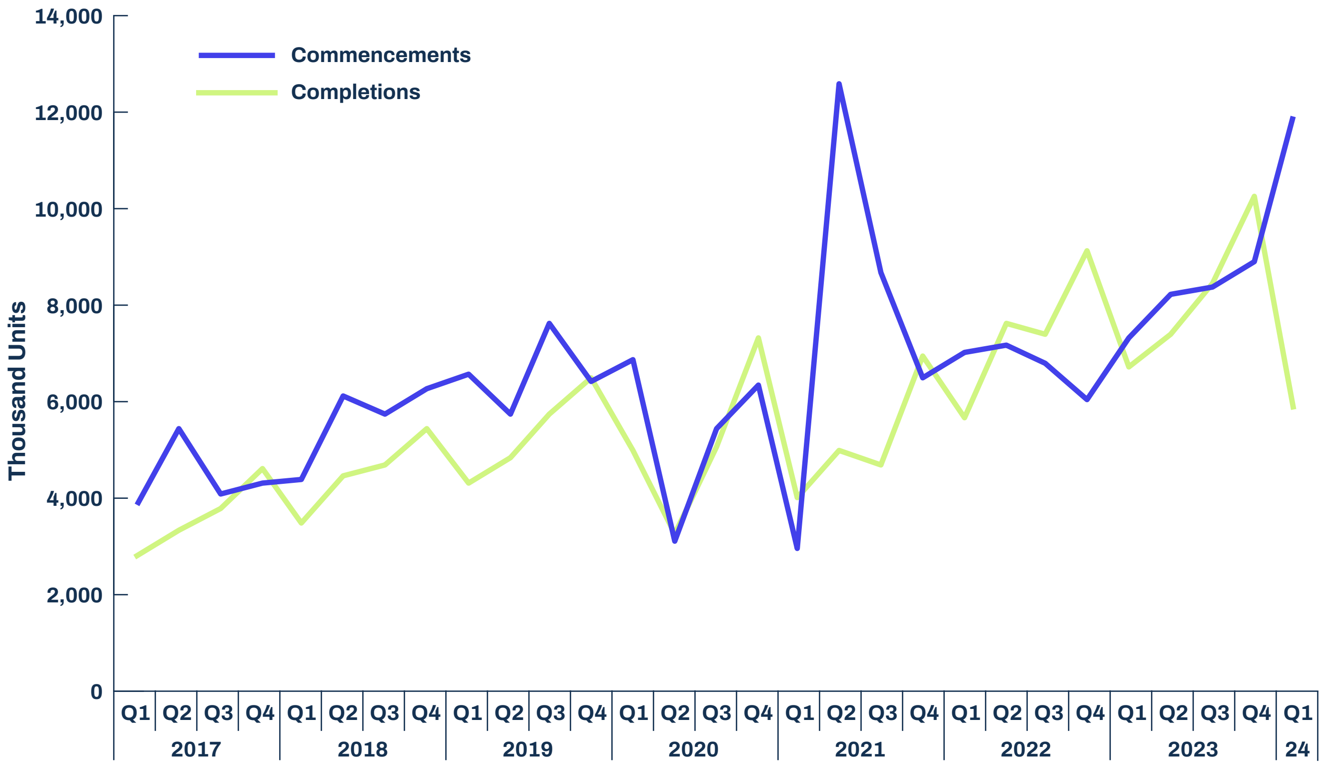
The pipeline for new housing remains relatively strong, this reflects the provision of new funding by Government, as well as the reforms under Housing for All which are continuing to unlock bottlenecks. On the other hand, outlays on home improvements (extensions, retrofits, etc.) fell marginally last year, with the impact of higher costs likely taking a toll.

National housing targets must be sufficient to meet the evolving needs of our current and future population.

The construction of new homes depends on:

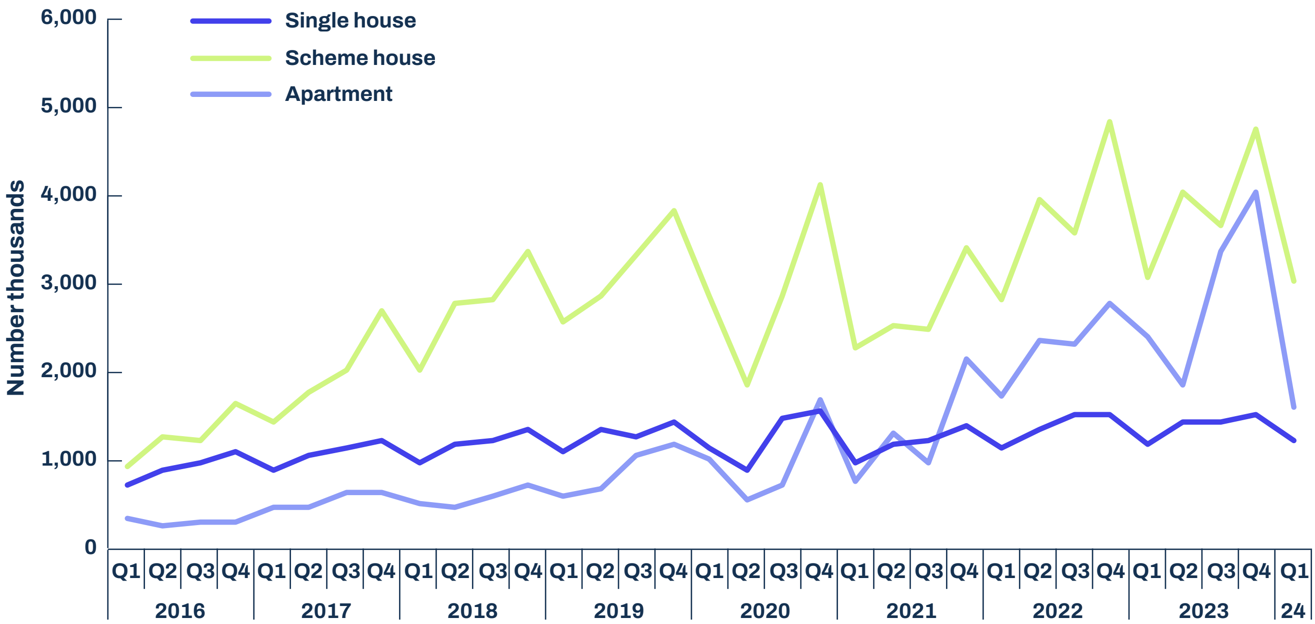
- Stability in the sector's regulatory and cost base.
- A functioning and properly resourced planning system with minimal delays.
- Adequate supply of zoned and serviced land.
- Adequate investment in enabling infrastructure, especially water and wastewater.
- Investment in the capacity of the political and administrative system to deliver.

QUARTERLY HOUSEBUILDING COMPARISON INDICATORS



Source: CSO and Department of Housing, Local Government & Heritage

NUMBER OF NEW DWELLINGS COMPLETED BY TYPE OF DWELLING Q1 2016 - Q1 2024



Source: CSO

The draft revised National Planning Framework (NPF)[8] and the review of current housing supply targets outlined under Housing for All is welcomed. It is vital that any targets used within this are robust and reflect realistic population increases, as well as the deficit of houses that haven't been built (convergence rate).

The revision to the National Planning Framework is critical to ensure there is a sufficient supply and servicing of zoned lands in areas that have seen significant increases in population. Government must introduce reform so that all state actors are aligned to ensure that lands zoned are serviced or capable of being serviced.

The soaring cost of construction in recent years means that there is a viability gap for developers. Rising costs, interest rates and planning backlogs continue to put Government's housing targets at risk.

The draft revised National Planning Framework has stated that we need at least 50,000 homes per annum. To achieve this, overly restrictive land zoning and servicing policies cannot continue. There must be adequate flexibility in an assessment of how much land to zone for residential development to cater for the growing population. There are currently too many issues preventing zoned land from being activated for residential development including inadequate services connected to the land, such as water and electricity.

Brownfield activation is especially challenging with a limited supply of capital willing to invest in apartment construction. Therefore, it is vital that there is not an over reliance on apartment delivery in the NPF or its application in local Development Plans.

The CIF urges all Local Authorities, especially those in high demand areas, to commence the process of reviewing their development plans to ensure there is enough zoned and serviced land available for housing supply.

Without an adequate supply of zoned land with services and planning permissions in place, the industry will not be able to supply enough housing.

All lands that were dezoned in previous development plans, particularly in areas of high demand and near transport corridors should be rezoned. Utility providers and transportation providers must move to a plan led rather than demand led approach that caters for current and future housing demand, rather than building just in time.

Capital allocations to the provision of water and wastewater services in Ireland are critical to the delivery of new housing. There are significant delays in the advancement of infrastructural works to enable housing developments. It is essential for housing provision that utilities such as water and electricity are planned for concurrently, as the industry cannot build houses without vital infrastructure connections in place. It is therefore vital that adequate funding is allocated for utilities and transport, so that the industry can build 50,000 units per year.

8 https://www.npf.ie/consultation-on-the-first-revision-to-the-national-planning-framework/draft-revised-national-planning-framework/

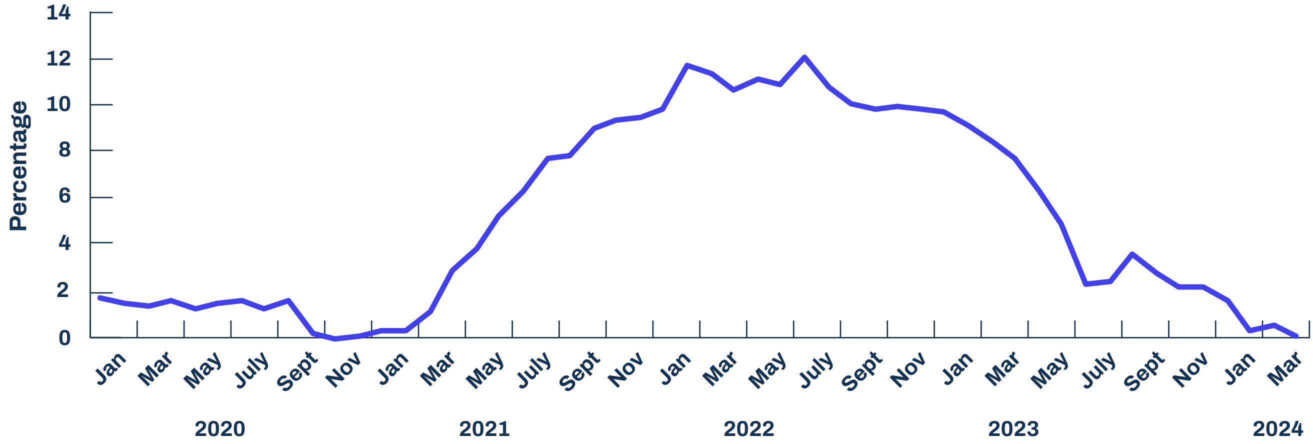
Competitiveness of the Construction Sector

It is important to highlight the trade, supply chain and contractual challenges that are continuing to impact on the competitiveness of the construction sector in 2024.

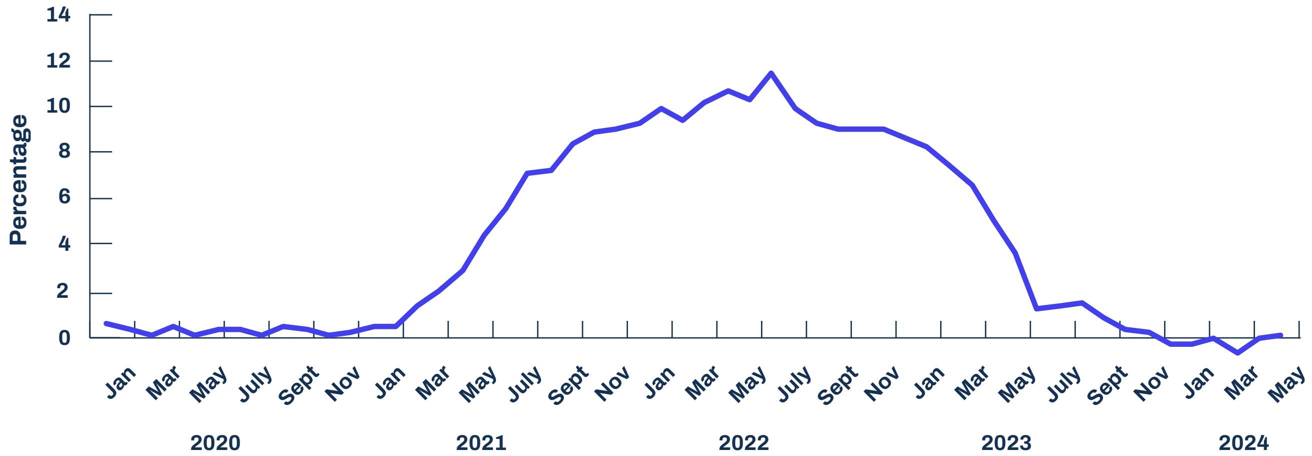
The competitiveness of the construction sector has the power to reach into every community and life in Ireland through investment in, and design, construction and maintenance of Ireland's social and productive infrastructure.

Global volatility has resulted in sustained supply chain and viability challenges. Though easing, the duration of inflation and rising prices remains somewhat uncertain. Slow economic growth and diverging levels of inflation across European Member States is a reality for the European Commission and EU Member States.

PERCENTAGE CHANGE OVER 12 MONTH IN CAPITAL GOODS PRICE INDEX



PERCENTAGE CHANGE OVER 12 MONTHS IN THE WHOLESALE PRICE INDEX FOR BUILDING AND CONSTRUCTION MATERALS



Source: CSO WPI

Overall construction investment in Ireland is forecast to increase by 3.9% in 2024. The residential, non-residential, and civil engineering sectors will continue to expand during 2025. With a growing policy emphasis on sustainable infrastructure development, the civil engineering sector will continue to be the backbone of the wider construction sector with strong growth forecast through to 2026.

Bearing the current global context in mind it is a priority for the wider built environment sector that contract conditions continue to attract the industry to bid for public projects. This will require investing in the resources necessary to bring the public procurement process and the Public Works Contract (PWC) in line with international norms, including fair and effective price variation mechanisms.

The fiscal challenges facing budgetary policy over the medium-term will continue to deepen as Ireland faces the costs of an ageing population and climate change.

Private consumption and total investment are forecast to weaken over the medium term, which precipitates pressure on existing services and infrastructure.

Timely implementation of the ‘Recovery and Resilience Plan’ is expected to contribute to making further progress on the green and digital transition. In addition, continued support of the priorities of the Construction Sector Group (CSG) will help to deliver a more collaborative, productive, agile and environmentally sustainable construction sector, greatly upskilled and enabled by innovation and digital adoption.

It remains hugely positive to see significant progress being made by Government, Enterprise Ireland and the construction sector in this sphere since 2020 with the establishment of the Centre of Excellence for Digitalisation, the Construction Technology Centre to accelerate research and innovation within the construction and built environment sector based at NUIG, and the Demonstration Park for Modern Methods of Construction (MMC) based at Mount Lucas.

The work of the Construction Sector Group in the innovation space mirrors the policy plans of Government for the economy. The pandemic was transformative in many respects – and the focus on MMC, innovation, funded R&D and digital adoption has been, and will continue to be, at the heart of this transition for the construction sector.

Global volatility has resulted in sustained supply chain and viability challenges, and though easing, the duration of inflation and rising prices remains uncertain. With a growing policy emphasis on sustainable infrastructure development, the civil engineering sector will continue to be the backbone of the wider construction sector, with strong growth forecast through to 2026. The work of the Construction Sector Group in driving innovation and digital adoption is crucial, as the sector navigates economic uncertainties while striving for a more collaborative, productive, and environmentally sustainable future.

CIF HEADQUARTERS
Construction House
Canal Road
Dublin 6
D06 C6T2

P +353 1 406 6000
E cif@cif.ie

CIF CORK
4 Eastgate Avenue
Little Island
Cork
T45YR13

P +353 21 435 1410
E cifcork@cif.ie

CIF GALWAY
8 Montpelier Terrace
The Crescent
Galway
H91AC96

P +353 91 502680
E cifgalway@ cif.ie

www.cif.ie