

Building On Experience

Incoming president of CIF Dominic Doheny shares his vision for the construction industry with Irish building magazine, along with a few lessons he has learned along the way.



Dominic Doheny

"I've been in the industry for a long time now and like most people have a few battle scars to prove it.

Originally, John Flanagan Developments was a typical construction company of its time. In the 1990s we became developers, but developers in the sense that we built our product. It's what we continue to do today. We're embedded in the fabric of the community in Tullamore and the surrounding areas having built and developed residential, industrial and commercial in the area."

A Wealth Of Experience

As President of the CIF I've an understanding of the challenges facing companies across the sectors of our industry and across the country. I think the understanding that the industry is changing and the demands placed on construction companies are also changing is an important first step.

Whilst the headline statistics for the industry are positive – we predict we will grow from €15b to €20bn output by 2020 – my role as President is to draw attention to the fact that regional construction companies are still suffering. They have to 'travel up the road' to Dublin to secure work or worse they are facing closure. I believe that there are parts of the country and the industry that will not see recovery if we don't take imaginative and bold steps to support communities.

Our analysis shows that with 37,000 construction-related companies spread across every single community in Ireland, that the best way to drive employment and growth is

to support the regional construction company. They will build locally, they will hire locally, and they will pay wages that are recycled in the local community. They are the lifeblood of towns and communities throughout Ireland. I want to use my role as President of the CIF to ensure that we have a thriving industry dispersed across all the regions because I believe that's what's best for Ireland as well as the industry.

Focus On Regeneration

Construction companies are now again seeking opportunities for growth domestically and increasingly on the international arena. The Government has set very clear targets for housing, infrastructure, and specialist building. That means there is, for the first time in the best part of a decade, a sustainable pipeline of work for companies. However, some companies, particularly in the Midlands and other regions outside the Greater Dublin Area are not yet in a position to capitalise on these opportunities. Simply put, companies cannot access the finance to fund essential projects. Some companies have sweat assets and run down working capital over the past few years simply surviving, their relationships with lending institutions might have been rocky in the past, staff have been let go, most depressingly public sector procurement guidelines rule them out of viable projects.

These companies have the track record and ability but face penal interest rates and bureaucracy when seeking funding. The single most important step the Government can take would be to deliver an innovative funding

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Dominic Doheny & Michael Stone

model to help these companies. There is EU money available through the Juncker Fund, the Strategic Banking Corporation of Ireland and potentially ISIF but nobody has cracked a model that will enable the regional contractor to deliver essential housing and infrastructure in the regions.

Like Dublin the regions also have housing crises. The Government could solve these two issues by introducing incentives to convert over shop unused space into accommodation. This would bring life back into our regional towns and villages and create much needed local employment during conversions.

An Industry In Transition

The construction industry is in transition into a high growth phase. Ireland has the fastest growing population in the EU and the fastest growing economy. These are two major drivers of construction activity. And generally, construction activity is good for the economy. Every billion invested in infrastructure yields 12,000 jobs and every 10,000 new houses supports 25,000 jobs. The industry has a very high Gross Value Added rate, which means more of the value generated recycles into the Irish economy. The generally accepted sustainable level of construction activity in a mature economy is 10% of GDP or 12% of GNP. We're currently around 7% GDP so we have lots of room to increase activity in a sustainable way.

Unfortunately, Ireland hasn't been investing in construction-related activity over the past 5-7 years and this is now manifesting itself in a chronic housing crisis, a looming skills shortage in the sector and a significant infrastructure gap that could curtail Irish economic growth in the next 5 years. Most people throw their hands in the air and say 'that's just the nature of the industry'. I don't accept this 'boom bust' concept. I believe that with proper engagement between industry and Government is the solution to this issue.

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The Importance of Collaboration

In simple terms, we should have been investing in infrastructure to facilitate economic growth over the last five years to stimulate the economy and maintain activity and employment in the construction sector. We would now be well equipped to meet the demands of Ireland's economic and social needs. The CIF is calling for the re-establishment of the Construction Sector Group originally formed in the Government's Construction 2020 strategy. This group would comprise of industry representatives and key officials from relevant Government Departments and State Agencies. If this



Tom Parlon, DG, CIF with Dominic Doheny

group had been formally established and followed through on 5 years ago, we could have prevented the housing shortage and infrastructure deficits we see today. Though it the real demand for housing, infrastructure and FDI related specialist buildings could have been forecast and planned for. Not establishing this group now is only storing problems up for the future and we risk repeating the mistakes of the past.

Homegrown Challenges

There are no fewer than six Government departments which impact on the delivery of construction in Ireland. These departments are concerned with regulation of construction rather than the development of the Irish construction industry. We are trapped in this stop/start policy vacuum where no Government department is responsible for the industrial policy of what is Ireland's most significant domestic industry. We employ 137000 directly. When you take into account indirect employment we cover around 200,000 or so. By 2020, we could employ over 213,000 directly with the correct policy support. We as an industry are setting out a 10-year vision for the future of Irish construction in 'Constructing Ireland 2027.' This vision sets out how the industry will expand its international footprint by creating a domestic economy that acts as a springboard for ambitious and dynamic construction companies.

Finance

There is a dearth of available finance for construction companies. The CIF will carry out a survey of members to quantify the market failure in finance for our sector, particularly the SME and regional construction companies. We will be working extensively with the EIB, ISIF and other Institutions to ensure that finance becomes available for these companies. We will examine other countries' approaches and how they offer solutions to the construction SME sector.

Skill Shortage

The CIF recently completed a major economic

analysis and future skills demand forecast carried out by DKM consultants in conjunction with SOLAS. To deliver the Government's objectives in housing, infrastructure, FDI related construction etc, the industry will require an additional 112,000 employees. Government has set these targets without ensuring that the education and training system will deliver these employees. The CIF is working on three levels to address the skills requirements of the industry through:

1. Engaging with ETBs to make sure training is available for those on the live register who require 'top-up' training to get back on site safely and quickly,
2. Promoting the industry as a career destination for young people by highlighting the positive impact on construction on Irish society and the quality careers now available there and
3. By attracting those with construction experience from the Diaspora.

Tech Uptake

RDI, Research & Development and Innovation are chronically low on average across the industry. Technologies and innovative practices such as BIM and Lean have the potential to fundamentally enhance the industry's competitiveness. But for companies still focussed on survival, these practices are challenging and costly. The state must support companies in the adaption of new technologies and must provide more funding for bespoke construction related research in Third Level institutions that collaborate with the construction industry.

Standards Of Excellence

Standards and quality are the cornerstone of the industry's reputation. The CIF has been instrumental in supporting the Construction Industry Register of Ireland. We are strongly advocating that the Government put CIRI on a statutory footing; meaning any construction company operating in Ireland will need to meet exacting standards in terms of standards, quality, competence and financial capability. In time, the consumer will look for CIRI homes as the standard in the industry. ■