

AUGUST 2019



PRE-BUDGET 2020 SUBMISSION

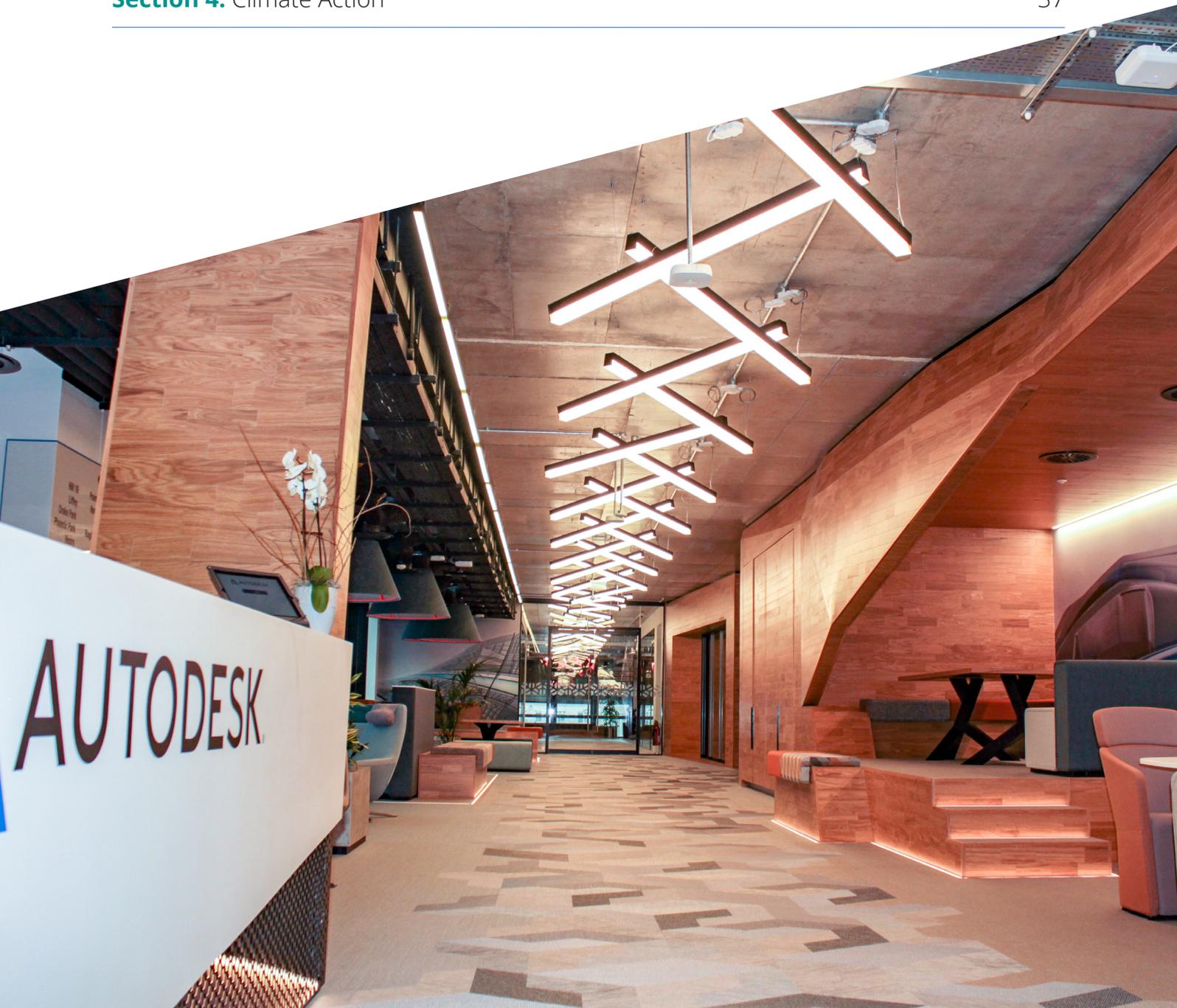
Construction Industry Federation

Presented to the Minister for Finance
& Public Expenditure and Reform



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FOREWORD



“We must look after the vulnerable”; those words were spoken by Sean Healy at the recent National Economic Dialogue and to me they captured the spirit of what is best in the Irish Nation. When we help others, we are better ourselves and that selflessness provides the environment to overcome challenges, create opportunities and build a better balanced society.

Construction is a significant part of our economy and in overall numbers appears to be performing reasonably well. But dig just a little below those overall numbers and extreme imbalances are obvious, across geographies and across sectors. There will always be differences but when the imbalances are extreme it will inevitably introduce new, and reinforce existing, vulnerabilities. Digging deeper also reveals a reliance on private sector investment.

The National Planning Framework: Project Ireland 2040 and the National Development Plan set out ten National Strategic Outcomes, built around the over-arching themes of well-being, equality and opportunity. The CIF wholly supports these over-arching themes and where there are blockages, challenges and capacity constraints the CIF will work with Government in delivering the ambitious €116 billion investment plan as outlined in the NDP; in developing Cork, Limerick, Galway, and Waterford as an economic counterbalance to Dublin.

This pre-budget submission sets out the CIF vision under four headings:

PEOPLE

HOUSING

INFRASTRUCTURE

CLIMATE ACTION

Project Ireland 2040 takes a radically different approach to future planning by focusing not just on bricks and mortar, but on social, economic and cultural development. It links planning and investment for the first time in Irish history, balances rural and urban investment, and will avoid the mistakes of the past.

[2 May 2019 – Government launches Project Ireland 2040 The First Year: Annual Report 2018]



PEOPLE

The CIF has identified a suite of recommendations focused on ensuring that we have enough skilled workers in the industry to deliver the objectives established in Project Ireland 2040.

It is equally important that we retain those who are already forging careers in construction and to that end the CIF recommends that the highest standards in Health, Safety and Wellbeing should be a core requirement for public contracts.

INFRASTRUCTURE

The Civil Engineering sector has had 10 consecutive months of contraction evidenced by the Ulster Bank PMI survey. Quite simply the commencement of NDP projects is out of sync with the declining state of the Civil Engineering industry.

The timeline for infrastructure projects is predictably uncertain and therefore the relatively small spends on planning development should be prioritised for a range of projects to ensure enough projects are at 'shovel-ready' stage at all times.

Project Ireland sets out to ensure that three quarters of new growth will be outside Dublin, with 50% of the projected population growth planned for our towns, villages and rural areas and 50% for our cities. The annual report shows that 58% of employment in IDA client companies is now outside Dublin, the highest ever level, while 60% of new jobs in Enterprise Ireland client companies were created outside Dublin in the last year.

[2 May 2019 – Government launches Project Ireland 2040 The First Year: Annual Report 2018]

HOUSING

While significant progress has been made, our housebuilding sector is reporting that a lack of infrastructure is limiting the development of much residentially zoned land. The CIF is urging Government to increase the provision for the Local Infrastructure Housing Activation Fund (or equivalent) and simplify its implementation.

Another measure the Government can take is the extension of the Help to Buy incentive scheme for first time buyers of new homes. This scheme has had a profound impact since its introduction.

CLIMATE ACTION

Achieving Ireland's climate change goals is critical to looking after the vulnerable. Again, the construction industry will be central in delivering the Government's *Climate Action Plan*. The Deep Retrofit programme has the potential to underpin growth across Ireland's regions. With a target of 500,000 homes, and a potential requirement of 1 million, it's essential that the industry has the capacity and competencies to deliver this ambitious programme in addition to the demands of the NDP and Project Ireland 2040.

Without more interconnectivity and activity in the regions; without collaboration between the public and private sectors across the key headings in this submission, Ireland will not have the sorts of dynamic construction companies operating locally to make the NDP and NPF a reality by 2040, and Ireland will not be doing as much for the vulnerable as it can do.



Pat Lucey
CIF President



*CIF will work with Government in delivering the ambitious **€116 billion** investment plan as outlined in the NDP*

EXECUTIVE SUMMARY



There has been limited output growth in public construction, CIF forecasts growth from 2020 onwards

The construction industry underpins the **competitiveness** and **productivity** of the domestic economy by providing and maintaining the infrastructure necessary for it to function well. Ensuring Ireland has a **dynamic construction industry** with the capacity to deliver construction projects efficiently and cost-effectively is critical.

In light of the Government's Summer Economic Statement and the capital expenditure programme committed to in the National Development Plan (NDP 2018-2027), CIF recommendations fall under the four main headings of **People, Infrastructure (including strategic infrastructure), Housing and Climate Action**.

CIF believe that the detailed set of recommendations should be introduced as part of a package of new measures in Budget 2020 to allow for continued effective and high-quality delivery of the National Development Plan and Project Ireland 2040.

Since recovery in the sector began, construction growth has been dominated by growth in the private residential and non-residential sectors. There has been limited output growth in public construction. CIF forecasts growth from 2020 onwards. Coherent implementation of the National Development Plan will support sustainable growth in all sectors of the construction industry and the wider economy.

The Civil Engineering sector suffered significantly from the major cuts in public spending beginning in 2008, which led to a decade of under investment in infrastructure and a concurrent retrenchment of construction skills. The industry hopes that the planned increase in public capital investment in areas such as transport infrastructure will help to boost output in this key sector of the industry as projects reach the procurement and construction stages in the years ahead.

During the past decade, CIF member companies began to internationalise as the domestic economy collapsed and investment levels fell. Industry is now seeing a huge dividend in terms of its export growth. Private sector investment continues to be hugely significant and has resulted in construction exports increasing by 22 per cent to €1.97 billion over the last year. This increase was the largest recorded by any sector according to Enterprise Ireland. The reason behind this significant increase is the world-class expertise construction companies have gained in the past decade.

The quality and expertise of the Irish construction industry is now sought after internationally and Industry's expertise in Mechanical and Electrical contracting, Civil Engineering contracting, and data centre construction is especially recognised globally.

CIF recommends that consideration is given by Government to the various budgetary recommendations as set out thematically below. These recommendations are focused on achieving the greatest return on investment from existing and planned expenditure in terms of:

- **enabling a better quality of life and improved wellbeing for all citizens;**
- **improving Ireland's economic competitiveness and climate resilience; and**
- **addressing capacity constraints across the economy and the built environment.**



*Private sector investment has resulted in construction exports increasing by **22 per cent** to **€1.97 billion** over the last year*

SUMMARY RECOMMENDATIONS FOR BUDGET 2020

1. People – Recommendations

- 1.1** Provide coordination support and finance towards the national construction careers campaign.
- 1.2** Develop a coherent and collaborative framework for Built Environment education and training.
- 1.3** Commit funding allocations from the NTF towards construction in 2020.
- 1.4** Reinstate payment of apprenticeship fees in phases 4 and 6.
 - 1.4.1** Review the funding model for new apprenticeships.
 - 1.4.2** Make available additional funding (from the NTF) to support SOLAS in recruiting instructors and capital resources.
- 1.5** Establish a supported digital Centre of Excellence: 'Build – Digital' in 2020 as a single source of expertise where productivity, energy performance and BIM co-exist and are promoted.
- 1.6** Provide supports to SMEs to encourage and assist employers in providing sustainable employment and training.
- 1.7** Invest in construction related R&D and Innovation and introduce a simplified R&D tax credit scheme for SMEs which allows smaller firms to overcome funding constraints on their innovative activity.
 - 1.7.1** Work with Industry to better promote the uptake of R&D supports.
 - 1.7.2** Make the Capital Works Management Framework better support and value R&D and Innovation investment at business level.
 - 1.7.3** Provide the necessary supports to structure the role of R&D and Innovation in construction.
- 1.8** Explore the potential of future research on management practices and productivity gains amongst Irish construction firms.
- 1.9** Reintroduce the redundancy rebate or reduce and cap redundancy payments.
- 1.10** Accelerate Capital Allowances on plant and machinery.

2. Infrastructure and Strategic Infrastructure – Recommendations

- 2.1** Implement the OGP Medium Term Strategy for Construction Recommendations without delay.
- 2.2** Progress and finance the forward planning and procurement work for strategic infrastructure projects identified in the NDP and expedite key NDP projects in the regions.
- 2.3** Support the construction process by introducing and committing to Early Contractor Involvement, earlier planning and the proper resourcing of design teams on all public projects.
- 2.4** Address the critical cost issue of construction and demolition soil and stone treatment and disposal.
- 2.5** Maintain a solid regional pipeline of public capital investment.
- 2.6** Streamline the planning procedures in relation to Strategic Infrastructure Project Developments.
- 2.7** Create better markets for SME companies in construction.

3. Housing – Recommendations

- 3.1** Increase the provision of adequate funding to enable further local infrastructure investment schemes which enable residential lands to be developed (e.g. a LIHAF equivalent/the serviced site fund model).
- 3.2** Establish a Water Services Infrastructure Fund to unlock lands for housing development.
- 3.3** Retain the Help to Buy Incentive Scheme.
- 3.4** Increase Funding Provision for the Rebuilding Ireland Home Loan.
- 3.5** Reduce Construction Costs.
- 3.6** Review the National Planning Guidelines on Housing Densities.
- 3.7** Reinstate the Building Control Amendment Regulations (BCAR) and remove the 'Opt Out' facility for One-Off Houses.
- 3.8** Adjust the taxation of private landlords providing rental accommodation.
- 3.9** Introduce a Tax Incentivised Savings Scheme.
- 3.10** Address the anomaly relating to PRSI on deemed income arising on debt release on trading land.

4. Climate Action – Recommendations

- 4.1** Embrace circular construction and the reuse of construction and demolition material.
- 4.2** Implement resilience and sustainability into the design of all new public buildings through digital adoption of BIM.
- 4.3** Accelerate and increase the annual targets for the renovation and retrofit of buildings and infrastructure to improve energy efficiency of Ireland's building stock and reduce carbon emissions.
- 4.4** Provide intellectual capital to industry in developing a sustainability strategy for construction.
- 4.5** Remove benefit-in-kind (BIK) on commercial hybrid small and medium vehicles to help tackle carbon emission.



ECONOMIC & POLICY CONTEXT



A “no deal” Brexit would mean **increased tariffs** on construction material imports from, and exports to, the UK

The **Irish economy** has been **growing strongly** over the past number of years and the **construction industry** has been growing with it. However, that growth rate is beginning to **moderate**.

The Summer Economic Statement (June 2019) suggests that with the unemployment rate standing at below 4.5 per cent there is evidence that the economy is operating at, or even marginally beyond, full capacity.

Through prudent financial management, the Government has ensured that the unsustainable pattern of economic growth which featured during the 2000s is not the case today. A reduction in debt to GDP and the establishment of the ‘Rainy Day Fund’ have supported this position.

Net migration is making a positive contribution to Irish economic growth and tax revenues have increased. The Government is now running a small budget surplus, which is forecast to continue in 2020.

BREXIT

Brexit poses a significant risk to the Irish economy and uncertainty around the final outcome is having major consequences for economic policy. There is also a concern that as the economy approaches near full employment, upward pressure on wages and

skills shortages, as well as infrastructure deficiencies and capacity constraints, could threaten Ireland’s competitiveness. While it is too early to assess the full impact of Brexit on the economy, it is likely that there will be some, and possibly significant, reduction in economic activity in the medium term.

Lower activity affects potential output and lower investment affects capital accumulation. Brexit could have a profound effect on the construction industry. A “no deal” would mean increased tariffs on construction material imports from and exports to the UK, which is a significant market for construction materials and services in Ireland.

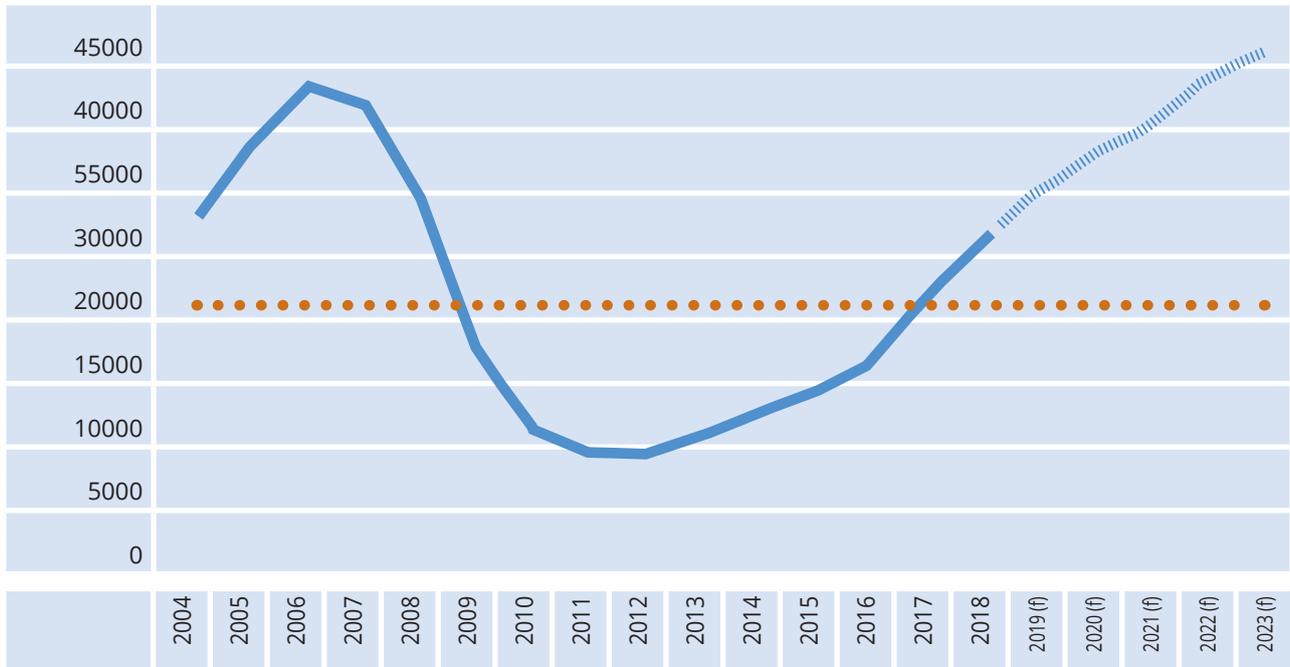
Considering the uncertainty surrounding Brexit the CIF supports the Government’s planning for two budgetary scenarios for the period 2020 – 2024 to safeguard the long term health of the public finances. The timely implementation of the NDP and the stimulatory commitments made to increasing capital expenditure and investment over the medium term will help to cushion Brexit’s effects and safeguard the economy in the years ahead.

Table 1: **Real GDP Growth Forecasts**

ECONOMIC ACTIVITY	2017	2018	2019(f)	2020(f)
Gross Domestic Product (GDP)	7.2%	6.7%	4.2%	3.6%
Gross National Product (GNP)	4.4%	6.0%	4.0%	2.2%
Unemployment rate	6.7%	5.7%	5.4%	5.0%
Consumer Price Index (CPI)	0.3%	0.5%	0.7%	1.1%

Source: Central Bank of Ireland, Quarterly Bulletin 1 2019

GFCF in Building & Construction (€ million)



●●●●● Average over 2004-2017

Source: CSO, Department of Finance

INVESTMENT

With investment in the industry expected to reach €41 billion in 2023 and construction costs continuing to increase, Industry is focused on addressing capacity constraints and encouraging more people to enter the construction industry, so that skill shortages are not holding back growth of the industry or the wider economy.

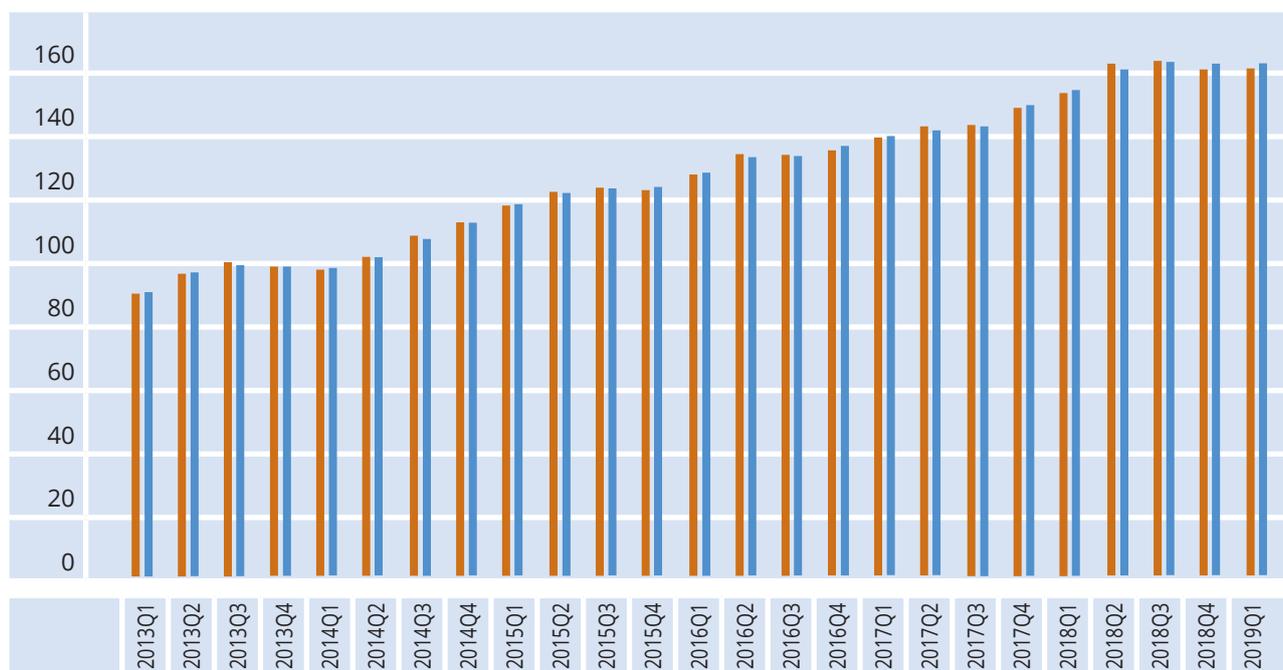
There was a 20 per cent increase in the volume of Gross Fixed Capital Formation (GFCF) in building and construction in 2018, with €26 billion invested during the year. An extra 10,600 workers joined the construction industry in 2018, which helped to meet the 20 per cent increase in investment in the sector.

Growth in the construction sector overall is expected to average 16 per cent in 2019, before moderating to 10 per cent in 2020. The Department of Finance has predicted investment in the sector will increase to €41 billion by 2023.

Despite growth beginning to moderate from 2019, construction tender prices are forecast to rise by 6.5 per cent in 2019. The CIF has indicated that cost increases are being driven by skills shortages, wage increases resulting from the Sectoral Employment Orders, increasing building standards (including the nZEB regulations) and a shortage of sites for disposal of construction and demolition material.

The current pattern of cost increases emphasises the importance of CIF's recommendations which focus on the reduction of waste in the construction cycle and the provision of policy supports to SMEs in construction, so that they can remain competitive and build stronger routes to market.

Persons aged 15 and over employed in construction



■ Construction - Both sexes, person aged 15 years and over in employment (Thousand)

■ Construction - Both sexes, person aged 15 years and over in employment (Seasonally Adjusted) (Thousand)

Source: CSO

THE CONSTRUCTION LABOUR MARKET AND PRODUCTIVITY

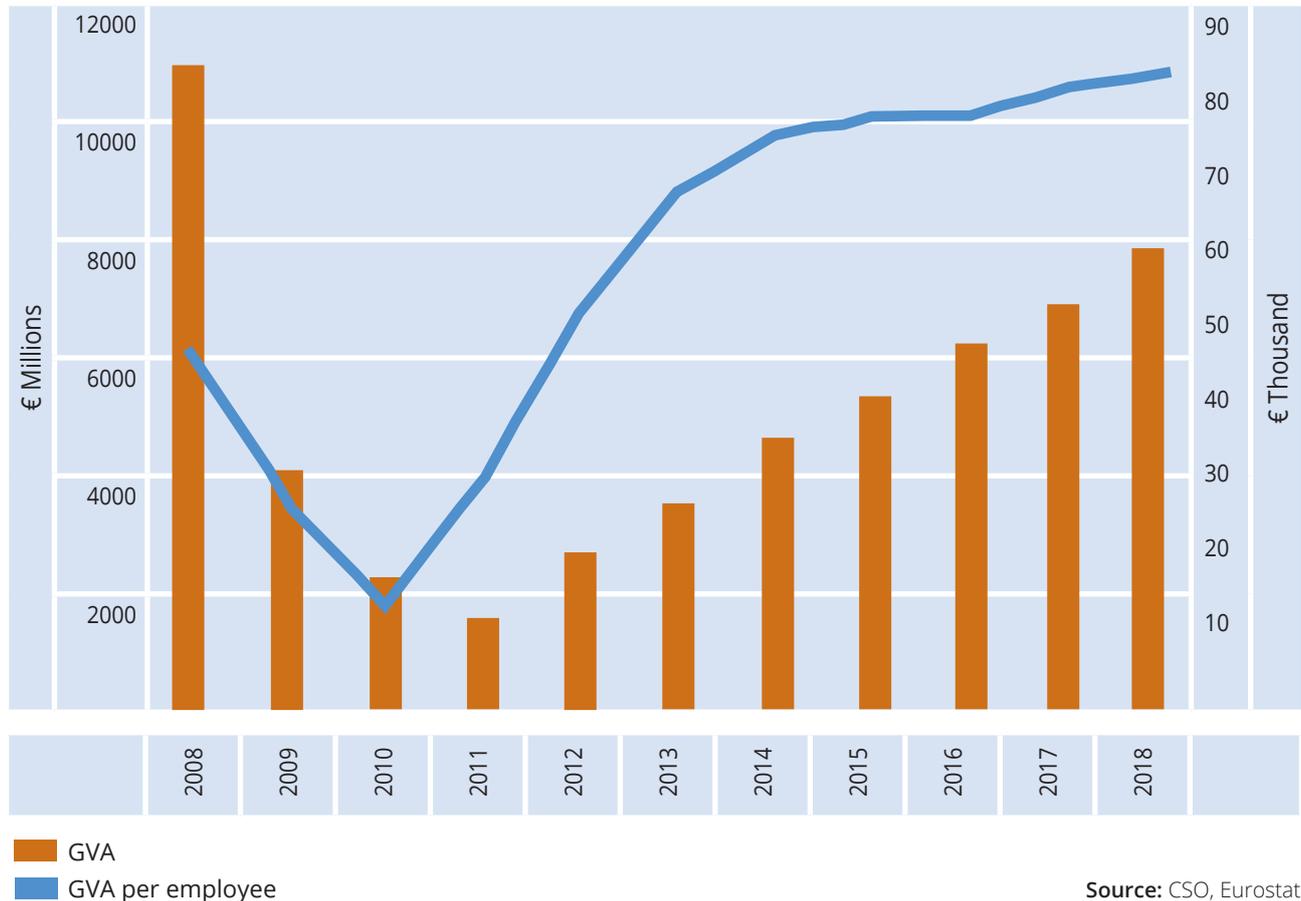
The composition of employment and the employment model across the construction sector continues to evolve with growth in the share of specialist contracting firms operating within the sector.

All stakeholders in the construction sector need to improve how apprenticeships and careers in construction are viewed by the general public, so that they appeal to more young men and women, and in turn attract good calibre individuals. There is an opportunity for all stakeholders to work together to ensure careers in construction offer clear paths for professional development and progression.



*Despite growth beginning to moderate from 2019, construction tender prices are **forecast to rise by 6.5 per cent** in 2019*

Annual GVA in Construction (current market prices € million) and GVA per Employee (current market prices € thousand)



Gross Value Added per hour or per employee is a key measure of labour productivity in construction. GVA is estimated at €7.8 billion in 2018, a 13 per cent increase year on year, which would be the seventh straight year of growth. Irish owned SMEs accounted for 94.4 per cent of GVA, with the remaining 5.6 per cent from Large Irish owned enterprises (2016).

CIF is very focused on supporting sustainable growth in the construction industry that is smart, innovation-led and inclusive. CIF believes that by creating better linkages between Industry and the education and research sector, the Industry can be confident it has the technical knowledge and the skills necessary to perform well into the future. This will also help to improve total productivity in the sector.

If the desire is to improve total productivity in construction then continuous effort in proactive work life by all stakeholders involved in the design, procurement, construction and operation of our built environment is required.

CIF believes that with Government’s support the following four factors will help to drive long-term productivity growth and innovation collaboration across the construction supply chain:

- **Improved labour utilisation**
- **Investment in R&D and Innovation**
- **Improved supply chain optimisation**
- **Adoption of new technology in the procurement, design and production processes.**

FUTURE JOBS

In preparation of this submission CIF has examined the deliverables contained in 'Future Jobs Ireland', Government's new strategy developed to support Project Ireland 2040 and Global Ireland, which was published in March 2019. Industry warmly welcomes the fact that the strategy was developed to ensure indigenous Irish enterprises and workers in Ireland are well placed to prosper in the rapidly changing global economy.

The strategy contains five pillars which include:

- **embracing innovation and technological change;**
- **improving SME productivity;**
- **enhancing skills and developing and attracting talent;**
- **increasing participation in the labour force; and**
- **transitioning to a low carbon economy.**

The strategy also identified several vulnerabilities in the domestic economy which mirror those in construction, such as:

- **Declining productivity levels in small-to medium-sized enterprises (SMEs);**
- **Infrastructural constraints, skills deficits and labour availability; and**
- **Brexit.**

Industry has concluded that the pillars and vulnerabilities identified in the strategy are very relevant for the construction industry and directly link to a range of CIF policy objectives as outlined in this and other submissions, which have previously been made to Government and the Construction Sector Group (CSG).

CIF recommends that the Department of Business, Enterprise and Innovation, which is leading the Future Jobs Ireland strategy, be directed to implement, without delay, the specific set of deliverables outlined below as a means of supporting construction businesses for the remainder of 2019 and into 2020.

An objective for CIF - in terms of both Budget 2020 and the next iteration of Future Jobs Ireland in 2020 - is that a defined quantum of the funding to be committed is directed to support construction companies, particularly construction SMEs at this time.

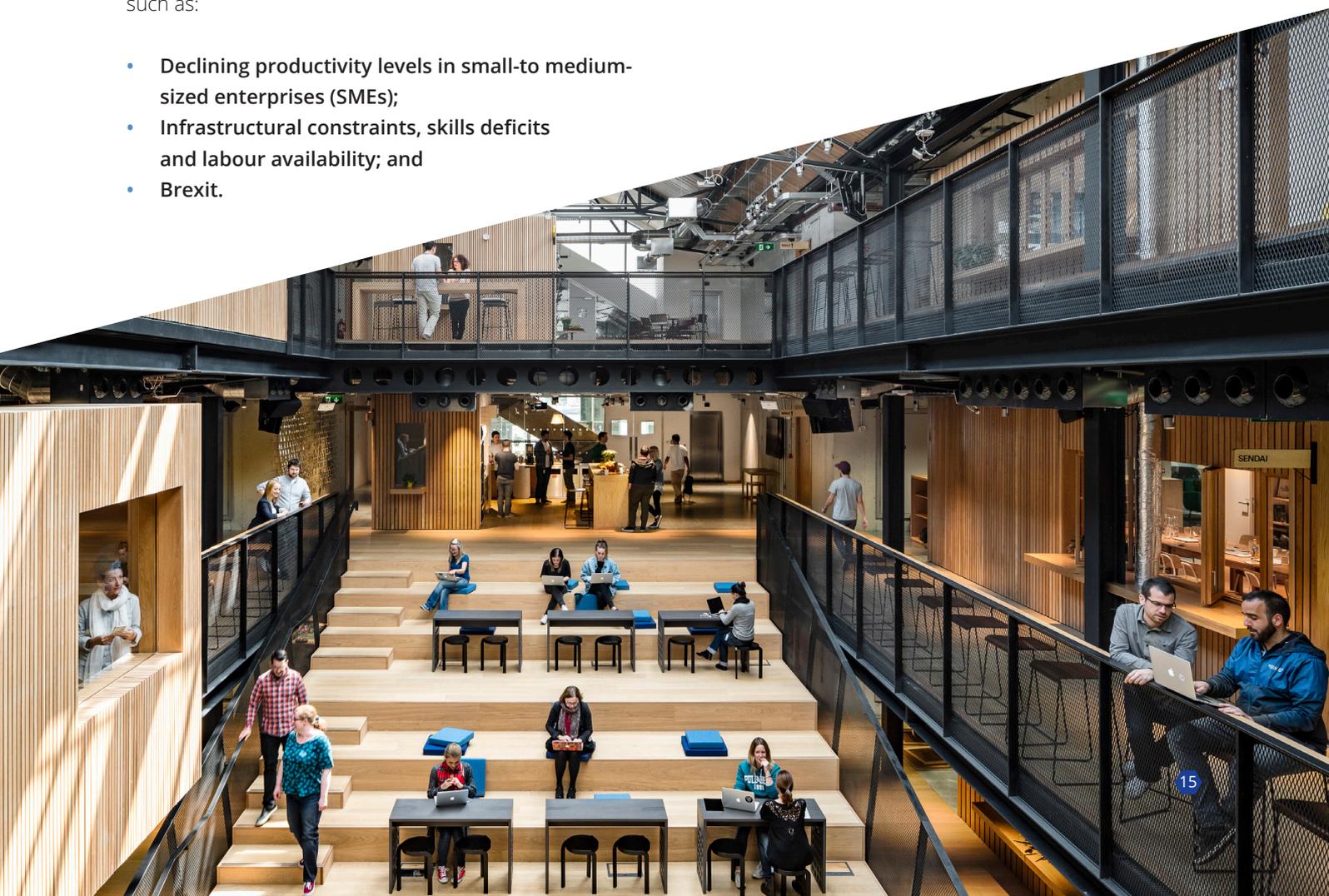


Table 2: **Future Jobs Ireland – strategic deliverables applicable to construction**

Deliverables applicable to Construction	Aligned with CIF Budget 2020 Recommendations
Develop a National Centre of Excellence on High Performance and Nearly Zero Energy Buildings (nZEB).	People
Consider how the existing R&D tax credit meets the needs of SMEs.	People
In the context of Budget 2020 evaluate proposals considering the feasibility of introducing a financial incentive to stimulate investment in SMEs' digital back office systems.	People
Evaluate proposals for the introduction of a range of targeted accelerated capital allowances for investments in transformative technologies.	People
Support digital skills development within micro and SME management teams.	People
Develop an implementation plan for actions to stimulate construction sector productivity, including greater deployment of BIM.	People
Expand Skillnet Ireland provision in leadership and management development skills in SMEs to support productivity growth and the absorption of new technologies by SMEs.	People
Include management and leadership skills as a particular focus in the call for proposals under Springboard+ 2019.	People
Initiate a competitive call for proposals in line with the new Human Capital Initiative that will involve investment of €300 million in higher education 2020-2024.	People
Develop responses to the critical regional skills needs identified by Irish enterprises through the Skills for Growth initiative and Spotlight on Skills programme.	People
Engrain lifelong learning and offer career enhancing opportunities to workers.	People
Develop mechanisms for formal recognition of prior learning of employees' skills through the Recognised Prior Learning (RPF) system.	People
Provide training in emerging technologies.	People
Develop a programme for SMEs taking part in training and upskilling for the first time.	People
Introduce a new online marketplace for apprenticeship opportunities and continue to expand apprenticeship and traineeship offerings to meet identified and emerging skill needs.	People

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In the context of Budget 2020 evaluate proposals considering the feasibility of introducing a financial incentive to stimulate investment in SMEs' digital back office systems.	People
Evaluate proposals for the introduction of a range of targeted accelerated capital allowances for investments in transformative technologies.	People

In conclusion, CIF believes that the medium-term prospects for the construction industry should remain positive following the introduction of Project Ireland 2040, the National Development Plan and other strategies such as *Future Jobs Ireland* and *Climate Action Plan*. The NDP is helping to moderate the influence of external factors, such as Brexit, and is helping to place the construction industry, along with the wider

economy, hopefully on a more sustainable path to growth.

Consideration by Government of the suite of budgetary recommendations, set out thematically below, would bode well for the future health of the construction industry and our wider society.

Table 3: **Public Capital Expenditure (Exchequer and non-Exchequer) for 2019-2027**

€ billion*	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-27
Exchequer-Gross Voted	7.3	7.9	8.6	8.9	9.4	10.0	10.5	11.0	11.6	91.0
Non-Exchequer**	2.7	2.6	2.6	2.4	2.4	2.4	2.4	2.4	2.4	24.9
Total Cap Ex	10.0	10.5	11.2	11.3	11.8	12.4	12.9	13.4	14.0	115.9
Exchequer as % of GNI*	3.5%	3.7%	3.8%	3.8%	3.9%	4.0%	4.0%	4.0%	4.1%	

Source: NDP 2018-2027 *Rounding effects **Note: Commercial Semi-State Bodies, SOEs and other non-Exchequer bodies make their investment decisions in line with business plans which for the vast majority do not extend past 2021 at this point in time. A conservative estimate has therefore been made that non-Exchequer investment will remain constant at €2.4 billion annually over the period 2022-2027.

SECTION 1
PEOPLE



The **attraction** and **retention** of **talent** is fast becoming one of the most **critical issues** for the construction industry. The availability of managerial and human capital, especially for Irish SMEs, presents **significant competitive pressures** for the construction industry and wider economy.

Direct employment in construction stands at 145,700 (seasonally adjusted figure) at the end of Q1 2019. With over 47,000 SMEs operating in the construction industry in Ireland, the sector has the third highest share of micro-enterprises in comparison to other sectors of the Irish economy. There are only 14 construction companies with over 250 employees operating in the country.

It is widely accepted that construction is a labour-intensive industry, which relies heavily on the skills of its workforce and that while innovative technological developments are happening in most construction companies to different degrees, labour is still the industry's most important asset. The industry's productivity potential lies in the quality of its labour force.

The cyclical nature of construction investment impacts on construction employment by comparison to general industry employment by producing shortages in many highly skilled trades at different times of the cycle. These shortages can adversely impact on labour productivity.

CIF believes that industrial, economic and fiscal policy needs can be further refined so that measures to support growth of indigenous Irish companies continues to be strengthened. Future Jobs Ireland is a positive step in that regard and timely implementation of its key deliverables is required.

In tandem with talent requirements, the industry suffers from inadequate investment in research, development and innovation. The low level of RDI has been cited internationally as one of the weaknesses of the construction sector. In part this may be attributed to the applied nature of RDI in construction, which has traditionally not been captured by country-based statistics.

An important consequence of investment in construction RDI is to build the absorptive capacity of both individual firms and the industry more broadly through improving the capabilities of businesses to innovate and develop associated systems.

A society that focuses on building innovation requires that policy systems be rooted in place from the Government and State level through to the business sector through to the research and education sector. At the base of any national innovation eco-system is the socio-economic, political, cultural, and environmental context.

The future establishment of a digital Centre of Excellence for construction: 'Build – Digital', and the potential establishment of a designated Research, Advisory and Innovation Centre for Construction as a destination for applied research, development and innovation offers a framework for peer to peer knowledge-based transfer, increased productivity, and higher export led growth of the sector.



*The **cyclical** nature of construction investment **impacts** on construction **employment** by comparison to general industry employment by producing shortages in many **highly skilled trades** at different times of the cycle*

People – Budget 2020 Recommendations

RECOMMENDATION

1.1 Government to provide coordination support and finance towards the national construction careers campaign.

CONTEXT

Government should commit to working with Industry to improve how apprenticeships and careers in construction are viewed by the general public, so that they appeal to more young men and women, and in turn attract good calibre individuals to the industry.

All parties should work together to ensure careers in construction offer clear paths for professional development and progression.

CIF recommends that Government provide coordination support and finance towards the national construction careers campaign to be piloted by CIF and sectoral stakeholders in Autumn 2019.

RECOMMENDATION

1.2 Develop a coherent and collaborative framework for Built Environment education and training.

CONTEXT

Government should lead all stakeholders in the development of a coherent and collaborative framework for Built Environment education and training in Ireland, which provides consistency across all programmes with identifiable graduate competences. At postgraduate level there is an opportunity to develop a collaborative programme in line with Industry's current upskilling needs.

RECOMMENDATION

1.3 Commit funding allocations from the NTF towards construction in 2020.

CONTEXT

The industry welcomed the increased funding provision for education and training of those in the labour market, particularly those working in SMEs introduced in Budget 2019 and the Future Jobs Strategy 2019 and recommends continued provision and targeting of construction SMEs in 2020. The construction industry is a significant contributor to the NTF but historically was not been a significant recipient of direct funding.

The level of expenditure from the NTF for 2019 is estimated at €485.6m. There is a further 0.1% increase in the NTF levy due to take place from 1 January 2020, which will allow for additional spending estimated at €70m in 2020. There is also €60 million of the NTF surplus earmarked for the Human Capital Initiative in 2020.

The industry requires an ongoing commitment from Government that funding allocations from the NTF will be made towards construction in 2020 – both to encourage young people into the industry and to maintain a programme of upskilling the existing labour force.

The Construction Sector Group (CSG) should look to the work of the Expert Group on Future Skills Needs (EGFSN) to inform investment and funding decisions, as well as to provide much needed future skills forecasting for the construction industry.

RECOMMENDATION

1.4 Reinstatement of payment of apprenticeship fees in phases 4 and 6.

CONTEXT

Reinstatement of payment of apprenticeship fees in phases 4 and 6 as part of the apprentice's training from the NTF budget, which was removed in 2014.

Support for apprentices in phases 4 and 6 of their apprenticeship, which take place in Institutes of Technology, was removed in Budget 2014. Prior to 2014 the fees were paid by SOLAS as part of the apprentice's training from the NTF budget. The facility was removed in 2014 with the intent that the apprentice would pay the fee (approximately €2,750) themselves. In reality, it is the employer who pays the fee.

1.4.1 Review the funding model for new apprenticeships.

Review the funding model for new apprenticeships as the current model does not fund 'off the job training'. This is prohibitive to SMEs who wish to partake in apprenticeship employment and training. This now needs urgent intervention.

1.4.2 Make available additional funding (from the NTF) to support SOLAS in recruiting instructors and capital resources.

Prioritise funding allocations to SOLAS in recruiting instructors for certain apprenticeship categories and to make the positions more attractive to highly skilled instructors.

RECOMMENDATION

1.5 Establish a supported digital Centre of Excellence: 'Build - Digital' in 2020 as a single source of expertise where productivity, energy performance and BIM co-exist and are promoted.

CONTEXT

Establish a supported digital Centre of Excellence: 'Build - Digital' in 2020 as a single source of expertise where productivity, energy performance and BIM co-exist and are promoted. Funding could be allocated from the Digital Disruption Fund 2020 under the NDP. This support should have specific focus on digital leadership, standards and education and training for SMEs and indigenous, domestically orientated companies.

The Roadmap to Digital Transition 2018-2021, the country's first ever construction digital strategy, published by the National BIM Council in 2017 committed to a 20 per cent decrease in construction cost, a 20 per cent reduction in programme duration and a 20 per cent increase in sector exports by 2021.

A greater focus is now required to drive the implementation of the Roadmap so that the construction sector can improve its production processes.

The establishment of 'Build - Digital' will provide a basis for public and private support to develop Industry skills and resources which are required for digital adoption in the sector.

People – Budget 2020 Recommendations *continued*

RECOMMENDATION

1.6 The Government should provide necessary supports to SMEs to encourage and assist employers in providing sustainable employment and training.

CONTEXT

Many of the strategic deliverables set out in the Future Jobs Ireland Strategy apply to construction and will help to meet the needs of construction SMEs. Industry recommends continued application of the strategic deliverables in 2020.

To improve productivity in SMEs, the focus of Budget 2020 should be placed on addressing skills deficits, labour availability and attracting talent. Government could also consider introducing an employer's tax credit on the costs of education and training, which would help to encourage the sector to increase the level of training provided to employees.

The most relevant deliverables identified in Future Jobs Ireland Strategy include:

- In the context of Budget 2020 evaluate proposals considering the feasibility of introducing a financial incentive to stimulate investment in SMEs' digital back office systems.
- Evaluate proposals for the introduction of a range of targeted accelerated capital allowances for investments in transformative technologies.
- Support digital skills development within micro and SME management teams.
- Expand Skillnet Ireland provision in leadership and management development skills in SMEs to support productivity growth and the absorption of new technologies by SMEs.
- Include management and leadership skills as a particular focus in the call for proposals under Springboard+ 2019.
- Develop responses to the critical regional skills needs identified by Irish enterprises through the Skills for Growth initiative and Spotlight on Skills programme.
- Engrain lifelong learning and offer career enhancing opportunities to workers.
- Develop mechanisms for formal recognition of prior learning of employees' skills through the Recognised Prior Learning (RPF) system.
- Provide training in emerging technologies.
- Develop a programme for SMEs taking part in training and upskilling for the first time.

RECOMMENDATION

1.7 Invest in construction related R&D and Innovation and introduce a simplified R&D tax credit scheme for SMEs which allows smaller firms to overcome funding constraints on their innovative activity.

CONTEXT

CIF recommends introducing a simplified R&D tax credit scheme for SMEs which allows smaller firms to overcome funding constraints on their innovative activity.

CIF calls for greater investment in construction related R&D and Innovation in collaboration with funding agencies, professional bodies, universities and Institutes of Technology to be made in Budget 2020.

There is a range of needs in the industry, from those of large and small companies, to those of the wider supply chain, and to public and private clients, set against the backdrop of the current capital works management framework and procurement culture.

The innovation performance of the construction industry has been the focus of significant attention by industry practitioners, Government analysts and policy makers, and researchers across the globe. Construction continues to underperform compared to other industries in terms of its research, development and innovation activity.

1.7.1 Work with Industry to better promote the uptake of R&D supports

Government and Industry should work together to better promote awareness and uptake of public support options for company-level R&D in construction such as tax credits, grants, innovation vouchers and loan schemes.

The introduction of a small business innovation research scheme would assist construction SMEs to build scale and stronger routes to market.

1.7.2 Make the Capital Works Management Framework better support and value R&D and Innovation investment at business level

Government should make the Capital Works Management Framework better support and value R&D and Innovation investment at business level.

Government should recognise that innovation in design and construction is often conceptual and product or service driven and is therefore not identified or classified as standard R&D. Government should examine any available latitude to address this anomaly.

1.7.3 Provide the necessary supports to structure the role of R&D and Innovation in construction

Education is the primary activity of Universities and IOTs, and the production of goods and services is the primary activity for companies in construction. A designated centre for construction research, development and innovation would be a bridge between academia and industry. CIF has committed to continue developing this agenda and has established a joint Industry and Academic Steering Committee in 2019.

The establishment of a digital Centre of Excellence (recommendation 1.5) and the future establishment of a designated Research, Advisory and Innovation Centre for Construction as a destination for applied research and best practice exemplars offers a framework for peer to peer knowledge-based transfer and increasing productivity. It would provide a single destination point, as well as access to a wider network of stakeholders for improved knowledge-based transfer and innovation.

People – Budget 2020 Recommendations *continued*

RECOMMENDATION

1.8 Explore the potential of future research on management practices and productivity gains amongst Irish construction firms.

CONTEXT

Industry and Government should explore the potential of future research on management practices and productivity gains amongst Irish construction firms with a view to developing a best practice industry guide.

RECOMMENDATION

1.9 Reintroduce the redundancy rebate or reduce and cap redundancy payments.

CONTEXT

Reduce and cap redundancy payments for all employees OR reintroduce the statutory employer redundancy rebate as an incentive to employment.

Redundancy payments are a fundamental issue for SMEs. According to the DIT Trades and Skills survey which was published in February 2018 (a survey undertaken within DIT for the Construction Industry Federation), one of the barriers to employment was the cost of direct employment of construction trades. The Government should provide necessary supports to SMEs to encourage and assist employers in providing sustainable employment. CIF propose that the Government consider reducing and capping redundancy payments for all employees:

Proposed Employee entitlements:

- Half a week's pay per year of service for employees under 41
- One week's pay per year of service for employees over 41
- Cap on the length of service

In the UK, the length of service is capped at 20 years with the maximum amount of statutory redundancy paid in the amount of £15,240. An employer can contribute further to the employee redundancy pay.

CIF further recommends that the Government commissions the ESRI, or a body of similar standing, to review the current redundancy situation and propose improvements, taking into account international best practice and submissions from interested parties.

RECOMMENDATION

1.10 Accelerate Capital Allowances on plant and machinery.

CONTEXT

Capital allowances on plant and machinery are claimed over a 7-year period. It would help the cash flow of construction businesses if accelerated capital allowances, for example over 3-years, were allowable. This would help cash flows and would not affect Government revenue in the medium term.

SECTION 2
INFRASTRUCTURE



Industry welcomes the **increasing** levels of public **capital investment**, measured in terms of Gross Fixed Capital Formation, which is due to reach **9.3 per cent** of total General Government expenditure by **2021**.

€7.3 billion was committed in direct capital funding in 2019 and this figure is due to increase by 10 per cent to €7.9 billion in 2020 (NDP 2018-2027). Construction companies are better able to plan their investment programmes over the medium term once Departments' capital programmes are fully funded on a multi-annual basis. Industry recommends that this situation remains unchanged.

The wider semi-state sector is also investing in energy and water infrastructure projects. However, Industry is calling on Government to consider an increased allocation to Irish Water to enable more development of much needed water and waste water infrastructure to open up land for residential development.

Investment in key strategic projects should begin now to mitigate delays that will invariably occur during planning and design. Collaboration with contractors at an early stage is the key to unlocking progress. This budget submission sets out a range of additional measures to improve the delivery of infrastructure across the country.

After a decade of under investment the Industry welcomed the Government's commitment to infrastructure in the NDP. In 'normal' times this would provide companies with a clear and certain pipeline of work giving the Industry the confidence to invest in people, plant and technology. However, Industry cautions that we are not yet in 'normal' times,

and that confidence is low as the Civil Engineering industry, which relies heavily on public construction, has not yet felt the effects of the renewed investment levels.

Meanwhile activity in private non-residential construction, driven by the commercial and FDI sectors, increased by 12 per cent in 2018. Due to the sheer volume of private commercial building from 2015-2018, it is expected this growth will slow in 2019 and 2020 to 7 per cent and 6 per cent respectively. However, private sector investment continues to be significant and has resulted in construction exports increasing by 22 per cent to €1.97 billion over the last year. This increase was the largest recorded by any sector according to Enterprise Ireland.

"Critically, whether the State can build infrastructure and unblock the planning process, facing down local nimbyism, will have much more impact on Ireland's prosperity than Brexit."

[13 July 2019 – David McWilliams, The Irish Times]



Infrastructure – Budget 2020 Recommendations

RECOMMENDATION

2.1 Implement the OGP Medium Term Strategy for Construction Recommendations without delay.

CONTEXT

Ensure the implementation of the OGP Medium Term Strategy for Construction recommendations to deliver appropriate procurement mechanisms that support a wide range of contractors and SME's and deliver value for money projects for the State.

The construction industry is a service sector and therefore the costs of carrying out a project must be borne by the clients who procure the project. It is unrealistic, unviable and unsustainable to expect the contractors working in the construction sector to carry more risk than necessary and not be compensated for cost increases as a result of changes to the regulatory situation.

RECOMMENDATION

2.2 Progress and finance the forward planning and procurement work for strategic infrastructure projects identified in the NDP, and expedite key NDP projects in the regions.

CONTEXT

Progress and finance the forward planning and procurement work for infrastructure projects identified in the NDP.

The timeline for infrastructure projects is predictably uncertain, yet, despite a huge immediate economic and social demand for infrastructure, and a commitment to invest, the relatively small spends on preparatory works are not prioritised. This will delay projects unnecessarily and ultimately cost the Exchequer as inflation erodes investment.

The quantum of expenditure allocated to capital projects should be sufficient to cover maintenance and depreciation and tackle the backlog in a number of sectors, for example in water and waste water infrastructure.

The planning and procurement process for projects contained in the NDP should be expedited. One of the many inhibitors to greater regional cohesion and economic development is that clusters of industry and economic activity outside the Dublin region have poor road and rail interconnectivity.

Budget 2020 should make every effort to introduce measures that would support balanced regional development and the speedy delivery of regional infrastructure through fast-tracked regional infrastructural investment.

Projects that enhance inter-regional connectivity must be 'fast-tracked'. Many projects would enhance greater regional cohesion and economic activity including the M20, N28 and N22 and the Galway Bypass.

Infrastructure – Budget 2020 Recommendations *continued*

RECOMMENDATION

2.3 Support the construction process by introducing and committing to Early Contractor Involvement, earlier planning and the proper resourcing of design teams on all public projects.

CONTEXT

Early Contractor Involvement, earlier planning, and better control of the construction process by people who understand construction and timescales will lead to higher productivity outcomes for industry, the wider economy and the Exchequer.

Public clients (and their agents) must also consider playing a role in industry's productivity, particularly regarding the uptake of new technology and proper resourcing of design teams.

Public clients must commit to continuing with Early Contractor Involvement on projects which have already been announced.

RECOMMENDATION

2.4 Address the critical cost issue of construction and demolition soil and stone treatment and disposal.

CONTEXT

Address the critical cost issue of construction and demolition soil and stone treatment and disposal.

An increase in building activity comes with increases in construction related materials such as soil and stone.

Construction and demolition soil and stone volumes have risen substantially from a low base resulting in challenges for projects as the number of waste outlets has reduced.

Regulations and producer responsibilities are tightening together resulting in a cost consequence for Industry.



*Construction and demolition soil and stone volumes have **risen substantially** from a low base resulting in challenges for projects as the number of **waste outlets** has **reduced***

RECOMMENDATION

2.5 Maintain a solid regional pipeline of public capital investment.

CONTEXT

A solid regional pipeline of public capital investment should be maintained to give certainty to Industry thereby allowing it to plan investment in human capital, R&D and innovation.

Industry understands that future iterations of the Project Ireland tracker map will include schools and social housing projects. While it is believed that the project tracker reflects the full portfolio of projects in the pipeline at present and represents projects at all stages of the project lifecycle from project identification, business case, design, procurement, implementation/construction, and completion, CIF member companies are not experiencing a significant increase in the numbers of projects reaching procurement and construction stage in most regions outside of Dublin.

CIF members are reporting delays in the commencement of some projects that require funding approval even though they have already progressed through the procurement stage.

Public sector contracting authorities should only be permitted to advertise procurement opportunities which are fully funded.

Industry is hopeful that the increased public capital investment planned in 2020 will begin to impact on regional Ireland and that the current portfolio of projects will progress through the project lifecycle towards procurement and implementation beginning in 2020.

RECOMMENDATION

2.6 Streamline the planning procedures in relation to Strategic Infrastructure Project Developments.

CONTEXT

Amend planning legislation to introduce reforms to the judicial review provisions relating to planning cases and streamline the planning procedures for implementation of recommendations in relation to Strategic Infrastructure Projects Developments.

Ensure the Courts prioritise resources in order to hear such cases in a timely manner.

RECOMMENDATION

2.7 Create better markets for SME companies in construction.

CONTEXT

Government should make downstream investments, including the use of procurement policy with more equitable distribution of risk and reward, to help to create better markets for SME companies in construction.

SECTION 3
HOUSING



A key issue facing Industry and Government remains how to **deliver quality homes** more efficiently and at a **sustainable cost**. To achieve the levels of investment forecast the Industry needs **clarity** around the **'Help to Buy'** incentive scheme, which is due to end on 31 December 2019.

The 'Help to Buy' scheme has been a major factor in the ability of housebuilders to present viable development proposals to their funders to secure the required development finance and commence development. The withdrawal of the scheme would stagnate new housing construction activity in 2020.

Housing investment increased by 24 per cent in 2018. 18,072 new housing units were completed, an increase of 25 per cent year on year; and 22,467 new housing units commenced construction in 2018, an increase of 28 per cent year on year.

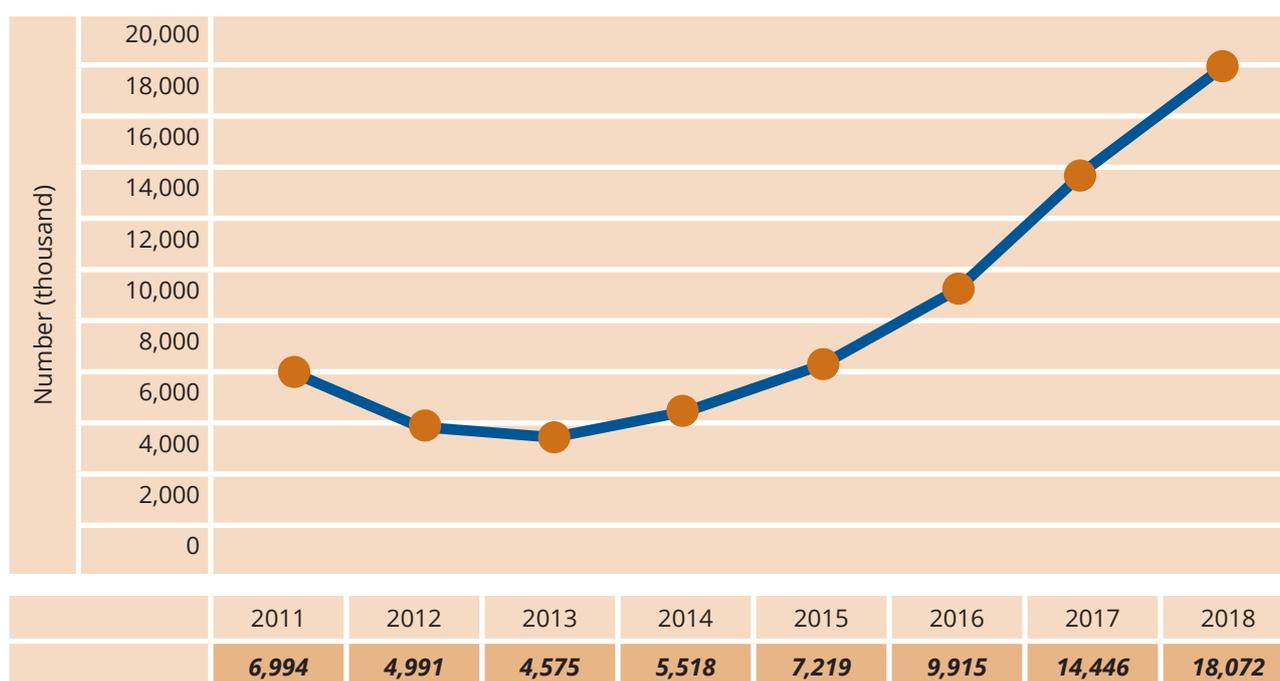
Based on investment levels CIF forecast completions will increase to 23,000 in 2019 and 28,500 in 2020. CIF forecasts an increase in housing investment in 2019 of 20 per cent and further increase of 12 per cent in 2020. However, this level of investment will be dependent on the retention of the Help to Buy scheme.

Housing investment increased by 24.1 per cent in 2018, with strong increases in new dwellings and spending on home improvements. A total of 4,275 units were completed Quarter 1 2019 (+23.2 per cent).

Brexit may result in new investment opportunities arising in the years ahead, or on the other hand, an adverse Brexit scenario may result in a slowdown or postponement of investment projects.

Based on the recent trends such as softening house prices, other leading indicators and external factors, it could take longer than expected for supply and demand to find equilibrium in the Irish housing market.

New dwelling completions



Housing – Budget 2020 Recommendations

RECOMMENDATION

3.1 Increase the provision of adequate funding to enable further local infrastructure investment schemes which enable residential lands to be developed (e.g. a LIHAF equivalent/the serviced site fund model for public land).

CONTEXT

Infrastructure is a key constraint to the development of much zoned land for residential development. While LIHAF funding was warmly welcomed in 2016, there is considerable inconsistency in the way that some local authorities administer the Fund and to date only a portion of the funding has been drawn down. At the end of Quarter 1 2019, just €16 million of a total of €195 million committed to LIHAF funding has been drawn down.

Increased and continued emphasis must be given to the provision of adequate funding to enable further supplementary local infrastructure type schemes that enable residential lands to be developed (e.g. a LIHAF equivalent/the serviced site fund model for public land).

Clarity and simplicity are required to facilitate partnership arrangements between the local authorities and the development sector for delivery of the required residential units. This will support viability for the development of other residentially zoned lands and enable commencement of additional residential units.

The process should be made more straightforward for partnerships between developers and the local authorities.

RECOMMENDATION

3.2 Establish a Water Services Infrastructure Fund to unlock lands for housing development.

CONTEXT

Establish a Water Services Infrastructure Fund to unlock lands for housing development.

Previous initiatives to provide infrastructure to service lands, while well intentioned, produced little delivery in unlocking potential lands for development. Consideration should be given to a State fund used to provide water services infrastructure and infrastructure upgrade to allow water and waste water connections for housing, and to unlock lands that otherwise will remain unviable for development.

Under the new CRU Irish Water Connection Charging Policy effective from 1 January 2019, in an area where no capital investment is planned from Irish Water, the developer is required to pay for the full cost of water and waste water infrastructure or infrastructure upgrade works to allow water connections. Furthermore, there is no scope for an offset, where the first builder pays for servicing capacity and the second builder is not obliged to pay towards the initial infrastructure. Potential development land becomes unviable.

A fund where the developer could apply for the cost of water and waste water infrastructure or infrastructure upgrade to allow water and waste water connections would unlock potential development lands and increase delivery.

RECOMMENDATION

3.3 Retain the Help to Buy Incentive Scheme.

CONTEXT

The Help to Buy Incentive (HTBI) was introduced by the Minister for Finance under Rebuilding Ireland, Action Plan for Housing and Homelessness. The HTBI scheme for first time buyers has had a profound impact on the rate of commencement of new residential scheme units, with the resultant impact of a substantial increase in rate of new housing completions since the introduction of the scheme.

Recent data produced by the Banking and Payments Federation Ireland shows that in the twelve months to the end of March 2019, 84 per cent of first time buyers, either purchasing or building a new property, used the HTBI scheme.

Without the HTBI scheme, the rate of commencement of new homes will fall as hopeful buyers will fail to have the required deposit to secure their residential mortgage.

A cohort of 'would be' buyers who do not qualify for social housing due to marginal income levels falling above the qualifying social housing criteria requirements are left behind without some form of support from Government. This is particularly the case for new residential units in the price bracket up to €385,000.

Either the HTBI scheme must be retained beyond its current expiry date of 31 December 2019 in a format so as to maintain new and increased housebuilding levels, or alternative forms of assistance must be considered such as a provision of a new house grant or a shared equity loan scheme, which is the model currently prevailing in the UK.

Without some form of continued assistance for first time buyers, the recovery of housebuilding levels will fall, and any recovery of housebuilding in provincial Ireland will be delayed.

RECOMMENDATION

3.4 Increase Funding Provision for the Rebuilding Ireland Home Loan.

CONTEXT

Recent data suggests that local authorities countrywide have exhausted the approval limits set by Government for new housing loans under the Rebuilding Ireland Home Loan Scheme.

This successful scheme has potential to support substantial numbers of new first time buyers who cannot source housing loans from the private funding institutions.

Government should commit to provide adequate funding to enable a continuation of this much needed scheme.

Housing – Budget 2020 Recommendations *continued*

RECOMMENDATION

3.5 Reduce Construction Costs.

CONTEXT

At present the hard construction costs represents just 46 per cent of the all-in construction costs of a new home.

Industry fully supports quality build and maintenance of standards, however the ongoing changes in regulations continues to impact on construction costs.

Government, prior to introduction of any further increases in building standards, should undertake a strict cost benefit analysis/regulatory impact assessment of all proposed changes to standards because such additional costs ultimately affect the viability of building and result in an additional cost for first time buyers of new homes.

With input costs remaining high, Industry asks Government to consider commissioning research on available options to reduce the all-in construction costs so that the market value of completed new homes exceeds the all-in construction costs.

Construction businesses only have control over a small percentage of the overall cost of a construction project. Taxes, building regulations (including NZEB), new Irish Water connection charges and bonds, increased labour costs resulting from Sectoral Employment Orders (SEOs) and increasing material costs are all impacting on the viability of construction projects.

There is significant concern amongst CIF members that many planned residential projects may become unviable in 2020. This is especially the case in areas where the commercial viability of residential projects remains marginal.

RECOMMENDATION

3.6 Review the National Planning Guidelines on Housing Densities.

CONTEXT

The current National Planning Guidelines on Housing Densities call for a minimum of 35 units per hectare, which is leading to increasing costs and stifling housebuilding in certain parts of the country.

This necessitates the use of apartments in order to reach density and as apartments will only work in a small number of areas in urban Ireland, large areas of Ireland cannot be brought forward with new planning applications as densities which will be achieved are not marketable.

Larger residential developments that provide a mix of densities which, overall, may not achieve higher density guidelines but which meet housebuilders' and market demands, will be developed. The housebuilding industry is unable to source finance to build housing that does not fit with market needs or demands.

There is a danger that the push to higher densities in unsuitable areas will continue to constrain housing delivery and exacerbate housing shortages. Specifically, the requirement for a minimum of 35 units to the Hectare is really not viable in most of the country at present and should be reviewed.

RECOMMENDATION

3.7 Reinstate the Building Control Amendment Regulations (BCAR) and remove the 'Opt Out' facility for One-Off Houses.

CONTEXT

Reinstate the requirement for full Building Control Amendment Regulations (BCAR) compliance for all single unit housing projects that require a Commencement Notice under BCAR.

RECOMMENDATION

3.8 Adjust the taxation of private landlords providing rental accommodation.

CONTEXT

Adjust the taxation of private landlords to reflect the taxation system applicable for corporate landlords at a time when high numbers of private landlords are exiting the residential lettings market.

An effective tax rate of 50 to 52 per cent applies to private landlords in Ireland today.

Industry believes that property tax for residential property should be allowable for taxation purposes as is the case for commercial property, where commercial rates are allowable for taxation purposes.

RECOMMENDATION

3.9 Introduce a Tax Incentivised Savings Scheme.

CONTEXT

Consider the introduction of a Tax Incentivised Savings Scheme for first time buyers based upon the SSIA model, or the UK's Help to Buy: ISA model, to assist future first time buyers once the market returns to equilibrium.

The Help to Buy: ISA is helping prospective first time buyers in the UK save up to buy their first home. Monies saved into a Help to Buy: ISA are boosted by the UK Government by 25 per cent. For every £200 saved, prospective first time buyers receive a Government bonus of £50. The maximum Government bonus is £3,000. The scheme is available to each first time buyer, not each household. This means that two prospective first time buyers planning to buy a home together could receive a Government bonus of up to £6,000 towards their first home.

The minimum Government bonus is £400, meaning that savers need to have saved at least £1,600 into the Help to Buy: ISA before they can claim their bonus. The maximum Government bonus is £3,000 and to receive that, savings must hit £12,000.

Housing – Budget 2020 Recommendations *continued*

RECOMMENDATION

3.10 Address the anomaly relating to PRSI on deemed income arising on debt release on trading land.

CONTEXT

There is a PRSI charge that can arise on the release of a debt, in circumstances where the debt relates to borrowings used for the purchase or development of land.

Following a change to tax legislation in 2013, an anomaly can now arise in cases where there is a release of a debt on borrowings used to fund the purchase or development of land, which was previously held as trading stock. The released debt is deemed a receipt of income in the year the debt is released and as a result, the amount of the debt released is treated as reckonable income for PRSI purposes for that year and subject to income tax and USC.

We understand that this matter was previously raised with the Department in 2016, following discussions at the Tax Administration Liaison Committee (TALC) and in several Pre-Budget submissions at that time. It was hoped that an amendment to the social welfare regulations would be forthcoming. However, this issue remains unaddressed and continues to cause significant hardship to those affected, who incur a substantial PRSI liability, without the corresponding income to discharge the liability due.

The purpose of the 2013 amendment was to ensure that a borrower could only obtain a tax deduction for the economic cost of their borrowings (i.e. a tax deduction for the financial cost incurred, rather than the full amount of the borrowings).

Unused trading losses carried forward from the same activity can be offset against the deemed income created by the debt release for tax purposes. As a result, any income tax and USC liability on the deemed income is in most situations not payable, as demonstrated in the example below. However, as unused trading losses carried forward cannot be used to reduce reckonable income for PRSI purposes, PRSI at 4 per cent arises on the amount of the debt released. This results in a unique situation where an individual crystallises a PRSI liability without realising any income.

The issue is best illustrated by way of an example.

Example:

An individual purchased land in Longford 10 years ago for €600,000 which was financed by bank borrowings. Because of the downturn, the land has been written down to its current market value of €100,000. After lengthy negotiation, the bank agrees that the borrower can sell the land for its market value of €100,000, provided that the proceeds on the sale are paid to the bank. The bank will then release the balance of borrowings due of €500,000.

From an income tax and USC perspective, the borrower will have a trading loss forward of €500,000 (that reflects the diminution in value of the land since it was purchased). This loss can be offset against the deemed trading receipt of €500,000 (the amount of debt released).

As such, no income tax or USC liability will arise. However, a PRSI charge of €20,000 will arise, even though the individual has not received any income from the release of the debt, out of which to pay the PRSI bill.

SECTION 4
CLIMATE ACTION



Greenhouse gas emissions and emerging **shortages of capacity** in several sectors, such as **water** and **energy**, have the potential to **hamper** environmental, social and economic **progress** in Ireland.

As the economy grows and the need for climate action becomes even more pressing, we must plan, invest in and deliver infrastructure and services which meet the needs of citizens both now and in the future.

Increasing the energy efficiency of our building stock is one of the most cost-effective methods of addressing climate change in Ireland and moving to decarbonising homes, businesses and public buildings across the country.

The industry wishes to work closely with Government on implementation of the Climate Action Plan, especially in developing proposals for the implementation of a “One-Stop Shop model” for residential and commercial energy efficiency. CIF also wishes to play a role in the new group to be formed to consider how the new retrofit model can best be delivered.

Climate Action – Budget 2020 Recommendations

RECOMMENDATION

4.1 Embrace circular construction and the reuse of construction and demolition material.

CONTEXT

Circular construction is a solution to the sustainability problems in the design of our built environment.

All stakeholders and policy makers must prepare for the impact of Ireland’s positive demographics and the resulting increase in demand that will be made on infrastructure and the building life cycle, particularly in terms of designing new buildings and infrastructures such as transport, water and housing in the years ahead.

RECOMMENDATION

4.2 Implement resilience and sustainability into the design of all new public buildings through digital adoption of BIM.

CONTEXT

Given the widespread nature of Building Information Modelling (BIM), it makes sense that the software is being increasingly used for sustainability purposes, including for energy management and monitoring a building’s carbon emissions.

Incorporating a ‘whole of life’ approach to public infrastructure and buildings means promoting the increased digital adoption of BIM amongst both clients and suppliers in order to drive greater sustainability in construction. Public sector clients need support in this area.

RECOMMENDATION

4.3 Accelerate and increase the annual targets for the renovation and retrofit of buildings and infrastructure to improve energy efficiency and reduce carbon emissions.

CONTEXT

Accelerate and increase the annual targets for the renovation and retrofit of buildings and infrastructure to improve the energy efficiency of Ireland's building stock and reduce carbon emissions.

The ageing of Ireland's building stock and obsolescence of its components requires effective incentive policies to bring about greater energy efficiency developments in the short term. As a country we need to accelerate the transformation rate of buildings and infrastructures to improve energy efficiency and reduce carbon emissions.

Government could consider advancing future capital funding to increase the volume of SEAI funded and alternative funded retrofit programmes planned under the NDP such as proposed under the Climate Action Plan 2019.

RECOMMENDATION

4.4 Provide intellectual capital to industry in developing a sustainability strategy for construction.

CONTEXT

Government could consider providing intellectual capital to industry in developing a sustainability strategy for construction with Irish based construction sector firms, relevant industry sectors and the research community to improve the industry's response to climate change.

RECOMMENDATION

4.5 Remove benefit-in-kind (BIK) on commercial hybrid small and medium vehicles to help tackle carbon emissions.

CONTEXT

If the BIK was removed on commercial hybrid small and medium vehicles typically used throughout the construction sector it would be a major saving from a pollution point of view for the environment and would help address Ireland's emissions requirements. There is no BIK on vehicles above 7.5t, however drivers are required to have a different category of licence to drive this vehicle.

Government should review its strategy in relation to BIK on commercial hybrid small and medium vehicles. Government should also review the VAT on petrol for hybrid company vehicles along the lines of what has been done in the UK, which has resulted in a big uptake in both electric and hybrid vehicles.



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