



Construction
Industry Federation

CIF Budget Submission 2022

Building the Infrastructure
for Ireland 2040

**Presented to the
Minister for Finance and the
Minister for Public Expenditure and Reform**

▶ CONTENTS

President's Foreword	3
Executive Summary	6
Economic context for investing in construction	13
Economic impact of construction	14
Post pandemic recovery	18
Transitioning to a green economy	22
4 Key Budget Themes	24
Building the Infrastructure for Ireland 2040	24
Housing our Growing Population	32
Cultivating People, Skills and Capacity	44
Transitioning to a Low Carbon and Climate and Resilient Society and Enhancing Productivity	50

▶ Section 1 **PRESIDENT'S FOREWORD**





In many ways, Covid has changed our lives, our communities, and our economy. A key lesson is building resilience in our health system and our economy generally for unforeseen events. As ever, the construction industry will be to the fore in translating intent into reality. The construction industry will lead Covid recovery, delivering homes, growing regional economies, and putting in place the social and capital infrastructure that underpins Irish competitiveness. Policymakers are increasingly aware that the industry is central to achieving climate change targets as we sustainably build sustainable buildings.

This budget submission is a message from the front-line of delivery to the Government. Each recommendation is a solution to a persistent systemic roadblock to construction. Many of these roadblocks have militated delivery, adding cost and delays and ultimately restricting the capacity of our industry to deliver.

Now is the time to adopt innovative, sensible, and sustainable approaches to delivering construction in Ireland. The prize could be an additional €1.85bn economic uplift and 1,200 jobs for every €1bn invested in construction in addition to the delivery of essential housing and infrastructure that our society, environment and economy requires.

Our recommendations focus on four interrelated themes:

- 1. Building the infrastructure for Project Ireland 2040**
- 2. Housing our growing population**
- 3. Cultivating people, skills, and capacity**
- 4. Transitioning to a low carbon and climate resilient society & enhancing productivity**

Each interrelated theme builds the capacity of our industry to deliver critical strategies for the Government. For example, the enormity of our climate change challenges has been again reinforced by the IPCC recently. Renovation of our existing building stock is a key plank of Ireland's climate strategy and necessitates significant recalibration within our industry's tens of thousands of SMEs. Ensuring these companies are supported in adopting modern methods of construction, technologies and increasing investment in upskilling workforces is essential. This budget submission aims to persuade policymakers that support for the industry is not a cost, but an investment, with myriad social benefits.

Nowhere is this more evident than in housing delivery. The Government and respected bodies such as the ESRI, Trinity, the EU Commission and Goodbody estimate Ireland requires an annual output ranging from 36,000 to 50,000 over the next five years. And yet, our homebuilding sector is stymied from increasing output; costs and delays associated with the state and its agencies make securing finance for homebuilding impossible for large swathes of the country. Successive reports have shown that approximately half of the cost of homebuilding is soft costs, i.e., taxes, levies, duties, payments to state agencies, legal fees, etc. This budget submission outlines numerous ways to reduce the cost of homebuilding, particularly affordable homes, so that building them becomes viable.

Finally, our industry is growing strongly as it reshapes Ireland towards the vision of Project Ireland 2040. We are constantly investing in our people, our businesses and in new technologies that will improve our overall productivity. This budget submission shows how the Government can support our digitisation journey and how this will yield better outcomes for the taxpayer, the state, and our climate. It takes a holistic view of the state delivery mechanism for critical infrastructure. Effective collaboration between the state and industry, within the context of a benign and balanced public procurement system, can unleash the productive capacity of construction as it has in many other countries.

As ever, the industry stands ready to deliver on our nation's requirements in partnership with Government. This budget submission sets out how that partnership can work most effectively. Adopting such an approach will be nothing short of transformative for every Irish person over the next 25 years.

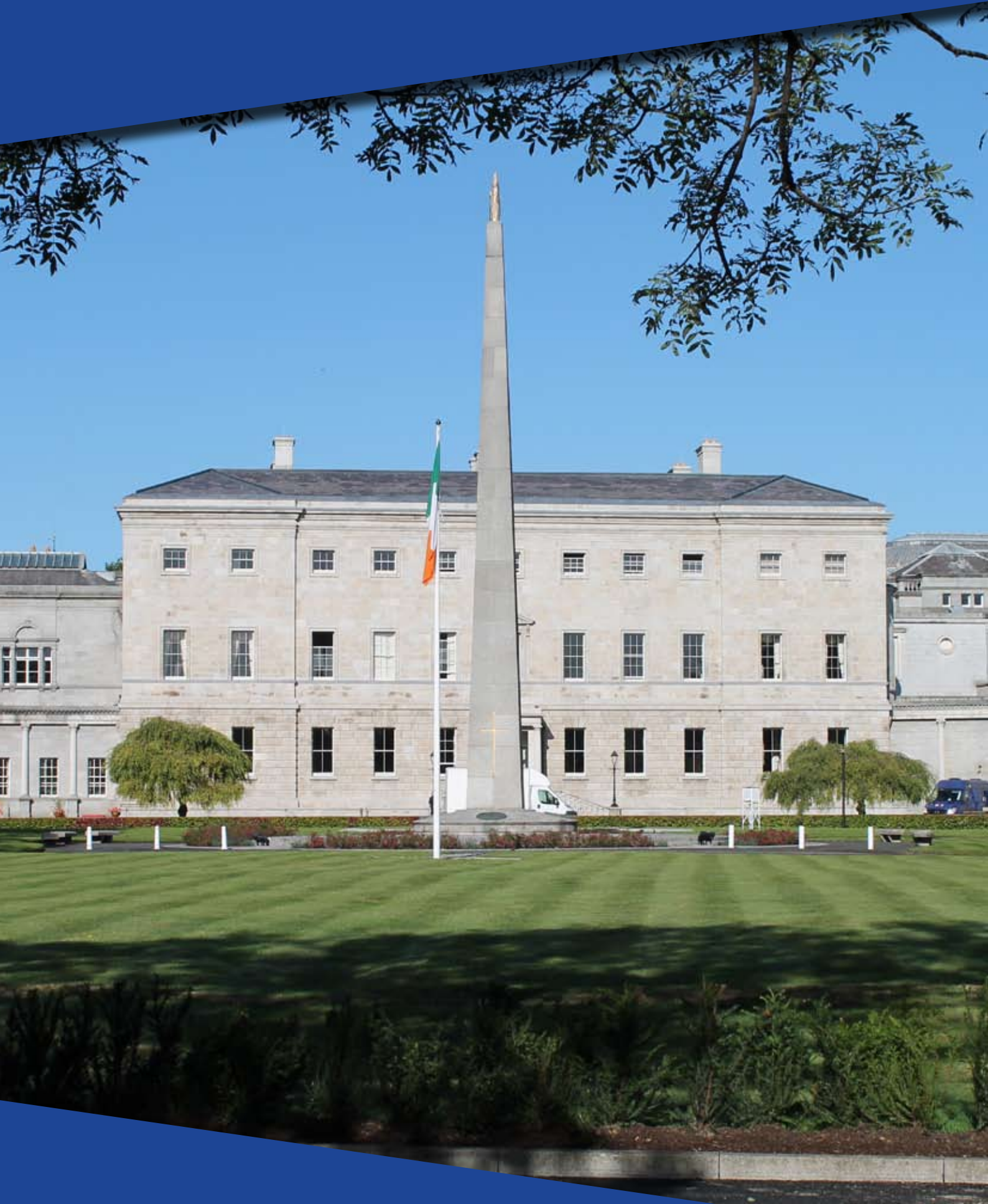
Frank Kelly
CIF President

A nighttime photograph of a construction site. The steel framework of a building is illuminated with bright green lights, creating a dramatic silhouette against the dark sky. In the foreground, the large, illuminated letters "DUBLIN PORT" are visible, suggesting the location is the Dublin Port terminal.

▶ Now is the time to adopt innovative, sensible, and sustainable approaches to delivering construction in Ireland. The prize could be an additional **€1.85bn** economic uplift and **1,200** jobs for every **€1bn** invested in construction.

▶

▶ Section 2 **EXECUTIVE SUMMARY**



Ireland has begun to fundamentally change the way it prioritises key infrastructure projects and has moved away from the short-term approach of old to a longer-term, more strategic approach. However, as 2022 fast approaches Ireland is faced with a new raft of challenges including: the impact of Brexit, the fallout from the Covid-19 pandemic, the urgent need for high-quality new housing, achieving Ireland's decarbonisation targets by 2030 and costing the impact of climate change.

In addressing the challenges facing us, and in responding to a growing economy and population, the case for increasing the overall capital budget beyond what was originally set out in the NDP 2018-2027 is beyond conclusive.

Budget 2022 will deliver an important first step on the path to economic recovery and it will set the course for how Ireland will emerge from this most recent and uncertain period in our history and return a better quality of life for all citizens.

The construction industry is very aware that Covid-19 has ravaged the state's finances and increased the budget deficit substantially. Current spending has reached unsustainable levels as a result and Government has indicated its plan to begin unwinding some of the Covid-19 related supports. It is imperative that capital investment is not impacted, and that investment is targeted into productive and enabling infrastructure that can be delivered on time and on budget. Underinvestment in capital infrastructure now will only serve to damage future quality of life and competitiveness.

▶ **The case for increasing the overall capital budget beyond what was originally set out in the NDP 2018-2027 is beyond conclusive.**



The economic benefits of increasing capital investment have been communicated time and time again by the CIF. Given the current fiscal and financial constraints, Government is urged to consider maximising all non-Exchequer financing opportunities in the form of the EIB's lending capacity and support for sustainable climate resilient investment projects, a growing interest from the private sector to engage in long-term infrastructure investment and EU funding in the form of the recently announced European Recovery and Resilience Facility.

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.

We know that 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.

Infrastructure will always remain a key component of our country's success and an important determinant of our future economic growth and competitiveness.

Investment in high quality infrastructure, which removes existing bottlenecks and adds to the productive capacity of the economy, can not only boost productivity, but can reduce inefficiencies, support jobs and foreign direct investment, help respond to climate change and build a sustainable quality of life for all citizens.

The construction industry remains firmly committed to implementation of the **National Planning Framework 'Project Ireland 2040'** and looks forward to accelerating the delivery of the forthcoming **National Development Plan 2030**.

▶ 4 KEY BUDGET THEMES

The CIF's Budget Submission 2022 sets out the construction industry's proposed recommendations, which fall under the headings of our *4 Key Budget Themes*:

- 1. Building the Infrastructure for Ireland 2040**
- 2. Housing our Growing Population**
- 3. Cultivating People, Skills and Capacity**
- 4. Transitioning to a Low Carbon and Climate Resilient Society and Enhancing Productivity**

A summary of the proposed recommendations by budget theme are set out on the following pages.

THEME 1 Building the Infrastructure for Ireland 2040

1.	Increase and front-load investment in construction driven infrastructure.
2.	Establish a special capital fund to protect NDP and live state infrastructure projects from inflationary and supply chain risks.
3.	Ensure expenditure as set out in the NDP is spent by contracting authorities on time to prevent future carry-overs.
4.	Urgently reform the Government's public sector contract and procurement processes.
5.	Consider the establishment of an independent 'National Infrastructure Commission'.
6.	<p>Increase the capital allocation to Irish Water by €2 billion annually to enable it to accelerate essential water infrastructure whilst providing work for thousands of contractors across Ireland.</p> <p>Water and wastewater infrastructure is one of the most critical areas for increased investment in Budget 2022 to enable all other forms of investment and development to follow.</p> <p>The provision of water and wastewater infrastructure is currently the slowest moving part in the provision of state controlled essential infrastructure nationally.</p>
7.	Provide a permanent road reinstatement fund to enable Local Authorities to permanently reinstate roads associated with Irish Water projects up to the standard they wish post-contract.
8.	Increase investment levels in new and upgraded transport infrastructure to cope with current and future travel demands arising from the NPF.
9.	Establish enhanced capital expenditure capabilities within public service contracting bodies with responsibility for expenditure.
10.	Enable digital transformation of the construction sector by supporting the Build Digital Project and advancing client-side skills to integrate digitisation of design, procurement and project management into capital projects.
11.	Consider targeted measures to drive innovation in civil engineering and earthworks including use of robotics and digital methods.
12.	Provide for smart sustainable expenditure measures focused on SMEs and regional employment.
13.	Provide for new and expand existing fiscal incentive measures that help to strengthen rural communities such as the 'Living City Initiative'. Ensure adequate funding is set aside for implementation of the Rural Development Policy 2021-2025.
14.	Carry out a complete review of the current planning system. The current timeframes for securing planning permission for critical infrastructure projects is prohibitive. The lack of clarity is a major impediment to the state's economic and regional development and should be urgently addressed.

▶ THEME 2 Housing our Growing Population

1.	Introduce a Shared Equity Scheme
2.	Continue and expand the Help to Buy scheme up to 31st December 2025.
3.	Rebuilding Ireland Home Loan: Commit to provide further funding to enable a continuation of this much needed scheme and confirm an extension of the scheme.
4.	Offset the Section 48 Contributions charged on New Homes for Owner Occupiers.
5.	Recalibrate LIHAF to provide 'Local Network Reinforcement'. Review what works well within the current LIHAF and identify how it could be optimised to allow greater drawdown.
6.	<p>Home Building Finance Ireland:</p> <ul style="list-style-type: none"> a. Provide accessible funding to all parts of the country at rates competitive to the pillar banks as a minimum; b. The state through HBFI should access lending from the EU and lend domestically at a rate which will facilitate new developments to commence; c. Utilise the platform of HBFI to lend on licence agreements where homebuilders don't have first charge on land; and d. Expand the 'Momentum Fund' beyond the initial period of Covid-19 into 2022 and beyond.
7.	Adaptive Reuse of Built Heritage / Environment: the introduction of a series of short- and long-term targeted measures could provide for the safe adaptive reuse of our built heritage / environment while complying and aligning planning, fire, building regulation and heritage policies.
8.	<p>'Bridge the Gap' to support the consumer by offering tax and financial incentives to support demand in the areas where investment is needed.</p> <ul style="list-style-type: none"> a. Provide low interest rate loans to people purchasing a new home, including first-time buyers. b. Regulatory Impact assessment and subsequent purchaser rebate.

▶ THEME 3 **Cultivating People, Skills and Capacity**

1.	Secure future skills and talent by increasing investment in reskilling and upskilling.
2.	Support a national careers and retention campaign for construction.
3.	Maintain the Apprenticeship Incentivisation Scheme (AIS) to support SMEs in taking on new apprenticeships and remove the student levy for current trade apprentices payable at Phase 4 and 6.
4.	Ensure that funding and resources are available to the Construction Services Unit of SOLAS to ensure the delivery of an online Safe Pass programme and the development and upgrade of the Construction Skills Certification Scheme Programmes (CSCS).
5.	Continue to support the delivery, including through Skillnets and national training bodies, of advanced digital and Modern Methods of Construction (MMC) training programmes.
6.	Target more programmes through Springboard for SME workers who need reskilling and to allow for the upskilling of existing workers.
7.	Increase financial aid supports to construction SMEs. The withdrawal of Covid-19 related policy supports should be carefully tapered to reduce/minimise scarring and to facilitate an inclusive sustainable recovery for indigenous Irish businesses.
8.	Deploy emergency liquidity support schemes to construction companies facing insolvency because of the Covid-19 pandemic closures.
9.	Invest in regional skills and regional accessibility.
10.	Enable digital transformation by providing direct financial support for training within companies.
11.	Clarify the position on BIK on company cars beyond January 2023.
12.	Introduce a targeted percentage capital allowance for procurement of plant and machinery to allow companies to invest in new machinery, like the allowances granted in the UK. Consider extending the ACA scheme for energy efficient equipment.
13.	Subsidise redundancy payments that construction SMEs must pay in certain circumstances.

▶ **THEME 4 Transitioning to a Low Carbon and Climate Resilient Society and Enhancing Productivity**

1.	To meet climate change commitments the proportion of the capital programme devoted to retrofitting all public buildings and housing stock should increase.
2.	Explore additional funding sources, such as EIB and ISIF, to address climate related infrastructure priorities such as water and wastewater, infrastructural power supplies and the circular economy for construction materials.
3.	Support strategic company plans to address operational carbon reduction targets.
4.	Accelerate and offer seed support for the establishment of a dedicated National Construction Technology Centre; and promote private sector investment by allowing tax credits for research, development and innovation within construction enterprises.
5.	Work with industry to enhance its capacity to deliver 'green' construction and measure the impact of these measures on decarbonisation over the lifetime of the NPF to 2040.
6.	Increase investment in public transport projects to positively impact on Ireland's climate action programme.
7.	Apply economic multipliers in communicating to the public the benefits accrued from each capital project towards achieving Ireland's climate action targets.
8.	Modern Methods of Construction (MMC) will increase modular and offsite manufacturing to higher standards of design, fabrication, testing and certification. The cost benefits of a centralised Centre of Excellence, with supporting research and innovation options, to the state will significantly contribute to the regional dispersal of employment opportunities and the financial viability of a diverse ecosystem of supply and manufacturing enterprises.
9.	Provide direct supports to companies who are actively pursuing Modern Methods of Construction (MMC) including off-site fabrication, modular construction, the use of advanced materials and developing management processes to encourage maximum efficiency of labour and materials.

▶ Section 3 **ECONOMIC CONTEXT FOR INVESTING IN CONSTRUCTION**





ECONOMIC IMPACT OF CONSTRUCTION

The economy is set to emerge from the Covid-19 crisis by the end of 2021. The focus of Budget 2022 should be on limiting the 'scarring', or permanent, effects of the pandemic, returning to the programme of public capital investment and on the innovation of firms within the construction sector.

The CIF continues to highlight the important contribution that construction makes to the economy through direct, indirect and induced economic impacts. Capital investment in infrastructure has a significant transformative effect by creating benefits for the overall economy by:

- ▶ adding to the productive potential of the economy;
- ▶ providing value for money for the Exchequer;
- ▶ generating an economic rate of return above the cost of funding the infrastructure;
- ▶ generating direct employment, which in turn leads to the creation of indirect employment in the supply chain and induced employment in the wider economy;
- ▶ catering for the growth in population; and
- ▶ addressing bottlenecks or cost inefficiencies in the economy.

Ireland was the only country in the EU to experience growth in 2020. Ireland's real GDP grew by 3.4% in 2020, driven by the multinational corporations, while modified domestic demand, a broad measure that reflects the underlying domestic economy, fell by 5.5%. The economic outlook for 2022 and the medium-term is largely positive – provided that the re-opening of labour-intensive sectors of the economy continues and that no further containment measures in the face of new Covid-19 variants are introduced.

The Department of Finance has recently published revised macroeconomic and labour market forecasts for the period 2020-2025. Real GDP is forecast to grow by 8.8 per cent in 2021, before moderating to 5 per cent in 2022. However, this reflects the growth from 2020's exceptionally low base and the strong performance of those industries focused on international export markets, such as manufacturing. Meanwhile, Real MMD (Modified Domestic Demand) is forecast to grow by 2.6 per cent in 2021, before rebounding more strongly in 2022.

The pandemic will continue to set the course for the EU economy in the short term.



The CIF continues to highlight the important contribution that construction makes to the economy through direct, indirect and induced economic impacts.



MACROECONOMIC GROWTH AND LABOUR MARKET FORECASTS 2020 – 2025

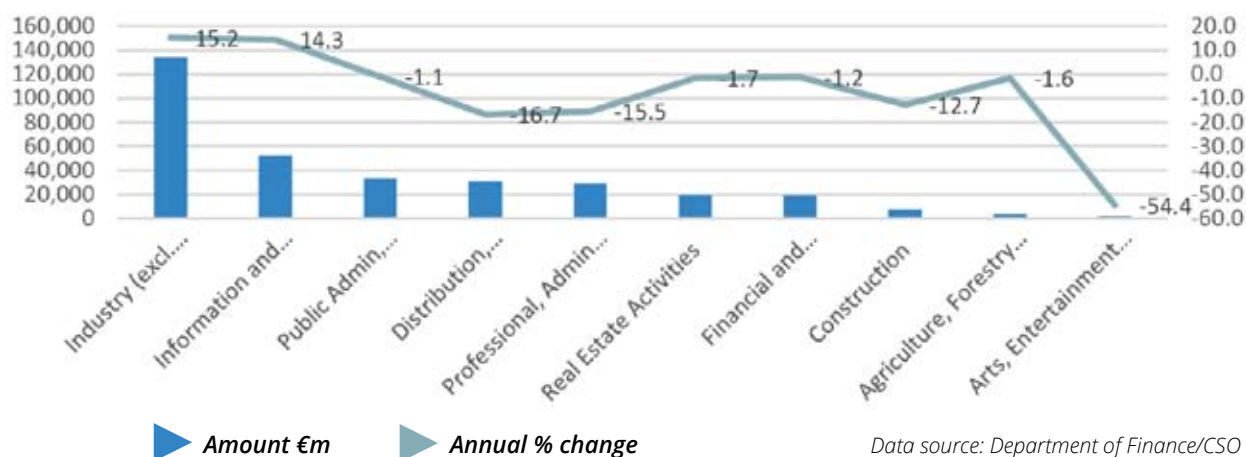
	2020	2021	2022	2023	2024	2025
ECONOMIC ACTIVITY						
Real MMD (% growth)	-5.5%	2.6	7.4	3.8	3.4	3.4
Real GDP (% growth)	3.4	8.8	5.1	3.7	3.3	3.2
LABOUR MARKET						
Total Employment ('000)	1,972	2,051	2,276	2,351	2,405	2,457
Employment (% growth)	-15.1	4.0	11.0	3.3	2.3	2.2
Unemployment (%)	18.7	16.3	8.2	6.7	6.0	5.5

Source: Department of Finance

The pandemic impacted all sectors of the economy differently during 2020 (and in 2021 to date) as the levels of COVID-19 related restrictions changed over the past 18 months.

Sectors focused on the domestic market experienced significantly lower levels of economic activity in 2020, with the construction sector contracting by -12.7 per cent. GVA for the sector was €7,502m in 2020.

CONTRIBUTION TO GDP BY SECTOR 2020



Data source: Department of Finance/CSO

GVA BY NACE SECTOR, 1995-2020 (€ Million)

GVA by NACE sector, 1995-2020 (€ Million)	1995	2000	2005	2010	2015	2017	2019	2020
Construction	2,908	6,894	14,559	2,289	5,353	6,937	8,594	7,502 (-12.7%)
All Sectors	49,367	96,353	148,984	152,125	245,583	275,947	322,219	336,541

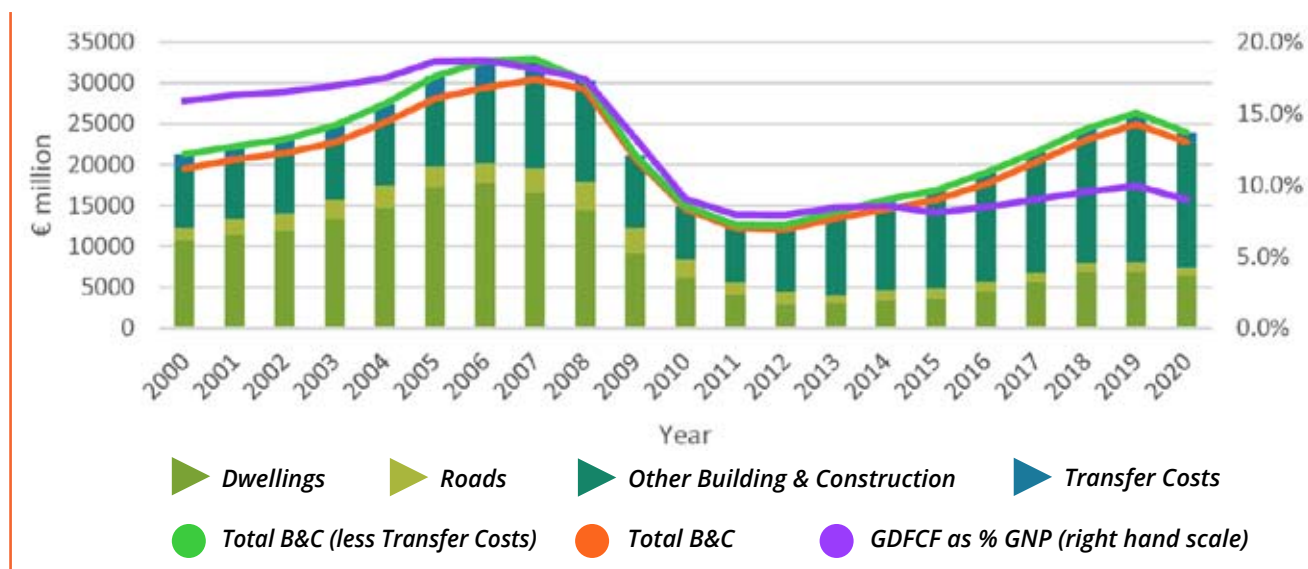
Data Source: CSO



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 €24 billion (in constant prices) in 2020. Prior to the onset of Covid-19, the Department had forecasted that GFCF in the sector would increase to €41 billion by 2023.¹

While there was a moderate gain in the share of sectoral GDP for construction in Q4 2020 (€2.2bn) compared to Q3 2020 (1.9bn), data for Q1 2021 shows a steep decline from Q4 2020 investment figures of -27.9 per cent following the closure of all non-essential construction activity earlier this year. Overall, for 2020, GFCF declined by 32.3 per cent. This decline was largely driven by the significant yearly drops in machinery and equipment (-25.2 per cent), and building and construction activity (-9.1 per cent).

GROSS DOMESTIC PHYSICAL CAPITAL FORMATION IN CONSTANT PRICES (Chain Linked Annually to 2018)



Data source: Department of Finance/CSO

Covid-19 had a major impact on the construction sector, effectively shutting down almost all output at the height of the crisis except for a limited number of essential projects. All non-essential construction sites were also closed in early Q1 2021. The closures are reflected in

the year-on-year change for the Residential sector, which saw a volume decrease of 60.9% in the seasonally adjusted index. Meanwhile, the Civil Engineering and Non-Residential sectors also decreased on an annual basis by 33.6% and 19.5% respectively.

¹ Department of Finance, Budget 2019 Economic and Fiscal Outlook and "Build" Report, page 5.

COMPARISON OF BUILDING AND CONSTRUCTION SECTOR INDICATORS

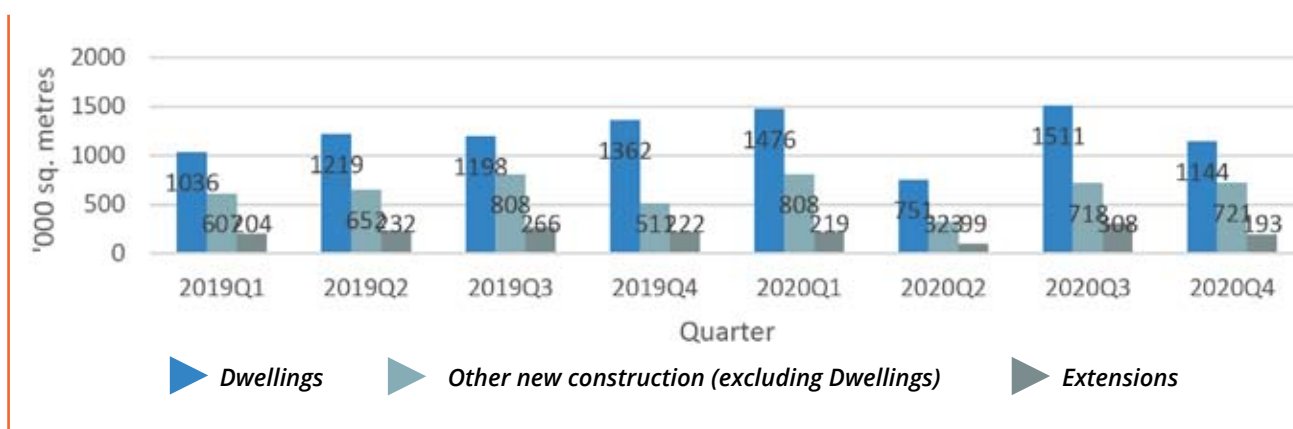
	CSO Production in Building and Construction Series (base year 2015)			Other Indicators		
	Annual Percentage Change in Volume of Production in Building and Construction ³	Annual Percentage Change in Volume of Production in Civil Engineering ³	Annual Percentage Change in Volume of Production in Residential Building ³	Persons Employed in the Construction Sector ¹	New Dwelling Completions	House Commencements ²
2007	-13.2	4.5	-21.1	240,000	-	48,876
2008	-28.9	-6	-44.7	214,000	-	22,852
2009	-36.8	-12.8	-58	132,800	-	8,599
2010	-30.0	-22.3	-37.8	104,400	-	6,391
2011	-17.1	-24	-27	86,800	6,994	4,365
2012	-2.3	16.6	-12.4	81,300	4,911	4,042
2013	11.1	5	10.7	86,200	4,575	4,708
2014	8.5	3.3	16.9	90,800	5,518	7,717
2015	8.1	-3.7	29.7	109,000	7,219	8,747
2016	9.5	2.6	23.5	119,400	9,916	13,234
2017	13.2	3.6	16.3	128,000	14,407	17,572
2018	10.2	11.1	-0.9	145,700	18,072	22,467
2019	5.6	-4.5	12.6	145,600	21,087	26,237
2020	-6.5	-14.3	-20.1	136,400	20,676	21,686
2021 (12 months to end Q1)	-27.3	-33.6	-60.9	120,000 (Q1)	3,953 (Q1)	Jan-May: 12,580

¹ Labour Force Survey

² Department of Housing, Planning and Local Government.

³ CSO Seasonally Adjusted series introduced in Q1 2015.

TOTAL FLOOR AREA FOR WHICH PLANNING PERMISSION GRANTED ('000 sq. metres)



Source: CSO

POST PANDEMIC RECOVERY

As most construction investment was halted at various stages during 2020 and the first quarter of 2021, leading indicators, such as planning permissions and commencements, signal a weaker construction outlook for 2021.

The prevailing environment is likely to lead to a further reduction in investment in new dwellings in 2021. This decline in supply will further exacerbate the persistent demand gap. House completions of circa 18,000-20,000 units are expected this year, down from circa 21,000 units last year.

In terms of recovery, modified investment is forecast to grow by 2.5 per cent this year, accelerating to 6.8 per cent in 2022 according to the Central Bank. Modified investment in building and construction is forecast to grow by 1 per cent this year, accelerating to approximately 5 per cent in 2022 and 6 per cent in 2023.

Since construction activity returned in April 2021, it is timely to assess trends in the sector in the context of the Programme for Government, the Summer Economic Statement, the forthcoming National Development Plan 2030, and the ongoing requirement for the supply of high-quality housing and public infrastructure.

It took over five years of economic expansion for the growth rate in infrastructure investment to turn positive with the launch of the NDP in 2018. Investment pre Covid-19 was still well below the level seen in many countries before the global financial crisis. The resurgence was due to increased investment from both the private sector and the Government. Sustained high levels of uncertainty, along with the mounting Government deficit, cannot further delay infrastructure investment. Cutting public capital investment now is simply not an option. Ireland's public infrastructure needs modernising.

TREND IN GROSS VOTED CAPITAL EXPENDITURE

	2017	2018	2019	2020	2021
Capital - €m	4601	5996	7160	9887	10081
Y-on-Y Variance		1395	1164	2727	194
Y-on-Y % Variance		30.3%	19.4%	38.1%	2.0%
Of which Covid-19 and Brexit Stimulus Measures				1728	272
GNI*	186217	198702	213708	202833	208345
Spend as % of GNI*	2.5%	3.0%	3.4%	4.9%	4.8%

Source: DPER

Digitalisation and dealing with climate change also require large public investments over the coming years.

The Central Bank reports that considerable uncertainty surrounds the outlook for non-residential investment, the level of which was at a historical high in 2019. The pandemic may induce longer-term structural changes in firms' demand for office and retail space depending on the reliance of the work-from-home model and the longer-term effects of the pandemic on business and consumer behaviour.

The NDP 2030 is a crucial tool that Government and policymakers can utilise to reassure the private sector so that they will continue investing and implementing the current pipeline of planned infrastructure investment.

The European Investment Bank (EIB) has reported that investment in the European Union fell sharply at the onset of the Covid-19 outbreak. This decline followed a slowdown in investment that had gradually set in during 2019 and intensified as Government placed restrictions on movement and business activity, especially in the second quarter of 2020. The EIB finds that elevated uncertainty, along with deteriorating firm finances, are likely to further impede corporate investment in the short to medium-term.²

The EIB contends that:

“policymakers should keep in mind that historically, government investment has tended to decline substantially following a surprise contraction in GDP. Infrastructure needs in many European regions have been increasing after years of underinvestment. Furthermore, the biggest challenges for the future of the European Union – climate change and digitalisation – require even more government investment. At the same time, current ultra-low interest rates are allowing many governments to borrow very cheaply, easing fiscal constraints. Recent high estimates of the impact of government investment on GDP lend further support for an increase (International Monetary Fund (IMF), 2020).”³

Following publication of the Summer Economic Statement in July 2021, Government has confirmed its budgetary strategy will involve expenditure of €88.2 billion in 2022. If the economic performance is weaker than

assumed, Government will allow the deficit to rise without changing the expenditure ceiling and vice versa. In relation to the medium-term strategy, annual expenditure growth between now and the mid-part of this decade will be 5 per cent, in line with the estimated trend growth rate of the economy.

The CIF welcomed the following statement that:

“(Government) projections now envisage a deficit of €7.4 billion by the mid-part of this decade. This is around €6.5 billion more than envisaged in the SPU and reflects the Government’s commitment to resourcing capital investment and to meet the goals of the National Development Plan (NDP) review.

Indeed, cumulatively the Government will borrow €18.8 billion more than originally set out; of this, nearly €4 billion is due to higher capital spending. This increase is justified given the critical role that capital investment has to play in delivering on economic, social and climate priorities. From 2023 onwards, the Government will be borrowing only to finance for capital expenditure.” (Summer Economic Statement, July 2021)

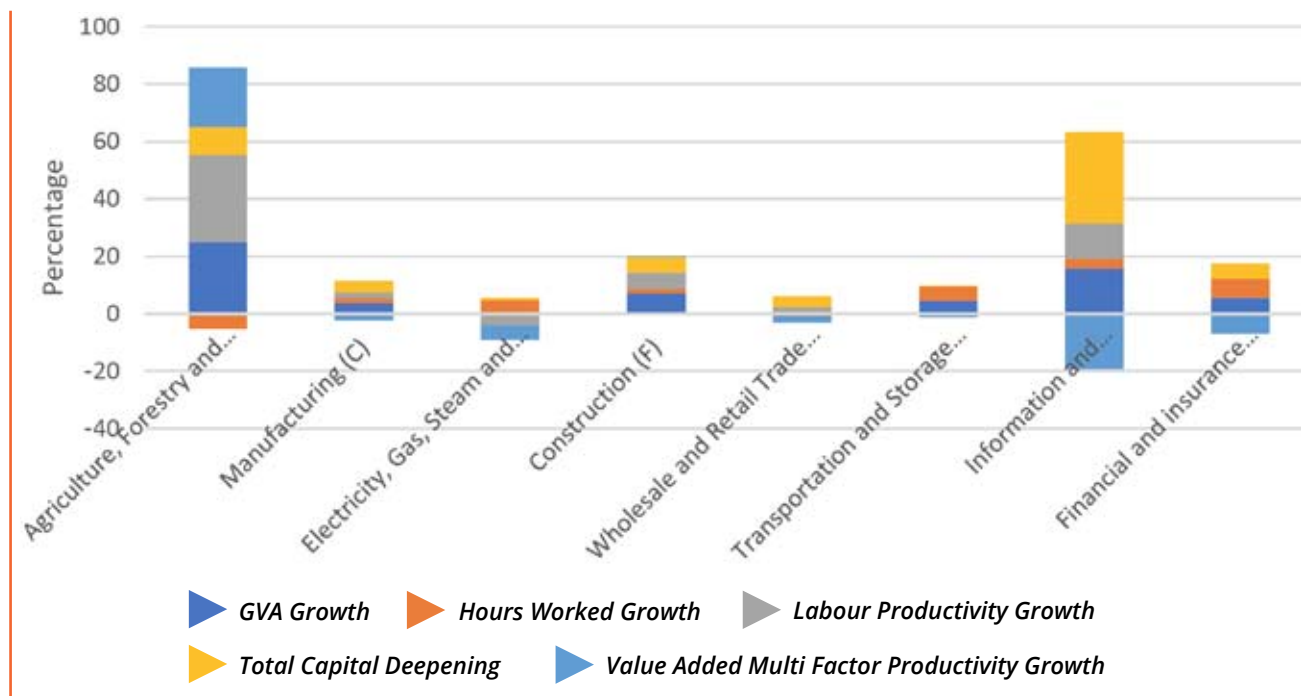
The Covid-19 adjusted unemployment rate for June 2021 was 18.3 per cent for all persons including those on the Pandemic Unemployment Payment. Targeting measures for Irish construction and engineering and opportunities for boosting productivity and decarbonisation will assist those people hoping to reskill and return to work. The CSO estimate that at least 8.1 per cent of all recipients of the PUP were attending full-time education at the time of certification in June 2021.

New sectoral productivity data was published by CSO in June 2021. Positive GVA growth was recorded across all sectors examined in the chart below. Unlike in previous years, the construction sector recorded higher GVA growth in 2019 than the manufacturing sector, with a result of 7.2%. The main contributor to the positive construction result has been the increased role that capital is now playing in the sector.

² European Investment Bank, Investment Report 2020/2021 “Building a smart green Europe in the COVID-19 era”.

³ Ibid (page 79)

ANALYSIS OF GVA GROWTH AND INPUT CONTRIBUTIONS BY SECTOR 2019



Data Source: CSO

Well before Covid-19 manifested, GVA growth of 7.2 per cent was reported in the construction sector in 2019. The main contributing factor was the substantial increase in capital input, from 4.5 per cent in 2018 to 5.9 per cent in 2019. According to CSO data, the labour input only grew by 1 per cent in 2019, down on the 8.4 per cent result in 2018, evidence of a trend towards higher levels of capital intensity in the sector.

The construction sector was one of the most competitive sectors in 2019, with declines in unit labour cost of 1.0 per cent. The construction sector recorded growth in hourly compensation of 4.7 per cent and labour productivity growth of 5.7 per cent, leading to a fall in the growth of nominal Unit Labour Cost (ULC). As the sector continues to invest, this trend is likely to continue.

According to the CSO, movements in nominal ULC can be compared with trends in labour productivity. Nominal ULC measures nominal hourly employee compensation relative to real labour productivity. A fall in ULC suggests that nominal hourly income is declining relative to labour productivity, resulting in increased competitiveness.

During the recessionary period between 2009 and 2010, the impact of labour composition was seen in the construction sector. The contribution of the labour composition to overall GVA growth increased by 3 per cent and 6 per cent in 2009 and 2010 respectively, while growth in hours fell sharply. Since 2015, the labour composition contribution has increased on average by 1.0 per cent, indicating that for these years, higher skilled workers have joined the labour market in the sector. Over the entire period, labour composition has been a significant factor, particularly in explaining GVA growth in the construction sector.

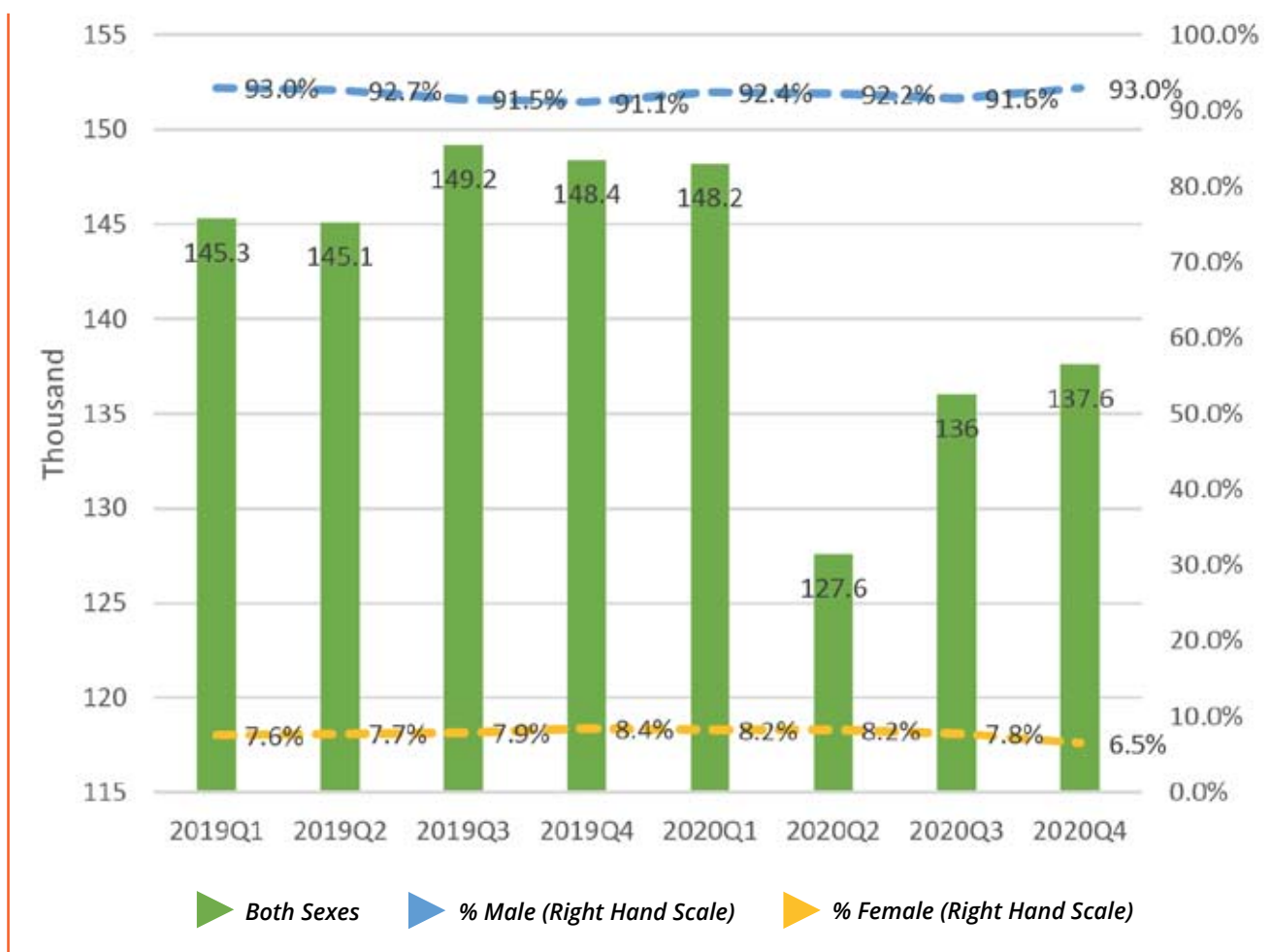
The Government's new €4 billion Economic Recovery Plan aligns with strategic policy objectives in areas including innovation, skills and productivity, as well as the changes flowing from the Government's climate action commitments. Industry welcomes the commitment to supporting the SME sector, which has faced the twin challenges of Covid-19 and Brexit in the last number of years. The plan also sets out a new phase of supports for the next stage of recovery, and ambitiously aims to exceed the pre-crisis employment levels of 2.5 million people in work by 2024.

However, the Covid-19 pandemic has resulted in a labour market fall-out in terms of construction employment intensity and hours worked during 2020, and Q1 2021. Nationally, and across all sectors, employment data shows that circa 40 per cent of the workforce⁴ has been on some form of income support scheme throughout the past year. The industry believes this necessitates a three-pronged approach to limiting the long-term effect on overall employment and production within sectors of the economy, such as construction, that involves looking to migration policy, labour activation policy and education and training policy.

While labour market capacity tends to be quite elastic in construction it is important that Government consider short-term policy supports that may limit further ‘scarring’ by minimising labour market exits and supporting the employer and employee, by investing in skills and by maximising firm survival rate through business supports such as liquidity loans and grants.

As economic recovery takes hold it will need to be adjusted to sustainably boost growth. This can be achieved by financing productivity-enhancing investment in human and physical capital and resuming the reduction of public debt in relation to GNI.

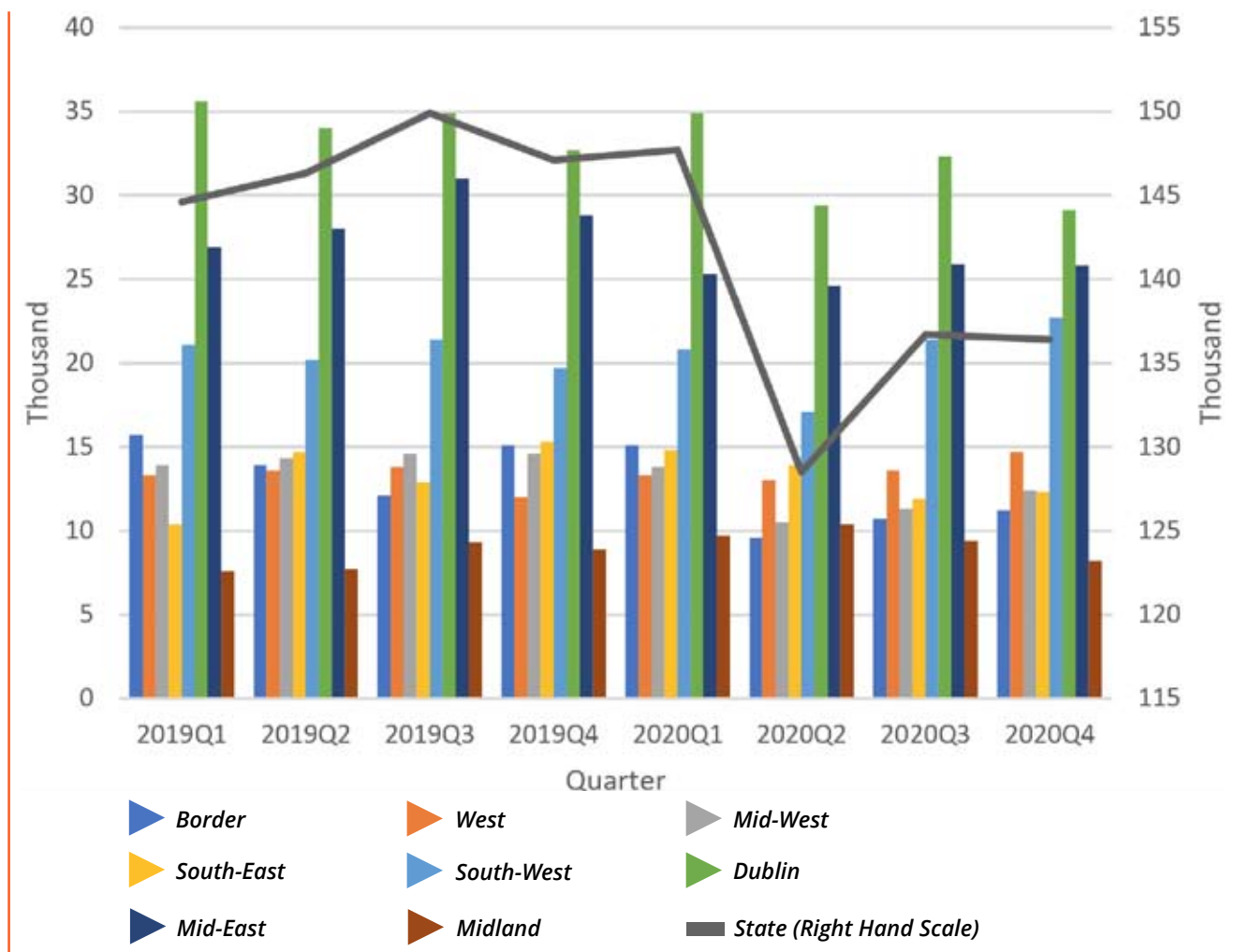
SEASONALLY ADJUSTED QUARTERLY EMPLOYMENT IN CONSTRUCTION



Data Source: CSO

⁴ Department of Finance estimate (April 2021)

▶ QUARTERLY REGIONAL EMPLOYMENT IN CONSTRUCTION



Data Source: CSO

TRANSITIONING TO A GREEN ECONOMY

It is hoped that initial funding of €915 million through the National Recovery and Resilience Plan, under the European Recovery and Resilience Facility, plus the newly revised National Development Plan 2030, and Climate Action Plan 2021, will create a green and digital job revolution. The construction sector is poised to embrace a long-term strategy for a green economic recovery on the wave of low carbon transition.

From a construction perspective, it is important that any funds received from the EU maximise the productive potential of the economy. The industry anticipates that much public capital investment will focus on projects that contribute not only to an economy-wide recovery but support green job creation and help to develop a net-zero economy.

Many of the recommendations set out in this submission and specifically under Theme 4: *‘Transitioning to a Low Carbon and Climate Resilient Society and Enhancing Productivity’* will touch on initiatives that could be funded through the Economic Recovery Plan. These include investing in water and wastewater infrastructure, Infrastructural Power Supplies to support future development, enabling digital transformation and exploring the opportunities presented by construction and demolition waste in the circular economy.

It is nonetheless important to highlight the trade, supply chain and financial challenges that will continue to impact on the competitiveness of the construction sector into 2022 and beyond.

TRADE, SUPPLY CHAIN AND FINANCIAL CHALLENGES FACING CONSTRUCTION

- ▶ Emerging price pressures where supply is expected to be constrained with external and global volatility in prices of raw materials contributing to inflation;
- ▶ Supply chain shortages of some key raw materials, such as timber. At present there are significant delays in issuing Timber Felling Licences to Irish producers which is exacerbating the international shortage of timber being experienced. This is an administrative matter firmly within the control of the Minister for Agriculture, Food and the Marine.
- ▶ The duration of inflation and rising consumer prices remains uncertain;
- ▶ Brexit issues and the rising cost of doing business is resulting in increased costs. Bilateral trade under the 'Trade and Co-operation Agreement' between the EU and the UK will be affected by a variety of non-tariff barriers including rules-of-origin checks, customs procedures, etc. meaning that the full economic impact of Brexit will not be evident for some time yet;
- ▶ The impact of the unwinding of pandemic-related supports in 2021 and 2022;
- ▶ The deepening fiscal challenges facing budgetary policy over the medium-term as Ireland faces the costs of an ageing population and climate change;
- ▶ The impact of the cyclical nature of private sector investments on commercial construction;
- ▶ Profitability and conditions of contract in Public Works remain problematic; and
- ▶ Apartment construction and delivery costs are far more than costs in other comparable European countries despite a critical need for more apartments and high-density developments to be constructed in urban areas.

Continuing to support the priorities of the *Construction Sector Group (CSG) sub-group on Innovation and Digital Adoption* will deliver a more collaborative, productive, agile and environmentally sustainable construction sector, greatly upskilled and enabled by innovation and digitisation. The work of the CSG in this regard will mirror the policy plans of Government for the post-pandemic economy. The pandemic has been transformative in many respects – and digital adoption has been at the heart of this transition.

Included in the seven priorities is digitisation of the planning permission process, a Construction Technology Centre by Enterprise Ireland, a Centre of Excellence for Build Digital (including the full suite of Building Information Modelling (BIM)), Modern Methods of Construction and a more focused approach to Construction Applied Research, the National Construction Skillnet to be optimised and future significant innovation funding sources to be explored and mobilised. These actions must embed sustainability and climate action as part of their mission.

CIF believes that accelerating implementation of these initiatives centred on an inclusive, whole of Government approach to buying in to the deliverables will transform the construction sector, support economic recovery and implementation of the NDP 2030, and provide Ireland's SME companies with the resilience to meet both domestic economic needs and establish a world-class export market with future growth in mind.

▶ Continuing to support the priorities of the *Construction Sector Group (CSG) sub-group on Innovation and Digital Adoption* will deliver a more collaborative, productive, agile and environmentally sustainable construction sector.



▶ **THEME 1 BUILDING THE INFRASTRUCTURE FOR IRELAND 2040**



INTRODUCTION

Ireland is suffering from an infrastructure backlog. Covid-19, climate change, Brexit, the housing crisis together with the critical challenges identified in Project Ireland 2040 necessitate increasing capital investment in infrastructure to strengthen Irish competitiveness into the future decade and beyond.

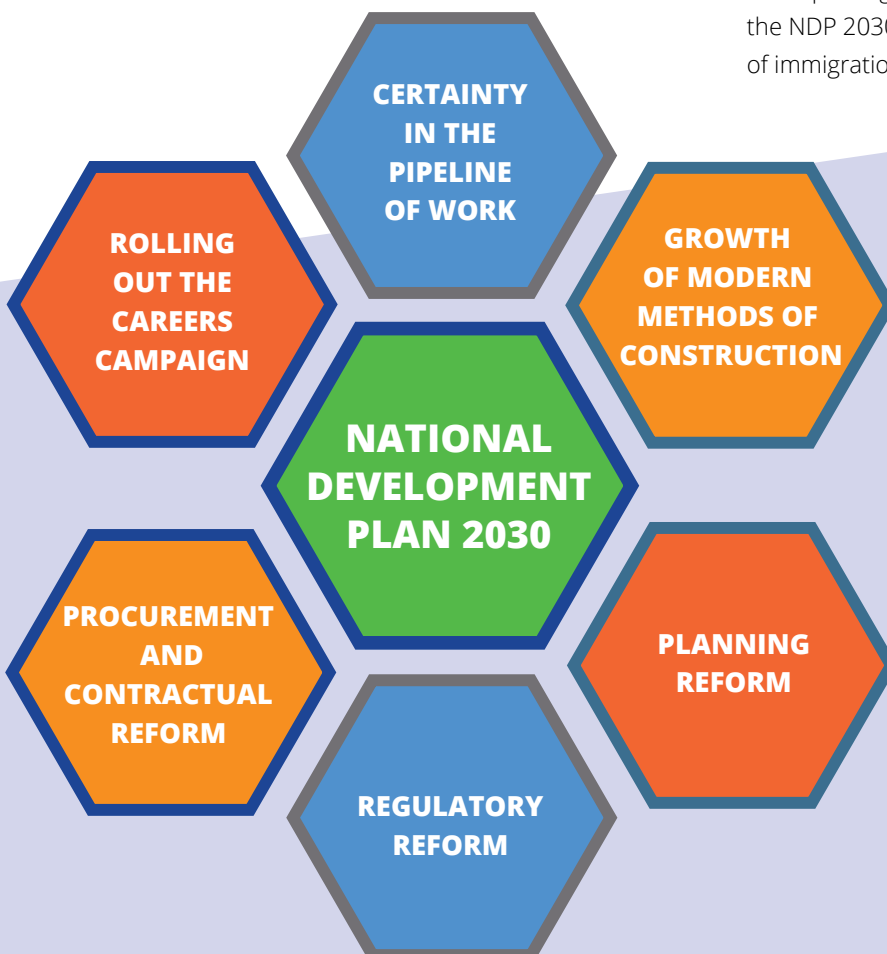
Expenditure efficiency must also improve, including for example enhancing implementation of infrastructure projects and the maintenance of public assets. More public investment in social and physical infrastructures calls for greater spending efficiency and raising of additional revenues in the medium-term.

The **National Development Plan 2030** will lie at the heart of building the infrastructure for Ireland 2040. There is much reform and policy support required in areas such as procurement and planning to enable sustainable project delivery over the coming decade.

All types of infrastructure were under-invested in in the years preceding the NPF and NDP – reducing the capacity for the sustainable development of communities, regional towns, and the expansion of cities. There remain inefficiencies underlying the planning, funding and procurement models needed to deliver on almost all types of productive infrastructure.

Ireland’s population is projected to grow by between 5.6 million and 6.7 million by 2051 according to the CSO’s six projection scenarios to 2051. The usually resident population according to Census 2016 was 4.74 million. Net migration and natural increase will both play important roles in the population change to 2051. Under the higher scenario projecting a total population of 6.7 million by 2051, the population is projected to increase by 1,953,300 with 53.8 per cent of this increase due to net inward migration.

The national and regional population projections underpinning the objectives of the NPF, and allocations of the NDP 2030, have already been surpassed by the levels of immigration and population growth in the past 5 years.



The recent review and forthcoming publication of the NDP 2030 (to be published in September 2021) has allowed Government to review its impact to date and ensure that the level of planned investment is at the right level, especially as the country emerges from the grip of the Covid-19 pandemic and this uncharted period in modern history. Despite Government experiencing tight financial and fiscal times, the imperative to increase public capital investment is clear.

Based on revised population projections there should be a corresponding increase in capital investment in productive and enabling infrastructure to support population expansion.

As was indicated in the Government's *Summer Economic Statement 2021*, the CIF anticipates that the forthcoming NDP 2030 will recognise the requirement for increased capital 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.

Furthermore, public capital investment is inextricably linked to private sector investment, and both rely on the provision of enabling infrastructure for any new development to take place. EY estimated that public capital investment accounted for approximately 37 per cent of total construction investment in 2019.

The anticipated national population and employment growth will be dependent on the provision of infrastructure to support and facilitate the anticipated scale of growth. The impact of the NDP on our regions has been diminished due to delays in the delivery of critical infrastructure. While planned investment under the NDP 2030 appears balanced across the regions, many regions have yet to fully feel any tangible effects of investment.

It is vital that the timelines for the provision of infrastructure are reduced, and that clarity and certainty are provided for the industry to deliver on them. There is no reason why the forward planning of many essential projects should not be progressing with smaller budget allocations.

An updated version of the *Investment Projects and Programmes Tracker* was published in December 2020, and while publication of the updated *Investment Projects and Programmes Tracker* remains an important source of information for the industry's project pipeline, the updated version still focuses solely on projects with estimated values of €20 million plus. Projects valued below €20 million form a significant element of CIF members' work. For many Irish construction companies, the Tracker will become more relevant when future versions, as promised, include public projects falling below €20 million in value are included (e.g., improvement works on greenways); and when a more consistent approach to updating the information is applied by the sponsoring public sector procuring bodies.

Deferring the essential planning will likely cause unnecessary delays to the commencement of essential projects. Companies operating in the civil engineering contracting space in particular need to see evidence of the promised pipeline of work so they can optimise their national and international operational resources in good time.

CAPITAL CARRYOVER					
€ million	2016	2017	2018	2019	2020
Capital Carryover (€m)	74	70	93	215	710
% share of total capital expenditure	1.9	1.5	1.5	2.9	7.2

Source: DPER

THEME 1 RECOMMENDATIONS

Recommendations	Rationale
<p>1. Increase and front-load investment in construction driven infrastructure.</p>	<p>An increase in construction driven infrastructure investment in Budget 2022 is required.</p> <p>CIF believes that this investment needs to be front-loaded on agreed NDP projects to enable completion of the planning and design phases to accelerate overall Project Ireland 2040 delivery for the optimum benefit of the economy and the regions.</p> <p>With the publication of the revised NDP 2030 it is critical that procedures and assessments of projects which were contained in the NDP 2027 are protected. Any policy changes vis a vis existing NDP projects, in particular transport projects, would have a detrimental impact on the development of Regional Ireland.</p>
<p>2. Establish a special capital fund to protect NDP and live state infrastructure projects from inflationary and supply chain risks.</p>	<p>The COVID-19 pandemic has left contractors and procuring bodies assessing the impacts of the past year, particularly with regards to cost inflation and supply chain disruption. The pandemic will continue to disrupt supply chains for the foreseeable future as the unprecedented pandemic exposed significant supply chain vulnerabilities.</p> <p>To mitigate against further risks to the implementation of NDP projects it is recommended that a special fund be put in place to protect NDP, and other live state infrastructure projects, from further inflationary and supply chain risks.</p> <p>Increasing the focus on agility, equitable risk allocation and environmental governance across the procurement process will in turn promote better value for money and improved implementation of NDP projects.</p>
<p>3. Ensure expenditure as set out NDP is spent by contracting authorities on time to prevent future carry-overs.</p>	<p>€710 million of NDP funding was carried over from 2020 to 2021. Capital expenditure totalling €10.8 billion was allocated in 2021.</p> <p>CIF is concerned that these monies will not be spent by the relevant contracting authorities during the remainder of 2021 and will be carried forward (in full or in part) for a second year. A carry over will inevitably result in the NDP programme falling further behind.</p> <p>It remains imperative that a solid pipeline of public capital investment be maintained to give certainty to industry, thereby allowing it to plan investment in human capital, R&D and innovation.</p>

THEME 1 RECOMMENDATIONS

Recommendations	Rationale
<p>4. Urgently reform the Government's public sector contract and procurement processes.</p>	<p>The CIF recommends the urgent reform of the Government's public sector contract and its procurement processes.</p> <p>All expenditure falling under the NDP must take account of the Capital Works Management Framework (CWMF) and prioritise the medium-term strategy of the OGP.</p> <p>The industry is considered best in class by international clients with whom there are more sophisticated forms of contract and collaborative delivery models.</p> <p>A practice such as early contractor involvement would result in less upstream design issues, better collaboration and ultimately more efficient and cost-effective delivery of infrastructure and housing for the Exchequer and the citizen.</p>
<p>5. Establish a special capital fund to protect NDP and live state infrastructure projects from inflationary and supply chain risks.</p>	<p>The Government has announced a number of measures aimed at ensuring value for money in the capital expenditure process.</p> <p>These include appointing additional external members with private sector expertise to the Board of Project Ireland 2040, putting in place a framework of external specialists in infrastructure delivery, and the establishment of a Major Projects Advisory Group to support the Department of Public Expenditure and Reform in managing the overall plan.</p> <p>The CIF further recommends the establishment of an independent 'National Infrastructure Commission' (NIC) with responsibility for analysing the long-term infrastructure needs of the economy and society.</p> <p>The NIC would be responsible for assessing the prioritisation of projects contained in the NDP 2030, meaning that the process would be more open, transparent and less subject to political influence.</p>

THEME 1 RECOMMENDATIONS

Recommendations	Rationale
<p>6. Increase the capital allocation to Irish Water by €2 billion annually to enable it to accelerate essential water infrastructure whilst providing work for thousands of contractors across Ireland.</p> <p><i>a. Water and wastewater infrastructure is one of the most critical areas for increased investment in Budget 2022 to enable all other forms of investment and development to follow.</i></p> <p><i>b. The provision of water and wastewater infrastructure is currently the slowest moving part in the provision of state controlled essential infrastructure nationally.</i></p>	<p>Increase the capital allocation to Irish Water by €2 billion per annum to enable it to accelerate essential water infrastructure projects.</p> <p>In some locations it is quite clear that there is less than two years supply of serviced and zoned land available for development.</p> <p>In addition to increasing the funding allocation to IW, CIF is of the opinion that there should be a specific allocation made in Budget 2022 for IW and the Local Authorities which is ringfenced for the servicing of zoned lands for residential and commercial development.</p> <p>It is estimated that a €2bn spend on water infrastructure projects would deliver an additional €1.7bn of economic output, generating a total output of €3.7bn after all direct, indirect and induced economic impacts are considered.</p>
<p>7. Provide a permanent road reinstatement fund to enable Local Authorities to permanently reinstate roads associated with Irish Water projects up to the standard they wish post contract.</p>	<p>The contractor would be responsible for the temporary reinstatement of the L.A. roads.</p> <p>This initiative would remove the contractual obligation on the contractor regarding permanent road reinstatement, remove a third party to the contract, reduce overall project costs and delays, and manage better relationships on site.</p>
<p>8. Increase investment levels in new and upgraded transport infrastructure to cope with current and future travel demands arising from the NPF.</p>	<p>Pressures on current transport infrastructure capacity and mobility are due to increase with densification of the five main cities targeted for population growth under the NPF.</p> <p>The inter-urban network required to link the expanding population centres will require new and upgraded infrastructure to cope with future travel demands.</p> <p>The Department of Transport has highlighted the economic cost of 'congestion' in urban centres by stating that congestion in the Greater Dublin Area will cost €2 billion annually by 2033 on a 'do nothing' basis.</p>

THEME 1 RECOMMENDATIONS

Recommendations	Rationale
<p>9. Establish enhanced capital expenditure capabilities within public service contracting bodies with responsibility for expenditure.</p>	<p>Issues of capacity and scale hamper the delivery of capital infrastructure in Ireland.</p> <p>Government is urged to establish enhanced capital expenditure capabilities within public service bodies with responsibility for expenditure.</p> <p>The provision of specialised advice and supports to delivery bodies, that recognises the varying capability across the system, can build on the resources and procurement expertise of sector specific bodies such as OPW, TII and NTA. The ‘Commercial Skills Academy’ is a positive example of recent measures taken to address public sector capacity in this area.</p>
<p>10. Enable digital transformation of the construction sector by supporting the Build Digital Project and advancing client-side skills to integrate digitisation of design, procurement and project management.</p>	<p>Build Digital Project is a programme led by DPE&R to drive digital transformation of the sector.</p> <p>Build Digital Project will seek to further the digitisation of the planning, design and project management of major public and private projects.</p> <p>This is already true of large infrastructural developments by multinational foreign direct investment firms in Ireland on the construction of their projects and increasing use of modular construction at our airports and ports for automated baggage handling.</p> <p>The advancement beyond the current Levels 2D and 3D BIM need to go to 4D on Construction Programme, 5D on Project Cost, 6D on Sustainability/Low Carbon and 7D on Asset Management/Whole Life Cycle.</p> <p>The integration of the full BIM suite of models will minimise further cost and programme overruns on major projects.</p> <p>At a national level, the state must support the advancement of client-side skills to enable truly integrated digitisation of design, procurement and project management. It is critical that we harness the learnings and process improvements evidenced on large industrial FDI projects and transfer these skills and advantages to the wider sector including those with a focus on public sector projects. This will require the appointment of a national public sector lead for this initiative.</p>

THEME 1 RECOMMENDATIONS

Recommendations	Rationale
<p>11. Consider targeted measures to drive innovation in civil engineering and earthworks including use of robotics and digital methods.</p>	<p>Consider targeted measures to drive innovation in civil engineering and earthworks including use of robotics and digital methods for earthworks, mass haul planning and management to bring efficiency of labour, cost and materials. Supports focused on innovation in Design and Build Contracts would also be welcome, where Contractor has greater impact and influence on design decisions from an earlier stage.</p>
<p>12. Provide for smart sustainable expenditure measures focused on SMEs and regional employment.</p>	<p>Provide consistent transparent data on existing capital programmes, planned works and timelines anticipated for future competitions.</p> <p>Develop framework contracts to provide more regionally balanced access to public contracts.</p> <p>Provide programmes to help regional construction companies develop their approach to public sector tendering and to promote their chances of success.</p>
<p>13. Provide for new and expand existing fiscal incentive measures that help to strengthen rural communities such as the 'Living City Initiative'. Ensure adequate funding is set aside for implementation of the Rural Development Policy 2021-2025.</p>	<p>Project Ireland 2040 prioritizes investment that strengthens rural economies and communities. Fiscal incentive measures such as the 'Living City Initiative' should be extended and expanded out to all principal towns across the regions.</p> <p>The initiative would not only help to achieve the stated national strategic outcome under Project Ireland 2040 but would provide a welcome boost to the construction SMEs operating across the regions in the regeneration of derelict and underused buildings while benefitting the heritage, well-being and economic attractiveness of the Irish towns. Dereliction can be tackled when there funding in place.</p>
<p>14. Carry out a complete review of the current planning system. The current timeframes for securing planning permission for critical infrastructure projects is prohibitive. The lack of clarity is a major impediment to the state's economic and regional development and should be urgently addressed.</p>	<p>Effective and timely planning and land use policy is critical to enabling optimal investment. The proper sequencing of investment will help to support the vision of the NPF and result in a better line of sight for construction companies facilitating them to best optimise their resources.</p> <p>While infrastructure priorities compete, they also overlap and are interdependent particularly where transport, water and wastewater infrastructure are concerned. However, there is significant misalignment between infrastructure spend and planning permissions.</p>

▶ **THEME 2 HOUSING OUR GROWING POPULATION**



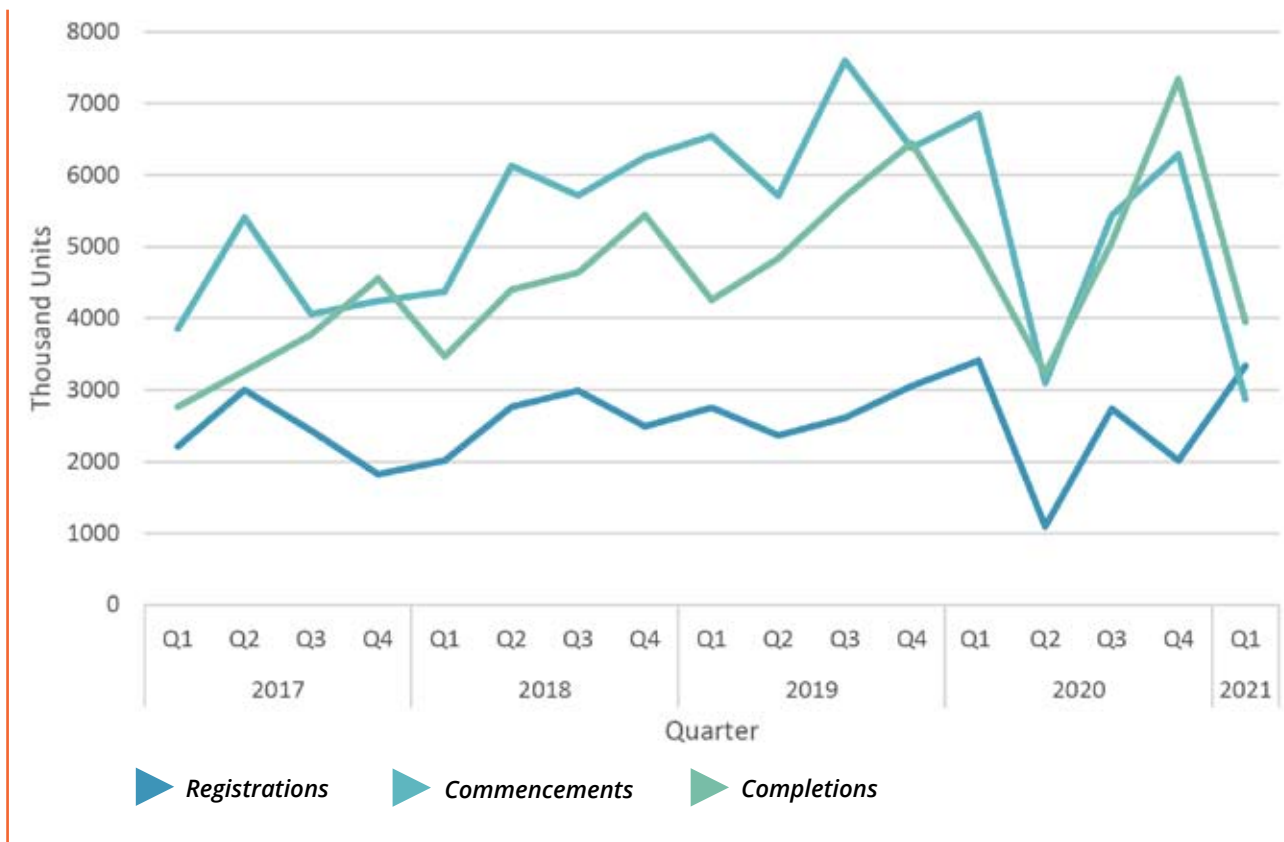
INTRODUCTION

Budget 2022 provides the Government with an opportunity to bring forward policy measures which will advance the ambitions for "Housing for All". The Programme for Government acknowledged that the provision of more **affordable** housing has a profound benefit both socially and economically. The Programme for Government also recognises the important role that private housing supply will continue to play and committed to addressing challenges in this sector, including viability and access to finance.

The impact of reduced housing supply is having negative consequences for the housebuilding industry, its supply chain, the economy and society as a whole. The review of the NDP maintains that delivery of housing is critical for the successful delivery of Project Ireland 2040.

Prior to Covid-19 the housing challenge facing the country was already significant. There has been consistent under-investment in private and social housing and the failure of supply to keep pace with demand since the industry returned to growth in 2013. Recent CSO and Departmental figures show the effects of the decline in the number of new dwellings registered, commenced and completed in in Q1 2021 as a result of industry closures in 2020/2021. House completions in the region of 18,000 - 20,000 units are expected this year, down from around 21,000 units last year.

HOUSEBUILDING ACTIVITY BY QUARTER 2017-2021 (Q1)



AFFORDABILITY

Average earners in Ireland today find themselves in the perfect storm of factors locking them out of the market:

- ▶ **Supply of new homes for 2021 will be somewhere in the region of 18,000 homes just (50%) of the required 36,000 homes needed per annum.**
- ▶ **Average earners cannot afford homes with increasing construction and development costs.**
- ▶ **The Central Bank lending rules has locked a cohort of buyers out of the market forcing them into costly longer-term rental.**
- ▶ **Covid 19 has added to and made these problems worse.**

The residential sector has seen cost increases year on year with the continuing introduction of legislation & policy changes. It is estimated that up to €15,000 could be added to the average semi detached home in 2021 due to product inflation alone. Affordability has been further compounded by the strict lending rules which the Central Bank have responsibility for overseeing. While the need for prudent lending is fully understood, the unintended consequences of these Macroprudential Policies has seen many first time buyers and young families locked out of the market and forced into costly longer-term rental.

The gap is widening in many parts of Ireland between the cost of delivery and purchaser's ability to meet lenders requirements, first-time buyers on average incomes cannot afford a new home in almost half of Irelands counties.

Many would be buyers with the support of the state are more than capable of underwriting the repayments of a loan on their new homes once they can bridge the gap between what banks are prepared to lend and the actual cost of delivering new homes. In fact, in many cases the cost of servicing a mortgage is significantly less than the required current rents being paid.

The gap between the consumer's ability to borrow and the actual cost of delivering housing has only been magnified with the events of Covid-19 in recent months.

SUPPLY

Housebuilding levels in Ireland remain substantially below what is needed. Under 10,000 new dwellings were delivered in 2016 and this rose to 21,138 new dwellings in 2019. The positive trajectory was interrupted in 2020 due to Covid with further disruption to commencements and completions expected in 2021.

With positive targeted support for consumers supply could reach in excess of 30,000 homes by 2024.

The following pages set out CIF's key recommendations for dealing with housing affordability and supply.



THEME 2 RECOMMENDATIONS ON SUPPLY

Recommendations		Rationale
1.	Introduce a Shared Equity Scheme.	<p>The affordability gap for consumers remains one of the greatest challenges for Ireland's would-be home buyers. The gap between the consumer's ability to borrow and the actual cost of delivering housing is increasing with rising construction costs and has only been magnified with the events of Covid-19 in recent months.</p> <p>The consumer needs the state to fully support the first-time buyer as part of their housing strategy. A shared equity scheme, in conjunction with the Help-to-Buy, will enable the average couple to secure a mortgage and remove them from the ever-growing cohort of society locked out of the market and those further adding pressure to the rental market.</p>

Identifying the Affordability Gap in the Dublin Market

Based on the cost of the average Dublin New Home, €386,000, under the current Central Bank Macroprudential Rules, a couple on anything below €93,750 are currently locked out of the market.

Average New Dublin House Price		386,000	386,000	386,000	386,000
Buyer Type		FTB	FTB	FTB	FTB
1st Income		35,000	35,000	35,000	35,000
2nd Income		35,000	45,000	55,000	58,750
Total Income		70,000	80,000	90,000	93,750
LTI Limit		3.5	3.5	3.5	3.5
Borrowing Limit		245,000	280,000	315,000	328,125
Savings:	10%	38,600	38,600	38,600	38,600
Own Resources:		283,600	318,600	353,600	366,725
HTB (Assuming all HTB criteria met)	5%	19,300	19,300	19,300	19,300
Sub-total		302,900	337,900	372,900	386,025
Shortfall		-83,100	-48,100	-13,100	25
Percentage Shortfall		-22%	-13%	-3%	0%

THEME 2 RECOMMENDATIONS ON SUPPLY

Identifying the Affordability Gap in the National Market

Based on the cost of the average National New Home, €325,000, under the current Central Bank Macroprudential Rules, a couple on anything below €79,000 are currently locked out of the market.

Average New House Price National		325,000	325,000	325,000	325,000
Buyer Type		FTB	FTB	FTB	FTB
1st Income		35,000	35,000	35,000	35,000
2nd Income		35,000	40,000	45,000	44,000
Total Income		70,000	75,000	80,000	79,000
LTI Limit		3.5	3.5	3.5	3.5
Borrowing Limit		245,000	262,500	280,000	276,500
Savings:	10%	32,500	32,500	32,500	32,500
Own Resources:		277,500	295,000	312,500	309,000
HTB (Assuming all HTB criteria met)	5%	16,250	16,250	16,250	16,250
Sub-total		293,750	311,250	328,750	325,250
Shortfall		31,250	-13,750	3,750	250
Percentage Shortfall		-10%	-4%	+1%	0%

*All calculations ignore the cost of acquisition i.e. stamp duty & legal fees Source: Data formulated directly by IHBA

▶ THEME 2 RECOMMENDATIONS ON SUPPLY

Recommendations	Rationale
<p>2. Continue and expand the Help to Buy scheme up to 31st December 2025.</p>	<p>Expand the scheme to include purchasers of new homes and extend the increased tax relief of up to €30,000 announced in the July Stimulus from 31 December 2020 to 31 December 2025 considering recent events with Covid-19. This will provide certainty to the market and enable the homebuyer to overcome many of the challenges set out above.</p> <p>The HTBI scheme for first time buyers has had a profound impact of the rate on 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.</p> <p>Accurate of June 2021, 27,635 HTB claims have been made, of which 26,744 are approved. The estimated total value of approved HTB claims to date is in the order of €469.7 million and the total value of approved and pending HTB claims to date is in the order of €486.7 million, of which €20.1 million represent retrospective claims (for the period 19 July to 31 December 2016).</p> <p>Without the certainty of a continuation of HTBI scheme to 2025, there is a serious risk that 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.</p>

FTB's and purchasers of new homes have been challenged on many fronts.

- ▶ Central Bank Lending Rules are restrictive and have had the unintended consequences of forcing a locked-out cohort of consumers into costly longer-term rental
- ▶ Building costs have increased due to legislation and policy widening the affordability gap
- ▶ There are consumers who are above the criteria to qualify for social housing and do not necessarily meet all of the criteria set down by CBI lending rules and are not being catered for and are locked in longer term rental.
- ▶ Consumers are sustaining rents in Dublin of €2,100 pm and nationally of €1,400 pm however the banks cannot/will not approve mortgages because the CBI rules do not allow them to take their rental history into consideration as part of the assessment criteria.

Assessment of Housing Affordability

- ▶ The scheme plays a pivotal role in builders delivering new homes and enables them to secure sales and finance to proceed with their developments and in many cases without which the development may have been unviable. IHBA members report on average 75-80% take up of the HTBI for those who qualify.
- ▶ Recent data produced by the Banking and Payments Federation Ireland shows that in the twelve months to the end of March 2021, 78% of first-time buyers, either purchasing or building a new property, used the HTBI scheme.

▶ THEME 2 RECOMMENDATIONS ON SUPPLY

Recommendations	Rationale
<p>3. Rebuilding Ireland Home Loan: Commit to provide further funding to enable a continuation of this much needed scheme and confirm an extension of the scheme.</p>	<p>Rebuilding Ireland Home Loan is a Government backed mortgage for first time buyers. It is available nationwide from all local authorities from 1st February 2018.</p> <p>As a first-time buyer you can apply for a Rebuilding Ireland Home Loan to purchase a new or second-hand property, or to build your own home. The loan is a normal Capital and Interest-bearing mortgage which is repaid by direct debit on a monthly basis. You can borrow up to 90% of the market value of the property.</p> <p>Two interest rate options are currently available:</p> <ul style="list-style-type: none"> ▶ 2.745% fixed interest rate for up to 25 years (APR 2.78%) ▶ 2.995% fixed interest rate for up to 30 years (APR 3.04%) <p>Previously a successful applicant could borrow at a rate of 2 per cent over 25 years, a rate not available elsewhere in the market at the time. However, the increase in January 2020, makes loans considerably less affordable, and decreases the amount potential home-buyers can borrow.</p> <p>Reintroduce the 2% fixed rate for FTB's.</p> <p>Currently an applicant can borrow up to 90% of the market value of the property they are building or buying. Properties funded under the scheme cannot be over 175 square metres. The maximum market value differs depending on where your home is located with maximum market value at:</p> <ul style="list-style-type: none"> ▶ €320,000 in Cork, Dublin, Galway, Kildare, Louth, Meath and Wicklow ▶ €250,000 in the rest of the country <p>Consideration should be given to a third market value for city locations such as Dublin and Cork.</p>
<p>4. Offset the Section 48 Contributions charged on New Homes for Owner Occupiers.</p>	<p>Offset the contributions charged for new developments where a new home is purchased by an owner occupier. Section 48 Contribution Relief for certain categories of buyers and imposing super levies S49 on new homes – the cost of public infrastructure needs to be socialized. Review levies nationally as huge costs to new homes. Currently 37% of the price of a new home goes directly or indirectly to the state in the form of VAT, Taxes, Contributions & Levies. Provide a rebate for first time buyers and new home purchasers.</p>

THEME 2 RECOMMENDATIONS ON AFFORDABILITY

Recommendations	Rationale
<p>5. Recalibrate LIHAF to provide 'Local Network Reinforcement': Review what works well within the current LIHAF and identify how it could be utilised to allow greater drawdown.</p>	<p>Without the appropriate funding for road and water infrastructure zoned lands will be sterilized. Review what works well within the current LIHAF and identify how it could be utilised to allow greater drawdown. Each local authority should identify logjams in their Housing Strategies and Housing Needs Demand Assessment.</p>
<p>6. Home Building Finance Ireland:</p> <ul style="list-style-type: none"> a. Provide accessible funding to all parts of the country at rates competitive to the pillar banks as a minimum; b. The state through HBFI should access lending from the EU and lend domestically at a rate which will facilitate new developments to commence; c. Utilise the platform of HBFI to lend on licence agreements where homebuilders don't have first charge on land; and d. Expand the 'Momentum Fund' beyond the initial period of Covid-19 into 2022 and beyond. 	<p>The cost and availability of development finance is a major factor that is contributing to the delay and supply of housing. While the CIF/IHBA welcomes the establishment of House Building Finance Ireland (HBFI), more needs to be done to provide greater access to funding across the country and at an economic rate to allow development to proceed.</p> <p>A facility must be put in place and remain accessible for the long term which funds those who for reasons of location have not been able to obtain funding from the pillar banks and where funding has been made available the rates offered are prohibitively expensive. Provide accessible funding to all parts of the country at rates competitive to the pillar banks as a minimum. The fund must be available at a more competitive rate and the state should utilize the availability of EU lending rates during this time.</p> <p>The state should enable HBFI to lend on licence agreements where the housebuilders wouldn't have first charge on land and would in effect lend on the licence agreement.</p> <p style="text-align: right;"><i>Continued</i></p>

▶ THEME 2 RECOMMENDATIONS ON AFFORDABILITY

Recommendations	Rationale
<p>6. (Continued)</p>	<p>The Momentum Fund is a direct response to the COVID-19 crisis and is designed to provide funding to established developers for large-scale developments in prime locations, which might have previously been funded by the mainstream banks. The purpose of the product is to ensure that new large-scale residential projects continue to be commenced and delivered post COVID-19. The availability of the funding product will be for a period to be determined by the Minister for Finance.</p> <p>Expand the HBFI 'Momentum Fund' beyond Covid-19 beyond 2022 as a minimum and provide greater access to development finance at rates competitive with the pillar banks and waive fees for drawdown and repayment as this has a significant impact on viability.</p> <p>Funding smaller builders nationally will facilitate more units built, local employment stops commute to Dublin and drain from rural areas – if housing is only being built in the largest towns and cities it is forcing buyers to leave the smaller rural towns and villages which is having its own deeper impact on Irish society.</p>
<p>7. Adaptive Reuse of Built Heritage / Environment: the introduction of a series of short- and long-term targeted measures could provide for the safe adaptive reuse of our built heritage / environment while complying and aligning planning, fire, building regulation and heritage policies.</p>	<p>How do we make greater use of our towns and city centres, bring vibrancy and communities back to our centres, re-use existing vacant/ derelict-built environment, avail of the embedded infrastructure and mitigate additional pressures on our transport nodes?</p> <p>Currently there is a disparity between sections of our approvals process for the conservation and energy retrofit of older, traditional and heritage buildings around the country.</p> <ul style="list-style-type: none"> ▶ Fire demands an airtight space but does not take account of the historic fabric or the embodied carbon in removing older items like lime plaster. ▶ Compliance with Building Regulations, which provide a critical function in the delivery of high-quality homes, prove difficult when applying current standards to older buildings built and designed in a different era. <p style="text-align: right;"><i>Continued</i></p>

THEME 2 RECOMMENDATIONS ON AFFORDABILITY

Recommendations	Rationale
<p>7. (Continued)</p>	<ul style="list-style-type: none"> ▶ Marrying the historic fabric and the value of embodied carbon in a building requires conservation officers to be flexible to achieve energy efficiency and comply with the goal of Irelands Policy for Climate action 2019. ▶ The financing of these projects is fully achievable once a Fire Safety Certificate is achieved. However without a Fires Safety Certificate adapting buildings back to residential will simply not be viable. <p>All of which, requires alignment with planning from the outset.</p> <p><i>The introduction of a series of short- and long-term targeted measures could provide for the safe adaptive reuse of our built heritage / environment while complying and aligning planning, fire, building regulation and heritage policies.</i></p> <p>Proposals: Short Term</p> <p>(d) Amendment to Article Planning and Development (Amendment) (No. 2) Regulations 2018 (S.I. No. 30 of 2018).</p> <p>The aim of the Planning and Development (Amendment) Regulations 2018 was to facilitate the re-use of existing and vacant commercial buildings for residential purposes by providing an exemption for the change of use, and any other related works, of certain vacant commercial premises to residential use, without the need to obtain planning permission.</p> <p>Add an additional sub-section to Article 10 of the Planning and Development (Amendment) (No. 2) Regulations 2018 (S.I. No. 30 of 2018). Potential wording provided later in this document.</p> <p>(b) ‘Guidance Circular’</p> <p>Provide direction to give discretion to planning departments on how to deal with the adaptive reuse of our vacant and underused older buildings and encourage local authority planning departments to have a multi-disciplinary team to deal with special section 57 adaptive reuse. All applications should only be furnished by an experienced conservation consultant.</p> <p>Expanded details for clarification provided later in this document.</p> <p style="text-align: right;"><i>Continued</i></p>

THEME 2 RECOMMENDATIONS ON AFFORDABILITY

Recommendations	Rationale
<p>7. (Continued)</p>	<p>€ ‘Pilot Programme in key Urban Locations’</p> <p>Under the Climate Action Plan 2019 to retrofit traditionally built buildings to a B2 equivalent Building Energy Rating, commence a pilot programme in each of Ireland key urban centres where works can progress for the adaptive reuse of traditional buildings under robust advice to the professionals involved.</p> <p>(d) ‘Grant Scheme’</p> <p>Special grant could be assigned to several exemplar projects in Dublin, Galway, Limerick and Cork (a minimum of 2 in each city) to encourage a quick uptake then these could be also used to promote the concept across a wider audience and prove the benefits all round to reusing our existing buildings to go some way towards solving the housing crisis.</p> <p>Proposals: Long Term</p> <p>€ ‘Enhance the existing listing from a single protected structure to a graded listing’.</p> <p>There is a disparity between sections of our approvals process for the conservation and energy retrofit of older, traditional and heritage buildings around the country. Fire demands an airtight space and pays no attention to the historic fabric or the embodied carbon in removing older items like lime plaster. Building Regulations need to be also brought in line to respect historic fabric and the value of embodied carbon, the conservation officers need to be more flexible on what is of value and extra flexibility in the name of energy efficiency. Planning must then align with this process from the outset.</p> <p>Alter the current listing from a single protected structure status to a graded listing similar to that of the UK.</p> <p>(f) ‘Update Protection Guidelines for Planning Authorities’</p> <p>Local Authorities rely on the “Architectural Heritage Protection Guidelines for Planning Authorities” which was written in 2011. Update for current needs and alignment with national policy objectives.</p>

▶ THEME 2 RECOMMENDATIONS ON AFFORDABILITY

Recommendations	Rationale
<p>8. 'Bridge the Gap' to support the consumer by offering tax and financial incentives to support demand in the areas where investment is needed.</p> <p><i>a. Provide low interest rate loans to people purchasing a new home, including first-time buyers.</i></p> <p><i>b. Regulatory Impact assessment and subsequent purchaser rebate.</i></p>	<p>The state and financial institutions must work closely together to facilitate the sustainable provision of affordable loans and ensure retail banks continue to inject liquidity into the system to support sustained demand for affordable homes.</p> <p>a. Provide low interest rate loans to people purchasing a new home, including first-time buyers.</p> <p>b. ii. Regulatory Impact assessment and subsequent purchaser rebate.</p>



▶ **THEME 3 CULTIVATING PEOPLE, SKILLS AND CAPACITY**



INTRODUCTION

The industry's growth potential lies in the quality of its labour force. All stakeholders in the construction industry need to continue 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 to ensure it is well positioned to adapt and prosper in the future. Supports should work together to ensure careers in construction offer clear paths for professional development and progression.

Industry and training bodies should continue parallel investment in both traditional building skills and new construction methods. Industry and partners should focus on increasing labour productivity in tandem with workforce expansion to meet demand through structured Continuous Professional Development (CPD) plans. Industry should focus on improving firm level investment in management training.

Investment from the National Training Fund and funding bodies should be targeted into productivity enhancing training programmes tailored to construction, which could offer combined training programmes for all procurement, design and contracting personnel.

A report published in September 2020 by the Expert Group on Future Skills Needs (EGFSN) highlighted significant future careers opportunities in the built environment for school leavers, apprentices, graduates, and post-graduates across the industry supply chain. A higher profile industry – in terms of national job creation and strategic development significance – will help to attract bigger numbers into a higher valued industry.

THEME 3 RECOMMENDATIONS

Recommendations	Rationale
<p>1. Secure future skills and talent by reskilling and upskilling.</p>	<p>Investment should focus on securing the skills pipeline and driving innovation.</p> <p>New entrants to the construction sector will be required to build Project Ireland 2040 in terms of numbers, skills and gender/diversity balance. There are new employment opportunities which will undoubtedly increase as the industry builds capacity to deliver Project Ireland 2040.</p> <p>The Expert Group on Future Skills Needs (EGFSN) Report 2020 showed the need for significantly increased recruitment in the next 10 years to drive both digitisation in general and, BIM in particular. New roles will also be required to facilitate increased regulation in construction, and asset management (including energy management, sustainability and climate action).</p> <p>In addition, a recurring theme is the need for additional gender and diversity balance in construction which will create even more opportunities for many new entrants.</p>

THEME 3 RECOMMENDATIONS

Recommendations	Rationale
<p>2. Secure future skills and talent by reskilling and upskilling.</p>	<p>Support a national careers and retention campaign that has alignment at Government department level between DETE, DFHERIS, DedS and DSPCRD.</p> <p>This campaign should look at wider supports for enterprises with direct employment and the particular issues caused by the absence of a redundancy rebate in sustaining long-term employment.</p>
<p>3. Apprenticeships: Maintain the Apprenticeship Incentivisation Scheme (AIS) to support SMEs in taking on new apprenticeships and remove the student levy for current trade apprentices payable at Phase 4 and 6.</p>	<p>Industry recommends the extension of the AIS beyond December 2021 to support companies in taking on new apprentices in key areas, for example in the 'Scaffolding' and proposed 'Roofing' apprenticeship.</p> <p>Industry also welcomes the <i>'Action Plan for Apprenticeship 2021-2025'</i> and the inclusion of enhanced financial supports for employers participating in "post 2016" apprenticeships, and expects that the existing financial supports for "pre 2016" apprenticeships will not be diminished.</p> <p>The levy payable by apprentices while in college in Phases 4 & 6 is still a disincentive to apprentices – this should be removed.</p> <p>Provide supports for the existing apprenticeship ecosystem and the integration of new methods of working into existing programmes, via the Action Plan for Apprenticeships – to enable digital transformation of the sector.</p> <p>Funding could be allocated from the National Training Fund.</p>
<p>4. Ensure that funding and resources are available to the Construction Services Unit of SOLAS to ensure the delivery of an online Safe Pass programme and the development and upgrade of the Construction Skills Certification Scheme Programmes (CSCS).</p>	<p>Both programmes are mandatory under the Safety, Health and Welfare at Work (Construction) Regulations 2013.</p>

▶ THEME 3 RECOMMENDATIONS

Recommendations	Rationale
<p>5. Secure future skills and talent by reskilling and upskilling.</p>	<p>Continue to support the delivery, including through Skillnets and national training bodies, of advanced digital and MMC training programmes to the existing industry's workforce, new entrants and particularly apprentices.</p> <p>Support the development of existing programmes including the existing apprenticeship programmes to lock-in future skills needs and digitisation.</p>
<p>6. Target more programmes through Springboard for SME workers who need reskilling and to allow for the upskilling of existing workers.</p>	<p>It is critical that the large cohort of indigenously focussed SME companies who currently fall outside the scope of supports available from Enterprise Ireland (as they are non-exporting) and Local Enterprise Offices (as they have more than 10 employees) are assisted with access to training and business support. This block represents the largest number of SME enterprises in Ireland's construction sector at circa 1,500 companies.</p> <p>Construction SMEs need long-term support to invest in change management tools/practices as they relate to new technology implementation, upgrade rollouts and ongoing digital adoption. This requires structured programmes and supports.</p>
<p>7. Increase financial aid supports to construction SMEs. The withdrawal of policy supports should be carefully tapered to reduce/minimise scarring and to facilitate an inclusive sustainable recovery for indigenous Irish businesses.</p>	<p>The European Commission has considered it necessary to increase the aid ceilings set to Member States as they emerge from the continued economic impact of Covid-19.</p> <p>Member States are now free to modify existing aid measures approved by the Commission under the Temporary Framework in order to prolong their period of application until 31st December 2021.</p> <p>CIF urge the Government to explore all options for increasing financial supports to SMEs in indigenous industries, such as construction, which have been affected by the Covid-19 pandemic and repeated industry closures.</p>

THEME 3 RECOMMENDATIONS

Recommendations	Rationale
<p>8. Deploy emergency liquidity support schemes to construction companies facing insolvency because of the Covid-19 pandemic closures.</p>	<p>Preventing insolvencies of distressed but fundamentally viable companies in construction is crucial for preserving economic and financial stability across the wider economy as we emerge from the Covid-19 pandemic.</p> <p>The European Systemic Risk Board in its publication <i>“Prevention and management of a large number of corporate insolvencies”</i> (April 2021) states that emergency liquidity support schemes during lockdowns can be quickly deployed system-wide.</p> <p>Liquidity support can be provided by stopping the cash drain (tax deferrals, short-time work subsidies) or by ensuring access to sources of finance (loan guarantees, public loans).</p> <p>CIF urges Government to consider the targeted application of short-term liquidity support schemes as companies and sectors such as construction continue on the path to recovery during 2022.</p>
<p>9. Invest in regional skills and regional accessibility.</p>	<p>The regional nature of construction activity and investment must be considered in planning interventions in helping SMEs in the regions to become more productive and build stronger routes to market.</p> <p>The focus for policy makers should be on investing in regional skills and enhancing regional accessibility to allow firms to operate successfully across regional Ireland.</p> <p>Across all industries, the highly productive companies will cluster. It is up to policy makers and industry to tap into these clusters to enable knowledge-based transfer and productivity growth.</p>
<p>10. Enable digital transformation by providing direct financial support for training within companies.</p>	<p>Provide direct financial support for training within companies who need to upskill their workforce in line with meeting project BIM requirements and to facilitate the overall digitalisation of their operations.</p> <p>Provide incentives for companies to upgrade IT infrastructure, software and to enlist the additional resources required to develop these new digital services.</p> <p>Include grants for training programmes, and grants to support the use of consultancy services to deliver audit, transformation and change programmes in conjunction with company owners and managers.</p>

THEME 3 RECOMMENDATIONS

Recommendations		Rationale
11.	<p>Clarify the position on BIK on company cars beyond January 2023.</p>	<p>If Government wants businesses to invest in electric vehicles it needs to:</p> <ol style="list-style-type: none"> Clarify the position on BIK on company cars beyond January 2023 Provide sufficient charging points throughout the country for Evs Review BIK for hybrid models similar to the UK
12.	<p>Introduce a targeted percentage capital allowance for procurement of plant and machinery to allow companies to invest in new machinery, like the allowances granted in the UK.</p> <p>Consider extending the ACA scheme for energy efficient equipment.</p>	<p>GDFCF declined by 32.3 per cent during 2020. This was largely driven by drops in machinery and equipment.</p> <p>Accelerated Capital Allowances provide a tax deduction equal to 100 per cent of the costs incurred in qualifying energy efficient equipment. The scheme is currently extended to the 31st December 2023 and could play a role in assisting Ireland to achieve its targets for energy saving and carbon reduction, and incentivise companies to invest in such equipment through improved cash flow generated by writing off the costs in the first year as opposed to over eight years. This form of tax relief could be better utilised than it is at present.</p>
13.	<p>Subsidise redundancy payments that construction SMEs must pay in certain circumstances.</p>	<p>Redundancy payments are a fundamental issue for Construction SMEs. According to the DIT Trades and Skills survey, which was published in February 2018, 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.</p> <p>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.</p>

▶ **THEME 4 TRANSITIONING TO A LOW CARBON AND CLIMATE RESILIENT SOCIETY AND ENHANCING PRODUCTIVITY**



INTRODUCTION

The construction industry in Ireland is firmly on a journey towards increasing modernisation and productivity.

The thin operating margins that have existed in the construction sector for a long time have contributed to historically slower productivity improvements in production processes. Whilst the CSO data measures productivity for the total construction industry, there is no data available on the productivity of the industry's component sectors (i.e. civil engineering contracting, main contracting, specialist contracting and housebuilding). The CSO's recent data – as outlined earlier in this submission – shows that the construction sector was one of the most competitive sectors in 2019, with declines in unit labour cost of 1.0%. The construction sector recorded growth in hourly compensation of 4.7% and labour productivity growth of 5.7%, leading to a fall in the growth of nominal Unit Labour Cost (ULC) resulting in increased competitiveness.

It must also be acknowledged that the productivity data cannot account for all quality improvements in the built environment. The Chartered Institute of Building (CIOB) argued for better statistics on construction productivity in its 2016 report.⁵ The reason being that the value of design, materials and components used on site are not counted in the statistics. The CIOB questioned how well the measures can really account for quality improvements.

This is important to understand in the context of construction and its connection to the built environment. The CIOB pointed out that in an interconnected economy, it is critical to examine the effectiveness of a sector, and not just its efficiency. To put this in more demonstrable terms for construction, this means looking not just at how efficient and productive construction is, but at how effective it is at assisting other parts of the economy to function more productively – by providing the quality homes, schools, offices and transport infrastructure needed for it to function better. The CIOB argued that policy should be concerned with delivering productivity in construction as well as delivering the built environment more productively.⁶

CIF published qualitative research in 2019 on productivity in construction and found a range of issues, which are still as relevant today as they were then, affecting productivity at the external, industry and firm dimensions. They included:

- ▶ Increasing project and site complexities
- ▶ Extensive regulation and the cyclical nature of public investment
- ▶ Problematic design processes
- ▶ Limited Early Contractor Involvement
- ▶ Bespoke nature of the operating environment
- ▶ Contractual and procurement environment
- ▶ Fragmented industry structure (both horizontally and vertically)

Even though there has been a significant adoption of new technology and MMC by the construction industry in recent years, these applications and methods tend not to be integrated with other systems in place and therefore do not permit improved collaboration and project outcomes. Clients (and their agents) must consider playing a greater role in the industry's productivity, particularly regarding the uptake of new technology and MMC, and the resourcing of design teams. Upfront planning and sequencing with all project stakeholders should be built into every construction programme. The adoption of digital technology by stakeholders and clients will improve project performance, data metrics, delivery, and crucially value for money.

Climate change is the biggest challenge facing our society for the foreseeable future. The construction industry has a major role to play in supporting the delivery of the necessary infrastructure and the construction of the built environment to enable public policy deal with the myriad challenges that climate change brings.

⁵ CIOB *Productivity in Construction: Creating a Framework for the Industry to Thrive*, 2016, page 5, <https://www.ciob.org/>

⁶ *Ibid* page 10

Pressures on new and existing infrastructure will continue to emerge from the known and unknown effects of climate change and extreme climate events. Procuring bodies need to plan for future design and adaptation costs.

The CIF has recently published a Guide to Green Construction. The guidelines will assist CIF member companies embrace the continued emergence of Green Procurement and Sustainability in Ireland. The guidelines will be used to assess the physical asset that is delivered by the contractor, as well as the green approach to operational aspects that companies employ in both delivering the project and through their wider management system.

▶ THEME 4 RECOMMENDATIONS

Recommendations		Rationale
1.	To meet climate change commitments the proportion of the capital programme devoted to retrofitting all public buildings and housing stock must increase.	Inevitably, for Ireland to meet its climate change commitments, the proportion of the capital programme devoted to retrofitting all public buildings and housing stock, along with Ireland’s transport infrastructure, must increase as a proportion of total spend.
2.	Explore additional funding sources such as EIB and ISIF to address climate related infrastructure priorities such as water and wastewater infrastructure, infrastructural power supplies and the circular economy for construction materials.	<p>Government published its Economic Recovery Plan on 1 June 2021. Initial funding of €915m is available through the European Recovery and Resilience Facility.</p> <p>It is recommended that Government explore additional funding sources such as the European Investment Bank and the ISIF to address infrastructure priorities such as water and wastewater infrastructure to support future development, infrastructural power supplies, retrofitting public and private buildings, investing in digital transition and exploring the opportunities that construction and demolition waste provide in a circular economy.</p> <p>Efficient use of resources can be addressed by designing and constructing for a circular economy with efficient and responsible use of resources including existing buildings, materials and land.</p>

▶ THEME 4 RECOMMENDATIONS

Recommendations	Rationale
<p>3. Support strategic company plans to address operational carbon reduction targets.</p>	<p>This could include the replacement of old plant, equipment and fossil fuel powered fleets, technology and staff. It could include incentives to replace existing fabric within temporary or project-based support buildings, IT equipment and infrastructure.</p> <p>Specific additional supports or measures required under this recommendation:</p> <ul style="list-style-type: none"> ▶ Support the delivery of retrofit services through remote survey and design approval systems. ▶ Support the one stop shop approach to retrofit and the development of medium-term frameworks for suppliers. ▶ Encourage a fabric first approach with targeted fiscal incentives. ▶ Incentivise the redirection of consumer savings into deep retrofit programmes through grant supports and clear advice on how policy will be developing in the life of the Climate Action Plan. ▶ Ensure long term supports are available to provide certainty for suppliers investing in this market. ▶ Within the civil engineering and major projects sector support innovative methods for the processing and re-use of site won materials to minimise waste, increase efficiency and reduce carbon emissions. ▶ Provide supports for upgrades of plant, fleet and equipment. These supports could also be available for implementation of innovative methods of reducing carbon emissions at site and organisation level through a number of methods including: <ol style="list-style-type: none"> a) Digitisation of work methods and promotion of remote working; b) Remote tracking and management of fleet to help manage and reduce carbon outputs including GPS and GIS technologies; and c) Supporting supplier led Green Procurement Initiatives and implementation of Lean/Waste reduction techniques.

THEME 4 RECOMMENDATIONS

Recommendations	Rationale
<p>4. Accelerate and offer seed support for the establishment of a dedicated National Construction Technology Centre; and promote private sector investment by allowing tax credits for research, development and innovation within construction enterprises.</p>	<p>A National Construction Technology Centre (CTC) will provide a go-to source of advice, R&D capacity, funding avenues, advanced industry expertise, and access to potential collaboration partners for the entire construction industry and its supply chains and stakeholders.</p> <p>A diverse industry membership would give the CTC and its members access to knowledge in multiple application and technology areas across the value chain that would not be available to individual companies. It would leverage investment (industry and competitive) in existing academic research capabilities and build critical mass for the sector. It would harness the collective learnings and ideas of the industry in one place to maximise innovation, minimise wastage of resources across the sector and raise the profile of construction in Ireland in a sustainable and exciting way for the future.</p>
<p>5. Work with industry to enhance its capacity to deliver 'green' construction and measure the impact of these measures on decarbonisation over the lifetime of the NPF to 2040.</p>	<p>Climate considerations, sustainable management of water, wastewater and environmental resources are part and parcel of all development of infrastructure, not separate.</p> <p>Government should begin to work with industry to enhance its capacity to deliver 'green' construction and measure the impact of these measures on decarbonisation over the lifetime of the NPF to 2040.</p>
<p>6. Increase investment in public transport projects to positively impact on Ireland's climate action programme.</p>	<p>Investment in public transport projects will positively impact on Ireland's climate measures – especially given Ireland's goal of a 7 per cent reduction per annum of greenhouse gas emissions from 2021 to 2030 (more to follow).</p>
<p>7. Apply economic multipliers in communicating to the public the benefits accrued from each capital project towards achieving Ireland's climate action targets.</p>	<p>The CIF recommends that economic multipliers are applied in communicating to the public the benefits of each capital project towards achieving Ireland's climate action targets.</p> <p>Government does not currently have a full understanding of the composition of the cost of climate change for the public and private sectors. However, it is anticipated that the cost will be spread across the wider economy, and will not be shouldered by public sector alone.</p> <p>While there will be costs associated, there will also be opportunities for society and the economy with the emergence of new green jobs and increased investment in renewable energy, transportation and retrofitting.</p>

THEME 4 RECOMMENDATIONS

Recommendations	Rationale
<p>8. Modern Methods of Construction (MMC) will increase modular and offsite manufacturing to higher standards of design, fabrication, testing and certification. The cost benefits of a centralised centre of excellence with supporting research and innovation options to the state will significantly contribute to the regional dispersal of employment opportunities and the financial viability of a diverse ecosystem of supply and manufacturing enterprises.</p>	<p>A construction industry that supports a MMC supply chain can significantly contribute to the regional dispersal of employment opportunities and the financial viability of a diverse ecosystem of supply and manufacturing enterprises.</p> <p>Companies no longer need to be located within a certain commuting distance but can support the objectives of the NPF and drive employment growth in other urban and rural settings whilst utilising the telecommunications, road and rail network for connectivity to project delivery locations.</p> <p>MMC will enable early engagement and collaborative approaches with Clients and Design Teams whilst ensuring that the optimum procurement models are applied to realise greatest value and cycle-time costs. Costs benefits of a centralised centre of excellence with supporting research and innovation options will further support modular construction in tandem with BIM, Remote Inspection, Robotics and Data Analytics. MMC will also have a focus on sustainability, climate action and the circular economy to minimise waste.</p>
<p>9. Provide direct supports to companies who are actively pursuing Modern Methods of Construction (MMC) including off-site fabrication, modular construction, the use of advanced materials and developing management processes to encourage maximum efficiency of labour and materials.</p>	<p>This could include start up grants, innovation vouchers and supports for the development of new methods of operation and manufacturing.</p> <p>By establishing a national centre of excellence to support the development of a fully integrated off-site Modern Methods of Construction Centre. This centre must provide for the development of advanced materials, testing and validation of systems, certification and proof of concept. This centre is critical if Ireland is to support an independent dynamic construction industry without over-reliance on other jurisdictions to support future technological progress.</p>





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