



**Position Paper on the Steps Needed to
Ensure Sustainable Construction in
Ireland in Future Years**

October 2017

Introduction

Guaranteed Irish is a leading business membership organisation that champions homegrown and international businesses investing in Ireland, which create quality jobs, contribute to the community and promote Irish provenance with pride.

Guaranteed Irish has over 300 members nationwide, including leading construction-industry suppliers, such as CRH, Tegral, Wavin, Kingspan, Saint-Gobain, Combilift, Celuplast, Dulux, Fleetwood, Kilsaran and Camfil.

Guaranteed Irish designated September 2017 as 'Construction Month' and, throughout the month, highlighted the contribution its construction-industry members make to the Irish economy and the local communities in which they are based.

As part of 'Construction Month', Guaranteed Irish hosted a roundtable discussion to hear directly from its members and other construction-industry stakeholders about the challenges they face and the steps needed to achieve sustainable construction in future years. In advance of the roundtable event, Guaranteed Irish surveyed its construction-industry members, with the results showing:

- 36% feel Brexit is posing a major challenge to their business;
- 28% feel problems in the broader housing sector are impacting on their work; and
- 12% are concerned by a lack of skilled labour and associated recruitment difficulties.

The Guaranteed Irish 'Construction Month' roundtable discussion was held under the Chatham House Rule. The discussion was chaired by Jim Clery, Head of Real Estate with KPMG. Maria Bailey TD, Chair of the Joint Oireachtas Committee on Housing, Planning, Community and Local Government, was the special guest at the event. The other guest speakers were:

- Paddy Kelly, MD of Tegral, the leading building products manufacturer;
- Marian Finnegan, Chief Economist, Sherry FitzGerald Group; and
- Jacqui Hanratty, National Sales Manager of building materials company Kingspan.

In addition to the guest speakers, the event heard from a cross-section of construction-industry stakeholders.

This position paper sets out the key issues identified during the discussion, as well as the recommendations emanating from the event. Four main recommendations to achieve sustainability in the construction sector emerged:

1. Make construction and housing more affordable;
2. Address the skills shortages in the construction industry;
3. Stimulate the domestic construction market; and
4. Reform planning laws and regulations to make it easier to build.

Each of these recommendations is addressed in further detail in the following sections.

Recommendation 1: Make Construction and Housing More Affordable

The Issues:

- VAT, levies and connections to utilities can account for up to one-third of the cost of building a new house.
- Energy costs in Ireland are the highest in Europe. Labour costs are rising. This increases the cost of development and weakens our competitiveness, making it difficult to compete in the exports market.
- Incentive schemes such as the Help-to-Buy Scheme are being reviewed and criticised without allowing enough time to realistically measure their impact. Help-to-Buy was introduced as a long-term scheme, but is already being reviewed after only six months of implementation. It is not being given time to work.
- The Development Contribution Rebate Scheme only applies to developments of 50 units or more. As a result, there has been low take-up of the Scheme. Supports are needed to stimulate the building of smaller schemes, e.g. developments of four to five units in rural towns.
- Access to finance is a challenge, both for smaller companies in the construction industry and for certain categories of people looking to access mortgages (e.g. self-employed). Builders face particular challenges in accessing working capital.

The Solutions:

- The Government must retain the Help-to-Buy Scheme for first-time buyers and allow it time to work (allow for three to five years of implementation before reviewing it). It is addressing challenges at the right end of the market by encouraging the building of starter homes. The more starter homes we have, the less inflation there will be in the property market overall.
- VAT on houses must be reduced to nine per cent. Any decrease in Exchequer earnings as a result would be offset by increased activity in the housing market.
- Reform the Development Contribution Rebate Scheme to open it up for developments with fewer than 50 houses and make it easier for smaller companies to access the finance they need to engage in construction activity.

Recommendation 2: Address the Skills Shortages in the Construction Industry

The Issues:

- The construction industry is facing a significant skills shortage, particularly in the ‘wet trades’ (plastering and block-laying).
- This is, in large part, due to the fact that apprenticeships are not viewed as an attractive career option by school-leavers. Not enough is being done to promote apprenticeships to school-students and apprenticeships are perceived as being unstable / insecure, due to the fact that many apprentices were the first to lose their jobs during the recession.
- The application process for apprenticeships is unwieldy and complicated, particularly when compared to the CAO application process.
- The average earnings for a first-year apprentice (rates of €180 per week were cited by Guaranteed Irish members at the roundtable event) are not enticing. The wages for unskilled labourers are significantly higher, so many school-leavers opt for labouring positions, rather than undertaking an apprenticeship.
- For employers, taking on apprentices can be costly and time-consuming: they are asked to pay a salary of €180 per week to an unskilled apprentice. First-year apprentices who are under the age of 18 pose a health and safety risk on-site.

The Solutions:

- The Government must do more to promote apprenticeships as a viable career option. In particular, Guaranteed Irish wants:
 - A review of the standard four-year term for completion of apprenticeships, with a view to offering more flexibility in terms of duration and completion schedule. For certain skill-sets, shorter apprenticeships must be introduced.
 - A centralised applications system (a one-stop-shop website) for those seeking to participate in apprenticeships. Employers could advertise apprenticeship vacancies through the system, and be ‘matched’ with suitable apprentices.
 - An advertising campaign aimed at 1) enticing more females into apprenticeships; 2) highlighting the benefits of apprenticeships, including the entrepreneurship elements / the potential to become your own boss; and 3) rebuilding trust in apprenticeships by demonstrating that they offer secure career development opportunities.
- Many construction-industry companies are investing in their own education and training programmes to address the skills shortages in their sector. Their efforts in this regard must be recognised. There is significant potential for SOLAS to tap into these companies to review, remodel and enhance existing apprenticeship schemes.
- Employers must be incentivised for taking on apprentices.

Recommendation 3: Stimulate the Domestic Construction Market

The Issues:

- Ireland's construction industry accounts for approximately 7 per cent of our GDP; we should aim to increase this to 12 per cent.
- Our population is growing, and demand for housing increased during the recession, but construction activity stalled. According to the Department of Housing, approximately 15,000 houses were built in Ireland last year. To adequately meet demand, this figure needs to be closer to 40,000 houses every year for the next five years, according to Guaranteed Irish members. This is a huge ask for the construction industry – effectively, housing output needs to be quadrupled in the immediate term.
- Regional development has been very lacklustre to date. Construction activity has been increasing on the East Coast, but the regional spread is very poor. Regional locations – particularly in the North West – have unfinished motorways and poor broadband, which hampers business activity.
- Many construction-industry companies are heavily reliant on exports to the UK. Brexit will seriously damage their export business.
- Major public infrastructure projects were put on hold during the recession, and have not been revived.

The Solutions:

- Ireland must develop regional hubs and economic corridors along major motorways, similar to those developed in the UK.
- The Government needs to stimulate the domestic construction market, so that construction companies become less reliant on exports to the UK.
- The focus on infrastructure planning must switch from short-term planning to medium to long-term. This will allow construction-industry companies sufficient time to scale up and to access the financing, skills and materials they need to successfully deliver major infrastructure projects.
- Stimulating the construction industry is not just about new builds; it is also about the repair, maintenance and improvement of current building stock. The Home Renovation Incentive has been hugely successful, and provided a boon for the construction industry. This should be retained.

Recommendation 4: Reform Planning Laws and Regulations to Make it Easier to Build

The Issues:

- Planning authorities appear to have a poor understanding of the commercial impact of delays in planning decisions. Delays can result, for example, in work on-site starting during the winter months, rather than during summer, which can have significant knock-on implications for project costs and timelines.
- There is a poor grasp of what is commercially viable for builders: they cannot build houses on sites with no water and no infrastructural connections.
- The slow pace of planning decisions will affect growth going forward.

The Solutions:

- Ireland must develop regional hubs and economic corridors, along similar lines to those developed in the UK.
- The Government needs to stimulate the domestic construction market to counteract the negative implications of Brexit for construction companies that rely heavily on exports to the UK.
- The focus on infrastructure planning must switch from short-term planning to medium to long-term. This will allow construction-industry companies sufficient time to scale up and to access the financing, skills and materials they need to successfully deliver major infrastructure projects.

Conclusion

Guaranteed Irish will progress these issues in the following ways:

1. Engagement with elected representatives to present the feedback and recommendations of our construction-industry members, and to highlight the role we can play in ensuring sustainable development in Ireland in future years.
2. Meetings with relevant stakeholders (e.g. SOLAS) to brief them on the current activities of and challenges facing Guaranteed Irish construction-sector members, and to explore the potential for collaboration in formulating solutions.
3. Awareness-raising: ongoing public relations activities to highlight the issues affecting our construction-industry members and to demonstrate the key role they can play in addressing current challenges facing Ireland.

Further Information

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