



What Now for the Industry?

See the Light 2013

Low Energy Building Conference

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What Now for the Industry?

In order to address what now, we need to see:

- The current position.
- What's already in train and coming down the tracks.
- Future needs to service the economy and society.
- Possibilities



Where is the Industry Now?

Output and Employment

- Output for 2012 was c. €8.5bn, equal to 6.4% of GNP (€133bn); 5.2% of GDP (€163bn).
- EU average is 10% of GDP; a “normal” industry in Ireland expected to be 12% of GNP, i.e. double its current size.
- Direct employment was 96,300 in Q4 2012. Employment peaked in 2007 at 279,000. It has grown in 2013, with Q2 at 102,700.
- Indirect employment in 2012 was c. 48,000. The average employment multiplier is c.0.5 – every two direct jobs gives one more indirect.
- Approximately 1 direct job for every €90,000 output, or 1 job for every €60,000 output.
- Somewhere between 58,000 and 80,000 of the unemployed are construction workers.



Where is the Industry Now?

Negative Image

The industry is widely associated with and held responsible for:

- Over development and the property bubble.
- Shoddy approach to execution of works.
- Lack of compliance with Building Regulations
- Pyrites
- Payments abuse
- Poor productivity



Where is the Industry Now? Resources

After six years of recession, company closures, risks manifested in Public Works Contracts, extremely competitive pricing, and below cost tendering.

There is:

- Depletion of financial resources in surviving companies.
- Lack of investment in replenishment of plant and equipment.
- Reduction in spend on training.
- Emerging indications of skills shortage.
- Decline in interest in third level construction courses



Where is the Industry Now? Emerging Trends

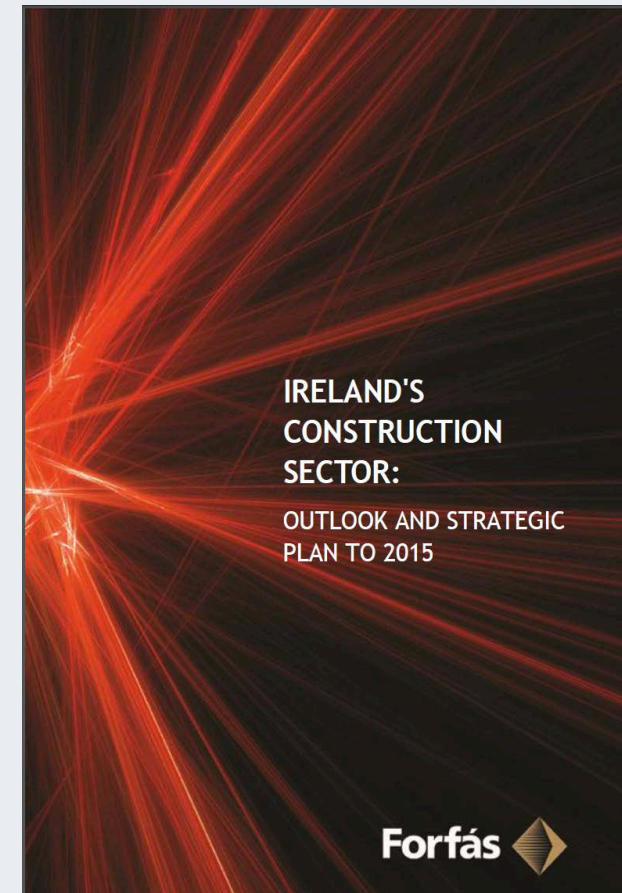
- In September, Ulster Bank PMI recorded the first rise in construction activity since May 2007.
- Indications of increase in private sector investment.
- NAMA projects coming on stream.
- Almost 7% increase in employment in last 6 months.
- An apparent reduction in below cost tendering.
- Increased levels of engagement between government, CIF, and professional bodies.



What's Coming Forfas: Ireland's Construction Sector

Outlook and Strategic Plan to 2015 (July 2013) lists 36 Action Points under 5 headings:

- Removing obstacles and restoring confidence in the domestic market.
- Driving further internationalisation.
- Embedding competitiveness and innovation.
- Skilled to deliver.
- Effective governance.



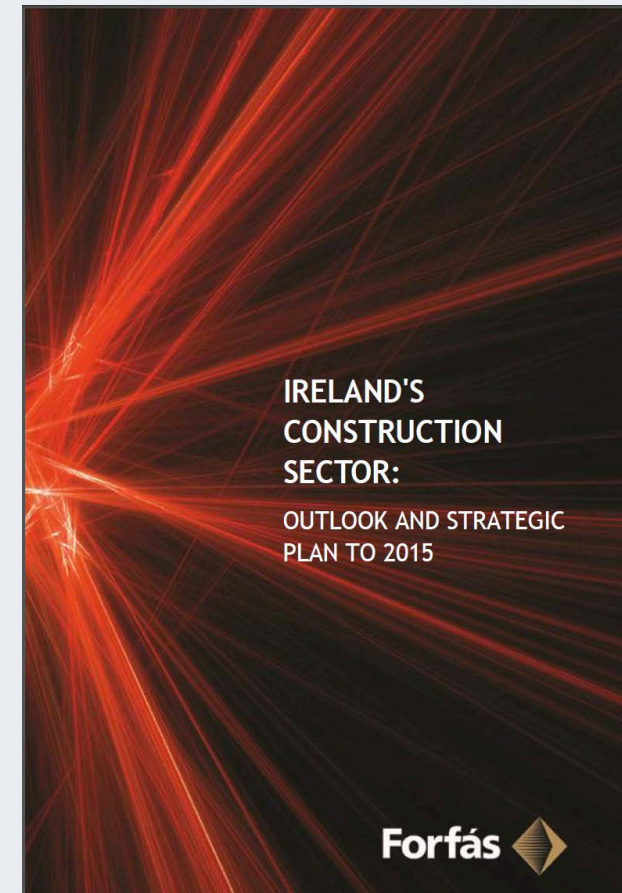


What's Coming Forfas: Ireland's Construction Sector

It promotes the establishment of a **Construction Enterprise Clearing House (CECH)**, comprising senior officials from key government departments, industry representatives, and Enterprise Ireland to inform on-going development of the sector and the coordination of relevant policies.

The Government has recognised the need for strong and clear responsibility for the sector across Government and will establish the **Construction Sector Consultation and Coordination Group (CSCCG)** to provide a forum for engagement with industry.

- Are CECH and CSCCG one and the same thing?
- Not quite a minister, tsar or champion but may become a single point of contact for the industry.

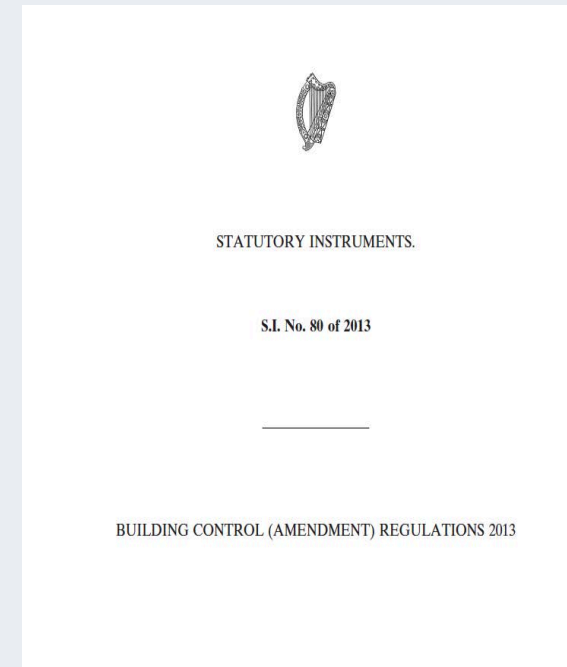




What's Coming Building Control (Amendment) Regulations 2013 (SI 80)

Prompted by Priory Hall and other non-compliant buildings, it comes into force on 1st March 2014 and will require:

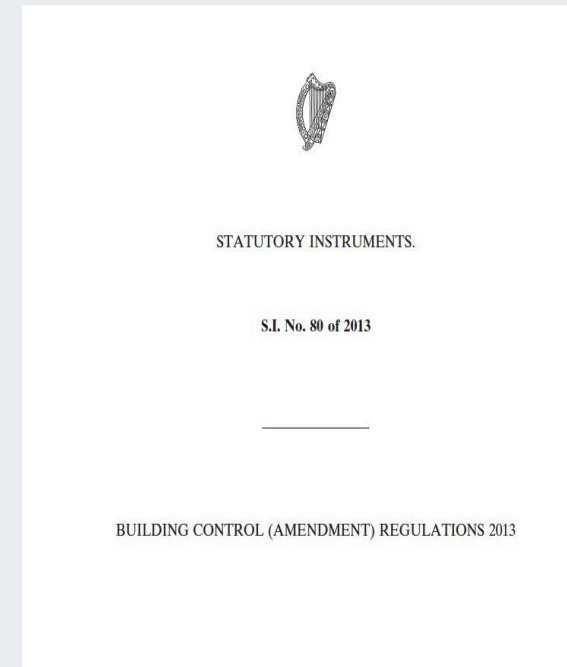
- Design Certificate to accompany Commencement Notice.
- Appointment of Assigned Certifier.
- Appointment of “competent” builder.
- An Inspection Plan for the works.
- Completion Certificates signed by Builder and Assigned Certifier, certifying that the building or works is in compliance with the Second Schedule of the Building Regulations.
- A building cannot be used or occupied until the Completion Certificate is entered on the register of buildings.





What's Coming Building Control (Amendment) Regulations 2013 (SI 80)

- A revised wording to SI 80 is anticipated following consultation with the industry and professional bodies.
- A Code of Practice for Certifying and Inspecting Building Works is being finalised.
- The principle of reliance on ancillary certification is accepted.
- A Prior Notification process for lodging the Completion Certificate may prevent delays in the use or occupation of buildings.





What's Coming Construction Industry Register Ireland (CIRI)

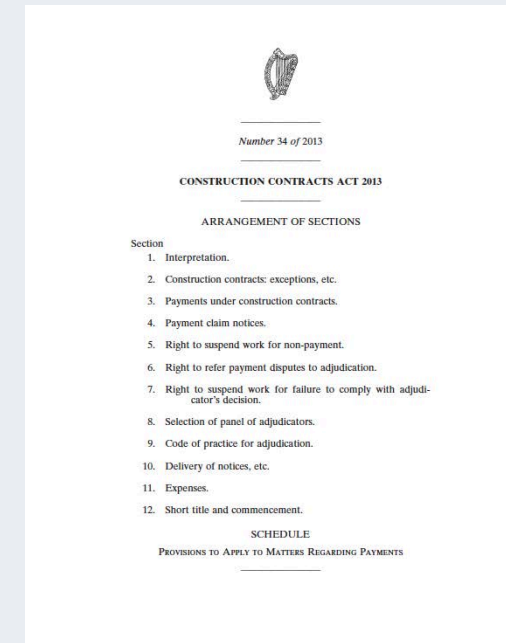
Following on from the requirement in SI 80 that an owner must appoint a “competent” builder, the CIF reactivated its proposal to establish a register of builders. A scheme has been developed in outline and, with the approval of the DoECLG and government, it will be finalised over the coming months to be operational by 1st March 2014.

- The scheme will be voluntary initially.
- The governing board will comprise an independent chairman, 5 nominees by government departments, 2 members of professional institutes, and 3 representatives from industry.
- Applicants will be required to provide evidence of training and experience, to attend an induction course, to comply with a code of ethics, to meet and maintain standards, to undertake CPD, and to re-register annually.
- The register will include those taking responsibility for delivery of whole buildings, building services, or building elements.
- The register will be open to all qualifying entities.
- The government has stated its intention that the register becomes statutory in 2015



What's Coming Construction Contracts Act 2013 (SI 34)

- Statutory requirement for payments from employer to main contractor and down to subcontractors and sub-subcontractors.
- Applies to all contracts greater than €10k, except for a dwelling less than 200m² for owner occupier.
- Payment claim within 5 days of claim date; 21 days to issue withholding notice;
- Right to suspend works for non payment, to a delay period, and to claim compensation for loss.
- Any payment dispute can be referred to adjudication.
- Elimination of “pay when paid” clauses.

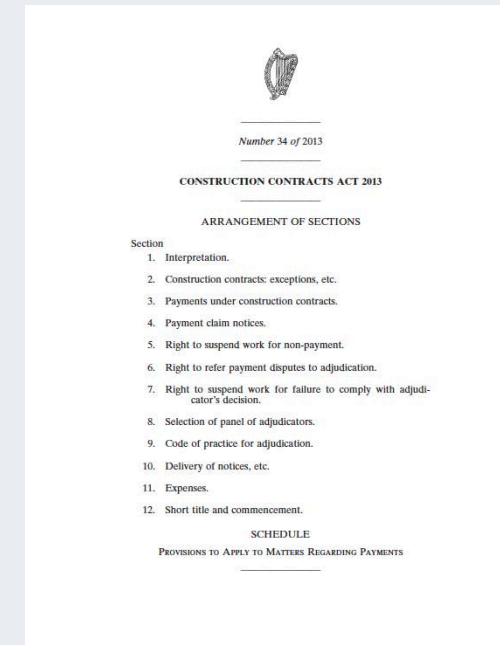




What's Coming Construction Contracts Act 2013 (SI 34)

The timeframe for implementation is uncertain – an SI is required and may be in place this year. Implementation is unlikely before spring 2014.

- Will not be retrospective and will only apply to contracts entered after the designated date.
- The system of adjudication to be set up.
- Will require greater discipline on all – structured applications; detailed notices; ability to prepare and defend claims.
- Will likely lead to a large number of disputes / adjudications until bedded in (as UK experience)





What's Coming EU Procurement Directive 2014

The new directive is expected to be through the European Parliament for implementation on 30th June 2014.

- Simpler procedures.
 - Allows for consideration of the full life cycle (including CO2 footprint). Environmental costs can be taken into account if quantifiable in monetary terms.
 - Broadens the possibilities for negotiation.
 - Fully electronic procurement by 30th June 2016.
 - Improved definition of abnormally low tenders (ALT) and rules for compulsory exclusion.
 - The “*competitive procedure with negotiation*” will allow for post tender negotiation and BAFO.
- Transposition into Irish Law and the development of policies and guidelines are key to ultimate success.





What's Coming

Some not so minor items

- Industrial relations issues arising from the Supreme Court decision that REAs are unconstitutional.
- Review of GCCC Public Works Contracts – Autumn 2013
- BIM.
- Lean construction.
- Further revisions to Building Regulations.
- Additional costs on foot of regulatory changes.
- Skills shortages.



Future Needs for Economy, Society

- Population forecast to increase by 327,000 by 2021.
- Population drift to east coast and urban centres.
- Housing shortage in main urban areas.
- FDI investment in Ireland continues to increase.
- Water supply upgrades and increase in capacity.
- Improvements in waste water treatment.
- Wind farms and alternative energy infrastructure.
- Building stock renovation, upgrade and refurbishment.
- Increase in export of building products and services.



What Now for the Industry? Possibilities

- If the economy grows, construction demand will grow.
- Potential for slow and steady growth over the next 7 – 10 years to reach “normal” level of activity with output of €18bn, direct employment of 180,000+ and indirect employment of 90,000+.
- A more structured and better regulated industry.
- Greater interaction between government and industry.
- More collaborative contracting environment.
- BIM and lean construction providing productivity improvements.



What Now for the Industry? Who can lead the change?

We, the industry, can lead change by:

- Cooperation between contracting and professional bodies.
- Embracing robust regulation and ethical practices.
- Setting and achieving higher standards.
- Becoming more innovative.
- Promoting (a return to) collaborative contracts.
- Providing additional training and upskilling.
- More active engagement with government.