



**Submission to the Minister for Enterprise, Jobs and Innovation,
and
The Minister for Public Expenditure and Reform**

Supporting Employment in Construction

May 2011

Introduction

Despite the disastrous collapse of all parts of the construction industry since 2006, over 155,000 people in Ireland owe their living to the construction and property sectors. While many of these are site-based operatives, many thousands of others are involved in design, planning, and professional services. The Society of Chartered Surveyors Ireland is the largest professional body for those working in the construction, land and property sectors and makes the following recommendations to protect existing jobs while creating an economic environment to support further job creation.

In 2009, the Construction Industry Council, of which the Society remains a member, presented a report to the then Minister for Finance, noting that for every ten jobs created in the construction sector, a further four jobs were created in the wider Irish economy. In making this submission, the CIC set out the economic and social rationale for investment in construction employment. While the economic conditions of Ireland have continued to change since 2009, the ratio between direct and indirect employment, and the economic rationale for investment, remains in place, and the logic of promoting labour-intensive public works in order to protect construction workers and stimulate private sector employment remains true.

The promotion of employment in construction through accelerated capital investment in public buildings and civil engineering is a good example of how the public good can be improved through targeted public investment. There is an immediate return on investment through the removal of unemployed people from social welfare and into tax-paying jobs, but there also is a longer-term public gain in having an improved and enhanced built environment and infrastructure stock.

The continued erosion of the capacity of the construction sector to deliver the necessary projects to secure Ireland's growth is concerning. In most mature economies, the output of the national construction sector is valued at around 12% of GDP. The optimum size of the Irish construction sector is 15% of GNP. While the industry was unsustainably high at 24% of GNP at the peak of the economy, it has collapsed to less than 9% in 2011, which will undermine the ability of the industry to deliver the projects necessary for growth.

In addition to this submission, the Society of Chartered Surveyors Ireland has made a number of recommendations to government over the last year, covering recommendations for reform of policy in the fields of construction, land and property, including reports prepared in conjunction with the Construction Industry Council and the Urban Forum.

Civil Engineering

The quality and scale of Ireland's physical infrastructure has been improved massively during the last few decades, improving both the quality of life for individual citizens, and lowering business costs for Irish enterprises. This existing infrastructure needs constant monitoring for targeting investment in upgrades, maintenance and extension. Severe weather and constant use can erode the quality of even the newest infrastructure, and the Society recommends that local and regional authorities are given the necessary responsibilities to fund and oversee such Repair, Maintenance and Improvement works without recourse to national-level agencies or departments.

There are still some remaining areas of infrastructure which needs investment in new works, including regional roads, water and waste-water infrastructure and broadband. These deficits undermine Ireland's economic competitiveness and erode quality of life for citizens who need to avail of them. Until such time as the overall infrastructural network is complete, no individual piece of investment can work to its maximum efficiency. It is therefore vital, from an economic perspective that investment is maintained in completing the most vital economic and social infrastructure, on a programmed basis.

Tendering and Procurement

As construction tender prices have fallen, the Society recommends that the process of tendering and qualifying to undertake public works should be rationalised and improved, so that the cost to both client and contractors are reduced, and the pre-construction stages of development (including planning, procurement and tendering) speeded up.

The cost of preparing tender documents for contractors and service providers has increased, as tendering and procurement has become more complex. In some cases, the actual cost of bidding for work can be greater than the value of the project, and in these cases, below-cost tendering becomes a significant concern for both sides of the contractual agreement.

The Society recommends that the process of procurement is streamlined across all government agencies and clients, and better use is made of electronic forms of tendering, so that costs are reduced. The Society also calls on government to ensure that no public tender process unnecessarily excludes small, indigenous construction firms from being able to undertake public works.

Public Buildings

Ireland continues to need new schools, hospitals and other local public buildings and as the population ages, and demographics change, that need continues to place extra burdens on existing buildings. The Society recommends that an inventory of all publically owned buildings, and private buildings leased by central and local government, and State agencies be undertaken, so that the scale, quality and location of the publicly owned built environment can be assessed. On the basis of this database, a long-term needs assessment should be undertaken and incorporated into the proposed new National Development Plan. The Society recommends that the State ensures that the necessary public buildings over the medium-term, on the basis of that needs assessment, are designed and built during this period of crisis in the construction sector.

Public-Private Partnerships

The banking and economic crises which have hit Ireland, undermined the future viability of a number of scheduled public building and civil engineering works which were to be designed, built and operated on a Public-Private Partnership (PPP) basis. In its 2009 submission, the Construction Industry Council recommended supporting Irish private

pension funds to invest in public infrastructure and utilities in a PPP model. The Society welcomes the announcement of the last Minister for Finance in exploring ways to use the National Pension Reserve Fund to take a stake in the development of Ireland's public utility infrastructure, and looks forward to working with Government on the rollout of such a policy.

The Society recommends that a new model of public-private partnership is explored, incorporating stakeholders from public clients, private contractors and stakeholders and potential Irish and international investors, to reflect the new economic environment as well as international experience of PPPs and Private Finance Initiatives (PFI).

Conclusion

The Society welcomes the government decision to put job creation at the fore of its strategy, and looks forward to working with government in protecting and creating employment in the construction, land and property sectors. These sectors, so vital to a sustainable and dynamic economy, and a prosperous society, require support and investment to deliver for Ireland's future growth.

The Society of Chartered Surveyors Ireland

Dating back to 1895, the Society of Chartered Surveyors Ireland is the independent professional body for Chartered Surveyors working and practicing in Ireland.

Working in partnership with RICS, the pre-eminent Chartered professional body for the construction, land and property sectors around the world, the Society and RICS act in the public interest: setting and maintaining the highest standards of competence and integrity among the profession; and providing impartial, authoritative advice on key issues for business, society and governments worldwide.

Advancing standards in construction, land and property, the Chartered Surveyor professional qualification is the world's leading qualification when it comes to professional standards. In a world where more and more people, governments, banks and commercial organisations demand greater certainty of professional standards and ethics, attaining the Chartered Surveyor qualification is the recognised mark of property professionalism.

Members of the profession are typically employed in the construction, land and property markets through private practice, in central and local government, in state agencies, in academic institutions, in business organisations and in non-governmental organisations.

Members' services are diverse and can include offering strategic advice on the economics, valuation, law, technology, finance and management in all aspects of the construction, land and property industry.

All aspects of the profession, from education through to qualification and the continuing maintenance of the highest professional standards are regulated and overseen through the partnership of the Society of Chartered Surveyors Ireland and RICS, in the public interest.

This valuable partnership with RICS enables access to a worldwide network of research, experience and advice.