

PRESS RELEASE

Strategy to put construction on path to sustainable growth - Forfás

Forfás Report says construction is a crucial underpinning to competitiveness, future enterprise investment and growth.

Forfás has today (Thursday, 25 July 2013) published a major new strategy report on the construction sector entitled, *Ireland's Construction Sector: Outlook and Strategic Plan to 2015*.

The construction strategy, commissioned by Minister for Jobs, Enterprise and Innovation Richard Bruton TD and developed as part of the Government's Action Plan for Jobs, sets out an optimum scenario of sustainable output from the sector over the medium term at a level of 12 per cent of GNP, compared with the current level of 6.4 per cent, and projects that over the short-term to 2015 the sector will continue at well below optimum performance in the absence of action to accelerate a return to sustainable levels of output.

The construction sector currently provides 96,300 regionally distributed direct jobs, with a further 48,000 indirectly in related activities, representing a severe contraction in activity levels since the peak of a protracted and unsustainable construction boom when employment had peaked at almost 270,000. Output in 2012 is estimated to be in the region of 6.4 per cent of GNP, down from the peak of 25 per cent of GNP in 2006/7.

Based on known and anticipated demand for construction in the domestic economy over the period to 2015, the projected level of output from the sector presented in the Forfás report suggests that output will fall to €8.08 billion (6.3 per cent of GNP) in 2013 before making a modest recovery to €8.98 billion (6.7 per cent of GNP) in 2015 (*constant 2010 prices*).

The report cautions that continued low levels of construction activity risks further erosion of the future potential growth of the economy, in terms of capacity to deliver the essential infrastructure and commercial and industrial building requirements of the enterprise sector, together with a loss of construction skills and expertise and international competitiveness of construction enterprises.

The 36 actions contained in the report are aimed at building confidence in the domestic market, removing obstacles for development to proceed, and reinforcing capability and skills to enable Irish construction firms to compete successfully in domestic and overseas markets.

Launching the report, Martin Shanahan, Chief Executive, Forfás commented, "Current projections indicate that we will be some way off reaching the optimum level of output for the construction sector of 12 per cent of GNP by 2015. However, there are prospects for growth over and above current levels of activity, with favourable demographics, strong export performance leading to demand for high-spec buildings, the provision of development financing by NAMA, rollout of water meters/investment in water infrastructure, and the potential for increased levels of internationalisation. We must ensure that this potential can be realised at the earliest opportunity."

He added "We can accelerate the rate of recovery by providing greater certainty for the market, for example, through efficient delivery of the public capital programme in the areas of financing, procurement processes and the Government contract. We must also support the sector in realising untapped potential in overseas markets, and ensure that firms are equipped with the right skills and management capability to internationalise successfully and create further opportunities for sub-suppliers at home. A more internationalised sector will raise the bar for the sector generally in Ireland in terms of professionalism, competitiveness and capability. Sustained recovery will require

that the sector can operate to the highest professional standards, and that it is capable of delivering innovative construction solutions both at home and overseas.”

The measures proposed in the Forfás Strategy, *‘Ireland’s Construction Sector: Outlook and Strategic Plan’* are in five key areas:

- 1. Removing obstacles and restoring confidence in the domestic market:**
 - ensuring completion of the scheduled public capital programme and stimulus;
 - securing alternative sources of private finance for PPPs;
 - accelerating energy efficiency initiatives;
 - developing financing solutions for supply of building solutions for FDI;
 - communicating NAMA strategy to the extent possible;
 - driving forward reforms in Planning;
 - progressing construction procurement reform programme and review of the current Government contract.
- 2. Driving further internationalisation:**
 - Enterprise Ireland continuing industry management development programmes;
 - workshops on legal/technical issues encountered in overseas markets;
 - further engaging with State organisations with potential to develop an international offering
- 3. Embedding competitiveness and innovation:**
 - addressing the cost of construction through reductions or waivers on development levies;
 - promoting greater take-up of Lean practices in the sector and Building Information Management (BIM);
 - increasing use of innovation vouchers and partnerships within the sector with greater engagement between the industry and third level sector;
 - driving public awareness of the negative consequences of shadow economy trading
- 4. Ensuring the sector is skilled to deliver:**
 - ensuring that the review of apprenticeship model provides for the future needs of the sector;
 - progressing the Build Up Skills Initiative towards implementation of actions to address ‘green’ skills gaps;
 - targeted promotion of the Skillnets ManagementWorks management development programme to construction SMEs;
 - promoting existing international graduate placement programmes to construction firms
- 5. Transforming governance:**
 - A key element of the Forfás Strategy is the importance of implementing structured and on-going engagement between the construction industry and Government.
 - Forfás is also recommending the preparation of centralised collation and analysis of relevant data for the construction sector to ensure effective monitoring of output and performance.

The full report is available on the Forfás website www.forfas.ie