CIF Submission to the Minister for Finance

Budgeting for Employment

Budget 2012

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CONSTRUCTION INDUSTRY FEDERATION

Executive Summary

The effect of unemployment on people's lives, and the impact across Irish society and economy as a whole, means that tackling this crisis has to be the key focus of Government policy in the period ahead. In this context, Budget 2012 must include substantial measures to support job retention and development in the economy, whilst also implementing the fiscal adjustments required to retain international confidence in the management of the Irish public finances. In allocating scarce resources, Budget 2012 must therefore prioritise domestic demand that is allocated to indigenous products and services, and indigenous investment. Construction, which is highly labour intensive and has low import content, can be a vital component of this refocused budgetary strategy.

The fiscal strategy in December's Budget must seek to protect productive investments and, in broadening the tax net, guard against an excessive tax burden on labour and investment. A reinvigorated public capital investment programme must form part of this strategy, requiring a reversal of the policy of favouring day-to-day expenditure in recent budgets. Shrewdly investing in our capital infrastructure would generate significant employment in the delivery of projects and enhance the type of recovery Ireland experiences over the coming years.

The strategy should also include innovative policies to support increased private investment in the domestic, labour intensive parts of the economy including home improvements and energy retrofitting. The right incentives in these areas would create significant numbers of jobs and improve overall economic well-being; properly structured such measures would also help counter the growing black economy about which not enough is currently being done. The Budget should also tackle the ongoing problems in our property markets which are significantly delaying our economic recovery. Options are available to the Exchequer which will both directly and indirectly boost revenues, economic activity and ultimately job creation.

The Government has set ambitious plans for economic reform. The need to act on these plans is pressing. Business input costs in construction are a major obstacle to the necessary competitiveness adjustment in the sector. The Budget needs to address all costs including wages, those imposed through inefficient planning and procurement systems, high local authority charges, and more general legislative and regulatory cost burdens.

Key recommendations in this Submission include:

The shrewd investment of an additional €2 billion per annum over the period 2012 to 2014 under the Public Capital Programme and the introduction of incentives for home improvements to act as a major employment and economic stimulus in the economy.

Reform of the management of priority infrastructure investment in the State through initiatives including the establishment of a National Infrastructure Authority.

Short-term targeted supports to assist ready and willing buyers in the residential property market, with the effect of unlocking the significant VAT revenues tied up in unsold new housing stock and the wider benefits across the economy that would accrue.

A rethinking of social housing policy to encourage private sector investment in line with the Government's stated policy.

Reversal of proposed amendments to upward only rent clauses in existing business leases, which has the potential to wipe further billions off the value of Irish commercial property.

A joined up approach to addressing the growing black economy problem in the Irish economy.

Identification of a single point of responsibility in Government for construction to ensure an enterprise focus on the sector and to maximise its contribution to the economic life of the country.

1. Summary of Recommendations

This Submission puts forward a set of proposals for Government's considerations which are intended to be joined up in their thinking rather than a shopping list based on self interest, will contribute positively and sensibly to Government's primary objective of addressing the employment and economic crisis in the context of the country's budgetary constraints, and will help kick-start the process of creating a long-term and much more sustainable indigenous construction sector in Ireland. The recommendations are grouped below according to a number of key themes: supporting investment, a functioning property sector, economic reform agenda, and institutional issues.

Supporting Investment

Construction activity is highly labour intensive, uses Irish produced materials and technologies and supports significant activity and employment in the wider economy. *Budget 2012 should introduce a major economic and employment stimulus based around:*

- The shrewd investment directly by the Exchequer of an additional €2 billion per annum, over the period 2012 to 2014, under the Public Capital Programme
- Full exploitation of non-Exchequer sources of financing (Public Private Partnerships, European Investment Bank, user charges, pension fund investment, real estate investment funds) to further enhance the Public Capital Programme
- Targeted incentives to encourage private-sector investment in labour-intensive home improvements and energy retrofitting

In addition, determined action is now needed to address the growing black economy problem in the construction industry, which is costing the Exchequer €2 billion per annum. The CIF recommends the establishment of a Working Group, comprising the Department of Finance, Department of Social Protection, the Revenue Commissioners and industry representatives, to prepare a Memorandum for Government setting out the options available to address this problem.

A Functioning Property Sector

A functioning property sector is a key requirement for economic recovery and future growth. The Government should now give consideration to options to support potential buyers to avail of the 'most affordable house purchase proposition in 25 years' and to facilitate investment in the country's commercial property markets. *Options in relation to the residential property market include:*

- A time-bound tax credit scheme designed to unlock the significant VAT revenues tied up in unsold new housing stock and with the potential to generate a net benefit to the Exchequer in Year 1 of €116 million
- Extending the Home Choice Loan Scheme more generally in the marketplace, to include all categories of buyers of both new and second-hand homes
- Ensuring that innovative initiatives such as that recently announced by NAMA are made available on a more widespread basis and to all buyers of new homes

In the commercial property markets, Government should consider abolishing stamp duty on transactions, including in respect of development land, as a means of improving Ireland's attractiveness for investment relative to far larger neighbouring markets such as the UK. The proposal to retrospectively amend upward-only rent clauses in commercial leases is severely impacting confidence in the market and threatens to wipe billions more off the value of commercial property in Ireland. What is needed is a new mechanism to deal with the limited number of hardship cases where landlords and tenants are unable or unwilling to reach accommodation.

Economic Reform Agenda

Substantial measures are needed as part of efforts to improve competitiveness within the construction sector. *These include:*

- Urgent reform of the Registered Employment Agreement for the Construction Industry
- The introduction of a new basis for calculating Local Authority Development Charges
- Reform of the planning system
- Deferral of regulatory measures that increase business input costs

Institutional Issues

Budget 2012 is an opportunity to put in place structures to support a viable construction sector capable of responding to the country's current and future growth needs. *Measures should include:*

Identification of a single point of responsibility within Government for construction to ensure an enterprise focus on both the domestically-centred and exporting sectors of the industry, and to maximise its contribution to employment and economic recovery.

Establishment of a Construction Business Council, involving Government and the industry, to assist in public policy processes relating to the sector.

Reform of the management and delivery of priority infrastructure investment to include the establishment of an Infrastructure Development Authority to plan and schedule procurement within the context of national strategic plans and multi-annual budgets.

2. Priorities for Economic Recovery

The underlying performance of the Irish economy will have a substantial bearing on the fiscal framework for the 2012 Budget and for subsequent years. Lower economic growth will require more austerity measures whereas higher growth will give more scope for fiscal measures to promote economic activity and job creation, and in turn support further progress. Establishing a virtuous circle between economic growth, job creation and fiscal adjustment should, therefore, be at the heart of the 2012 budgetary strategy. This requires a different policy mix to that adopted since the start of the economic crisis, which has been characterised by an almost exclusive focus on the financial and fiscal parts of the economy, with little focus on the real economy. The recent Jobs Fund aside, overall strategy for economic growth has relied largely on the exporting sectors continuing to perform well. In consequence, up to mid-2011, the performance of the Irish economy was typified both by stark differences between the export sectors and the labour-intensive indigenous parts of the economy, and by worsening unemployment. While the Government must do what it can to continue to support the traded sector of the economy, particularly in respect of Irish competitiveness, there must now be more concentration on stimulating the domestic economy - this need is further evident in the weakening of the international economic environment since mid-summer, which, if sustained into 2012, will have significant implications for the growth of the export sector here. Against this backdrop, the construction industry can play a central role in the achievement of core budgetary objectives relating to employment and economic growth, and through its role in laying the foundations for the future sustainable development of Ireland's economy.

The primary purpose of refocusing budgetary policy is job retention and development. The effect of unemployment on people's lives, and the impact across Irish society and economy as a whole, means that tackling this crisis has to be the key focus of Government policy for the period ahead. The challenge in the context of Budget 2012 is to allocate the finite resources available to the Exchequer in the way that best meets the objective of supporting employment and economic growth whilst achieving the adjustment targets agreed with the EU and IMF. By protecting productive investments within the overall fiscal framework and targeting domestic demand that is allocated to domestic products and services, and investment, Budget 2012 can help ensure that both objectives are met.

A reinvigorated Public Capital Investment Programme must form part of the Government's strategy. Funding such a programme requires a reprioritisation of Government spending and investment. Public construction and infrastructure investment has been substantially scaled back over recent budgets, bearing a disproportionate burden of the fiscal adjustment to date. The plan for the public finances envisages further significant cuts over the period 2012 to 2014; investment is to decline by a further 25% with current spending falling by 10%. The policy of favouring day-to-day spending

over capital investment has proven counter productive in terms of the fiscal adjustment, and has damaged domestic economic growth. Reversing this approach would provide significant employment in the delivery of infrastructure, whilst also enhancing the type of economic recovery Ireland experiences over the coming years. Capital investment directly supports existing and new enterprises, particularly in the export sector, and helps to drive productivity growth, improved competitiveness and long-term job creation.

The CIF does not believe that the Government should go beyond the €3.6 billion adjustment target originally indicated which would likely serve to further dampen confidence in the domestic economy. The focus instead should be on how the €3.6 billion target is met. In the context of the above discussion, the majority of the fiscal adjustment must be on current expenditure, which international evidence shows to be less damaging to economic growth, both in the short- and longer-term, than cuts in investment and increased taxes. In reviewing day-to-day spending, the Government should be guided by economic assessment of the return on investment across all areas of expenditure.

In relation to taxation, the aim should be to restore Ireland's tax base whilst avoiding an excessive tax burden on labour and investment, which would prove contrary to the aim of balancing the books. Revenues generated under the Government's proposed tax on principal residential residences and through water charging should be ring-fenced for local investment and to support local services provision.

The fall in domestic demand in Ireland has been driven largely by the dramatic fall in investment, which declined by almost 53% in volume terms between 2007 and 2010. Building and construction investment fell by almost 57% over the same period, which is of particular significance in the Irish economy as this investment has a low import content and is highly labour intensive. Innovative policy responses that support renewed investment in labour intensive sectors of the economy such as home improvements and energy retrofitting, targeted at residential, commercial and public buildings, are likely to create significant numbers of jobs and improve overall economic well-being. Initiatives in these areas can be tailored in such a way as to counter the resurgent black economy in construction, which is costing the Exchequer in the region of €2 billion annually.

Budget 2012 is also an opportunity to address ongoing problems in the residential and commercial property markets which have the potential to significantly delay Ireland's economic recovery. The residential market continues to be severely affected by the absence of lending and by uncertainty about the future. This is, in turn, exerting a wider impact on the economy and the public finances through the curtailment of investment, and its affects on people's spending habits. Short-term measures aimed at encouraging increased transactions would provide an immediate boost to the Exchequer through the VAT paid on the sale of new homes, whilst also encouraging greater spending, increased activity, and ultimately job creation more generally in the economy. Inward investment into Ireland's commercial property market has been undermined by the continuing uncertainty around upwards-only rent review clauses in existing business leases and by high transaction costs here relative to competitor economies. Budget 2012 is an opportunity to address both.

Budget 2012 can also help deliver on the Government's ambitious plans for economic reform in relation to business input costs, including wage rates. In the context of construction, this requires delivery on the promised reforms in respect of the Registered Employment Agreement (REA) for the sector. Wage costs under the REA are high by international standards, particularly against

the UK, out of line with the new realities in the Irish economy, and a major obstacle to the sector's efforts to regain competitiveness. Other areas requiring immediate action include excessive local government charges; the high costs arising from embedded uncertainty and delays in our system of planning, and inefficiencies within our public procurement processes.

2.1 Recommendations

2.1.1 The primary purpose of refocusing budgetary policy is job retention and development

2.1.2 The challenge in the context of Budget 2012 is to allocate the finite resources available to the Exchequer in the way that best meets the objective of supporting employment and economic growth whilst achieving the adjustment targets agreed with the EU and IMF

2.1.3 By protecting productive investments within the overall fiscal framework and targeting domestic demand that is allocated to domestic products and services, and investment, Budget 2012 can help ensure that both these objectives are met

2.1.4 A reinvigorated Public Capital Investment Programme must form part of the Government's strategy

2.1.5 Innovative policy responses that support renewed investment in labour intensive sectors of the economy such as home improvements and energy retrofitting, targeted at residential, commercial and public buildings, are likely to create significant numbers of jobs and improve overall economic well-being

2.1.6 Budget 2012 is also an opportunity to address ongoing problems in the residential and commercial property markets which have the potential to significantly delay Ireland's economic recovery

2.1.7 Budget 2012 can also help deliver on the Government's ambitious plans for economic reform in relation to business input costs, including wage rates

3. A Viable Irish Construction Industry

One of the legacies of the past 15 years was the creation of a world-class construction capacity in Ireland, capable of delivering major infrastructure programmes such as the Inter-Urban Motorways, buildings like the Aviva, the Criminal Courts Complex and the National Convention Centre, and major regeneration throughout our cities and towns. The ability to deliver this infrastructure did not happen by accident – it was the result of sustained investment in people, plant and systems in response to the growth needs of the Irish economy. As an example of the efficiencies developed within the sector, the last tranche of motorways in Ireland were built for €4.5 million per kilometre. The same motorway in Poland is costing over twice that figure. Whilst acknowledging that construction grew to become too large a proportion of the economy at its peak, especially over the period 2004 to 2007, the industry has now overcorrected. Construction activity this year is forecast to be 7% of economic activity and to fall to 5% in 2012. This is leading

to the erosion of essential skills and capacity and undermining the entire fabric of the sector here, which is based around a vibrant SME culture of innovation and competition. It is also undermining the achievement of Government employment and growth targets, with the construction sector accounting for more than half of the overall employment, and two-thirds of the male employment drop in the second quarter of 2011, continuing the pattern seen since the economic crisis begun. Since 2007, over 180,000 direct construction jobs have been lost in the economy.

The overcorrection in the sector is occurring despite the fact that sooner or later the economy will recover and construction output will be required at levels consistent with developed economies worldwide, which, although half of peak output, will represent up to 12/13% of Irish GDP. In addition to the investment, public and private, required as part of the refocusing of budgetary strategy on domestic demand, a range of actions are therefore required to help rebuild an effective, functioning construction industry to ensure that we have the resources and capacity to deliver on the medium-term requirements of the Irish economy.

Included amongst the required actions is the identification of a single point of responsibility in Government for construction to ensure an enterprise focus on both the domestically-centred and export sectors of the industry. This is to complement the existing regulatory and procurement oversight provided by the Department of Environment, Heritage and Local Government and the Department of Finance. Despite the decline in construction output, the industry remains a vital component and one of the largest sectors of the domestic economy. It is striking that there is currently no individual or department within Government with responsibility for ensuring a sustainable construction industry, making a maximum contribution to the economic life of the country.

A Construction Business Council, involving wider Government and the industry, should be established to assist in this process, and be tasked with examining the competitiveness and trading difficulties in the sector and the measures required to support the achievement of its medium-term employment and economic potential. A range of other measures set out in this Submission, including in relation to the management of priority infrastructure investment, are designed to augment the measures outlined here with the objective of managing the cyclical nature of the construction industry and minimising the fluctuations between periods of relatively rapid growth and periods of relative stagnation or contraction.

3.1 Recommendations

3.1.1 Budget 2012 should identify a single point of responsibility within Government for Construction to ensure an enterprise focus on both the domestically-centred and exports sectors of the industry, and to maximise its contribution to employment and economic recovery

3.1.2 A Construction Business Council, involving wider Government and the industry, should be established to assist in policy formulation processes relating to the industry

4. Economic Reform Agenda

Ireland has regained significant competitiveness over the past two years but in areas such as wage costs and business inputs controlled directly by Government, such as local charges, further improvements are needed. The Government should also act on the considerable scope, at no cost to the Exchequer, for reform of the Irish planning system to encourage renewed investment in the economy. In considering the necessary changes, cognisance is needed of the fact that in a globalised economy, business leaders who make investment decisions and create jobs can easily look to other countries as alternative locations for investment.

4.1 Wage Costs

Existing wage rates under the REA, and the mechanisms for their variation, have become a major obstacle to the competitiveness adjustment needed in the construction sector. The difficulties arising can be seen, for instance, in the disconnect between the cost of production and market conditions in the housing sector; the re-emergence of a growing black economy in particular market segments; and the opportunity costs for the Irish economy resulting more generally from the high rates here relative to competitor economies, including the loss of scarce work to contractors from other jurisdictions. The implications of high wage costs must also be considered in the context of the number of construction projects and employment that can be supported through the State's infrastructure development programme. All of these examples are directly relevant to the Government's budgetary and economic recovery strategy, and it is clear that the current high rates in construction, and the protracted and difficult mechanisms for their variation, run contrary to the competitiveness agenda highlighted by the Government and our external funding partners.

It is in this context that the CIF proposed, in a recent submission to Government, a major reform of the REA. The CIF submission emphasised the need for streamlined variation mechanisms, the insertion of termination dates for all agreements to prevent, as in the current situation, the stranding of the industry with uncompetitive rates, and the option for industry-wide derogations in times of particular economic stress. The submission also argued that the determination of wage rates should not rest with the Labour Court but rather should be informed by independent economic expertise with reference to agreed national and international competitiveness benchmarks. If an REA is to remain a feature of the construction landscape, it is also necessary to enhance compliance mechanisms to ensure that indigenous construction employers are not disadvantaged through the non-compliance of foreign operators, and in turn to guard against the benefits of Government construction investment leaving the State. These reforms should be implemented as a matter of urgency.

4.2 Local Authority Development Charges

A crisis in local authority funding has been looming for a number of years due to the overreliance on development levies as a major source of income. In the best of times, this placed a significant cost burden on commercial and residential developments, ultimately amounting to an annualised tax on end users, including businesses seeking to set up new or expand existing operations. As

development levels have fallen, many local authorities have, in order to protect their income, actually sought to increase their development charges. More generally, despite the decline in construction tender prices and house prices, there has been no attempt to reflect current market conditions in the setting of charges. The result has been to make proposed developments unviable and to discourage investment, including foreign investment, and job creation at a time when both are urgently needed in the Irish economy. The basis of calculating development charges must therefore be urgently reviewed to reflect existing residential and commercial property values.

4.3 The Planning Process

The Irish planning system, as currently constituted, is characterised by uncertainty, inconsistency and delay, which is impacting competitiveness and undermining the country's attractiveness as an investment location for both existing and new business. In the current economic environment, and at a time when competitor economies are actively streamlining their planning and regulatory frameworks to support investment, it is imperative that the Government act to address the negative impact of the planning system on fiscal and economic policy. Details on the reforms of the planning process are dealt with as an appendix to this Submission.

4.5 Recommendations

4.5.1 Further significant improvements are needed as part of the Ireland's drive for competitiveness improvements

4.5.2 Government must act on its commitment to reform the Registered Employment Agreement for the Construction Industry which represents a major obstacle to the competitiveness adjustment needed within the sector

4.5.3 The basis for calculating Local Authority Development Charges should be changed to reflect commercial and residential property values and as a means of encouraging local investment. Contributions should be capable of being collected as a direct percentage of the sales price of each commercial or housing units as they are being disposed of

5. Public Capital Programme

Capital investment can be central to Ireland's employment and economic recovery. The findings of the Construction Industry Council (CIC) suggests that every €1 billion invested in infrastructure by the Government creates, on average, 10,000 direct and 4,000 indirect jobs as well as significant induced employment in other sectors of the economy. Other studies, such as those undertaken by the US Department of Transport, indicate that these figures may in fact underplay the jobs potential from increased capital investment, given its multiplier effects within an economy. Implementation of the CIF proposal below, which calls for an additional €2 billion to be made available annually for public capital investment over the next three years, would therefore provide a major stimulus to the domestic economy, supporting both construction workers, who have been the most affected of any category of worker by the economic crisis, and employment across practically all other sectors of the economy. The proposal would also significantly boost Exchequer revenues and, critically, the growth column of the national accounts.

The proposal would also act as a key enabler of Ireland's future economic advancement, providing the capacity and scope for growth in national output, and the basis for sustainable job creation. This is particularly important in the Irish context. Significant infrastructure gaps remain in Ireland, which is reflected in a poor perception internationally about the overall quality of Irish infrastructure. The World Economic Forum's competitiveness report 2010/2011 ranked Ireland 69th in the world and 31st out of 34 OECD members in terms of quality of infrastructure. Declining infrastructure investment will see Ireland slip further in international rankings and substantially harm the country's attractiveness to investors.

Ireland is also facing a demographic imperative in terms of capital investment. Census 2011 outlined that our population grew by 341,000 in the period since 2006, an annual growth rate of 1.6%. The Census also revealed an 'additional' 100,000 people in the country who have not been factored into any assessment of Ireland's immediate or future demand for infrastructure. In addition, Ireland has the highest birth rate in the EU at over 17 births per 1000 population. According to recent forecasts, Ireland is expected to see the strongest population growth in the EU over coming years, increasing at nearly twice the average for the EU-27 as a whole. Ireland will require additional infrastructure to support this population expansion, as it will to support business growth, employment and to meet international requirements including EU2020 energy and environment obligations.

Reflecting the overwhelming rationale for public capital investment, governments throughout Europe have decided to maintain, bring forward and increase expenditure on public buildings and infrastructure as part of their economic stimulus packages, and to create better conditions for future private investment. In Ireland capital investment has gone in the opposite direction. The four-year plan for the public finances envisages a 60% reduction in Exchequer capital investment in 2014 from its peak in 2008, with the allocation in 2014 of €3.5 billion representing less than 2% of GDP. When the non construction and infrastructure elements of the Irish capital programme are stripped out, the budget for new projects is significantly less than the headline figures suggest. The percentage of live construction and infrastructure projects varies according to individual programmes but can be as low as 50%, indicating that infrastructure investment in Ireland will run close to or below 1% of GDP.

Reversing planned reductions in 2012, 2013 and 2014 and shrewdly investing an additional €2 billion per annum over this period would provide a substantial catalyst for jobs and recovery. The funding should be sourced through additional savings in Government day-to-day spending, accelerating New Era and increasing private-sector investment through innovative initiatives, including leveraging private Irish pension fund involvement.

The Government must also be ambitious in availing of external sources, particularly Public Private Partnerships (PPPs), to fund additional infrastructure delivery under the Public Capital Programme. There are number of projects in education, transport, justice, and health that are already under procurement and are awaiting financial closure. The Government is urged to prioritise financial closure on these projects. New innovations in terms of financing PPPs will also be needed such as the European Investment Bank, pension funds, and user charges. Government should also examine the opportunity to establish Real Estate Investment Trusts (REITs) to fund public infrastructure and long-term social housing provision. REITs allow easy access to property and infrastructure investment for investors, including pension funds. The attached document (appendix 1) includes another possible option for consideration.

There are a large number of labour-intensive construction and civil engineering projects, the completion of which will have a clear economic and societal benefit, from which the Government can choose.

The second part of the equation relates to the management and cost effective delivery of priority capital investment. In line with the recommendations of the Academy of Engineering and Forfás, CIF supports the establishment of a National Infrastructure Authority to plan and schedule procurement within the context of agreed national strategic plans and multi-annual budgets, and to reduce costs to the lower quartile within the Eurozone through improvements in procurement and efficiency in delivery.

The creation of Irish Water, a centralised water authority to collect charges, manage water resources, direct investment in infrastructure and handle customer services provides a basis for pooling existing resources in this area, with the potential for huge benefits in terms of efficiencies. The CIF has separately submitted a detailed submission to the Government on its proposal to establish Irish Water and has met with the Consultants engaged to advise on the process.

As part of the overall reform agenda, the CIF also calls on the Department of Finance to publish quarterly a two-year rolling programme of infrastructure and construction projects where public funding has been agreed. Visibility of the forward pipeline will enable the industry to make judgements and plans for investment in skills, products and services aimed at the capital programme.

5.1 Recommendations

5.1.1 The Government should shrewdly invest an additional €2 billion per annum over the period 2012 to 2014 under the Public Capital Programme as an employment and economic stimulus, and to provide the capacity and scope for future national growth and sustainable job creation

5.1.2 The funding should be sourced through additional savings in non-productive Government day-to-day spending and accelerating New Era

5.1.3 The opportunity for external sources of funding through PPPs should be fully exploited

5.1.4 There are a large number of highly labour-intensive construction and civil engineering projects available to Government, which, if delivered, would generate significant economic and societal benefits, now and into future

5.1.5 Reforms of the management and cost effective delivery of priority infrastructure investment to include the establishment of a National Infrastructure Authority to plan and schedule procurement within the context of agreed national strategic plans and multi-annual budgets

5.1.6 The CIF supports the Government proposal to establish Irish Water, provides a basis for pooling existing resources in this area, with the potential for huge benefits in terms of efficiencies

5.1.7 The Department of Finance should publish quarterly a two-year rolling programme of infrastructure and construction projects where public funding has been agreed to enable the industry to make investments in skills, products and services aimed at the Capital Programme

6. Incentivising Labour Intensive Sectors/ Countering the Black Economy

Recovery of the economy is hugely dependent on growth in domestic demand. In this regard, the Government should consider the role of new incentives in relation to home improvement, which is both highly labour intensive and has very low import content. Incentives for home improvements can also be structured in such a way as to counter the growing black economy problem in construction, which is a major cost to the Exchequer and about which not enough is currently being done.

6.1 Incentivising Home Improvements

The following options are suggested for consideration:

VAT Reclaim: introduction of a new scheme to enable homeowners reclaim the VAT incurred on costs associated with the renovation and upgrade of their principal private residence. In this regard, the VAT incurred could be reclaimed by way of a formal claim filed with the Revenue Commissioners similar to the current VAT 58 claim for unregistered farmers. Appropriate administrative guidelines and procedures would be required to validate and process these refunds. To avail of this option, home owners must produce VAT invoices from sub-contractors and suppliers.

PAYE Allowance: introduction of a new scheme whereby taxpayers would have their PAYE allowance increased by a proportion of the construction costs incurred in the renovation and upgrade of their principal private residence where they engage a registered contractor or sub-contractor.

Refurbishment of Residential Property: where second hand residential properties, which are not in the VAT net, are purchased, renovated and disposed of in the ordinary course of business,

the vendor is liable to charge VAT on the total sales consideration received and not on profit, if any, earned. This anomaly arises in circumstances where the vendor was not charged VAT on the purchase price of the property and accordingly is not entitled to claim input VAT credit. This onerous VAT cost makes refurbishment projects, particularly in the current market, uneconomical and is not in the spirit of normal tax legislation which endeavours to tax businesses and enterprises on profits.

To encourage the renovation and sale of second hand properties, consideration should be given to addressing this matter. In this regard, the CIF proposes that where second hand residential property is purchased, renovated and sold within a two-year time limit, a notional VAT input credit is allowed on the initial purchase price of the property.

Alongside the generation of potentially significant additional investment in the domestic economy, all three approaches would encourage the employment of registered building contractors who currently struggle to compete with those operating in the black economy. The measures would also support the repair, maintenance and improvement of Ireland's existing housing stock.

6.2 Countering the Black Economy

The CIF has previously proposed a number of initiatives that are required to control and counter the resurgent black economy, including:

- **A mandatory requirement that all construction clients should advise the Revenue of the commencement of any construction project over a certain value, and identify the contractor employed**
- **The payment of buildings grants and other incentives, including those outlined above, should be made conditional on the work being carried out by tax compliant contractors**
- **Tax assessment and tax relief should be made contingent on the provision of a certificate of building costs, which would identify all relevant building contractors**
- **A provision that all main contractors should be required to identify sub-contractors engaged by them to the Revenue**
- **A requirement for a mandatory site notice displaying the name of the client, the contractor, architect/engineer, and planning reference number on all projects with a construction over a certain amount**
- **Tax assessment and tax relief should be made contingent on the provision of a certificate of building costs, which would identify all relevant building contractors**

In addition, determined action is now needed to address the growing black economy problem in the construction industry, which is costing the Exchequer €2 billion per annum. The CIF recommends the establishment of a Working Group, comprising the Department of Finance, Department of Social Protection, the Revenue Commissioners and industry representatives, to prepare a Memorandum for Government setting out the options available to address this problem.

The CIF also believes that measures are needed to encourage individuals take up short-term employment opportunities in the sector, including freezing their existing social welfare entitlements for the period of such work.

6.3 Energy Retrofitting

- A comprehensive approach to retrofitting across the country's existing stock of buildings is closely aligned to public policy objectives in respect of reducing Ireland's carbon emissions and energy requirements, whilst, amongst things, supporting:
- Significant jobs in the construction sector, and additional indirect and induced employment in the wider economy
- Increased economic activity and Exchequer revenues
- Substantial savings for Irish home owners, businesses and the State through reduced energy bills
- Favourable impacts on the country's balance of trade
- Increased energy security

In addition, fostering a skilled workforce in this area and supporting the relevant technological innovations will help promote Irish competitiveness and create a platform for a growing export market in Ireland in energy efficient goods and services. There is still a land grab internationally in terms of the global energy retrofitting and sustainable construction markets, creating a unique opportunity for Ireland to target market share with substantial benefits in the domestic economy and the potential to achieve the objective of smart economic growth.

The CIF has actively engaged with the Department of Communications, Energy and Natural Resources around the Programme for Government commitment to introduce a 'Pay as You Save' scheme to promote the energy retrofitting of public and commercial as well as residential buildings. While the CIF supports this proposal, it remains the case that Government incentives must form part of whatever final scheme emerges. It is clear from international experience that improving the energy efficiency of buildings is above all a question of demand, rather than offer. Indeed, even if further improvements must be encouraged from the offer side, new technologies and innovative solutions are already available to respond to most of the current needs in the field. What are lacking are sufficient incentive policies (e.g. financial and/or fiscal support) to rapidly roll-out these technologies through the Irish built environment, and without which a high number of home owners and businesses are not able to undertake the retrofitting of their house or business premises because of the high up-front costs involved. The case for direct Government is further made with reference to the wider fiscal, economic and societal benefits accruing from energy retrofitting.

The types of incentives available to the Government include those set out above in relation to home improvements more generally and additional measures such as:

- Reductions in the proposed new annual property tax linked to the achievement of building energy rating (BER) targets in respect of new and second hand properties

- Reductions in commercial rates in respect of commercial buildings achieving building energy rating targets
- The more widespread implementation of demand reduction targets or 'utility obligations' requiring energy providers to reduce customer demand for energy
- The ring-fencing of revenues under the Government's Carbon Tax to support the extension of existing grant-aided schemes
- The introduction of targets for the issuance of 'green loans' on favourable terms to consumers, businesses and public bodies by the Irish banks
- The introduction of a new zero rating for VAT charges on materials purchased in order to undertake retrofitting work

In Budget 2011, tax relief for energy efficiency measures was announced as a means of encouraging individuals to make their homes more energy efficient – relief to be given up to a maximum expenditure of €10,000 at the standard rate of income tax. This measure has not been enacted. Government should again consider the proposal.

6.4 Recommendations

6.4.1 Government should consider the role of new incentives in relation to home improvement, which is both highly labour intensive and has very low import content

Options include:

- **Introduction of a new scheme to enable homeowners reclaim the VAT incurred on costs associated with the renovation and upgrade of their principal private residence**
- **Introduction of a new scheme whereby taxpayers would have their PAYE allowance increased by a proportion of the construction costs incurred in the renovation and upgrade of their principal private residence where they engage a registered contractor or sub-contractor**
- **Where second hand residential property is purchased, renovated and sold within a two-year time limit, a notional VAT input credit is allowed on the initial purchase price of the property**

6.4.2 Additional measures, which are set out in the submission, are also required to counter the growing black economy in construction services about which not enough is currently being done. The CIF is seeking the establishment of a Government Working Group to examine options to address this problem

6.4.3 An individual should be able to freeze their social welfare entitlements for a set period so that short-term employment opportunities can be availed of

6.4.4 In order to capture the full employment and economic growth potential from energy retrofitting, Government incentives will be required alongside the introduction of 'pay as you save' measures

7. Property Markets

7.1 Private Residential Property Market

The time is now right for the Government to support ready and willing buyers in the residential property market.

New house prices in the growth areas of the country have fallen by over 50% from their peak, resulting, according to the most recent EBS DKM affordability Index, in the 'most affordable house purchase proposition in the past 25 years. The Index shows that the average first time buyer working couple nationally in June 2011 is paying 13% of their income to fund a mortgage, down from 26.4% in December 2006. In Dublin, improvements continue to be even more pronounced, with the average Dublin first time buyer working couple paying 15.8% now compared to 32.5% at the peak. The improved affordability is also reflected in the average house price to income ratio, which is down to around 4 times gross income for a single person and around twice joint income for an average working couple.

Research carried out by the Department of Environment, Community and Local Government indicates that nationally there are less than 30,000 complete and vacant new houses, representing less than one year's supply of new homes in a functioning property market. While there are significant regional variations, contrary to public opinion, the research finds therefore that housing stock levels in Ireland are close to equilibrium and in the country's main urban areas, are below equilibrium rates.

Despite these factors, in the absence of normal credit conditions in the economy and continuing uncertainty about the future, the market remains moribund. The effect on house building activity has been stark: housing starts for the first 6 months of this year, combined with the construction time lag involved, suggest that completions will run at circa 3,728 units during the first half of 2012 or in annual terms at 7,500 units.

These trends, in turn, are frustrating the achievement of the Government's strategy for economic, fiscal and financial recovery. Targeted supports in the Budget aimed at facilitating home ownership would be more than repaid to the Exchequer by the immediate release of trapped VAT on the closure of house sales; through the considerable additional revenues for the Government in terms of the VAT content on increased retail sales to fit out the new homes; the increased employment in retail, legal and real estate services; and through the wider impact on confidence and spending arising from a stable residential market.

The following option is suggested for consideration:

Tax Credit Scheme: the proposal is for a tax credit/grant of €5,000 per annum for a period of four years to a buyer who purchases a new home valued up to €350,000, provided the transaction is completed prior to 31st December 2012. For those who purchase between 1st January and 31st December 2013, the tax credit would amount to €5,000 per annum for a period of two years.

Implementation of this suggested scheme would yield an immediate cash return to the Exchequer in respect of VAT due on transactions completed. In the first year of the scheme (based on the sale of 5,000 new housing units at the current national average house price of €201,364) a net benefit to the Exchequer of €116 million would accrue.

A detailed analysis of the economic justification for the introduction of the tax credit scheme is given as an appendix to the Submission.

Other options that the Government should consider include:

Extending the Home Choice Loan Scheme more generally in the marketplace, to include all categories of buyers and both new and second hand homes, to help compensate for the continued absence of mortgage lending in the economy. In this regard, the Government might consider the transfer of the administration of the Home Choice Loan Scheme to a bank in which the Government is a major stakeholder.

Ensuring that innovative initiatives in the marketplace such as that recently announced by the National Asset Management Agency (NAMA) are made available to all buyers of new homes.

Remove the 1% stamp duty rate introduced on new homes in last December's Budget.

7.2 Social Housing Provision

Government policy for social housing supply and other housing supports is now almost entirely dependent on private sector involvement and investment. It seems contradictory therefore that, at the same time, recent measures introduced by the Government actively discourage any initiative by the private sector in terms of either meeting social housing requirements or providing private rental accommodation. The issues at the heart of the problem are set out below.

The Government's preferred delivery model, long-term leasing, cannot work so long as the banks refuse to provide new lending facilities to allow developers convert their short-term development loans into term facilities that are repayable over the lifetime of the lease.

The Part V (social and affordable housing obligations under the Planning Act 2000) mechanism, which had potential to work in good times, and was beginning to yield results in line with improvements in the operation of the scheme, certainly has no potential now. The future development model in Ireland will simply not be capable of funding the supply of up to 20% of the total land in any one development on the basis of current market valuations. It is time the Government reviewed the continuation of the Part V policy.

More generally, the State cannot expect the private sector to invest in social housing provision (through whatever mechanism) when the returns on that investment are lower than what's available through other, and often shorter-term, investments. Recent decisions by the Government make the mathematics of housing investment less and less attractive. Such decisions include:

- The reduction in allowable mortgage interest relief for investors from 100% to 75%
- The €200 NPPR charge and the proposed property tax, both of which borne by the property owner; fears about future increases in these taxes clearly do not help the PRTB registration costs
- The application of the Universal Social Charge to rents before credit for capital allowances

- The possibility that most existing available entitlements under existing capital allowances schemes such as S23 may be withdrawn
- As part of a coordinated approach to social housing provision, the current legislative, regulatory and taxation framework should be examined

7.3 Commercial Property Market

There are growing indications of a return of foreign interest in commercial property investment. Ireland risks losing out on this investment, and the economic boost it would bring, because of prohibitively high transaction costs relative to other economies and the proposal to retrospectively amend the legislation relating to upward only review clauses in existing business leases.

Commercial Property Stamp Duty: in the current economic environment, Ireland's high rate of stamp duty on commercial property transactions puts the country at a significant competitive disadvantage relative to our nearest neighbours and therefore represents a significant opportunity cost to the Exchequer in terms of economic activity and Irish jobs. To enable Ireland to compete more effectively for inward investment in our commercial property market CIF recommends that the Government introduces a time-limited 0% stamp duty rate on all commercial property transactions, including development land. Given the collapse in commercial property transactions, the abolition of stamp duty would have negligible impact on Government revenues. The measure would be more than offset by the investment generated in the economy and the uplift in confidence it would bring.

This proposal should be seen in the light of the growing competition between economies for the increasingly mobile international investment. Our nearest competitor economy, Britain, boosts a population in excess of 60 million and a significantly larger market than ours. Introducing a 0% stamp duty rate would help Ireland compete in this context.

Existing Business Leases: if the Government goes ahead with a blanket decision to retrospectively amend legislation relating to existing business leases €billions more will be wiped off the value of NAMA's portfolio and Irish commercial property generally, precipitating a serious second-round crisis for our banks and the wider economy. It is worth noting that the 'moral hazard' being talked about in the context of residential mortgages would equally apply in the case of a blanket amendment to commercial leases. A case by case approach is the only way of avoiding this.

What is needed is a mechanism to deal with the limited number of cases of hardship where landlords and tenants are unable or unwilling to reach an accommodation. The property sector which directly affects construction activity has already been decimated. There have been virtually no investment deals this year and all foreign investment houses are avoiding Ireland because of the uncertainty surrounding our Landlord and Tenant law

This is at a time when we need every bit of new investment to help take up the slack created by the lack of funding available from our domestic credit institutions. We do not need another own goal

7.4 Development Policy

A range of other development issues require attention as part of measures to support a functioning property and construction sector in Ireland, including:

NAMA: one of the original aims of the NAMA legislation was to facilitate the restructuring of credit institutions of systemic importance to the economy. Unfortunately, under current market conditions the credit institutions are not capable of providing any credit. This has increased the importance of NAMA as a source of funding to the construction industry and in terms of playing its part in financing the property market. This was probably never envisaged when the legislation was being enacted but this being the case now, there is a huge onus on NAMA to recycle funds within the industry rather than just be a debt collection agency.

NAMA can, therefore, play its part in supporting the restoration of a functioning property market and a functioning construction industry by effectively deploying working capital and, given the lack of alternative funding, recycling working capital from completed into new development projects. In this regard, NAMA must be provided with sufficient working capital for the job in hand. Even allowing for development of a small proportion, less than 10%, of available projects, NAMA requires working capital considerably in excess of that currently available to it.

In turn, NAMA must be cognisant that its overall objective should be Irish economic recovery.

Proposal to Retrospectively Restrict the Application of Section 23 Tax Relief Schemes: amongst the consequences of this proposal are:

- Unsustainable increases in bank defaults, leading to increased burden for the taxpayer
- Unnecessary increase in receiverships, liquidations and bankruptcies, leading to a further loss of employment and taxes in the economy and increased demand for social welfare payments
- Further downward pressure on commercial property prices, leading to increased losses for the banks, NAMA and ultimately the taxpayer
- A risk of a further increase in the black economy as investors try to make ends meet
- Loss of trust, domestically and internationally, in current and future fiscal stimuli promoted the Government, hampering growth, creation of jobs and taxes

The CIF has made a detailed submission to the Government on this issue

80% Rezoning Tax: as the economic downturn approached, the Government introduced an 80% tax rate on rezoning of development land. In many instances, land must now be rezoned to meet local planning authorities' requirements, as set out in the Core Development Strategies. The 80% tax rate is a significant disincentive for any landowner in terms of seeking the most appropriate and effective use of lands in line with current proper planning and development policy. From the Government's fiscal perspective, an 80% tax rate will not generate tax revenues. Consideration should be given to adjusting this rate so as to provide some initiative for landowners to undertake appropriate development, in line with best planning policy.

7.5 Recommendations

Private Residential Property Market

7.5.1 The time is now right for the Government to support ready and willing buyers in the residential property market

In this context, a number of options are put forward for Government's consideration:

- **Introduction of a time-bound tax credit scheme designed to unlock the significant VAT revenues tied up in unsold new housing stock and with the potential to generate a net benefit to the Exchequer in year 1 of €116 million**
- **Extending the Home Choice Loan Scheme more generally in the marketplace, to include all categories of buyers and both new and second-hand homes**
- **Ensuring that innovative initiatives in the marketplace such as that recently announced by NAMA are made available on a more widespread basis and to all buyers of new homes**

7.5.2 Social Housing Provision

- **Government should review the continuation of Part V, which is no longer viable in the current and future development context in Ireland**
- **As part of a co-ordinated approach to the provision of social housing, the current legislative, regulatory and taxation framework should be examined with the view to removing disincentives to private sector investment**

7.5.3 Commercial Property Market

- **Budget 2012 should introduce a time-limited 0% stamp duty rate on all commercial property transactions including development land**
- **The proposal to retrospectively amend legislation relating to existing business leases will wipe billions more off the value of NAMA's portfolio and Irish commercial property more generally**
- **What is needed is a new mechanism to deal with the limited number of hardship cases where landlords and tenants are unable or unwilling to reach an accommodation**

7.5.4 Development Policy

- **Under current market conditions the credit institutions in Ireland are not capable of providing credit. This has increased the importance of NAMA as a source of funding to the construction industry and in terms of playing its part in financing the property market**
- **Whilst probably never envisaged when the legislation was being enacted, there is now a huge onus on NAMA to recycle funds within the industry, rather than just being a debt collection agency**

- **The proposal to retrospectively restrict the application of Section 23 Tax Relief Schemes would result in a range of unintended and damaging consequences for the banking system, the Exchequer and the wider economy**
- **Consideration should now be given to adjusting the 80% tax rate on rezoning of development land. The 80% rate will not generate any tax revenues for the Exchequer and will continue to act as disincentive to needed development**

8. Appendices

Appendix 1: Alternative Funding for Public Infrastructure

The following proposal has been forwarded to the Minister for Finance by Dermot Grant of Origin Corporate Finance

1. Ownership of public projects is retained by the investor
2. The taxes paid during the development eg. payroll taxes are put into escrow, under the control of an independant body
3. The rent/return to the investor is paid out of the funds in escrow over which the investor has a charge
4. When this fund is exhausted, hopefully after 4 – 5 years, the government continues to pay preagreed rent/return but also have an option to purchase the assets at a preagreed price

The position for parties is therefore as follows:

Goverment

1. New public projects are completed without a capital cost to the Government
2. The annual exchequer cost on completion (rent/return to investor) is paid out of sequestered taxes which would not have been received in the first place if the project had not commenced
3. The increased construction activity will reduce unemployment in the sector and therefore reduce Government spending on social welfare
4. No addition to debt on Government balance sheet

Investor

1. Fixed income investment secured on a property asset
2. Guarantee return for first few years after which time hopefully the credit rating will improve
3. Visibility on ultimate exit

What is being proposed is not unlike the current R&D tax credit incentives currently available to R&D companies in that such companies can get paid for future corporation tax deduction effectively out of the payroll taxes / VAT etc that they have paid in a given year.

Appendix 2: Home Buyers Tax Credit Scheme

The proposal is for a Government supported Tax Credit/Grant of €5,000 per annum for a period of four years to purchasers of new homes valued up to €350,000, provided the transaction is completed prior to 31st December 2012. For those who purchase between 1 January 2013 and 31st December 2013, the Tax Credit would amount to €5,000 per annum for a period of two years. These are only suggested dates for implementation. Implementation of this suggested scheme would result in an immediate cash return to the Exchequer in respect of VAT due on transactions with a gradual payout of benefits by the Exchequer over a 4 year period. Overall, the Scheme will produce a positive cash flow for the Exchequer. Using the average national house price of €201,364, the net benefit to the Exchequer for Year 1 is €19,000 per house sold.

Based on increased sales of 5,000 housing units in each of the years 2012 and 2013, the total net benefit to the Exchequer over the two year period would be €202m at a minimum (see overleaf).

The objective of this suggested Scheme is to compensate for:

A lack of mortgage lending

A significantly reduced loan to value ratios

Ongoing uncertainty about the prospects for the economy and job retention

These problems continue to frustrate recovery in the residential property market despite the significant price adjustments that have occurred – new homes have seen their prices reduced by up to 50%. No new residential construction activity is taking place This Scheme should have a short lifespan to achieve the desired effect.

The Department of the Environment, Community and Local Government (DoECLG) recently quantified and categorised the distribution of unfinished and vacant new housing developments nationwide. The data reveals that, while there are significant regional variations, nationally there is less than one year's supply if normal conditions pertained. In major growth centres, the level of oversupply is negligible (a full analyses of this data, on a county by county basis is available and is cross referenced against demand data provided through the Regional Planning Guidelines).

The implementation costs for this Scheme to the Exchequer would be more than repaid by:

- The immediate release of trapped VAT on the closure of house sales;
- The additional Exchequer revenues in terms of the VAT content of increased retail sales to fit out the new homes;
- The increased employment in retail, legal and real estate services; and
- The wider impact on people's spending arising from stability in the residential property market

How the Scheme would operate

1. Purchaser identifies a property at €250,000
2. Purchaser applies to his/her Lending Institution for a mortgage
3. Lending Institution gives approval for an 80% LTV mortgage ie. €200,000
4. Assuming the property qualifies e.g., less than €350,000 and 125 sq.m. in size, the Purchaser applies for the Tax Credit of €20,000 to Revenue
5. Revenue issues an approval letter to Financial Institution confirming that it will pay the value of the Tax Credit of €5,000 per annum for 4 years to the Institution
6. Financial Institution advances an extra €20,000 on foot of the Revenue letter re Tax Credit to the Purchaser
7. The house developer pays the Financial Institution a sum of money (approx. €3,000) to cover the interest costs for the 4 year period during which the Tax Credit will be paid directly to the Lending Institution

Advantages of the Scheme

1. It will help to promote transactions due to a short window of opportunity to qualify for the Scheme
2. It will assist in providing part of the deposit in a market where LTV's are more conservative
3. It will assist in moving stock and thus promoting other economic activity such as furniture sales etc.
4. It will be positive from a cashflow basis for the Exchequer
5. It will assist the NAMA process
6. It will help restore confidence leading to renewed employment and appropriate construction activity as housing stock is used up
7. It will assist in solving some of the problems with Unfinished Developments

Net Benefit to the Exchequer

Action:

Tax Credit of €5,000 per annum for a period of 4 years to a Home Buyer who buys a new home up to €350,000 in value where the transaction is completed on or before 31st December 2012.

For any new home buyer who purchases in 2013, the Tax Credit of €5,000 per annum would be payable over a reduced period of two years only.

Lender to, up-front, make the total value of the Tax Credit available to the Purchasers and the Tax Credit to be payable directly to lender during respective period (2 or 4 years).

The interest cost of this additional advance to be borne by the vendors by way of payment up-front on closing of house sale to cover interest costs.

1st Assumption:	2012	2013	2014	2015
5,000 New Home Buyers avail of 4 year Tax Credit option and purchase new homes up to €350,000 in value during 2012	€25m	€25m	€25m	€25m
Total VAT payable to the Exchequer following purchase of 5,000 new housing units at current national average house price of €201,364	€136m			
Less total cost of Tax Credit during year	€25m			
Net Benefit of Tax Credit Scheme in 2012	€116m			

2nd Assumption:	2012	2013	2014	2015
5,000 New Home Buyers avail of 2 year Tax Credit option and purchase new home up to €350,000 in value during 2012		€25m	€25m	
Total VAT payable to the Exchequer following purchase of 5,000 new housing units at current national average house price of €201,364		€136m		
Less total cost of Tax Credit during year 2		€25m		
Less total cost of Tax Credit from second year of scheme beginning in year 1 (2012)		€25m		
Net Benefit of Tax Credit scheme in 2012		€86m		

Combined Total Net Benefit to the Exchequer in 2012 and 2013 based on sale of 10,000 housing units	**€202m**

Appendix 3: Reform of the Planning System

Neighbour Agreements: Introduce provision for a voluntary system, probably for smaller developments, whereby if there is agreement between a developer and the affected neighbours, a full planning application would not be required.

Allow minor amendments to be made to planning permissions without necessity to lodge new application: Developers and planning authorities should be enabled agree between them the appropriateness of changes to approved schemes without the necessity for additional planning application to rectify issues. The current requirement for an additional planning application for such minor changes results in delays, uncertainty and cost for the developer, additional work for the local planning authority, potential appeals to An Bord Pleanala and often unnecessary consultation costs with other stakeholders. Primary legislation should be amended so as to allow, at the request of the applicant, discretion for the local planning authority to vary an existing planning permission where they consider that the variation sought is not material. This process should also be available for the correction of errors that might have arisen by the planning authority in making the planning decision at the outset. This process could also be used to address planning issues pertaining to a number of unfinished housing developments that require some form of revised planning process to be concluded speedily.

Compliance with Planning Conditions: Introduce default provision whereby the Planning Authority must respond to compliance submissions within a reasonable timeframe, say 3 weeks failing which the compliance submission would be deemed to be acceptable.

Streamlining Additional Information (AI) Requirements for All Planning Applications: In some cases, the information sought by planning authorities under AI Requests can be disproportionate and relate to matters exclusively outside the scope of the proposed development. In such cases and to improve the prospects of bankability for undertaking /compiling the additional information response, a grant in principle similar to a Grant of Outline Permission should be available to a planning applicant subject to satisfying the outstanding matters only relating to the onerous AI Request within a reasonable timeframe thereafter. A subsequent rejection of a full planning application should only be on the grounds of the specific outstanding issue at Outline Grant stage.

Prescribed Period for An Bord Pleanala to Determine Appeals: The 4 months objective period should become a statutory period of 4 months. Where An Bord Pleanala seek additional information, similar provisions as currently apply to planning authorities for making decisions within the prescribed timeframe should apply. In addition, when An Bord Pleanala fails to make a determination within the statutory period, it should be subject to similar financial penalties as apply to Planning Authorities are when they fail to make a planning decision within the statutory timeframe.

Introduce Requirement for Locus Standi to Make Appeal: The function and status of objectors to planning decisions must be more clearly defined and established to secure a fair and balanced planning system. Appellants to An Bord Pleanala should be obliged to demonstrate their Locus Standi in making an appeal, and at a minimum, should be a resident/ property owner for a defined period of time within a minimum distance of the proposed development. Varying requirements for Locus Standi might apply in the cases of developments subject to EIAs.

The Bona Fides of Group Objections: The bona fides of Group objections must be determined. Only one signature should be acceptable per objection lodged which is subject to the prescribed planning submission/ objection and/ or An Bord Pleanala appeal fee.

Period for Retention of Site Notices: As site notices are regularly removed from site by third parties, it is considered that the statutory 5 week retention period for site notices could be excessive and that this period could be reduced.

Appeals to An Bord Pleanala in relation to Security Conditions: As in the case of appeals against financial conditions, it is recommended that appeals against security conditions should be confined to the Condition only and that the development as a whole should be allowed to commence construction prior to determination of the appeal. This may be subject to some phased security arrangement being put in place as may be appropriate.

Establishment of Business Enterprise Zones: The planning process should empower local authorities, by reserved function to establish Business Enterprise Zones in specific locations. This could be undertaken at either Development Plan adoption stage, or by a variation process to the adopted Development Plan. In such Zones, proposed development which complies with established criteria including types of uses permitted should be enabled to proceed subject to agreement with the Local Authority without a further planning application(s) being required. This process should be available to promote employment generation opportunities and be available for smaller development sites which would not be categorised as Strategic Development Zones.

Review of Development Contribution Rates: A simplified process for review of Development Contribution Schemes and rates of contributions payable must be facilitated. Contribution rates payable should be capable of being reviewed on an annual basis if required. Overly ambitious schemes intending to finance 'luxury' infrastructure must be critically reviewed and 'luxuries' omitted where feasible from Development Contribution Schemes. Estimated construction costs for the revised list of projects to be funded under the updated Schemes should also be critically reviewed and adjusted downwards.

Housing Strategies under Part V: Flexibility should be provided enabling a County Manager review implementation of the Housing Strategy in place for each planning authority under his managerial responsibility. A County Manager should be enabled to consider the economic conditions prevailing at the time and the demand for social and affordable housing existing when the Part V agreement is being made. The current process for varying a Housing Strategy is cumbersome. A Housing Strategy can only be varied using the variation procedure for a Development Plan. It is recommended that a simple resolution of the elected council should be sufficient to review terms of Housing Strategies so that the Strategies can be responsive to changes in economic trends and housing supply.

Exempted Development and Updated Technical Guidance Documents for Building Regulations: Frequently, Technical Guidance Documents are reviewed in association with revisions to the Building Regulations. These revised requirements are seldom if ever considered in conjunction with their implications for planning permissions granted. To simplify the process for compliance with updated Building Regulations at all times, provision could be made that essential modifications to buildings and structures required to comply with any aspect of updated Building Regulation requirements and Technical Guidance Documents should be exempted development under the Planning Regulations.

Prescribed Bodies: It is suggested that the list of prescribed bodies for the purposes of the planning legislation be reviewed thus eliminating any concept of duplication of core services that may be provided by other government departments. Provision should be made for rationalization of the list of prescribed bodies and outlining the most appropriate list of prescribed bodies that should exist in the current environment.

Automatic notification of planning applications and infrastructural development proposals by planning authorities and An Bord Pleanala to Prescribed Bodies should apply only in the case of developments which are subject to an EIA process. This will relieve significant bureaucracy associated with routine applications and notification requirements which is unproductive from a planning authority and An Bord Pleanala perspective.

The special status afforded to Prescribed Bodies to enable them appeal planning decisions notwithstanding the fact that they might not have made a submission to the original application should only apply in the case of applications for planning permission that are subject to an EIA process.

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Dublin Office

Construction House
Canal Road
Dublin 6

Tel 01 406 6000
Fax 01 496 6953
Email cif@cif.ie
Web www.cif.ie

Southern Region

Construction House
4 Eastgate Avenue
Little Island, Cork

Tel 021 435 1410
Fax 021 435 1416
Email cif@cif.ie
Web www.cif.ie

Western/Midland Region

Construction House
8 Montpellier Terrace
The Crescent, Galway

Tel 091 502 680
Fax 091 584 575
Email cif@cif.ie
Web www.cif.ie