

ACEI Submission to Government for Budget 2025

31 August 2024

ACEI Vision:

**An Ireland shaped
by social and
environmentally
responsible design.**

ACEI members, consulting engineers, are the key component in delivering the Government's ambitions in housing, infrastructure, and climate change. They design and embed sustainability, value for money and quality into the construction of the built environment across Ireland. As such, the consulting engineering sector is directing Ireland towards a sustainable future for all citizens.

Our vision is that by 2030, ACEI members will be a global exemplar of smart, sustainable growth whilst delivering the NDP, Project Ireland 2040, large aspects of the Climate Action Plan and Housing for All.

Introduction

The Association of Consulting Engineers of Ireland (ACEI) is the representative body for Consulting Engineering companies operating in Ireland. Our over 110 members (comprised of over 5000 highly skilled construction professionals employed) represent the leading consulting engineering companies operating domestically and internationally with a range of global clients.

Our members work with all levels of National and Local Government to design, deliver, manage our national infrastructure, and positively shape the built environment. As such, the Consulting Engineering sector is uniquely placed to positively inform the Government's approach to the most efficient, sustainable, and cost-effective delivery of critical infrastructure.

In recent years, successive Governments have increased capital investment in infrastructure due

to the extensive economic and societal multiplier effects. In tandem, industry and government, through the Construction Sector Group under the aegis of the Department of Public Expenditure, NDP Delivery and Reform, are focusing on improving the construction industry's capacity to deliver. These are positive foundational steps in delivering the visions inherent in the NDP, Project Ireland 2040 and Housing for All in a sustainable and climate friendly manner.

To accelerate sustainable delivery of the built environment, whilst ensuring value for money and value for society, the ACEI recommends two strategic actions be taken:



- 1.** Reform public procurement and the planning system to improve the efficiency of the delivery of public sector projects.



- 2.** Significantly increase investment in productivity enhancing support for the engineering sector and wider construction industry.

The ACEI acknowledges the Government's increased commitment to infrastructure investment since 2016. We welcome the capital spending increase of over 10% in line with the NDP (National Development Plan) review in 2025 outlined in the Summer Economic Statement. However, we are deeply concerned on two fronts

– our clients, the State's contracting authorities, are reporting a 'freeze' on their budgets and secondly, due to the nature of the Government's conditions of engagement and concomitant risk profile are opting for other projects. These related issues have the potential to derail the delivery of critical NDP projects.

In addition, the ACEI welcomes the Taoiseach's recent comments on the establishment of a Department of Infrastructure; notwithstanding the complexity involved in establishing such an entity. The ACEI suggests as an alternative that an independent infrastructure commission be established that can complement the work of the Department of Public Expenditure, NDP Delivery and Reform. This commission could identify strategic projects and provide expertise to Departments in delivering infrastructure.

Our submission identifies measures that would increase the return on investment per euro invested by the Government in infrastructure. Where possible, we have identified cost neutral measures that will yield economic, social or sustainability benefits for the State.

A small portion of the Government's Future Ireland Fund or the profits from the State's sale of its stake in AIB (€20m per annum) should be invested on a multi-annual basis in initiatives aimed at enhancing construction industry productivity and climate sustainability. The bulwark of these initiatives is set out in the Construction Sector Group's work programme, a multi-stakeholder body operating under the aegis of the Department of Public Expenditure, NDP delivery and Reform. These initiatives have been designed and agreed by the Department and key representatives of the industry and with increased support will accelerate the delivery of the NDP and other key strategies.



Key Recommendations

1. Accelerate delivery of NDP by bringing priority projects to and through design phase

The ACEI encourages the Government to continue to put in place fiscal and policy measures that reduce barriers to delivery of key infrastructure and housing projects. At a macro-level, significant allocations of investment in the NDP and Housing for All are positive in terms of delivering the certainty required in the pipeline to enable the sector to resource up and invest in their businesses.

However, at the market level, when engaging with the State's bodies, there is significant budget uncertainty that is undermining delivery and the ability of the

sector to plan and invest. Most contracting authorities the ACEI engages with are reporting uncertainty around their budgets, many of which are still decided on an annual basis.

The ACEI recommends that contracting authorities are allocated funding on a 3–5-year basis by central Government particularly those with a focus on strategic NDP projects.

Nowhere is this need more evident in the case of Uisce Eireann and Transport Infrastructure Ireland. These entities are delivering large scale critically strategic

infrastructure that underpins all construction including housing across Ireland and should be able to operate with multi-annual budgets.

The NDP and the 'Housing for All strategy and the National Planning Framework' identify key strategic priority projects that 'have' to be delivered. These projects' delivery can be accelerated by bringing these to and through the design phase in the coming two-year period. This could mitigate against the inevitable delays in the planning system that erode value and prevent efficient delivery.

Further infrastructure recommendations in the areas of Housing, Water, Transport, and Education follow based on our members' experience:

Housing:

- Increase financial incentives to underpin the growth of a dynamic MMC (Modern Methods of Construction) (Modern Methods of Construction) and Off-site construction sector.
- Ensure that the 50,000 required houses are adequately serviced by infrastructure through planning-led infrastructure investment.
- Increase resources within Bord Pleanála and other relevant bodies to accelerate sensible planning decisions on infrastructure and housing.
- Enable local authorities to deliver more affordable housing by increasing funding and recruitment of suitably skilled engineers and officials.

Water

- Increase Uisce Eireann funding to ensure security of supply and sufficient capacity in drinking water and in wastewater to allow for balanced regional development.
- Ring-fence investment in Uisce Eireann's capacity to accelerate delivery of new and maintenance of existing water infrastructure including energy upgrades.
- Refine governance model to enable multi-annual budgeting for water and waste-water projects that support growth as set out under the NPF (National Planning Framework).

Transport

- Advance design phases of key road infrastructure projects to enhance regional accessibility and to provide high-quality international connectivity aligned with NPF National Strategic Outcomes.
- Wider adoption of early contractor involvement and two stage contracting such that contractors and their consultants can support risk mitigation and optimal decision making, and such that a wider pool of contractors is attracted to the market.
- Roll out electric vehicle charging points across the network.
- Prioritise commitments to rail projects nationwide for balanced regional development and continue to fund safety works and capital improvements to the rail network.
- Continue to support the redevelopment of Dublin Airport and other airports and ports.
- Refine governance model to enable multi-annual budgeting for TII and NTA to enable the delivery of active travel, road, rail, and bus connects whilst Metro ramps up over the coming years.

Education

- Accelerate the roll-out of the primary and post-primary schools' building programme and refurbishment of existing schools.
- Increase support for third-level colleges to invest in their infrastructure priorities to meet higher education sector demands.
- Bolster the Summer Works Scheme to ensure that schools are maintained correctly and consistently before issues arise compromising health and safety and that necessitate emergency works funding.

2. Improve contractual relations including conditions of engagement to facilitate NDP project delivery

There is now widespread agreement that the existing government contract is a significant barrier to the effective delivery of infrastructure and the development of a competitive construction industry. Increasingly, consulting engineers, other design professions and indeed the State's own contracting authorities are reporting a reduced

number of companies tendering for public sector work.

The OGP is best placed to continue reform of Government contracts including conditions of engagement for consultants. Whilst there has been some welcome reform recently, such as the introduction of Limits on Liability Caps, progress needs to

be expanded and accelerated particularly pertaining to consultancy contracts. The Government should invest significantly in resourcing the OGP to accelerate reform and rigorously promote and promulgate updated procurement policy across the public sector.

The ACEI, proposes the following to ensure public sector projects can attract a range of sufficiently qualified consultants:

A. Net Contributory Clauses

The ACEI, and the Construction Industry Council, have engaged with the OGP to chart how Net Contribution Clauses (or equivalent) can be introduced. Both organisations welcome the introduction of liability caps in Government contracts; however, NCCs are essential to ensure the consulting engineering sector can deliver optimum results for the State. Our legal advice identifies no material legal impediment in the Civil Liabilities Act to their introduction. Their introduction requires no fiscal intervention from the State and would encourage the private sector to adopt NCC

where their inclusion in contracts has been decreasing over the past three years.

Their introduction would also have a profoundly positive impact on the availability of affordable PI insurance in the Irish market. Due to the vagaries of the 1% rule, there is a dearth of insurance companies (domestic or international operating in Ireland) that will offer this vital product leading to many difficulties for consulting engineers and damaging productivity within the State's infrastructure delivery ecosystem.

B. New Public Sector Projects

The OGP and Public Agencies should move to percentage fees of the Net Construction Value of the project for all new contracts.

that under previous procurement approaches in Ireland, percentage fees applied to the full duration of the project and outturn cost.

Fees should be converted to a lump sum figure based on the Stage 3 tender return price. Note

The fixed fee be adjusted if the contract sum exceeds 15% of the tender price.

C. Existing / Live Public Projects

All current live projects, which were procured under a lump sum model, should have the professional fee quantum reviewed. If the current project value exceeds that set out at consultant procurement stage by more than 10%, the effective comparable percentage fee at bid stage should be applied to the increased Net Construction Value and future payments for consultants be adjusted accordingly.

As added work is being imposed upon consultants with state agencies to try to mitigate the construction cost impacts of severe inflation, this added service should be recognised as such by state agencies, and paid for accordingly based on submitted hourly rates, adjusted to take account of inflation.

D. Mandate that Collateral Warranties used by Housing Bodies conform with OGP guidelines

Approved Housing Bodies and the Housing Finance Agency are currently utilising unfair and onerous collateral warranty obligations on consulting engineers. The effective impact is to increase insurance costs for consulting engineers putting their businesses and their involvement in housing projects at risk. These CWs place conditions that run counter to the

advice of the OGP's conditions of engagement with consultants. The overall effect is to make housing projects funded by the HFA less attractive, riskier and in some cases beyond the reach of credible consulting engineering firms. Over time, this will negatively impact on housing delivery.

E. Provide greater consistency in information management requirements

The OGP has introduced BIM requirements into the CWMF in a phased manner. The requirements are high-level and do not yet provide sufficient detail to drive economies of scale across the market. The intention is that public clients would provide greater detail, but this has either not yet happened or has happened in an inconsistent manner. This results in unnecessary costs to the supply chain and inadequate value to their public clients, which is counter to the intended outcome. The Government should provide greater funding to OGP and to the DPER Build

Digital Project to resource elaboration of the technical requirements. The Government should also provide additional funding to major capital projects specifically for improving information management practices, with receipt of funding consequent on applying consistent requirements and feeding back lessons to OGP and the Build Digital Project. A fund of €20m over 4 years would suffice.



3. Addressing skills shortages in our sector

The continuing shortage of skilled and experienced staff is an ongoing problem for consulting engineering firms, and the wider built environment sector. The ACEI welcomes the launch of the Government's report on the Analysis of Skills for Residential Construction & Retrofitting 2023–2030 and the ongoing work of Department of Further and Higher Education, Research, Innovation and Science on promoting careers in construction.

Funding in promoting construction careers, secured under the Housing for All strategy, is welcome. It is grossly inadequate to produce a campaign of similar scope and ambition to the STEM (Science, Technology, Engineering, and Mathematics) campaigns of the last decade. Sufficient investment (circa €3 million per annum initially) for a comprehensive 'awareness campaign' aimed at attracting people into the industry is required.

Other initiatives the ACEI suggest prioritising include:



- Place all roles associated with engineering on the Critical Skills Occupation List and apply all rights and supports to spouses e.g., spouses should be entitled to work immediately.



- Benchmark starting salaries for employees on the Critical Skills Occupation list against 'going rates' in the domestic market. Recent increases in salaries for these employees exceed local levels and as such militate against companies securing employees. Defer any further increase in starting salaries for those on the Critical Skills List for the duration of the housing crisis.



- Taxing membership of relevant professional bodies as BIK disincentivises skills development; the tax treatment for professional subscriptions as previously provided for under the Taxes Consolidation Act 1997 should be reinstated.



- The reduction in the current working permit processing times within the Department's Permits section is to be welcomed. Due to this progress, the Department's advice to companies to submit the application at least 12 weeks before a proposed start date is outdated. Processing of permits now takes approximately two/three weeks meaning Departmental advice should be amended accordingly.



- Radically increase the state's investment in national initiatives aimed at attracting more young people (domestic, diaspora and internationally) into the engineering and construction sectors.

4. Building Sustainable Climate Resilience

High-level recommendations from the ACEI for the Government in this area are that:

- The NDP should prioritise the delivery of infrastructure projects that makes Irish society more resilient, better transitions us to a sustainable low carbon society, and enables the development of renewables that are critical to addressing climate action.
- Make a senior appointment responsible for retrofit initiatives, reporting to the Minister for the Environment, Climate and Communications, to provide leadership in this area, particularly in relation to the 500,000 homes needing renovations.

The continuing provision of energy in the current climate is a key concern. ACEI recommendations to Government in relation to addressing this, using renewables, include:

- Develop a fully costed Solar Energy Strategy with implementation timelines and align State Bodies such as Enterprise Ireland accordingly.
- Strengthen policy framework to incentivise electricity storage and interconnection.
- Significantly invest in research and development in “green” hydrogen.
- Develop a long-term plan to take advantage of a potential of at least 30GW of offshore floating wind power in the Atlantic.





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