



ACEI ASSOCIATION OF
CONSULTING ENGINEERS
OF IRELAND

ACEI Submission to Government for Budget 2024

31 August 2023

ACEI Vision:

“An Ireland shaped by social and environmentally responsible design.”

ACEI members will lead the development of a digitalised and sustainable construction industry. By 2030, ACEI members will have shaped a construction industry regarded as exemplary in smart, sustainable growth whilst delivering the NDP, Project Ireland 2040, large aspects of the Climate Action Plan and Housing for All. In doing so, our members will help deliver the infrastructure and housing of a thriving Net Zero economy and society.

Introduction

The Association of Consulting Engineers of Ireland (ACEI) is the representative body for Consulting Engineering companies operating in Ireland. Our over 100 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 and 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 very 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 NDP delivery, whilst ensuring value for money and value for society, the ACEI recommends two strategic actions be taken.



Reform the Public Works Contract to improve the efficiency of the delivery of public sector projects.



Significantly increase investment in initiatives aimed at improving the productivity of the construction industry so it can 'green' and 'digitalise' more rapidly.

This submission outlines specific recommendations within these overarching strategic actions. For example, by bringing more priority projects within the nexus of Government strategies; particularly those that transition the Irish economy towards Net Zero, will help offset the longer delivery schedule for public sector projects in Ireland.

The ACEI welcomes the Government's recent commitment to do this through the allocation of €2.25 billion of windfall corporation tax receipts boost delivery of critical infrastructure over the period 2024 to 2026. A relatively small portion of this funding (€20m per annum) should be invested on a multi-annual basis in initiatives aimed at enhancing the construction industry's productivity, particularly pertaining to projects that underpin Ireland's climate change mitigation efforts. Every euro invested here will enable industry to deliver vital construction more effectively and sustainably.

In the medium term, this investment will, inter alia, accelerate initiatives under the aegis of the Construction Sector Group and create a virtuous cycle where at an aggregate level a dynamic and competitive construction industry develops that can deliver more essential infrastructure cost effectively and sustainably.

Ireland's ambitions to achieve Net Zero, solve the housing crisis and deliver the transformative infrastructure within the NDP and Project Ireland 2040 is heavily reliant on our consulting engineering member firms, without whom these ambitions will not be realised. The ACEI make the following recommendations on the basis they will ultimately benefit the citizen and communities:

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 ensure a steady state of public infrastructure investment insulated from the vagaries of the political and economic cycle.

The additional €2.5 billion announced to accelerate delivery of critical infrastructure announced in the Summer Economic Statement is to be welcome. Identifying the priority projects now and informing industry of same as soon as possible is critical. The ACEI shares the view of the wider construction industry that there are ample projects prioritised in Government strategies that could be brought to and through the design phase in the coming two-year period. This certainty in the delivery pipeline would allow the industry to plan more effectively and invest accordingly in digitalisation, talent, and sustainable construction methods and materials.

Increasing the number of 'shovel-ready' projects would also prevent significant overruns across the strategies, particularly the NDP, by mitigating against increasingly elongated project delivery times associated with public capital projects due to issues like planning.

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



Housing:



Invest significantly in incentives to underpin the growth of a dynamic MMC and Off-site construction sector.

Enable local authorities to deliver more affordable housing by increasing funding.



Increase housing stock by more than 50,000 to 2026, emphasising new builds.

Expand the Living Cities Initiative to the growth centres designated in the NDP



Water:



Mandate Uisce Eireann to ensure security of supply and sufficient capacity in drinking water and in wastewater networks to allow for balanced regional development

Increase investment in Uisce Eireann's capacity to accelerate delivery infrastructure.



Support Irish Water's Small Towns and Villages Growth Programme 2020 – 2024 to provide water and wastewater growth in smaller settlements nationwide.



Transport:



Advance road infrastructure projects to enhance regional accessibility and to provide high-quality international connectivity aligned with NPF National Strategic Outcomes



Prioritise commitments to rail projects nationwide for balanced regional development and continue to fund safety works and capital improvements to the rail network.



Accelerate the roll-out of the primary and post-primary schools' building programme and refurbishment of existing schools.

Roll out electric vehicle charging points across the network.



Continue to support the redevelopment of Dublin Airport and other airports and ports.



Continue to support third level colleges to invest in their infrastructure priorities to meet the demands of the higher education sector.



2. Amend the PWC to facilitate NDP project delivery.

There is now widespread agreement that the existing Public Works Contract is a significant barrier to the effective delivery of infrastructure and the development of a competitive construction industry generally. The recent high inflation period (7.8% in 2022) has thrown the inadequacy of the PWC into sharp relief. It is now unfeasible for companies to continue with fixed price lump sum fees for professional services on projects that in many cases span several years.

Increasingly Public Sector contracting authorities are reporting dwindling numbers of companies responding to requests for tenders on projects due to the unfeasible allocation of risk inherent in the PWC. What follows are specific recommendations pertaining to Public Works Consultants Agreements that have largely been operating on a "lump sum" price model for many years.

The ACEI has unparalleled expertise domestically and internationally and, on this basis, proposes the following improvements:

A. 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.
- Fees should be converted to a lump sum figure based on the Stage 3 tender return price. Note that under previous procurement approaches in Ireland, percentage fees applied to the full duration of the project and outturn cost.
- We propose the fixed fee be adjusted if the contract sum exceeds 15% of the tender price.

B. Existing / Live Public Projects

- All current live projects, that 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.
- Further provision should be made for additional fees to take account of project prolongation beyond the original stated performance period, equivalent to the Stage 4 monthly fee rate.
- As additional work is being imposed upon consultants to work with state agencies to try to mitigate the construction cost impacts of severe inflation, this additional service should be recognised as such by state agencies, and paid for accordingly based on submitted hourly rates, adjusted to take account of inflation.
- Considering inflation is having on our members, we recommend that their increased costs be reflected in line with the Condition of Engagement Clause 5.1, and we recommend the application of consumer price index increases to all invoices commencing from January 2022.

C. 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.

3. Industry Skills Shortage.

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. It's essential, there is alignment between the Government Departments matched with significant investment in the measures outlined in the document to 'seed' the industry with the skills required to deliver the NDP, Housing for All and the National Retro-fit strategy.

Sufficient investment (circa €3 million per annum initially) for a comprehensive 'awareness campaign' aimed at attracting people into the industry. The industry now offers a wider range of roles and stable globalized careers than heretofore. However, the industry is combatting deeply engrained stereotypes within the general public and the education system pertaining to the construction industry.

Additional initiatives the ACEI suggest prioritising include:



Place all roles associated with construction industry on the Critical Skills Occupation List and apply all rights and supports to spouses eg spouses should be entitled to work immediately



Reduce the current working permit processing times to ensure that international human resources can be readily deployed.



Address high costs and long timeframes associated with visa applications and renewal.



Promote STEM subjects at secondary level and engineering and science courses at third level, to provide a pipeline of skilled graduates for the engineering sector to deliver the infrastructure requirements of the Programme for Government.

4. Climate Action and Sustainability

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 us more resilient as a society, 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.



- Promote research and development in “green” hydrogen.



- Develop a long-term plan to take advantage of a potential of at least 30GW of off shore floating wind power in the Atlantic.



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