



SAVING JOBS AND SKILLS IS THE PRIORITY

That's the call and the objective of the Construction Industry Group for Northern Ireland as it continues ongoing discussions with Ministers, MLAs and senior civil servants to reduce the impact of the construction downturn and rising fuel and energy costs on the local economy.

The Construction Industry Group is the umbrella body for a wide range of representative organisations covering all aspects of the construction industry. (See notes for details). CIG, in partnership with MLAs, recently established an Assembly Construction Group that provides a forum for MLAs, from all political parties, to meet with representatives of the Construction Industry to discuss current issues relating to the sector. Those discussions are dominated at present by the impact of the construction slow down, subsequent job losses, loss of our skills base and the wider impact on the local economy.

The Construction Industry Group recently met with the First and deputy First Ministers to brief them on the impact of the slowdown and to propose immediate actions the Executive could take to cushion the blow on the sector and the wider economy. CIG Chairman, Gordon Best, said "We had a very productive meeting with the First and deputy First Ministers and we are now awaiting a further meeting with them that will include other Ministers in the Executive. We welcome the Executive's recognition of the importance of the wider construction industry to the Northern Ireland economy.

Our priority must be to protect jobs and those who depend on the wider construction industry for their living. That includes suppliers of materials, electricians, plumbers, plasterers, plant hire people and shop keepers who depend on daily business from construction crews travelling to their work. The message from the Construction Industry Group to the Ministers and our MLAs at the Assembly Construction Group has been, let's work together to bring forward planned funding so that we get value for money by the timely delivery of major infrastructure projects in roads, housing, education and health as envisaged in the Investment Strategy".

Mr Best concluded by stating that, "The industry, politicians and senior public sector officials owe it to the thousands of people whose jobs and livelihoods depend on the Construction Industry and to the many more who are affected by the current downturn. We must do what ever we can!"

Notes to Editor

For more information about the Construction Industry Group please visit our website at www.cigni.org

The Construction Industry Group (CIG) is the umbrella body for a wide range of representative organisations covering all aspects of the construction industry. CIG consists of the following four colleges:

College	Constituent Members
Contractors College:	Construction Employers Federation (CEF)
Suppliers College:	Quarry Products Association Northern Ireland (QPANI)
Professional College:	Royal Society of Ulster Architects (RSUA) Royal Institution of Chartered Surveyors (RICS) Association of Consulting Engineers (ACE) Institution of Civil Engineers (ICE) (plus numerous other professional bodies)
Specialist Sub Contractors College:	Confederation of Associations of Specialist Engineering Contractors, constituting ECA (electrical), HVCA (mechanical), SNIPEF (plumbing), BCSA (steel)

The Construction Industry Group was established in 1998 and since then has been the officially recognised body for strategically focussed Government liaison with the construction industry. CIG interfaces with Government at the Construction Industry Forum which meets quarterly.

1. The Economic Importance of the Construction Industry in Northern Ireland

Output in 2007	£3.4bn ¹
Gross Value Added in 2006 (GVA)	15% ²
GVA per head	£50,000 (highest of all sectors of the economy)
Employment	90,000 ³

¹Northern Ireland Construction Bulletin DFPNI

² Northern Ireland Annual Business Enquiry 2006. GVA is a measure of the value of economic activity generated by businesses. It is similar to Gross Domestic Product (GDP).
³ DETINI

2. Current State of the Industry

(i) Northern Ireland Construction Bulletin (DFP)

5% drop in the value of construction output at current prices over 12 months:

- Q1 2008 £829m
- Q1 2007 £870m
- A reduction of £41m in this quarter

(ii) NHBC Housing Starts

NHBC registrations are down 52% over 12 months:

- Q2 2008 1112
- Q2 2007 2309

(iii) RICS Construction Market Survey

The Q2 2008 survey reported:

- Public, private housing and commercial workloads fell at the fastest rate since the mid 1990s
- Workload expectations for the next 12 months are at their lowest since Q4 2001 with profit expectations falling to their lowest since 1994
- Northern Ireland has experienced the sharpest decline in construction workloads when compared to regions in England, Scotland and Wales.
- The level of Chartered surveyors reporting a decrease in public sector (non- housing) work increased by 50 per cent from the previous quarter and 71 per cent from the same quarter in 2007.
- RICS Building Cost Information Service civil engineering report showed an increase of 12.2 % in raw materials and labour costs over the past year with costs forecast to rise by a further 12 % over the next 2 years.

(iv) CEF State of Trade

The State of Trade survey for Q2 2008 represents £1.6bn of turnover.

Current capacity:

- 48% of companies surveyed are operating at 2/3 capacity or less
- 34% of companies surveyed are operating at 1/2 capacity or less

Anticipated workload over the next 12 months:

- 76% of companies surveyed anticipate a lower workload over the next 12 months.

A straw poll of the major civil engineering contractors showed that they are currently operating at 70% capacity but their workloads look set to reduce considerably over the next 12 months.

(v) QPA Suppliers Survey

Over the last 9 months QPA members report:

- 30% drop in business
- 86% increase in production energy costs
- 46% increase in transport costs
- Loss of 300 jobs with fears that this could rise to 700 by the end of the year

(vi) Belfast Import Statistics

Timber imports have dropped by 36% over 12 months:

- Q2 2008 49kT
- Q2 2007 77kT

Cement/Slag/Clinker imports have dropped by 44% over 12 months:

- Q2 2008 63kT
- Q2 2007 113kT

3. Repercussions of a Continued Downturn

(i) Unemployment (in the thousands)

- figures are masked by the level of self employment in the industry
- many jobs lost already but the future outlook is even more worrying

(ii) Loss of skills

- workers are moving away (London, Scotland, Dubai, Poland)
- companies are seeking increased work outside Northern Ireland
- skilled workers do not automatically return once work picks up

(iii) Shortage of apprenticeship places

- construction traditionally takes on more apprentices than any other sector
- considerably reduced employment opportunities

(iv) Slowdown in infrastructural improvements

- Delays in work hitting the ground are slowing down the pace of infrastructural improvements
- Delays are increasing overall project costs as material costs increase

- (v) Knock on impact on overall economy
- construction impacts significantly on a broad spectrum of other sectors in the economy
 - legal, furnishings, estate agents, plant hire, construction materials, banking etc

4. Call for Action to the Northern Ireland Executive

(i) Government Construction Spend

- (a) The industry needs major decisions to be taken urgently on a wide range of major capitals projects including health, education and work for the Olympics. Without these decisions millions of pounds worth of work can not commence.
- (b) The Government's construction programme should be re-evaluated to increase the flow of both capital and revenue work with particular focus on the next 12 months. ISNI should be delivered in a timely and efficient manner. In Scotland £100m investment is being brought forward to be spent this year and next rather than 2010-11 as originally planned. Funding is also being brought forward in England. Why is this not happening in Northern Ireland?
- (c) The Government should improve its management of expenditure.
- In the 2007/08 financial year the starting budget for capital spend was £1.4bn. The provisional outturn for that year showed that only £1.1bn was actually spent. This represents a 20% underspend. The industry calls for immediate action to ensure this level of underspend is not repeated in 2008/09.
 - The government's in-year expenditure profile for the last three years shows a steady monthly capital expenditure of approximately £75m until February when it jumps to £125m and March when it jumps further to £225m. The industry calls for immediate action to ensure we do not repeat this last ditch spending pattern again this year.
 - The September monitoring round is a real opportunity to make an impact on the current situation.
- (d) The Government should provide clear and useful information to the industry on its budgeted and actual construction spend.
- The industry would like to see each Government Construction Client publish their budget for actual construction expenditure on both the capital and revenue sides.
 - Roads Service recently informed the industry that, of a capital budget of £43m for 2008/09, only £12m is budgeted to be spent on construction work.
 - Accurate, reliable and construction specific information will allow the industry to prepare appropriately.

(ii) Housing

- (a) The industry supports the work that the Executive has been undertaking with the banks to try to increase liquidity in the property market.
- (b) Where there is value for the taxpayer, the Government should buy unsold housing stock for use as social housing. This should not be a substitute for the existing social housing new build programme but should be additional to it.
- (c) The Government should consider providing additional funds to Co-Ownership with the proviso that there is a bias in favour of purchasers buying new build. This measure may help secure some jobs in the housing building sector. The £300m Homebuy Direct scheme in England which is due to help 10,000 first time buyers over the next two years only applies to newly built properties.

(iii) Planning System

- (a) The industry welcomes the Executive's commitment to fundamentally reform the planning system. Any measures that could accelerate the speed of the reform process would be strongly supported by the construction industry. The current problems with the system act as a blockage to economic and social development.

For further information on CIGNI and the ongoing discussions with Government please contact Gordon Best, Chairman CIGNI, on 07876136929 email gbest@qpani.org or Ciaran Fox, Executive Secretary CIGNI, on 02890877143 or email ciaranf@cefni.co.uk