

DÁIL ÉIREANN

AN COISTE UM THITHÍOCHT AGUS EASPA DÍDINE

COMMITTEE ON HOUSING AND HOMELESSNESS

Dé Máirt, 3 Bealtaine 2016

Tuesday, 3 May 2016

The Select Committee met at 10.30 a.m.

MEMBERS PRESENT:

Deputy Mary Butler,	Deputy Kathleen Funchion,
Deputy Catherine Byrne,	Deputy Fergus O'Dowd,
Deputy Joan Collins,*	Deputy Maureen O'Sullivan,
Deputy Ruth Coppinger,	Deputy Maurice Quinlivan,*
Deputy Barry Cowen,	Deputy Brendan Ryan.
Deputy Bernard J. Durkan,	

* In the absence of Deputies Mick Wallace and Eoin Ó Broin, respectively.

DEPUTY JOHN CURRAN IN THE CHAIR.

BUSINESS OF COMMITTEE

Business of Committee

Chairman: Apologies have been received from Deputies Michael Harty and Seán Canney. I remind members to switch mobile phones off or to flight mode not only because of the interference they cause to the meeting but also because the proceedings are being recorded, relayed and broadcast and mobile phones interfere with that. In accordance with standard procedures agreed by the Committee on Procedure and Privileges for paperless committees, all documentation for the meeting has been circulated to members on the document database. I propose we go into private session to deal with correspondence and certain other matters. Is that agreed? Agreed.

The committee went into private session at 10.37 a.m. and resumed in public session at 10.45 a.m.

Construction Industry Federation

Chairman: I draw the witnesses' attention to the fact that, by virtue of section 17(2)(l) of the Defamation Act 2009, they are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by it to cease giving evidence on a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. Witnesses are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. The opening statements submitted to the committee will be published on the committee's website after the meeting. Members are reminded of the long-standing practice to the effect that they should not comment on, criticise or make charges against a person outside the House or an official either by name or in such a way as to make him or her identifiable.

I welcome the Construction Industry Federation, CIF, represented this morning by Mr. Tom Parlon, director general, and Mr. Hugh O'Neill, Mr. Anthony Neville, Mr. Hubert Fitzpatrick and Mr. Shane Dempsey. I understand that Mr. Parlon will make a short opening statement, and we will then have questions from members. I thank the witnesses for their attendance.

Mr. Tom Parlon: Good morning. We are happy to be present to assist the committee, which has a tight deadline and must devise recommendations in a short period. Two of my colleagues are members of the CIF and house builders, from which point of view they will bring quite a bit of experience to the question and answer session, while the other two are executives who work with me. We represent the builders who have the skills and capacity to build houses. I hope we will be able to bring that perspective to the committee.

House building has become a lesser but still substantial part of the CIF. The industry's overall capacity is growing and recovering. It has a ways to go before it can be deemed to be at an optimal level, but recent CSO figures show that we are increasing the construction workforce by approximately 1,000 workers per month. Unfortunately, that increase has not materialised on the residential side, which is the issue that we are present to address.

I have read the transcripts of the committee's meetings with other witnesses. The lack of supply is the real problem. Some have suggested that the problem was the management of

existing supply, but there is no doubt that supply is a major part of the problem. The industry's large problem is the cost of construction compared with what the market is in a position to offer. My submission goes into the issue in some detail.

Substantial infrastructural investment, be it in roads, water, wastewater or schools for new communities, is necessary. We cannot build 10,000 or 25,000 houses without it. There has been a great deal of debate lately about the possibility of a Minister for infrastructure and construction or housing. It is imperative that someone have overall responsibility. The acting Minister referred to levers that need to be pulled. I appreciate that it would be difficult for one Minister to have access to all of them, but it is imperative that someone be given responsibility by the Government - for example, a senior civil servant who could lift the phone or pull the lever that is holding things up.

Housing supply has a knock-on effect on the issue of homelessness. The availability of adequate mortgages is a major issue for some borrowers. Assembling the required deposit is a major challenge for many who are attempting to get onto the housing ladder. If a number of these issues are addressed, it will stimulate new house building. The level of direct social housing provision will certainly assist these persons also. There are many people on the margins of being able to draw down a mortgage and provide their own housing. We agree with the Central Bank applying restrictions, but some minor tweaking of these restrictions will allow people on the margins to qualify for mortgages without having a negative impact on their repayment capacity.

We have made a substantial and detailed submission that I will briefly run through. For a while we have been proposing a help-to-buy scheme. It would be a direct help to first-time buyers and has been happening in the United Kingdom for a long while, with very good effect in terms of the numbers of houses turned out. It means that the State or the Government would take an equity stake in loans up to a maximum of 25%. It means that somebody attempting to buy a house for €300,000 would see the State take a maximum stake of 20% or €60,000, with that amount being repayable over five years. It would make the challenge of getting a mortgage and putting a deposit together a little easier. It would certainly assist in encouraging supply. As I noted, getting a mortgage together has been a challenge and we, therefore, suggest a tax incentivised savings scheme for first-time purchasers of new houses that could be restricted to those saving for a deposit. It would certainly provide an incentive. We suggest a contribution of up to 25% by the Exchequer for every euro saved.

Development levies are a substantial cost on the industry and, as a result, first-time buyers. We can understand why they were introduced originally, as the investment in infrastructure had to be made. Now we have the local property tax and we had water charges until recently; therefore, it amounts to double taxation. The local property tax regime should be developed sufficiently to provide for infrastructure, with the levies being dropped. VAT has been mentioned. A number of people have accepted that 36% of the cost for a first-time buyer goes to the Exchequer and VAT is certainly one of these costs. A reduction in VAT, as proposed by us and a number of other players, from 13.5% to 9% would help to reduce the overall cost of a first-time buyer's €300,000 house, for example, by close to €12,000. There is a question as to how we could be sure it would be passed on to the first-time buyer and that is one we would like to address. One of our members has indicated that if there was a change in the VAT rate, it would be reflected in the price of the new houses he is selling. The industry does not want to be accused of lining its pockets in that regard.

It is about working out a viable proposal for lenders. Practically all builders have to acquire

finance, not just from banks, to provide a maximum of 60% of the funding required, but it is a dysfunctional market. With regard to other financiers that may come on board, unless there is a viable plan and a margin can be demonstrated, there will be no funding. Dealing with the VAT issue, as opposed to levies, offers an opportunity to bridge the gap. The process should be targeted and time-specific in order to alleviate concerns any change could lead to difficulties. We propose changes to the seven-year capital gains tax exemption. It was put in place for a very good reason, but there was an unintended consequence, as happens in many cases. There is now no requirement to develop the land in question during the relevant period.

There is the review of Central Bank rules. Currently, to obtain a €300,000 mortgage, a person needs to have €38,000 and an annual income of €75,000. Unfortunately, that will accommodate a very small percentage of potential house buyers. It does not take into account the fact that first-time buyers are substantially older than they may have been previously. They may be five or six years older and have a family. In most cases they are renting and could be paying up to €20,000 a year for rent, which is not taken into account. We are proposing some modifications that will lessen those requirements and with which the banking sector can be satisfied. It would have to be satisfied with the repayment capacity of the people.

On the social housing side we propose a number of different things and we know the committee has had a number of the players in already. We are proposing a review of the landbank retained by the Housing Agency and local authorities and its immediate suitability for general housing construction. We feel, as many commentators have said, that within the M50 there is a great deal of land, which certainly has to be reviewed. We have to work out what is available and shovel ready and make it available.

Part V contributions are an issue that have been raised time and again. We absolutely support a contribution to social housing but we feel that Part V makes a very minute contribution, particularly when there is little or no housing being built. If we are to ramp it up, that Part V contribution passes on to the first-time buyer just like all the other costs. We have proposed all along that instead of the Part V social housing contribution, there should be a 1% levy on all residential transactions. The figures we have presented here show that it would bring in substantially more than is currently the case.

In terms of urban regeneration, in particular in rural towns, there is a great deal of capacity, with many sites derelict and many rural towns falling into disrepair. We propose some incentives to encourage the people who own those sites to turn them into good quality living accommodation in towns where it suits people and families to live and so on. It would make the upgrading more financially viable.

The last point I will raise is the register of builders. The Construction Industry Register Ireland was accepted by the outgoing Government under action 55 to provide a register for contractors, builders and tradespeople on a statutory basis. The register would mean that when the customer, whether it is a housing agency, individual or local authority, engages a contractor from the register, they are assured they will get a competent contractor that is fully compliant in terms of tax, health and safety and insurance. It will get rid of some of the issues that unfortunately brought ill repute on the industry where non-professionals were involved and took advantage of loopholes and so on. This is something that the industry absolutely supports. There is a voluntary register in place at the moment with more than 850 people registered. We feel that through the attempts and efforts by the industry to solve this particular problem in terms of getting the output, the work will be done by competent professionals in future.

I will leave it at that. My colleagues will be anxious to try to answer any questions that are put forward and we look forward to the questions.

Chairman: Mr. Parlon indicated in his opening comments that the cost of housing, taken in the context of the Central Bank's guidelines, is an issue. During his presentation he referred to the issue of VAT and development levies and so forth. It would be remiss of the committee not to ask directly what saving, if any, can be made on the costs over which the construction industry has direct control? Mr. Parlon has pointed out other areas but what about his own area over which he has control?

Mr. Tom Parlon: It is a very valid question. The chartered surveyors have come forward with a number of costings recently and one that will be publicised very soon suggests that on a typical €300,000 starter home in Dublin, the actual construction costs are about €150,000, which is about half of the end cost. After it has been constructed, the site, VAT, levies, and Part V contribution have to be provided for, which is currently about half of the end cost. I saw a presentation on the economies of scale which suggested that if one were to build 500 units, it would be fine. However, it is difficult to build five at the moment because of existing difficulties. The industry would face up to the challenge of the economies of scale. Overall, the industry is fulfilling massive projects at the moment. I will name two within fairly close proximity to Dublin. Facebook is constructing a data centre in Clonee, County Meath, which is worth close to €1 billion. The efficiencies brought in there are absolutely world class, whether it be lean construction, building information modelling, BIM, or all of the modern stuff that brings more efficiencies. That is what our members are obliged to do and are embracing. Likewise, Bristol-Myers Squibb is building a fabulous new facility to build one of the most advanced cancer drugs in the world. If the opportunity is available, the house building industry will step up to the mark. However, due to the lack of scale we know there is massive pressure around at present. On the wage side, we believe we pay a substantial wage. We are in engagement with the unions at this stage, but certainly we do not see that there is much scope to reduce the cost of labour on sites. It is a very labour intensive industry. Most commentators are saying that the 10,000 extra houses we would like to build would provide 25,000 jobs.

In terms of the other materials, there is not a great deal of scope. If there is increased demand, there is pressure. The industry certainly will face up to finding efficiencies there, but we genuinely do not see that there is much scope to reduce the bill cost. If one compares our hard building costs internationally, we are very much in line with what is the norm in Europe at present.

Chairman: Mr. Parlon has indicated that in the case of a €300,000 house the construction cost was approximately €150,000. What is the breakdown of that €150,000 between materials and wages?

Mr. Hubert Fitzpatrick: The labour involved in building a house is usually approximately 1.5 direct jobs or 2.5 jobs, direct and indirect, per annum. If one factors that into it, that should give a reasonable breakdown between labour and materials.

I wish to make a point regarding the hard construction costs. We looked at the hard construction costs of a house here compared with those in the UK. On a per square foot basis, the hard construction costs in Ireland were on a par with those pertaining in the UK, but the difference related to the size of house here compared with the size in the UK. House sizes in the UK are generally 20% smaller than they are in this country. It is the other soft costs that are out of line with those pertaining in the UK. In the UK, there is a 0% VAT rate and there would not be

the same extent of development levies and so forth. We were anxious to address this issue over the past 12 to 18 months. The hard construction costs are broadly in line on a square foot basis, but it is the other related issues that are causing the difficulties, including size.

Deputy Bernard J. Durkan: I welcome Mr. Parlon and his colleagues. What intrigues me most is the €300,000 starter house and the ability of the average loan applicant to service a loan. As the Chairman knows, we are supposed to be well paid. I would not be able to service that type of loan for a starter house, and I am sure I am not the exception. In Mr. Parlon's calculations, what regard was had for the various costs? Incidentally, I accept that the VAT and taxes are a third of the total cost of a house. It has crept up gradually to such an extent that it is virtually impossible.

There are two items that I consider to be the biggest contributors to inflation in house prices. One was the speculation that took place in the land sector, where a person acquired a plot or plots of land or control over a multiplicity of plots of land and used that as a lever to enhance their own profits. There have been countless instances of this. I note what was said about capital acquisitions tax, capital gains tax and so forth. They should kick in to remove those problems, but apparently they do not. The problem facing us now is that over a seven or eight year period house prices increased by approximately 500%. That is intolerable. The availability of unlimited funds was a contributory factor. What about the speculation that took place where a person acquired a property or a multiplicity of properties and off-loaded them after six or eight months to somebody else at a massive profit, who in turn off-loaded them to somebody else, again at a massive profit? Arising from that period, what amount of land likely to become available to the construction sector for the public and the private sector might be affected by the inflated prices that prevailed during the boom? In other words, are we using as a benchmark prices which are reduced somewhat but which have their roots in the boom period, so that some people who had speculated wrongly and unwisely might see themselves in a position to recover some ground? Our job is not to facilitate that but to facilitate the customer, whether that be the building sector or the consumer. That is the first option.

Chairman: I thank Deputy Durkan. If Mr. Parlon holds on for a moment, I will take two or three questions together. I call Deputy O'Dowd.

Deputy Fergus O'Dowd: I welcome the Construction Industry Federation, CIF, representatives. We all - society, politicians and the CIF - have a great deal of ground to make up. It brings to mind two houses side by side in the recent election. One was bought for €750,000 while the next door neighbour in the exact same house paid half that. There has been huge speculation and indeed the good name of the builder is very difficult to stand over in many parts of the country because of the exploitation and the profiteering that took place. We all, including politicians and the industry, have to step up to the mark. I would have liked to see much more constructive suggestions from Mr. Parlon's organisation. I welcome the points he made, and I am not being critical of those, but we would like to hear more from him about what more the CIF can do as an organisation to reduce costs and make housing more affordable.

The CIF has a large number of properties in town centres, which are over shops and businesses and are unoccupied. It seems to me that it would be constructive to have a scheme whereby they could be made suitable for modern flats or residences for people with the family type that could live there - childless couples, single people, or whoever. There are also many infill sites in the ownership of local authorities. If the councils identify them, we ought to be able to reach a satisfactory solution whereby they could be offered as serviced sites to builders competitively to build on. That would get over many of the infrastructure costs Mr. Parlon

talked about.

Finally, I think it was the Affordable Homes Partnership that looked some years ago at a place like Gormanstown army camp, which is more than 200 acres. One could take 60 acres of that land, which could be serviced by the State. We would have to get the vehicle that other members have spoken about - a special purpose vehicle, NAMA or whatever - so that we could offer sites serviced by the State in terms of special infrastructure funds or whatever. There would be two builders in a competitive, fixed-price environment. It would do away with the issues the CIF has as an organisation as regards the cost of infrastructure. The State has an obligation to support social and affordable housing. Is there a formula we could find, nationally or regionally - it would probably require a bigger organisation than a county council to get it right - so that we could immediately move on sites that are owned either by local authorities or by State or semi-State bodies that could be used immediately for housing? I would like to hear Mr. Parlon's views on that.

Chairman: I will take one more question in this section. I call Deputy Coppinger.

Deputy Ruth Coppinger: What is the CIF's view on the report at the weekend in *The Sunday Business Post* that NAMA has allowed 80 major property developers to walk away from €1.5 billion of toxic debt? The write-off is equivalent to €19 million per developer. How does the CIF feel about this? Is that just? Has Mr. Parlon any views on it, given that ordinary mortgage holders are still being screwed to pay for inflated house prices and yet members of his organisation, although they may not all be members, are being allowed to walk away from their debts?

I want to deal with what Mr. Parlon raised in his submission. My substantive question is: how much profit is sufficient for a builder to build? For example, regarding this famous starter home for €300,000 - which does not seem much like a starter home if one considers the income one would need to buy it - how much profit would CIF members be happy with on such a house? The CEO of NAMA has said that it is profitable to build houses and that it is a question of how much profit people want to make. He suggested that builders are not happy with profits of €20,000 per house and they are waiting until the profits reach €50,000 or more.

The CIF representatives have come here today looking for a range of breaks and incentives. They want abolition of the Part V system and development levies and for ordinary people to pay more property tax. They also want the tax breaks that the Department of Finance found had benefited high-income earners in the main to be reintroduced. Those tax breaks also led to the construction of all those empty houses in Leitrim. Our guests want the introduction of a help-to-buy scheme, as exists in Britain, which has turned out to be a help-to-sell scheme. They want tax incentives for new buyers, many of whom are able to save in any event and are not really the focus of this committee. Given those two features, is it not fair to deduce that the developers - the CIF's members - are on strike and holding the country to ransom until they get these concessions from Government? If that was a group of workers, its members would be slated every day in the media. Why are the developers and the construction industry allowed to hold off until it is profitable enough for them, and ask the Government to cave in and give a rake of concessions to get them to do what they are meant to be doing?

Chairman: The Deputies have posed a number of questions for Mr. Parlon to answer.

Mr. Tom Parlon: I see our submission did not have much impact on Deputy Coppinger.

CONSTRUCTION INDUSTRY FEDERATION

First, I will address Deputy Durkan's questions. He is right about land speculation in the past. It drove site prices out of control and that led largely to the crazy prices that were achieved. It is not the case now. We only refer to a house costing €300,000 because that is the asking price. The new type of house that buyers will get now with the new building regulations, etc., is a superb quality home in terms of the finish. It is a very good product. There is an assigned certifier system that it has to be signed off by a chartered surveyor, a chartered engineer or an architect. That adds substantially to the quality of the house and adds substantially to the cost. However, as members will tell me and as we can see from the chartered surveyors' figures, €30,000 is the absolute maximum one can put in for that particular site.

Some investors with the big funds have come in. We have seen various projects and massive numbers of sites being sold off to developers. When the number of sites is divided by the overall price, those individual sites can range from €20,000 to €150,000 each. An earlier contribution to this committee suggested that development land was sold for €120,000 or €140,000 per site. They say it is a question of location, location, location. However, somebody choosing to buy a site for €120,000 needs to get a very big mark-up on the build price. I do not think that can happen anymore and certainly we do not.

There have been suggestions about how to curb hoarding of sites and how to encourage people sitting on those sites to offload them. We would certainly favour such development generally. However, the reason that a number of sites are not being developed is not because somebody is sitting on them or, as Deputy Coppinger said, that the individuals are on strike. It means there is a planning issue, a financial issue in terms of not being able to afford or not being able to draw down the finance to develop it, or far more likely there is an infrastructure issue in that there is no water supply, wastewater services or there is no road access to the sites. That was the past and I do not think we will see that in the future. I did not see the article to which Deputy Coppinger referred, which was published in yesterday's edition of *The Sunday Business Post*. The Construction Industry Federation represents people who build and take risks in employing people, buying plant and getting their hands dirty every day. It does not represent speculators. In the past, some builders became speculators and they came to great grief as a result unfortunately. These individuals may well be among those who were referred to in yesterday's newspaper article.

To respond to Deputy O'Dowd, I agree the industry has ground to make up, as have politicians. The reason we are strongly in favour of a register is that it would exclude cowboys from the industry as it would include only professionals who know their business, are competent and tax compliant and meet all the other strict criteria that apply in building.

I will ask Mr. Fitzpatrick to respond to the question on making use of properties in town centres because he has a specific proposal to make on that issue. Some efforts have been made to encourage this practice in cities and there is certainly scope for doing so in all towns. I am from Offaly but my local town is Roscrea. Castle Street in the town used to be a thriving area with a hotel, a couple of banks, pubs and so forth. If one were to drive up the street at 11 p.m. nowadays, one would see perhaps three cars and every premises would be closed. There is certainly scope to take action in the area because the street has a large amount of space to accommodate people. Some form of an incentive to invest in it is needed.

I will respond to Deputy Coppinger before I ask Mr. Fitzpatrick to speak. I do not have any idea who the developers to whom she refers are. However, in my experience of the National Asset Management Agency, if it has signed off on a developer, it is because there is nothing left to get from him or her. NAMA has done a very effective job at working out a way to maximise

the return it can make on whatever assets individuals have left.

The Deputy asked how much profit is enough and cited the views expressed by the chief executive officer of NAMA. I contradicted the statement he made at the time and I do not believe NAMA would still suggest that this view holds. A margin is whatever one may have left over. It is not the case that there is a €20,000 margin. Banks would seek a margin of 15% and I believe NAMA factors in a 15% margin for the builder when it is engaged in joint ventures or financially supporting some of their clients to build. There is a substantial amount of this type of construction taking place. As to the notion that a builder would not build for a margin of €20,000, I guarantee the Deputy that any builder, including the two gentlemen present, would take the hand of anyone they believed was offering a €20,000 margin on a €300,000 house. It is certainly not the case that such margins are available.

On the issue of developers being on strike, thankfully builders are finding work other than building houses because it is not economically viable to build a house in most cases. Perhaps the other witnesses would like to speak in greater detail on that issue. Anyone who walks around Dublin will see massive refurbishment works taking place throughout the city. Builders are becoming subcontractors and specialising in other works. Standard house building, which most small family builders used to engage in, is unviable at the current prices, given the costs the builder must incur and the prices available. Perhaps the developers are on strike and maybe they can afford to be on strike or have some money left over from the crash. However, many of the builders the Construction Industry Federation represents are still underemployed, which means there is capacity. We are concerned that a big pick-up in activity will result in a skills shortage. We are discussing that issue with SOLAS and a number of other education bodies because we know there are many people on the live register who have construction skills that need to be upgraded before they can go back on site. We look forward to having that problem. Currently, however, there is still capacity in the sector and we do not have a skills shortage.

In terms of house builders and general main contractors, some of the bigger schemes, which will involve main contractors, will be tendered and so on. Recently, I learned from one of our members, who is doing a substantial scheme of more than 100 houses, that he is operating on a margin of slightly more than 2%. Any businessman looking at that figure would say the margin is much too tight to guarantee a return. Margins are so low because of the competition in the business. To suggest that builders would not build for a margin of €60,000 is ridiculous. The Deputy should ask the CEO of NAMA if he continues to hold the view he expressed on this matter because it is used to have a go at builders. I can guarantee it is not the case.

Mr. Hubert Fitzpatrick: In many parts of the country, sales prices for existing stock are far below replacement cost. Houses in many parts of the country can be bought at the moment for, perhaps, 60% to 70% of the build cost of those units. That is a major problem because it is not viable to secure finance to build any units in those areas. Clearly that issue has to be addressed.

In regard to Deputy O'Dowd's suggestion about the various infill sites, there is significant scope for rejuvenating those particular sites. There may be some constraints to developing those sites and there may be issues in respect of building regulations that pertain to living over the shop areas and so on. We suggest that the building regulations be looked at to see whether they can be tweaked to ensure that development can be made viable and, at the same time, to ensure buildings that are fit for purpose and satisfy all needs are being built.

The regional nature of the market cannot be over-emphasised. Some development is taking place in Dublin and Cork and a little in Galway. After that it is very sparse. The industry wants

to build houses but if the costs are higher than sales prices, it is just not viable to do so.

Chairman: I thank Mr. Fitzpatrick.

Deputy Barry Cowen: I apologise for my late arrival. I thank the delegation for the presentation which I read earlier. We are on the same page in regard to many aspects of it, including the savings schemes and the recognition of those who rent properties. I give some credit to the review on deposits conducted by the Central Bank. In regard to the landbanks, the audit of them and the potential for development, I seek the opinion of the delegation in respect of the joint ventures that may be possible with local authorities and the incentive in terms of VAT refunds. A reduction in VAT might be something that could be explored.

We are on the same page in respect of town renewal and regeneration schemes. Has the delegation any suggestions or legal opinion on the CPO legislation and its potential for exploration where the local authorities could take the lead? I would not agree totally with the way in which the CIF seeks to revise the development levies. A holistic approach needs to be taken throughout the country and the Government has a role to play in realising that wish.

I disagree with the view expressed in regard to Part V contributions. Across the whole construction sector we seek to assist private and public development and address the issues of rental and mortgage distress, and a holistic approach would improve the lot of the social dividend for the State. Having played our part in revising that sector, there should be a return on that investment in regard to Part V. Not alone should the 10% be restored but I would like to see the 20% restored. I respect where the CIF is coming from, but if there is an improvement, a benefit must be derived by the State.

My two questions are on certification and compliance costs. I do not think Mr. Parlon referred to these in his submission. It has been said that these cost up to €20,000 for an apartment in Dublin. The costs have been exacerbated in recent years with the new regulations that have come into force. Is the CIF interested in a licence system specifically dedicated to this area and perhaps supervised, managed and policed by local authorities? I do not think the availability of funds was mentioned in the presentation either. That is one of the major stumbling blocks to development taking place at present, namely, the lack of available funds from institutions.

The Government initiated a scheme together with some American funds in which the Government invested €125 million along with €375 million to create a €500 million fund. What rate are CIF members being asked to pay and how does it compare with the mezzanine funds which are far greater than one expects? Is Mr. Parlon open to strategic investment funds being put in place to assist the sector at more competitive rates than is the case? I am sure he will agree that if rates of 15% and 16% are being charged, that will have to be stopped and more realistic proposals will have to be put in place that can help and assist the industry.

Deputy Joan Collins: I will be brief because I am not really *au fait* with the various aspects of the building sector. However, we are in a state of emergency and crisis because people have no homes. This committee was initiated in order to allow members to sit down and work with people with building know-how. Mr. Parlon made the point that the average ballpark figure for building a house is €300,000, with €150,000 of that being for construction costs and labour. I would like a breakdown of all of that. Many building sites no longer operate by way of direct labour but via the relevant contracts tax, RTC, system whereby a self-employed person employs five or ten workers to go on site. This deal is made with the developer in advance.

I do not believe the prices we see represent the real cost, although perhaps they do. However, with €150,000 going on costs, I would like to see a breakdown for the materials used and in respect of labour. I would like to see how these costs are arrived at, how much goes on labour, what goes on VAT and how much goes on development levies. Also, how much of a profit margin does the industry expect across the board? The costs may be genuine, but an open and honest approach must be made to show this, because people do not believe the stories anymore. They have gone through a great deal and they do not trust developers and builders anymore. If there was a willingness on the part of the building industry to work with the State on the basis of the actual costs and what profit they are willing to accept, the State could adopt a more open approach and agree to work with it on the issue. It could then examine whether it could provide the amenities required such as drains, water pipes and so on. However, we cannot do that until we have an honest appraisal from the construction industry on the costs and profit margin required.

Does the construction industry think there should be a cap on land prices over the coming period - as there was some decades ago - in order to try to stop the inflationary aspect of house prices into the future? Would this help control construction costs and ensure that everybody involved gets a fair cut, makes some sort of profit and gets a job and there is a benefit for all, rather than contributing to house prices increasing again?

Chairman: We will take just one or two more questions. To be helpful, if Mr. Parlon does not have all the answers on cost, we will have the Society of Chartered Surveyors before the committee next and its representatives may have more detailed answers. Deputy Joan Collins may like to continue her line of questioning with them. However, we will wait to see what Mr. Parlon has to say on that.

Deputy Maureen O’Sullivan: We are hopeful we will have a Minister dedicated to housing. Mr. Parlon mentioned the issue of access, an issue which also arose at our meeting last week. Will he outline what he means by “access” from the point of view of the construction industry? What is needed to get movement on this?

My second question concerns capacity to build and the skills required. Mr. Parlon said there is no skills shortage, yet we know there has been a major fall-off in apprenticeships. How is that being resolved? I know from a previous career that apprenticeships are important for significant numbers of people. I am also aware of the disappointment that has existed because these apprenticeships have not come on stream in recent years. Reference was made to SOLAS. Can Mr. Parlon outline what is happening in that regard?

My third question relates to landbanks and availability. Do we know how much land is available for building in the near future, how much available land is not being used for building and what capacity exists? In Mr. Parlon’s experience of the industry, what are the biggest stumbling blocks to their being forward movement in this regard as soon as possible?

My last question relates to ghost estates. What is the position of the construction industry on these and what potential is there for it to make progress on them?

Chairman: The final person to put his questions is Deputy Quinlivan.

Deputy Maurice Quinlivan: I am delighted Mr. Parlon started by saying the housing market is dysfunctional at this time. It is important the construction industry recognises that also. He said we need substantial investment in infrastructure and I would like him to provide some

more detail on that.

I have a huge concern with regard to Part V contributions. I reiterate what Deputy Cowen said, namely, that 20% of houses built should be for social housing purposes. We had a huge discussion at a previous sitting of the committee about the fact that we no longer wanted to build houses in totally social housing estates. We do not want to go down that road. The Minister has also announced the social housing 2020 strategy. Mr. Fitzpatrick has said that as long as the market value of existing or new homes is lower than the replacement cost, little or no private house building activity will take place. For example, in his submission, under the Housing Bill, he states one can buy a house in Hospital, County Limerick for €75,000 and estimates that the cost of building it is €185,000. There are a number of houses for sale in the area. As one can buy ten for the same price, why would one build them? We need to start a massive house purchase programme of the houses available and put people in them because people are homeless and there is a crisis. They have nowhere to go and we cannot wait two to three years for houses to be built. Is the Construction Industry Federation stating it cannot build them because the market price is too low? We require State intervention to buy these houses. I had a huge concern that the figure of 1% suggested in Part V would be used for housing infrastructure to be built, yet no social units would be delivered.

Mr. Tom Parlon: I will address some of the points made and will then ask my colleague to discuss the issue of certification and compliance costs to which Deputy Barry Cowen referred.

The availability of funds is a major problem. Chartered surveyors have suggested - I heard from their chairman recently who I am sure will give the information to the committee first hand today - there could be a cost of up to €21,000 in financing a €300,000 home. That is crazy, assuming that the builder has to borrow everything, which is probably the position in most cases. The builder goes to the bank for the figure of 60%, but he also has to seek mezzanine capital or go to somebody else. We are then talking about double digit interest figures.

We certainly believed there was a lot of hooaha about the announcement by ISIF and Activate Capital that were putting together €500 million for house building. They were going to fund up to 90% of this, which sounded very good. However, when the details came out, they were initially talking about a figure of 13% or 14% which was eventually brought down to about 10%. Even after this, as one started to sell the units, there was another levy of 1.5% on top of these figures. With that particular fund, it did appear that the first priority was not to upset or undercut the banks, but funding is a major problem. We know from different contributions and seeing what is happening that the European Central Bank is attempting to almost give money away. It wants money in the economy in order that it can be spent. There was the concept of helicopter money at one stage; one received and spent it and it was going to be good. We know that if a person has money on deposit, or is lucky enough to have money on deposit, he or she will be very lucky to get any return on it. He or she may even be charged by the bank for taking care of it. We know that there is money there. The Exchequer can borrow very cheaply, at a rate of less than 1%, yet when we want to provide houses - I am speaking genuinely and on behalf of the industry - and any builder sticks his neck out and says he wants to build ten, 15 or 100 houses, it becomes very difficult. He goes to his bank and it is a major challenge to first get it to engage. If and when it does engage, it is on a 60% maximum figure and one needs to be well up to the mark to get that amount. It is then very difficult to obtain the remaining funds to provide a very important piece of critical infrastructure - housing.

We met the Governor of the Central Bank to discuss whether the fiscal rules were the issue and he said the Central Bank - even at a European level - would not be involved in lending on a

speculative basis. I do not see how the provision of much needed housing infrastructure would to any degree be speculative. I know that there have been a number of proposals and hope the Government will come up with some formula to take advantage of the availability of very cheap money over a 20 to 30-year period to be invested in housing. The Society of Chartered Surveyors Ireland will go into this matter in more detail for the committee today. Currently, all of the cost of house building has to be passed on to the first-time buyer. That is the unfortunate reality. The Part V contribution required to be paid has to be added to the cost and it is the first-time buyer who pays it. In the crisis in which the country and first-time buyers find themselves it does not make sense to ask that beleaguered sector to make that contribution. If we put the 1% across the boards, it will touch a bigger market and bring in a lot more money. I will ask Mr. Hubert Fitzpatrick to deal with this matter also.

In the context of Deputy Joan Collins's observations on the crisis that exists, we have an absolute breakdown of the costs. Hopefully, the Society of Chartered Surveyors Ireland will have such a breakdown too. We got a registered chartered surveyor to provide our figure for costs and the society can give its own independent costs. I know that, in his report, our surveyor made a point of saying he did not consult any member of the Irish Home Builders' Association or the CIF in coming up with the costs. Chartered surveying is an exact science. If we take a typical house and the new standards that apply, a chartered surveyor will indicate exactly the degree of ground works to be done, the number of blocks needed, the cost of plastering, the amount of timber required, the number of roof tiles needed, all the internal stuff and so on. It is a very exact science and no one is pulling the wool over anyone's eyes. Even in terms of efficiency now and the competition that exists, unless one is a very efficient builder and able to build and deliver a house with the minimum of extras or waste, one will not feature in terms of whether an individual buyer, a local authority or anyone else is involved.

We would all love a cap on land prices. A lot of people have invested in land. A lot of the stuff has been washed out and been sold off. All the sites that were bought for €50 million are now being sold at auction for €10 million and €12 million. That is making its own readjustment. However, the cap that is on land prices at the moment is the value of the site. If someone pays €400,000 for a house in Clontarf, for example, or in south County Dublin, that is probably factoring in a site cost of perhaps €80,000 to €100,000. If trying to get a first-time buyer who has a maximum of €300,000 and who is working very hard to comply with the Central Bank guidelines to a particular market, the maximum value of a site to accommodate his or her house on is probably €30,000 or perhaps even less.

Deputy O'Sullivan raised the issue of a skills shortage. In 2006, we were building close to 90,000 houses. Last year, the number was approximately 10,000. There has been a total, over-the-cliff reaction. It is clear what happened to all of those involved in house building. Unfortunately, many did not get the chance to finish their apprenticeships, and that was a sad situation. In fairness to FÁS and ourselves, at the time we worked very well together to try to assist people finish their apprenticeships. Many of those people have skills and a lot of them are gone. We are monitoring this matter very carefully but currently there is not a skills shortage. We expect, however, that if activity is ramped up, it will happen, particularly in the wet trades. Few or no plasterers, blocklayers or floor or wall tilers have come through. We have been working hard to try to get that ramped up.

We are working with SOLAS and the ETBs throughout the country. They are currently putting on courses for specialties. Form work is a big thing. This is the building of wooden cases to pour the mass concrete to build high-rise office or apartment blocks or hotels. It is very

difficult to get form work contractors. Courses are being set up that will give people the basic skills so that they will be able to go on site. Dry-lining, which relates to internal partition walls and their insulation, is a particular skill in itself. One probably does not need to complete three or four years as an apprentice. An individual could pick up those skills in a ten-week course with another ten weeks on site if that person knows something about it already.

Building sites have become very sophisticated places. Guys are no longer leaning on their shovels on sites. One would be hard set to find a shovel on a site. From a health and safety regulations perspective, it is very rigorous. The last thing a builder wants on site is someone who will be a danger to himself or someone else. Being site-ready is quite a challenge for many unemployed or unskilled people. However, we are working closely with the Department of Education and Skills, SOLAS and the ETBs. In fairness to the ETBs, we are getting a very positive response. SOLAS informs me that it is providing substantial extra funding for training the individuals involved. On the Pathways to Work initiative, the Department of Social Protection has offices all over the country now and we are engaging with them in the context of their being very strong potential employers. They are interviewing people who are on the live register as well as some of our members, who are keen to take them on, and they are upskilling those individuals to make them site-ready. We are making progress. If we get an explosion in house building, we will have a problem. As we know from before, skilled people will arrive from all over the world and, hopefully, many of our citizens who emigrated and went elsewhere will choose to come back. Ghost estates have been resolved largely, except in some of the areas where there is no local employment and so on. Considerable work has been done in that regard.

Deputy Quinlivan referred to a problem with Part V regulations. A figure of 20% of nearly nothing was very little. When house building almost stopped, little or no contribution was being made to Part V. A change has been made now to the 5% arrangement. It is still a rather difficult area. If either of the gentlemen beside me wants to tell the committee how difficult it is to manage this on site, he should feel free to do so. It is still a difficult area to manage. Building 11,000 or 12,000 still amounts to making only a minor contribution to social housing. It is passing on that cost to first-time buyers. We proposed a 1% levy across the board. That would spread the cost and raise substantially the income needed. The committee raised the issue and I heard someone refer to it. As Mr. Fitzpatrick has said, people can buy houses throughout the country at a cost substantially cheaper than the cost for us to build them at the moment. That is why there is no building. We would encourage those units to be bought up where they are available but in the areas where there are the greatest housing shortages, no houses are available to buy at those prices. Deputy Quinlivan referred to a purchase price of €75,000 in Hospital. That is probably going to be an entirely different animal from the new €175,000 house built under the new building regulations with all the bells and whistles in terms of energy efficiency and all the other aspects. We have had this debate previously. When a person is starting off and buys his or her first car, he or she does not normally aspire to a Mercedes or BMW. He or she starts off with a Ford Focus or a Volkswagen Golf. Then, if the standard of safety and so on is good, he or she works up. Perhaps we have gone a little over the top in terms of the size of house and the standards that we are setting in respect of the affordability issue.

Mr. Hubert Fitzpatrick: Reference was made to certificate of compliance costs. The industry fully supported the introduction of the Building Control (Amendment) Regulations 2014. They provided the end user, the consumer, with a far greater level of oversight, certification and a security that the buildings had been built according to the standards. The figure of €20,000 quoted for compliance with the regulations is too much on the high side. I expect the €20,000 figure includes many other costs that the developer would have to incorporate in any

event, such as the cost of drawings and so on. I imagine the real certification costs for compliance with the Building Control (Amendment) Regulations are closer to €2,500 or €3,000 rather than the €20,000 figure. By and large, the Building Control (Amendment) Regulations provide a far greater level of oversight for the end user and a certainty that the buildings have been constructed to the required standard. We are certainly supportive of the consumer having that level of oversight.

Reference was made to the development of town centre sites and compulsory purchase order legislation. I had thought the CPO legislation was adequate. If it requires amendment or review, we would fully support it. The renewal of town centre sites should be supported for a quantified and specific type of development. It should not be open-ended. We want to ensure that we do not end up with an oversupply of any particular type of property in any particular area. We do not want to repeat the mistakes of the past.

Section 48 development contributions are used to fund infrastructure in any part of a given local authority area. Therefore, someone buying a new house in one town may be funding the building of a community centre or other development in another area entirely of the local authority. Section 48 development contributions were introduced at a time when no property tax was payable. No other type of such taxation was payable by households at the time. We view the section 48 development levy as one that could be replaced by the property tax. We still support section 49 arrangements with special development levies that pertain to particular developments where specific works are required to support those units.

Regarding the help-to-buy scheme, we are aware that many people would traditionally have been able to provide for their own housing needs and would have been able to buy a house in the past. Some of those people are now falling back on social housing waiting lists. This ends up being more expensive for the Exchequer if it is to meet that need. A small leg up under a help-to-buy scheme, whereby the State took up to a 20% stake in a house, would be good value for money for the Exchequer because ultimately the purchaser would buy out that 20%.

Deputy Barry Cowen: It is important to tease out the answer. I disagree with some of the points made.

Chairman: Which answer?

Deputy Barry Cowen: The answer in respect of certification costs. The costs may be as the witness says but the charges to the end user are far in excess of what they should be. Would Mr. Fitzpatrick not agree that there should be a new licensing system for the way it is patrolled or policed and that local authorities have a role, considering they were supposed to have one under the old legislation with the compliance officers within local authorities? Is Mr. Fitzpatrick aware of the costs for certification of a one-off building? I agree that the end user must have some sense of security about the reliability of the work, that it complies with building regulations, has planning permission and so forth but these costs are way in excess of what they should be. That has to be addressed. I do not accept that those charges are nearer to €2,000 and €3,000. Many of my constituents pay far in excess of that. Many people around this city are being charged far in excess of that and it must be addressed.

Mr. Hubert Fitzpatrick: In many instances, people were building houses from planning drawings. Building regulation has become extremely complex in the past few years, particularly in respect of compliance with Part L of the building regulations. Where some builders were being asked to build houses from planning drawings, that was not adequate and we needed

proper design drawings submitted for building purposes. I know that many people building one-off houses incorporated the design fee into the Building Control (Amendment) Regulations costs. It has to be broken down into the work required for the detailed design of the house and the certification costs for going in and overseeing the development. When we break it down on that basis, the costs are closer to €2,500 or €3,000 per house. The one-off housing sector is certainly seeing it in a different light. People in that sector view the design costs as part of this compliance issue. I will be happy to go through this with the Deputy.

Deputy Barry Cowen: My question is about the role of the local authorities. Does Mr. Fitzpatrick not accept that a good licensing system, similar to that in the United Kingdom and the North of Ireland, brings the costs down and is as efficient as, if not more efficient than, the present system? Many say it is a divvy up for the sector.

Deputy Ruth Coppinger: Will others have a chance to come back in on the replies? I would have loved to.

Chairman: The surveyors are outside and there are issues that I want to follow up.

Deputy Joan Collins: Can someone comment on the relevant contract tax, RTC, and the direct labour costs in the construction industry?

Chairman: I will take the remaining questions and then we can complete this module.

Deputy Catherine Byrne: I want to make observations rather than ask questions. I thank the witnesses for the presentation this morning. We are all here to put some kind of formula together so that people can have a home, whether social or private housing. Eugene Cummins of Roscommon County Council and Dick Brady of Dublin City Council were here last week. Mr. Brady said there are more than 22,000 sites available for local authority housing across the city. Do the witnesses have any idea what kind of sites they are and what size housing estates can be built on them? Some I imagine are very small.

There are small sites across the city which lay vacant all through the boom and still have nothing on them. Mr. Parlon said reviewing the sites would be very important for the construction industry. I agree but is it not true that many larger construction companies do not want to build any kind of housing because it is not profitable enough and the builders who were building small banks of houses unfortunately do not have the money anymore? Mr. Parlon made that quite clear. Have there been any formal talks with the councils about the sites they have? Have the witnesses any idea of the number of sites there are and the capacity of housing they would hold?

Something which jumped off the page at me around social housing was that a tenant should not be allowed have a sale of a house if it is below the replacement cost. Like my colleagues, I have dealt with people who have lived in social housing all their lives. Many of them have lived in those houses for 40 and 50 years. It is disappointing that anybody would want to prevent them from buying their houses, on which they have probably already paid half a mortgage or a full mortgage. People living in social housing should have the right to buy if they have lived in a house for more than a certain amount of time. Dublin City Council conducts a very fair process to allow its tenants to buy. I am only familiar with it and South Dublin County Council.

I agree with the witnesses about living over shops. Although it is very important, in many country areas and small urban towns, there is just not the population, unfortunately. Many young people have left and have come to the cities because that is where the work is. There are

a number of reasons people do not live in the countryside and we will not go into them.

On first-time buyers, many young people were caught up in the property boom and bought houses at extortionate prices. They now find themselves not living in those houses and having to rent them out. Some are having to move back home with their parents because of the mortgage and so on. Have the witnesses any suggestions about people who are in negative equity and what can be done to help them? As Mr. Fitzpatrick said, many of these young people are falling back into social housing. Many have had to give back their keys reluctantly while some wanted to give them back because they just could not live.

Deputy Brendan Ryan: Returning to Part V, I agree with others that it should be 20%. The witnesses' presentation indicated that the operation of Part V contributes to restricting new residential building activity and puts upward pressure on all costs. We have dealt with the costs. I would question the argument about it restricting new activity. My sense of the building industry is that for other reasons altogether, it would prefer to have private estates without any element of social housing. Is that not the real truth in terms of why the witnesses would prefer to see Part V restricted in some way?

On the suggestion of a 1% levy, in the past with Part V, when local authorities were in a position to take money instead of delivering housing, that money just went into a black hole and no houses were delivered. Why would the witnesses' suggestion be any different? Is there not a real case for saying that when there is building activity on a site, those concerned should at least deliver something while the planning and the development is under way?

Regarding the suggestion to reduce VAT, if that could incentivise the industry it would be very welcome. What guarantee could the witnesses give us that it would not be absorbed? There is a poor track record in that when incentives were given to home owners - first-time buyer's grants and so on - typically, those incentives were added on to the price of the house and did not benefit the consumer at all.

Section 3 of the witnesses' presentation deals with development levies. While estimated costs are included at the end of the paper, this section seems to suggest that there would be no cost to a change in that development levy. It is stated that local property tax should be appropriately structured so that adequate revenues are raised. We currently have the property tax and the levy so there is an income there. If it is taken away, there is a loss of income, so there has to be a cost. Are the witnesses suggesting that the property tax should be increased to take account of any reduction in this levy?

Deputy Mary Butler: My line of questioning is similar to that of the last two speakers. Would the witnesses accept that there is an over-reliance on local authorities to provide social housing? As Deputy Byrne said, Mr. Eugene Cummins and the County and City Management Association came before the committee last week. They stated that local authorities are not developers and even if they had adequate resources to build on their lands the regulations stipulate that they can only use 10% to 15% for social housing. There is a perception that the federation would prefer to stay away from the issue of social housing and hand it over to the council, which is why it wants to reduce the amount of Part V housing.

I would like the witnesses to expand on the proposal that the sale of any existing housing stock to tenants should not be below replacement level. As Deputy Byrne said, some people have lived in houses for 20 or 30 years. It was only this year that the Government reintroduced the scheme whereby tenants could buy their houses.

The committee has a remit to deal with the whole of Ireland. We keep referring to starter homes priced at €300,000. In my constituency, Waterford, one could buy a newly built three-bedroom semi-detached for €165,000 or a four-bedroom detached house for €240,000. People still find those houses too expensive, but I want to put prices into context because although the issue of price is prevalent in Dublin it is a problem all over the country.

Deputy Kathleen Funchion: Many of my points have already been raised. I disagree with the abolition of Part V and the rule on providing 20% for social housing. Not only does the rule provide homes, but some of the best estates throughout the country are places where Part V was at 20%. I agree that if it is to be replaced by a levy there is no guarantee the money will be spent on social housing.

Labour costs and wages were mentioned. The average worker in the sector is not a millionaire. We need to be strong on that point. People working in the sector have suffered many wage decreases and many, in particular those in rural areas, are unemployed and may never have an opportunity to re-enter it. I do not want the impression to be given that the cost of building only involves labour costs because it certainly does not.

Urban regeneration is a good idea. We know part of the problem is the supply of housing, but we also know there are a large amount of vacant properties in rural and urban areas. Regeneration would be great for many villages and towns. It would increase employment and activity. I would like the witnesses to give us more information on how they see that working. They may not have the information with them today, but I ask them to forward it to the committee. It is an excellent idea. Not only is it more immediate for those who are facing homelessness or are currently homeless, it also feeds into a wider social argument about regenerating our towns and villages. Any constituency with a mix of urban and rural areas will have places that have become like ghost towns. I would like more information on how regeneration would work in practice.

Chairman: Before Mr. Parlon responds, a number of issues will probably overlap with the next section dealing with surveyors. We can follow those up. I invite Mr. Parlon to address a number of questions.

Mr. Tom Parlon: Deputy Byrne raised a number of issues regarding small sites. I look out for sites while I cycle and walk around the city. I see sites that have been idle for a long time, and are now being sold off. There are now fewer costs involved in developing a site because the chances are that water and sewerage networks are connected and street lighting has been installed. Such sites lend themselves to development.

The Deputy also referred to first-time buyers who bought expensive houses. The figures show that the number of people in negative equity is on the decline, something of which I have personal experience. Price increases are one factor. I understand they have now stabilised fairly well. All of the indications are that interest rates, which are another factor, will remain very low. There is now pressure on banks to reduce mortgage rates and so on, something I hope the new Government will deal with. I hope there is some light at the end of the tunnel for those affected.

Deputy Ryan referred to Part V and asked whether people do not want social housing in a development. From reading some of the transcripts of previous meetings, I know that the committee has had lively discussion about that before. Whether it is people objecting or people not wanting to buy, it is an issue. We provide the product and we put it up there. As far as we are

concerned, we do not have any prejudice in that area. If the Government says that we must do X, Y or Z, we do it. It may have implications otherwise.

What previously applied to social housing is not the case anymore because nearly 90% of the people who are now on housing lists are individuals who do not comply with the Central Bank's mortgage regulations. It has no other stigma attached to it anymore. It is simply that people can ill afford to buy. This is an issue that will become more apparent. The industry and the builders do not have any issue. It is a purely economic point we are making. I know there is opposition to it. I would expect that if there was a 1% levy, it would be entirely ring-fenced and would go directly into housing, rather than anywhere else. There were many local authority levies collected in the past that disappeared into other obligations that the local authorities had.

One question that arises all the time relates to the fact that if the VAT is reduced, what guarantee is there that it will be reflected in the price of houses? That is a tricky one. One of my colleagues has already said that if the VAT were to change in the next while, it would be reflected in the prices that people have offered to pay and in their mortgage deposits. There was a VAT change in the hospitality sector. I have heard the Minister for Finance say several times that if he sees the prices of hotel rooms or meals rising, he will have a rethink in this regard. In terms of the taxes coming in, the large amount of people involved and the fact that every hotel room is being filled with a shortage of them around the country now, my understanding is that the Exchequer return has given a major boost to the industry. I hope that model will be looked at in terms of what applies to the housing industry.

The industry needs a profit margin. If one does one's figures now to build 100 houses, gets a chartered surveyor to do the costings and factors in the VAT at 13.5%, saving a bit on the levies would make a difference. The Society of Chartered Surveyors Ireland suggested that if there was a €6,000 local authority levy across the country, it would save €7,000 or €8,000. If the financing costs were halved, it could save €10,000 or €12,000. If the VAT was reduced to 9%, it would save close to €12,000 as well. Taken together, these would add up to nearly €30,000 in savings. If that €30,000 means that the bank says, "Go ahead, build those 100 houses", one still has to take a chance on building.

The other thing is that there is no speculative building of 100 houses. These two gentlemen beside me might rap my knuckles when we leave, but if they had planning permission for 100 houses, the chances are that they would build a showhouse or two to show off the style of houses and then they would build a few more. They would get on to their agent and he would receive people. Somebody told me recently that approximately 1,100 people came to look at some houses but only 70 deposits were put down in respect of these. There are an awful lot of lookers and people who aspire to buying a house or who are in need of a house but, for one reason or another - be it inability to comply or whatever - they are unable to do so. The chances are that one would build a showhouse, show it and somebody would come along. As soon as one has a deposit and a contract signed, one will build on and on. The bank would certainly not allow one to build an extra ten houses over and above what one has until the contracts are signed. That is probably not such a bad idea, but we need to speed up the process. If we intend to build on a large scale, it needs to be sped up in a big way. A reduction in VAT would certainly give an incentive to provide the stock. I understand the VAT reduction in the hospitality sector was introduced for a year and then rolled over. We would suggest that such a VAT reduction in the housing industry be on a similar time limit. If there is evidence that the savings are not being passed on in the price of houses, then it is up to the Minister for Finance to change that.

Deputy Butler raised the issue of over-reliance on local authorities. Unfortunately, those

authorities did not build many houses for a long time and are still not doing so now. We would support local authorities becoming involved in direct build projects. In terms of joint venturing, they would get very good value if they came up with designs and put them out to tender. They would get good value from the private building sector, which would provide those houses. There are people in the industry who have the required skills and capacity to do so.

I appreciate exactly what the Deputy said about this committee examining the national picture. We are a national organisation. We recently brought our roadshow around the country. One needs to be very careful about how one describes the recovery in the industry because it is not being felt down in Tullamore, Sligo or Waterford. It is lucky that there is a motorway from Waterford to Dublin because a lot of builders from Waterford and elsewhere come to Dublin to seek work on a daily basis. One certainly would not be able to build a house for €240,000 in Waterford until the stock referred to is used up. If there is a social need, the various housing authorities and housing agencies should take advantage of it.

Deputy Mary Butler: I heard on the radio on Friday that Noel Frisby Construction was advertising those houses.

Mr. Tom Parlon: He is a good man and is one of our members. He would be giving very good value at €240,000, if it is possible to do that. He clearly has a very good site.

Mr. Hugh O'Neill: There was a recent session on costs and I am sure the Society of Chartered Surveyors will be able to add to this point. There is a lot of misleading information on costs. There are many instances where roads and services had already been put in place but the cost was written off. Every builder in the past number of years has set these works aside because of the cost of completion. They became a contribution to the debt and, if the funder was happy, a lot of these costs were written off, giving rise to losses. There are many examples of this, even in Dublin.

Mr. Tom Parlon: Deputy Funchion asked about wage increases. It is supply and demand. We are engaged with the unions at the moment in dealing with wage increase demands. There is a new SEO in place instead of the old REA and the demand is upwards. If you are a tradesman at the moment you can certainly negotiate good terms for yourself. The Deputy also asked about urban regeneration and Mr. Fitzpatrick will refer to that. We see major scope for it. In the past, ghost estates came about as a result of over-generous tax incentives to build where there was insufficient demand, and the industry suffered as a result. Any such scheme would need to be well tailored and, as Mr. Fitzpatrick said, would need to be very specific. In a town like Bagenalstown in County Carlow, where there is scope to renovate 20 units above a shop, the people with the skills and know-how to do it live within seven to ten miles of the town. If the units were good quality living spaces I am sure people would take them up.

Mr. Hubert Fitzpatrick: Urban regeneration would need to be strictly defined with a red line around a particular area to be incentivised, depending on what is needed for that area, so that there is no over-supply. On the question on Part V, the industry is not walking away from social housing. The industry is suggesting that local authorities retain a right to acquire up to 10% of the units in all those developments to ensure social development in those areas.

Another question was on the restructuring of the local property tax and the section 48 levies. An extensive list of infrastructure was prepared by all the local authorities to be funded by section 48 development levies. With the changed economic climate, one needs to look again at that list and determine what is essential and what is desirable. Let us focus on the essential in-

frastructure to be provided under section 48 provisions, rather than fund an extensive list which is clearly not affordable in the current climate.

Mr. Shane Dempsey: Deputy Cowen commented on the availability of funds. There is a market failure in terms of access to finance, particularly for SME developers and in the regions. It is our belief a number of European Commission funds, financial instruments for cohesion funds, could be merged and blended together to provide low cost finance for small and medium enterprises, particularly in regional areas. That is essential to make it financially viable again to build in a balanced way across the country, rather than for building to be concentrated in the greater Dublin area, Cork or Galway. We would be happy to work with the committee in investigating that issue further.

Chairman: I thank Mr. Dempsey, Mr. Fitzpatrick, Mr. Parlon, Mr. O'Neill and Mr. Neville from the Construction Industry Federation for appearing before the committee. I thank them not only for their answers to the questions put but also for the document they supplied. As they will have noted, there is a diverse range of views on some of the suggestions they have made, some of which we will probably explore a little further during the next session. I again thank them for their attendance and submission.

Sitting suspended at 12.05 p.m. and resumed at 12.15 p.m.

Society of Chartered Surveyors Ireland

Chairman: I bid the witnesses a good afternoon. They are very welcome. At the outset I wish to read the note on privilege. I draw the witnesses' attention to the fact that, by virtue of section 17(2)(l) of the Defamation Act 2009, they are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by it to cease giving evidence on a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. Witnesses are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. The opening statements that have been submitted to the committee will be published on the committee's website. Members are reminded of the long-standing practice to the effect that they should not comment on, criticise or make charges against a person outside the House or an official either by name or in such a way as to make him or her identifiable. I also remind those present to switch off mobile telephones or to put them on flight mode because the proceedings are being recorded and broadcast and mobile telephones interfere with that.

I welcome the Society of Chartered Surveyors Ireland, represented this afternoon by Ms Patricia Byron, director general, Mr. Micheál Mahon and Mr. Michael Cleary. I invite Ms Byron to make an opening statement.

Ms Patricia Byron: Thank you, Chairman, for the invitation to attend the committee. I am the director general of the Society of Chartered Surveyors Ireland. I wish to introduce on my right Mr. Micheál Mahon, who is in private practice but is chairman of the society's quantity surveying professional group. On my left is Mr. Michael Cleary. He is also in private practice and is a member of the planning and development professional group within the society. I would like to give a brief introduction and then I will hand over to Mr. Mahon and Mr. Cleary

to talk about the technical side of this homelessness and housing debate.

The society is a professional body. We look after the charter for chartered surveyors in Ireland but committee members will also see a logo on the slides reading “RICS”. We are a part of the Royal Institute of Chartered Surveyors worldwide, with a membership of approximately 100,000, all the way to the far side of the world and back. We see ourselves as being at the cutting edge of the property sector in the widest sense. The society encompasses a wide variety of disciplines, namely, quantity surveying, building surveying, mineral surveying and geomatic surveying. We look after anything from the land up. Also included are facilities management, the rental side and the property side. One will find auctioneers, valuers and technical surveyors are all part of this group.

The society is represented by public and private sector members. One will find our members in the Valuations Office, Ordnance Survey Ireland, the Office of Public Works, large construction environments, right down to offices and shopfronts in our local towns and villages where one will see differentiating factors when one sees our logo, Chartered Surveyors Ireland and the Royal Institute of Chartered Surveyors. It is a mark of excellence. It is also a mark of regulation and a mark of people who have spent four years doing a base degree plus three years for a professional qualification.

I also mention that, of our 5,000 members in Ireland, half are rural. I am sure most members will have come across them in one shape or other. There is a very rich vein of knowledge and qualification among our members. We have been given powers under the Building Control Act to register building and quantity surveyors in the country so we look after that. We regulate them. We are the regulator in that regard, and we make sure they work to the highest standards.

In respect of the presentation, we believe it is a time for political bravery and we will set out a number of key points which we have also put in a number of publications in recent years. We warned about the lack of supply four or five years ago. We warned about the lack of building regulations, and we see where that has led us in that we are retrofitting and bringing housing back into a safe condition. We differentiated between quality of building standards and design, which is mixed up in many people’s minds, and we believe it is time that the voice of the professionals in this space is heard. I will pass over to Mr. Mahon.

Mr. Micheál Mahon: As chair of the quantity surveying professional group, quantity surveyors deal with costs of buildings. While in the past there was a major focus, in light of the Central Bank loan to income ratio, on the actual cost of building houses, if we take it that there is a limit on the Central Bank rules on loan to income, to get equilibrium we need the developers to be able to provide the units and achieve a margin within that space. The problem across the industry is that we are relying a great deal on anecdotal evidence. To digress slightly, one of the measures we have sought for quite a while is a Minister for construction who can collate real-time, independent information and monitor the effectiveness of measures that are introduced. That is an aside but returning to the housing cost, we have undertaken a detailed study of housing cost across the greater Dublin area. That study will be issued by the end of next week but in terms of the methodology we adopted, we took ten live housing projects in which our members were involved and collated the data from that. I will not disclose the-----

Chairman: Are they 2016 projects?

Mr. Micheál Mahon: These are 2016 projects. They have either wrapped up or are currently on site. It is real, live data but, importantly, it is independent data; they are independent

costs. We will have the report next week, and I will gladly go through the granular detail of that with the committee or any working group of the committee, but in simple terms the cost of providing a house is not very complicated and there are only so many key headings. To outline the key ones briefly, there is the hard cost of building the unit and, as our report will disclose, the actual cost of building the unit is less than 50% of the overall cost of delivery of a house to the public. There are then professional fees, levies, land and development costs, and the Part V levy associated with that, sales and marketing costs, and finance and margin, which we would put together in one bracket. The elements are there in terms of analysing them and we would gladly do that in granular detail with the committee once we have the report done, or we can talk about it today. That study is done. We can outline to the members what would happen if VAT was reduced to a certain proportion. We can outline in an independent manner the cost effects of measures that may be introduced.

That is the position on the construction cost side. Members may wish to ask questions later. I will hand over to Mr. Cleary.

Mr. Michael Cleary: My area of involvement is planning and also development, so it is at the coalface in terms of dealing with developers, the acquisition of land and the delivery of a variety of development projects.

To cut to the chase on some of the issues, in terms of private sector output, the number one issue, as members have heard previously, is the availability of reasonable construction finance. Regardless of whether the house is affordable or it is an open market transaction, the physical supply of housing is being affected by the issue of the availability of construction finance. As everyone is aware at this stage, this is a legacy of what has gone on over the past seven or eight years when the banking system has not been available to support construction. One recommendation we have made a number of times in this regard is the provision of a specialist construction finance bank and while members have heard this suggestion previously, it needs real consideration. The policy objective behind its implementation would be to build up a strong banking system in that area that was a bit like ACC Bank or ICC Bank and targeted particular areas of infrastructure and of housing construction. One then would have expertise in that area that understood the risks associated with construction and could then build up relationships with the appropriate people to support that construction base. At present, the majority of construction finance is being delivered by the real estate investment trusts, REITs, through their building of the office schemes. Beyond that, however, it is being delivered by a variety of private equity houses and while it already has been well documented, the percentage rates of finance in this regard vary anywhere from 8% to 15%, which is simply unsustainable. We perceive this to be a big issue.

The second issue is the availability of housing land and there has been a variety of well-reported sales transactions for private land. We differentiate between what is a crisis in delivery of housing where there is a need and where there is a want - or a desire should I say - in that it is all well and good for someone to bid on sites and pay whatever price he or she can at open market value. If such people who have the capacity to buy that house make such a transaction, that is the private market in action and perhaps it should go its own way.

However, if there is a real housing need - as there is - we are of the view it should be supported in a much more rigorous way. One option available in this regard is through the housing associations. They have been filling a gap both over the past five or six years and going back a further 100 years when they were set up originally. They have advanced over time and offer a real specialist service in this regard. From the society's knowledge and my personal, profes-

sional knowledge of dealing with some of the larger entities, they have the capacity that would lead on to possibly freeing up the local authorities to do much more of the planning side, as well as the long-term strategic side in respect of the advancement of planning on the basis of strategic development zones. While not all the strategic development zones worked that well, some that have worked have worked quite well. If one takes the docklands in Dublin, for example, while residential housing is not necessarily happening there at present, a number of other projects have come to fruition on the basis of a strategic development zone, SDZ.

In summary, we suggest the planning system needs to be streamlined in order that when measures like SDZs are undertaken throughout Ireland, this would be the planning process, rather than local area plans, regional plans and then county plans every seven or eight years. This is a real area that can be focused upon. Moreover, the society suggests all this could be under the auspices of an entity, such as a housing Minister of a type, in which one would have a full-time professional Civil Service that would support it, would take those work streams and apply itself to it and which would report back to a central entity.

I will pick the example that is familiar to me of the Dublin Docklands Development Authority. When that body was set up originally, the entire area was derelict and were one to bring back someone who had departed this Earth in 1989 or 1990 and were one to drop them down on the north or south quays of Dublin, they would not recognise these areas in the docklands in particular. They would ask how this could have happened, would say it was unfathomable and yet this was done on the basis of a strategic development plan supported by the Dublin Docklands Development Authority. We understand that in the long term, the Dublin Docklands Development Authority did not end up in the manner in which it was envisaged but for the years it was in place, it did a majority of good work in the early days. We need its equivalent, albeit perhaps on a national scale, to deal with this issue.

As an introductory piece, the society would suggest we must be focused both on the immediate issues before us today and on avoiding being caught out from the planning point of view. We should look at the long-term issues in respect of the current demographics and the age profile of people in housing. Any person or entity taking on this role should have a remit to consider the long term and it is extremely difficult, when one carries out short-term planning, to deal on a long-term basis. One can quote reports going back 40 years, such as the Buchanan report and others, that had highly strategic views and which needed support over the lifetimes of multiple administrations to make them happen.

Finally, in terms of high-level issues, on the implementation and cost of public versus private housing, my colleague, Mr. Mahon, referred to a relevant piece of work that the guys on the quantity surveying side have done, and it would be of real benefit to anyone. If one wanted a stimulus, one of the immediate elements one would pick - it does not matter whether it is in the private or public sector - would be a reduction in VAT. In the middle of all that, in terms of granular provisions, it is what needs to be done to assist development. Another granular issue that might assist in development is a reduction in levies, as is the finance costs which I referred to earlier.

Ms Patricia Byron: We would be delighted to take the members' questions. To summarise the headings, we feel the system is broken. We believe the Government should have a Minister who will look after the whole area of infrastructure, land, construction, the financial model, market data and something that is scalable. Obviously, we need to build for what we need and the pipeline, no more than any other pipeline, needs to have foresight and sustainability. That would come within the Department allocated to draw these pieces together.

On availability of finance, the local authorities should bring together the infrastructure investment, and ahead of time rather than after the houses are half built. My colleagues mentioned reducing the VAT and streamlining the planning process.

On the rental sector, while there is a dialogue that seems to be along the line that if we go in the direction of rental, it will solve all our problems, as in many areas, there must be balance in that space. Much of the wealth of this country has been built up as people buy and save for their houses over 20 years, at which time they own them, their income stream has come down and that looks after them in their old age. If people do not invest in their houses, there will be another problem for the State in the long term. While we look at a sustainable and regulated rental sector, there must be balance included in that piece.

Chairman: At this stage, we will take questions. I am conscious that we are resuming in the early afternoon and the members might keep the questions as direct and as specific as possible.

Deputy Maureen O’Sullivan: I thank the society for its presentation. The first point I would have to take issue with is what Mr. Cleary said about the docklands. As somebody who is from a docklands community, still living there and representing it, that model is not to be totally recommended because it certainly made many mistakes, not least of which was the conflict of interest between the Dublin Docklands Development Authority, DDDA, and the banks and their lack of engagement with the existing communities in the area. My difficulty with them, through the strategic development zone, SDZ, has been the limited amount of land becoming available for housing, particularly social housing, if they had the space, and that brings us back to the 10%. I merely wanted to make that point and to get the witnesses’ view as to whether more could be done on housing in the docklands because the space is there. My fear is that much of the housing will be for attracting in workers through foreign direct investment rather than for those whom we need to house.

My second question was on the hard cost of the building unit. The witnesses stated less than 50% is on the building. Could they provide a breakdown of the other 50%?

Chairman: I will take a few of the members together and come back to the society.

Deputy Mary Butler: I refer to the society’s proposals to improve supply and sustainability. Will the witnesses expand on the reference to streamlining the planning process and the alternative social housing delivery model?

Deputy Bernard J. Durkan: First, on the point that the current crisis is a direct consequence of a lack of a national strategy, in my view it is a consequence of a bad national strategy in which a change took place approximately 15 years ago when there was an over-reliance on the private rental sector to deliver everything. During the boom, rents achieved the same level as mortgages. There is obviously a contradiction.

I might as well mention there was a reliance previously on two sources of income for those borrowing for personal house purchase. One source was the building societies when they were mutual societies. The other source was the banks, which only came onto the scene relatively soon afterwards and we know what happened in that area. There was over-availability of finance which, in turn, resulted in a massive increase in house prices because the banks were competing with one another to find out which of them could give the most money with the least difficulty.

The next factor is the quality of housing. I would not regard some of the houses developed

during the boom, particularly local authority houses, as an adequate response to anybody's housing requirements.

The issue of margins has been referred to. They range from 15% to 60%. Somewhere in the middle, there must be some recommendation, or an area with which we can deal.

The last point is on policy options in the provision of affordable housing. Some of us have made numerous submissions in the past ten years or so to the Department of Finance, the Department of the Environment, Community and Local Government and the Department of Public Expenditure and Reform. Prior to that, we made submissions to Ministers in previous Administrations. There seems to be a difficulty regarding the crucial question of how to provide funding and the wherewithal for the local authorities to deliver in their part of the market.

Deputy Joan Collins: My question is similar to the one I put to the CIF. I seek a breakdown of the cost of building a house. I generally agree that there has to be a national strategy and that it has to come from somewhere such as a ministry. I have always argued that the right to property brings with it responsibility. It always seems to fail on this aspect in the private end of things. I would like the delegates to develop the idea of a national strategy. They will obviously have to take on board the fact that land is cheaper in some areas than in others and also the question of caps on land prices. They will also have to consider targeting areas where houses need to be built, in addition to private developers coming in at the back of this.

What is the delegates' thinking on how great the profit margin should be? Should it be 10%, 20% or otherwise? Keeping construction costs down over time will be very difficult. There will be people seeking extra money in the selling of materials, including cement. That plays a part. May I, please, have a breakdown of the labour costs involved?

Chairman: The delegates might like to address that series of questions first.

Mr. Micheál Mahon: On the issue of costs, particularly site costs, it is difficult to answer because a site in one area can be more expensive than in another. The Deputy raised a very valid point. The hard cost depends on housing specification, etc., but it is under 50% of the overall cost of the provision of a unit. The Deputy is 100% correct regarding the pressure exerted. That is why we advocate a Minister with responsibility for construction examine the overall output of the industry and likely demands. If we double housing output, which is what is required, there will be supply and demand pressures. We recently published a tender index for 2015 that indicated the level of tender price inflation affecting construction was 5.5% in that year. If we double housing output and private sector investment increases, there will be upward pressure on prices. The Deputy is correct in that regard.

Chairman: If a property is valued at €300,000 and the hard cost is €150,000, what is the breakdown of the latter between materials and labour? This is the specific point at which Deputy Joan Collins was trying to get.

Mr. Micheál Mahon: We will be issuing a report next week, but we have not gone down to the level of materials and labour. We have studied approximately ten housing projects across the greater Dublin area in 2016. Some of them are just being finished, while on others workers are still on site. We have taken the average hard cost of building. We have not broken it down into labour and material costs but costs such as the cost of foundations and walls. It is possible, however, to give a breakdown at the level of detail required.

Chairman: I share the Deputy's concern about building costs because I am frustrated. We

are talking about building a house, yet, as a committee, we are not able to find out the labour cost in building one. This is the second group we have asked and it is somewhat frustrating because Mr. Mahon is saying inflation is to occur.

Mr. Micheál Mahon: Correct.

Chairman: The 5% inflation on the contract rate was quite high. We are trying to understand what is going on, yet we do not know how much the wage element of it is. Frankly, I am a little surprised that we do not know that because we would have thought that was significant.

Mr. Michael Cleary: I wish to add to what my colleague, Mr. Mahon, said. Getting that granular so that we are clear on it, the issue is that, unfortunately, it is not like the production of a motor car where this or that piece costs so much and there is someone on the production line. What has happened, particularly in the downturn, is that if people - we are not builders, but to give the committee a sense of how they go about it - go to build a house they will want someone to put in lights, skirting boards and doors, as well as someone laying the blocks. They will do a deal with someone. They do not care about their labour costs but they will want a fixed price for that. The reflection in what my colleague and his colleagues are putting together is what the rates for sub-structure and structure are. Within that there has to be an in-built cost for labour but the cost for labour may not reflect the true cost because in the last five or six years someone was just buying turnover, for want of a better term.

Maybe it is for the construction industry representatives, the builders as such, to give the committee more on that. However, one may ask what the labour costs are within that. The reality is, no more than anyone building anything, that one tries to fix a price with someone for it. The sense is that over the last few years, they were pricing below margin.

Mr. Micheál Mahon: Notwithstanding that, the industry has developed in that way. Builders do not seem to carry their own labour; there is a lot of subcontracting and outsourcing. We do not have that today but the society would be able to breakdown approximately the labour and material content of building a house.

Chairman: If you can forward that to us we would appreciate it.

Mr. Micheál Mahon: That could be done and we can forward it to the committee. As Mr. Cleary said, every house has different specifications, but we can certainly give the committee broadly what the labour and material percentages of a unit are.

Chairman: Thank you. I am sorry for interrupting, but the other questions were for your colleague.

Mr. Michael Cleary: There was a question about supply, particular to the docklands area. I cannot profess to have been involved in the original SDZ or the most recent one and the negotiations around housing supply there. However, my own observations from anything I am involved with down there are - and I think it has been alluded to - that there is a requirement not only from immediate local residents, but from a lot of people coming into that area working in various industries. The society would have an overall concern that Ireland Inc. is not being well serviced by the fact that we are not producing enough apartments, particularly in that location.

I cannot be specific about individual local needs, but one of the biggest impediments so far in the last five or six years in terms of that location, has been the finance cost and the uncertainty around not even the selling price but the rental stream. Long-term security of tenure should be

to the benefit of the tenant and there should be certainty for the landlord. In that respect, we have really only been coming to terms with professional landlordism in the last five or six years since a number of funds have bought and invested in Ireland.

To answer that question in a nutshell, first of all, there should be greater densities in brown-field sites because we have to build up and there is no way we can build out. We can leverage the infrastructure there. Second, we believe the mechanism for delivering the affordable element of housing - not the commercial end - should be directed more towards social housing. They should be provided with the means to deliver on that. This might address a query from someone else in terms of how one funds the delivery of supply. One of the biggest impediments to large, not-for-profit housing authorities so far has been their capacity to leverage in and borrow money at low-level rates to develop housing on a real scale. That deals with a technical issue regarding off-balance sheet and balance sheet from the European EIS study on statistics.

In a nutshell, local authorities should probably not be the providers. The providers should be housing associations which have the skill sets and they should be supported. The construction costs for those will be tendered on the open market and that might address some of the issues in general terms. If the land comes at a very low cost to a social housing entity, it can build it for whatever the market rates are by the tendering process. If it has the skill sets and the people within its organisation to do it, that is how one gets transparency. I hope that answers the question.

Ms Patricia Byron: I will take the one on the planning process. It is the synched response. We believe there should be an independent review of the operations of the planning process. We believe there should be some sort of incentivised structure put within the process whereby those seeking planning are incentivised to produce the right information as determined by the review of the process and there should be a responsibility on and accountability by the authority to work within that process so it is a two-way street in terms of how it should work. There should be appropriate resourcing of systems. The authority has been there for a long period and any review would probably turn up a need for resourcing. That does not always mean more people but perhaps more skilled people and the required systems. I pass to Mr. Mahon if he would like to take the alternative social housing.

Mr. Micheál Mahon: Without giving our report away in advance, we did not deal with the cost of public sector housing from a quantity surveying perspective. In terms of private sector housing, a 1,200 sq. ft. unit, or something of that order, is costing well in excess of €300,000. We have also looked at the public sector and it appears that the equivalent cost in the greater Dublin area is of the order of €230,000 to €260,000 because one does not have certain elements the private sector has to cost. It is information that is perhaps useful to the committee.

Deputy Brendan Ryan: In terms of its proposals, the society has put in a comment in relation to NAMA with a question mark. Do the witnesses have some proposals in that regard or is it just a suggestion for us to think about?

Deputy Ruth Coppinger: The society is currently undertaking a house construction cost study, which is something that has obviously dogged everyone here. In the *Irish Independent* today, there is a report that the €300,000 starter house that everyone is talking about would actually cost €130,000. Mr. Parlon said in the previous session that it would be €150,000. It is just that. The committee needs to know what the component cost of a house is. What is the land cost, the profit cost, the labour cost, the finance cost and the development levies cost? It needs to be broken down. Hopefully, the society's report will do that.

The other issue is the reduction in VAT which the society is calling for and which the CIF also called for. The problem if one cuts taxes to get builders to build is that there is a social cost to that. It is less money for local authorities, less money for the public service and less money for social housing. I am completely opposed to it based on the cuts which have already been made to development levies, which the society also agrees with cutting.

Streamlining the planning process is obviously something we need emergency legislation for to speed up building. However, if the witnesses mean, as they indicate, that local authorities should not be able to put in their own safeguards with regard to development, there have already been cuts introduced by the Minister, Deputy Alan Kelly, in the previous regime to reduce, for example, the size of apartments. It is very dangerous to do things like that because in a few years' time, people will not be able to live in these apartments when they have children. It seems to be an array of the kinds of incentives and tax cuts for builders and developers that the witnesses are backing up and which have not served the country well in the past. What the witnesses said seems to be very similar to what the CIF said earlier. There does not seem to be anything new in calling for more cuts for developers.

Chairman: Does anyone else wish to speak? Everyone is happy. In the witnesses' proposals to improve supply and sustainability, they mention a review of Central Bank macro-prudential levels. Normally, when somebody asks for a review, he or she has something specific in mind and his or her own thoughts. The witnesses might elaborate what they are thinking of there.

Ms Patricia Byron: The society's members are of the view that the review should be accelerated because it leaves uncertainty in the marketplace. While it is understood the Central Bank has decided on a review, the sooner it is done and it is clearer to the market, then it will offer some certainty.

Mr. Michael Cleary: It was inferred that there was a similarity between what we, as a society, said and what housebuilders said. In terms of streamlining and making the planning system more efficient, we are not talking about a reduction in the quality and the structures around the planning system. We are merely talking about a more efficient way of doing it. Without getting into too much granular detail, there are local area plans, regional planning guidelines and the county development plans which build up to a tier which is all merited. However, we are saying it might be more efficient to use much of that time to create strategic development zones where a majority of the issues, which would be dealt with in a detailed planning application, could be dealt with upfront, leading to a more efficient use of resources. We are not advocating a reduction in standards at all. Our profession is not constructing the houses but involved in overseeing a variety of the services which evolve with that. We do not support in any way any move that would reduce the quality of what will be delivered.

Mr. Micheál Mahon: On Deputy Coppinger's question about costs, we are entirely independent of the house builders. If one breaks down the cost of building a unit, the hard cost is pretty much fixed. Our study has shown there is not a great range in the actual cost of building a unit. It leaves one with certain other items which one can review, VAT being one of them. We have stated in seminars previously that there is a concern - one which we share - of developers pocketing the proposed 3% VAT reduction.

Deputy Ruth Coppinger: Surely not.

Mr. Micheál Mahon: We are trying to provide independent analysis. If one goes back to the scenario we painted at the outset, the Central Bank has put a roof on what people can bor-

row for house purchases while costs remain at a certain level. The hard costs are fixed and will only go one way because of supply and demand as well as labour and material costs increasing. It leaves one with few elements of the cost of providing the unit that one can address. Finance is one, along with VAT and land costs. Other items such as levies or professional fees are relatively small in the overall context. We are aware of the social impact of the 3% reduction on the Exchequer and follow-on services. However, this is an emergency, so we are putting it out there. We can show the committee the “what ifs” in an independent manner. It is up to the committee to decide what it wants to do.

Ms Patricia Byron: On the VAT reduction, we also said it might only be on a trial basis for two to three years to deal with this emergency situation. We are not at all interested in denuding the Exchequer of valuable income. We are conscious of that. As Mr. Mahon said, we would like to emphasise that we are a professional and independent body. We see ourselves in a totally different space to the developers or the construction industry.

Mr. Micheál Mahon: It goes back to the point we made earlier, namely, if we had an overarching Minister who could review the effectiveness of these measures, then they could be changed. One had a VAT reduction to 9% in the hospitality sector. Some hotels, for example, might have made more from this than did others. However, that is the nature of it. It has to be reviewed constantly.

Chairman: I understand the point being made that if the rate comes down and the quantity goes up, then the total yield might go up.

Deputy Maurice Quinlivan: I welcome the comments made by the Society of Chartered Surveyors Ireland. I was struck by the terms used, namely, that the system is broken. In the presentation, the society stated the current crisis is a direct consequence of national strategy and that the over-reliance on the private sector to provide all housing is a significant problem. The Minister’s 2020 plan to deliver 100,000 housing units is based on 80% of these being delivered by the private sector. This needs to be flagged and is a problem the society has flagged itself. The witnesses are flagging the fact that it will obviously be a problem and it is good to see it put down in documentation.

The witnesses talk about local authority investment in infrastructure. Could they expand on what they mean? What do local authorities need to do and what funding do they need to do it?

Mr. Michael Cleary: In terms of local authorities and infrastructure, lands are zoned but not serviced in many instances. There are impediments to getting that servicing in place. It is about facilitating the delivery of infrastructure to allow it to happen. In respect of facilitating development, it is never one solution but rather a variety of them that is required. One solution that has been proposed by our members - this was used in the 1960 and early 1970s - would involve local authorities providing the infrastructure to individual sites and areas of sites, on a large scale, being licensed out to smaller builders who would build a certain section of housing units. Therefore, one has diversity in terms of supply and competition in terms of deliverability yet there is no over-reliance on one or two key large players. That was used to a certain extent in that period and worked quite well. I presume anyone in the room can provide examples of where it did not work well but in the majority of cases, it did work well. We see this as an area where local authorities could play a role in the provision of infrastructure.

Chairman: Is everybody happy? Before we conclude, the witnesses mentioned the report next week. I would be very much obliged if they could forward it to the committee. The costs

of housing and the component elements have been significant issues at previous meetings. One of our concerns is not just the cost now. The witnesses indicated that tenders and contract prices are going up yet previous speakers told this committee that if one was building on a bigger scale, there would be economies of scale in terms of materials. Coming from a relatively low construction base, we would not like to take it as given that prices should go up way ahead of the rate of inflation. That is why we are trying to find out what the labour component is - segregating the labour component from the material component. I understand development levies and VAT. We are looking at each section so that is what we are trying to get behind in terms of the witnesses' written response to the committee rather than taking it that construction inflation of 5% or anything like that is a given. It would be very worrying if that was the case. This is why we are trying to get a breakdown of the various components.

Ms Patricia Byron: We recognised, as did this committee, that getting to the real facts and breaking things down to the real costs was what was missing. We are able to poll our members within quick timelines in respect of real costs. We will come back to the committee with the information but we are very happy to work with it on an ongoing basis because we survey our members on a regular basis. Where other reports take six months to a year, we do not have that time lag. We are an independent professional body that tells it like it is. As part of our strategic objective, we intend to continue influencing policy in an independent manner. If we can do anything on that front on an ongoing basis, we will do that for the committee.

Chairman: I appreciate that, particularly in respect of Mr. Mahon's indication that the information he is sending us is from the 2016 project so it is up to date. We appreciate that. I thank Mr. Mahon, Ms Byron and Mr. Cleary for their attendance and their submission, which provoked a number of questions that were answered.

Sitting suspended at 1 p.m. and resumed at 2.05 p.m.

Institute of Professional Auctioneers and Valuers

Chairman: I remind those present who have mobile phones to switch them off or to flight mode. It is not only an inconvenience at the meeting but it also affects the recording and broadcasting of the proceedings. I also wish to draw the attention of the witnesses to the fact that by virtue of section 17(2)(l) of the Defamation Act 2009, they are protected by absolute privilege in respect of their evidence to this committee. However, if they are directed by the committee to cease giving evidence relating to a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to that effect. Where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. Their opening statements, which have been submitted to the committee, will be published on the committee website after the meeting. Members are reminded of the long-standing practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable.

I am pleased to welcome the Institute of Professional Auctioneers and Valuers this afternoon. Mr. Eamon O'Flaherty and Mr. Pat Davitt are very welcome. As I said, their full submission has both been circulated to members and will be on the website afterwards. I invite Mr. Pat

Davitt to make his opening statement.

Mr. Patrick Davitt: I will make a short statement of five or six minutes' duration, after which the president of the Institute of Professional Auctioneers and Valuers, IPAV, Mr. Eamon O'Flaherty, will make a brief contribution. We want to leave as much time as possible for questions on our full submission.

IPAV is delighted to take up the invitation to appear before this committee. We hope that, through our submission, we can help in some way with members' work in tackling a difficult, complex problem. I congratulate them on their work to date and I acknowledge the urgency that the new Dáil has given to this matter even before the formation of a Government. The issues of housing and homelessness are complex and inter-related. The housing crisis displays to a dramatic degree how each cohort of society is interdependent. A policy change impacting one group has a downstream effect on another. The committee's work could be a landmark in mapping the way forward.

The IPAV was founded in 1971 and now represents 1,000 members across all 32 counties. Our main aim is to represent our members through education and other means, including by contributing to important debates such as this one by drawing on our vast knowledge and experience on the ground. The IPAV's proposals to the committee are outlined in our submission, which I expect all of the members have. I will highlight some of the key proposals in the short time available to me.

In a market that is functioning normally, one should be able to rent, buy or sell a home. In the current market, choice is diminishing and social change is being foisted upon us. This kind of social change is impacting most severely on younger age groups and those with few resources, but it also hurts the economy. This is happening at a time when there are more than 300 vacant sites in our city, some 150 acres of land that should, and could, be brought into production without delay. Housing policy is so critical to the social and economic well-being of any society, in particular one such as Ireland's that has suffered the severe effects of the financial collapse, that it needs a whole-of-government approach. In this regard, the IPAV strongly encourages the new Government to appoint a full Cabinet Minister with responsibility for the sector. He or she should be supported by a Cabinet sub-committee on housing and planning, which could bring together all of the relevant Departments. The IPAV recommends the setting up of a consultative property council comprising all stakeholders, with varying and divergent views, so as to advise the new Minister. This process should be all-inclusive and rapid, with the Government arriving at a plan for long-term sustainability in the housing market that contains short, medium and long-term goals. The IPAV is prepared to play its part in such a council.

As a representative body for auctioneers and estate agents, the IPAV is keenly aware of the abnormally low numbers of transactions in the housing market. There were 43,428 residential transactions in 2015, including multiple sales, equating to a national turnover of 2.2%, which is considerably below the 4% to 5% that could be considered normal. Despite population projections, new builds in 2016 are on course to fall far short of the 20,000 units and are projected to be more in the order of 13,000. A large proportion of these new builds will be one-off housing in the country, not in the cities where demand is greatest. Ten years ago, new builds were at 93,000 units, which we were led to believe was the amount required. This points to the industry's capability to build 20,000 units per annum.

There are a number of reasons for there being so few new builds. These need to be tackled urgently. There is widespread acceptance that the cost of building is a major impediment to new

house construction. The lack of availability of building finance at reasonable interest rates is a particular impediment to house building. The new Government needs to incentivise small and large builders by making building finance available at interest rates of between 1% and 3%. We propose that the Department of the Environment, Community and Local Government be empowered to offer finance to builders who wish to participate in an agreed price building scheme, which would be made available through a separate building fund. The IPAV believes that this new development contribution rebate scheme, which is intended to boost house construction in 2016 and 2017 by returning an 80% to 100% rebate on development levies paid, needs a number of amendments, including an extension to all cities and to all builders who want to take part in the agreed price building scheme.

We believe small builders, the mainstay of Irish construction, are not receiving equal treatment to their larger counterparts. It is estimated that the current rate of VAT at 13.5% adds an extra €15,000 to €17,000 to the price of a new property and a reduction to 9% would further incentivise building. Such a VAT reduction has already proven itself in the tourism sector and could deliver a saving of €7,000 per house.

The Institute of Professional Auctioneers and Valuers, IPAV, believes that while the mortgage lending restrictions introduced by the Central Bank in 2015 were well intended and, in principle, are important for long-term economic stability, they are excessive in some respects. They are disproportionately impacting first-time buyers in urban areas, especially in the capital city. We believe the loan-to-income ratio for first-time buyers should be increased from 3.5 to 4, or possibly 4.5. We were led to believe when these were introduced in February 2015 that the new measures were not designed to steer or limit house prices but rather to restrict lending. We welcome the statement from the Governor of the Central Bank this week that from June 2016, he intends to seek submissions on the macro-prudential policy before a final review. I will now hand over to our president, Mr. Eamon O'Flaherty, who will speak about rural regeneration.

Mr. Eamon O'Flaherty: I thank the committee. The IPAV has long had a major concern about the decaying condition of the majority of our rural towns and villages across the country. Many of these towns and villages contain boarded up former residential and commercial premises with no viable future as a commercial entity. The right kind of radical intervention could breathe new life into these decimated towns and villages. We estimate there are approximately 1,500 of these towns and villages right across our country. We would like to see the introduction of a tax incentive scheme to convert non-viable commercial and residential buildings into solely residential use for owner-occupiers. Already, our members have identified 300 or 400 of these properties throughout the country that would be suitable for such a scheme, with no expensive outlay for the Government; it would be a win-win scenario economically, socially and politically for all of us.

The IPAV welcomes the Living City initiative but it is too limited, focusing only on the regeneration of the historic centres of six cities, including Dublin, Cork, Limerick, Galway, Waterford and Kilkenny. There is a clear need for a nationwide scheme that would be open to all our rural towns. Otherwise, such towns will continue to languish and disappear before our eyes. Such an initiative would be win-win for every member of the community. Parts of south Wales, for example, have been struggling with the issue of regeneration more than a century after the first coal pits closed. They desperately want to reverse this legacy of industrialisation but much-promised regeneration has had little success, with the region topping league tables of poverty, ill health, educational disadvantage and inequality.

The issue must be part of a co-ordinated whole-of-government approach, bringing together

all existing incentives. We must examine how they could be co-ordinated and identify how these could be filled with relatively small financial outlays and the setting of specific achievable objectives, especially including yearly targets for local authorities and any implementation plan, with timeframes for each objective.

Mr. Patrick Davitt: There are other proposals that we wish the committee could consider but which we cannot speak to now. These include NAMA support for Irish governmental institutions, such as housing agencies in acquiring properties; a review of hindrances to our planning system; and the introduction of e-conveyancing in order to speed up the closure of house sales. Our president, Mr. O'Flaherty, and I are happy to take any questions. I hope we will have some answers for the committee. I thank members for their attention.

Chairman: I thank the witnesses for their opening statement. Before opening up to questions from the floor, will Mr. Davitt expand on the point regarding the loan-to-income ratio for first-time buyers? He advocated increasing it from 3.5 to 4, or 4.5. What underpins that? The concern is that it might just inflate prices, meaning affordability for the first-time buyer might not improve.

Mr. Patrick Davitt: We have a consideration there as well. We only ask that specific balances be built behind the increasing of loan-to-income ratios from 3.5 to 4 or 4.5. We believe there is a massive difference between the cost of building new properties and the cost of selling second-hand properties. We see the building costs. Nobody appears to know how much it costs to build a property. We have been asking for a long time, so we can work out the figures for the building costs. I am referring to the building costs, not the costs we can see such as the development levies and so forth. We can see what they are. I questioned the Minister for Finance about this recently at a meeting in Portlaoise and I have written to him about it because we need to know how much it costs to build a house.

There is apparently nobody in Ireland who can say how much it costs to build a house. We have asked numerous times about where the costs are. In our proposal, the committee will see that we came to the conclusion that it costs €100 per square foot to build a property. From talking to small and large builders throughout the country, that figure seems to be a reasonable amount of money to build a property. If that is the case and given the levels that those houses can be built at, we believe that young people who are seeking to buy properties, regardless of how much money they earn, will not be able to buy those properties on the 3.5 loan-to-income, LTI, ratio. In those cases we believe the figures should be altered and changed upwards.

Chairman: There was a slight smile when you said that. Representatives of the Construction Industry Federation and the chartered surveyors were before the committee this morning and we were probing this issue of the actual cost. The committee is expecting further documentation from the surveyors on the cost. Up to now, most of the suggestions were around how we could actively reduce construction costs rather than increase the loan-to-value ratio. That is the context for that. I will open the meeting up to the members and I call Deputy Durkan.

Deputy Bernard J. Durkan: I welcome our guests and thank them for giving of their time to discuss this important issue. To refer to the last item first, have the witnesses identified the true building cost of a house at €100 per square foot? I have information to the effect that it could cost considerably less than that. That would mean building by direct labour but it would be considerably less. There are some who say it is considerably more than that. Somewhere in between lies the answer but I do not know what it is. How would the representatives respond to the notion that prevailed at one time, that the building costs were roughly one third for building

inputs and materials, one third for labour and one third for profit? That was the old adage, so perhaps they would comment on that.

The witnesses correctly identified an issue that affects younger people, generally under 35 years of age. They and their families are the most seriously affected by the lack of available housing. Might any consideration be given to the Housing Finance Agency loan scheme that existed in the 1980s, whereby three, four or five times the income was given by way of a loan? It worked extremely well but the applicants had to qualify on the basis of their income. They were on the local authority list, so it was catering for that side of the market.

The last point I wish to make is one I have made previously and it arose in the witnesses' submission. I do not favour over-reliance on voluntary housing bodies. I believe they are the cause of the problem. Reliance on housing bodies removed from the local authorities the responsibility for providing housing for a large segment of the population. That included not only people on the council housing list but also people who qualified for local authority loans in the past. All of that has been sidelined in recent times. It is virtually impossible now to get a local authority loan and approximately ten different agencies must adjudicate. I do not know why that should be the case. The witnesses might have thoughts on how to replace that system, which was available during the 1980s when there was relatively little money around as well. Houses were provided for people on the basis of their ability to pay. The monthly repayments might have been a small amount but that market was catered for.

Chairman: I will take the questions of a few more members. I call Deputy Funchion.

Deputy Kathleen Funchion: We all probably agree regarding the mystery of the cost of building a house. There is a lot of talk about how we need to reduce the cost, yet we do not seem to know exactly what that cost is. Are the issues mentioned regarding regeneration in a separate document? What was read was quite lengthy and I do not have it here in that detail. Could we get a copy of it?

Chairman: There were two documents. They are on the system.

Deputy Kathleen Funchion: Right. We have one.

Chairman: One was the opening statement and there is also a secondary document, which covers-----

Deputy Kathleen Funchion: That is fine, I will get it. I agree with many of those points. I mentioned earlier that we had a great deal of vacant properties, particularly in rural areas, which we should be looking at. Not only is it good for an area to have these places regenerated and people living in them - it breathes a bit of life back into an area - but it can also provide some short-term solutions, because those properties are actually available. They just need to be brought up to standard.

I would be interested in the witnesses' opinions on the whole issue of rent allowance, the housing assistance payment, HAP, scheme and the rental accommodation scheme, RAS, because my experience - I am sure many people have the same experience - is that many auctioneers do not necessarily welcome these schemes. For example, in our area, one would know auctioneers who are particularly helpful in respect of sourcing properties and so on and there are others who do not want to look at it. There does seem to be some stigma attached to that. What are the views of the witnesses is on that. Many landlords, although they are technically not supposed to be able to refuse rent allowance, are able to get away with it.

Mr. Patrick Davitt: Is the Deputy making the point that auctioneers and landlords do not want to rent houses to those people? Is that the question?

Deputy Kathleen Funchion: Yes. I would be interested in the views of the witnesses. I do not think schemes like the HAP and the RAS are long-term solutions but we need to look at them in the short term.

Chairman: I will allow one more questioner and the witnesses might address the three together. I call Deputy Coppinger.

Deputy Ruth Coppinger: There is a running theme in the contributions from some of the organisations today. The witnesses have echoed the calls for VAT to be cut, for the mortgage income multiple to be increased to 4.5, for more cuts to development levies and for rural renewal tax break schemes.

A couple of aspects are unique to the representatives of the IPAV. One is that they want the Government to lend finance to builders, including small builders, at a rate of 1% to 3% because the lack of finance is an impediment to house building. If the Government lends to builders at 1% to 3%, would the witnesses not agree it would be taking a very high level of risk? Property development is a very risky activity for low-risk interest rates. Is it not effectively asking the State to carry the can for property developers going bankrupt, particularly at a time when we have written off billions of euro in this economy, through NAMA and in other ways, for builders and developers who made bad investment choices? Is there any reason other than economic self-interest that the State would do that? Why would the State not, for example, just build social and affordable housing using the money the witnesses want to give to small builders for private housing? Would it not be much better for the common good and for the State if the State were to use such money to build houses itself, rather than giving money to builders to build private houses that will probably never get into the hands of the people who actually need them? There is house building going on but it is not affordable for those who are in the rental sector or on social housing lists.

It would seem the IPAV exercises very disproportionate political influence. The first page of Mr. Davitt's opening statement mentions three Senators that the IPAV helped to elect, which means that one in 20 Senators is an auctioneer or property valuer, if I am correct. That would seem somewhat disproportionate for a group of 1,000 members in a country of 4.5 million people.

The last issue relates to increasing the mortgage income multiple to 4.5. This is considered unsustainable and unaffordable by international standards. Rather than reduce house prices, it would increase the level of debt people can acquire.

There may be a misunderstanding regarding urban and rural renewal tax breaks. All tax breaks create a cost for the State. In November 2005, Goodbody Economic Consultants produced a report on the previous round of tax breaks for rural and urban renewal schemes for the Department of Finance, which reads: "By the end of July 2006, when the Schemes are due to expire, it is predicted that the cost to the Exchequer will have risen to €1,933m." The report also noted that the tax incentives had been used primarily by high income earners. In other words, very wealthy people got very rich through the use of these tax breaks. I am not in favour of resorting again to these types of activities because on the previous occasion, the Exchequer suffered dramatic losses and certain people got very wealthy as a result of them.

Mr. Patrick Davitt: I will address some of the questions, after which Mr. O’Flaherty will respond on renewal and regeneration. To make a jovial point, perhaps the reason auctioneers want to enter the Seanad is a desire to supplement their incomes because they are doing so badly. Apart from that, it is very good to have representation in the Seanad, as it shows that auctioneers are interested in representing the auctioneering profession, as my colleagues and I are trying to do at this meeting. While we do not claim to have all the answers, we have thought long and hard about the points we are raising. We are seeking to build a sustainable property market and get it moving again.

The proposal to increase the loan-to-income ratio, LTI, for borrowers from 3.5 to 4.5 is part of a whole package. We are not calling willy-nilly on the Government or Central Bank to change the LTI from 3.5 times income to 4.5 times income. The proposal is part of a complete package which includes providing finance for builders.

There are two sides to the housing issue, namely, homelessness arising in the area of social housing and the private housing market. Housing is required in both areas. In this instance, we are discussing finance for private housing. Such finance would only be provided to builders on condition that the house is sold at a capped price. Builders should not be given *carte blanche* to obtain various reductions for building homes and subsequently add these to the costs for consumers. Money can be borrowed from the European Central Bank at a rate of 0.005%, whereas home owners must pay high mortgage rates and the interest rates sought from builders to build properties are in the region of 10% and 20% through mezzanine financing arrangements. Some builders who cannot afford to finish houses are being asked to pay these types of interest rates. Ultimately, however, it is the consumer rather than the builder who pays these rates because their costs are added to the price of the house.

We are trying to reduce the price of new housing to a level that people can afford to pay. The only way to achieve this is to consider all the proposed measures together. We are calling for a reduction in the VAT rate from 13.5% to 9%. Such a measure would not generate a loss to the Exchequer as it would result in a significant increase in the number of houses completed and the Government would receive much more in VAT returns as a result. While I am aware that there is a see-saw type of effect at play here, if a lower VAT rate is reduced, more houses will be built and the Exchequer will receive more income. It would also reduce the cost of a new house, thus enabling people to pay the price of a home.

On the proposal to increase the loan to income ratio for borrowers from 3.5 to 4.5, there is no reason banks cannot introduce secured mortgages of ten, 20 or 30 years’ duration and apply interest rates that people can afford to pay. Last week, we attended a conference of our European partners in Germany where ten-year mortgage money costs 1.8%. The equivalent rate in Ireland is 4.2%. We believe that if long-term mortgages were given to people, the Central Bank would not be worried about LTI because it would know that somebody got a mortgage for 20 years and at a rate of 2%. The LTI would not enter into it after so many years because the money is guaranteed. Even if people paid a little bit more for a house and if they got a little bit more than the 4.5% they were supposed to get, at the end of the day we hope that with inflation and if wages rise a little bit, that 4.5% will be easily maintained.

The Deputy mentioned renters and auctioneers. Recently, the Irish Human Rights and Equality Commission, through the Minister, stated that auctioneers and landlords could not advertise on their websites or whatever that they would not show properties to, or accept, certain people. There is absolutely no problem there but at the end of the day, the person who makes the decision on who to rent his or her house to is the house owner and not the auctioneer or the

Minister. People go through the process of viewing a property and all that goes with it but if an auctioneer has two people who want to rent the property, one in receipt of rent allowance and one who has his or her own money, the landlord makes the decision and tells the auctioneer who to take and who not to take. The point I am making is that the auctioneer is acting on instructions. The auctioneer has to do what he or she is told because we have a contract with that person - a PRSA contract, which is a legally binding document from the PRSA - so we have to get the best price possible when selling a house or when renting a house. If we do not, we can be hauled up and fined. From our point of view, we do not engage in discrimination in terms of who we rent a property to. We are quite happy to rent it to either party. If the landlord says he or she wants to rent it to a particular person, that is what we have to do. It is a great idea but at the end of the day-----

Deputy Kathleen Funchion: Is there not a responsibility on auctioneers? Maybe some are doing this - some of them are great - but in my experience, some are not. I suggest that auctioneers explain the schemes to landlords and go through the details of the HAP scheme and RAS with them. I found that many auctioneers did not know what RAS was. What is Mr. O’Flaherty’s option on that? Does he think that in general, landlords tend to say to go with somebody who is not on rent allowance.

Mr. Eamon O’Flaherty: That is a point I was going to make. Landlords should be made more aware of the benefits and security of the schemes.

Deputy Kathleen Funchion: Yes.

Mr. Eamon O’Flaherty: I can give instances from the town in which I operate and from speaking to colleagues. When one does a viewing for a rental property, for example, a two-bedroom apartment or three-bedroom house, one has to report back to one’s client and to the people who want it. It is very difficult for the landlord and it is very difficult for us to help him or her make the decision. People get very aggressive with us. The main problem is lack of supply. One could have 30 people showing up to view an apartment for rental. The problem is that the supply is not there. I agree with the Deputy on the point that landlords need to be made more aware of the benefits of the HAP scheme. When we mention it to landlords, some are up to date on it and know what it is but the vast majority are not and need to be educated about it. That is one point I would wish to make.

Deputy Kathleen Funchion: Yes.

Mr. Eamon O’Flaherty: Deputies Funchion and Coppinger raised the rural renewal tax incentive scheme. Deputy Funchion mentioned that the 2005 scheme cost so many billions to the Exchequer. That was really an investor-driven scheme and, as the Deputy rightly said, some people got very rich from it. This is a scheme for owner-occupiers and all these buildings are in place. The infrastructure, the street lighting, the schools and the public transport are all in place. In a small town or village, if a young family with two or three children, or even three families, arrived, they would breathe much life into small villages. There is no major outlay for the Government but whatever incentive is put in place should be geared solely for the owner-occupier. It should have nothing to do with any investors or foreign funds coming in. These properties can be picked up all around the country from €30,000 to €100,000. There is a huge supply of them. They are not even going on the market because there is no market for them at the moment. If there was a market, they would be on it.

Mr. Patrick Davitt: I refer to Deputy Durkan’s question on the cost of the one third, one

third and one third and also the Housing Finance Agency loan scheme. We do not believe the cost of building is 50:50; 50% on the cost of the house and 50% on the cost of the charges that go with it. We do not believe that is the case and have seen no proof it is, despite the fact we have been asking for this information for some time, even from the Government.

On the day I mentioned when I questioned the Minister for Finance, Deputy Noonan, he told me openly that he had a friend in Cork who builds 50 houses every year and that the cost of building them was not even €100 per square foot. We believe that. We believe builders can easily build for €50 per square foot if they want, because builders in different towns have told us they can build for less than €100 per square foot. There is no backup for €100 per square foot, other than from small builders. They are the only ones who have come up with that.

We believe the capped building scheme, at €100 per square foot, would be a reasonable and well-paid scheme for small builders. We believe that where costs are stated to be €100 per square foot, those costs must be explained by somebody in the know. We are not professionals in that area; we are auctioneers. Builders can show what can be done, but we need to take a toothbrush to that. We need to ask how much it costs for each part of the building process. We cannot just say that is it and take it from there.

Years ago, in 1978, I built my first house with a loan from the county council. It gave me a loan of £7,500 at an interest rate of 12.5%. At that time, interest rates on loans from the county council remained the same for the term of the loan and the only way one could get out of that arrangement was to get a bank to give a loan at a cheaper rate and the money could go back to the county council. Those were very good schemes and were badly needed at the time. They are needed again now. Building could be done by county councils now and finance could be provided by the councils or finance agencies. We would agree with that.

Deputy Maureen O’Sullivan: My first question is about the vacant site levy and the suggestion in the presentation that it needs to be reviewed. What does Mr. Davitt mean by that? The levy is currently 3% and I understand from the Minister that it was on the advice of the Attorney General that the date was set for 2019 and could not be before that. Can Mr. Davitt clarify what he meant in that regard?

We share the institute’s concerns regarding NAMA’s policy of selling to vulture funds as this could have disastrous consequences down the line. What would Mr. Davitt suggest to ensure there is some control in that area and in regard to those that have already been sold? Mr. Davitt mentioned smaller builders and I agree there should be a role for them. He said there should be an agreed price scheme for building, but as the Chairman stated, it has been difficult to get clarification or agreement on exact building costs. Is there a role for rural resettlement schemes also?

I represent Dublin Central where there are some appalling standards in regard to rental property. Dublin City Council conducted a review which found that 97% of rental properties were unfit for habitation. What is the role of IPAV in that regard?

Deputy Barry Cowen: I thank the IPAV for its presentation. I concur with much of what has been said and on the initiatives the IPAV would like to see in place in order to revitalise the sector and help those who cannot get onto the property ladder.

Deputy Funchion asked a question about the rental sector, but I did not hear an answer to it. The question concerns the rental sector and landlords. I understand IPAV represents many

of them but that it cannot speak for all of them. As public representatives, we hear all too often that landlords will not accept tenants on rent supplement or in HAP programmes. The immediacy of the current problem is such that it is dependent on and expects that the Government will increase rent supplement, which needs to be increased in an abnormal market. That is my contention and I have the support of many on this, including stakeholders at the coalface. Rent supplement needs to be reviewed on an ongoing basis to ensure it has the desired effect while the short, medium and long-term issues in regard to supply are being addressed. That is the reason this committee wants to make recommendations in that regard. It wants to ensure all-party agreement and in the context of the new Dáil and numbers game, we hope to achieve that.

This begs the question as to whether if that improvement is made, the IPAV can give us an assurance as public representatives that we will not continue to hear the complaint of the failure to accept rent supplement from those we have the privilege to represent and are trying to assist. It is soul destroying and sickening to listen to the stories of people who are exasperated, who are on the brink financially and who have huge social issues as a result. We hear them say that the private sector - the landlords - will not accept rent allowance supports and yet here we are on the cusp of improving that funding stream. Can the IPAV representatives give any commitment today that their organisation will seek to have that situation addressed? We see increased funding to that area in the short term but what other measures can help the supply issue?

Chairman: Do any other members wish to contribute at this stage? Deputy Catherine Byrne.

Deputy Catherine Byrne: I thank the witnesses for their presentation. I totally agree with the concern about the HAP because I do not believe that people really understand it enough and there is a responsibility to promote it more, especially on the part of the local authorities which do not seem to promote it very well. I was reared in a local authority council house, like most people around me, and at that time Dublin Corporation - as it was - built the houses. However, that does not seem to happen now and local authorities have reneged on building. They have become rental and maintenance organisations for properties. If the truth is to be believed, we had representatives from the construction industry at this committee earlier and they spoke about building. However, I do not think they are interested in building social housing. They are more interested in building big private estates rather than anything else. If that is so, what does the IPAV believe will happen in the future with estates where many houses are currently being rented and which will continue to be rented if we do not start building again, particularly if local authorities do not start building? What kind of role does the IPAV believe auctioneers would have with the county councils in encouraging them to look again at developing sites themselves as local authorities, even if this means bringing in direct manual labour - as was done in the past - and not contracting out the building work? Does the IPAV see any possibilities in that regard?

Chairman: Just before the witnesses answer, Deputy Funchion referred to the rental sector and the landlords and Deputy Cowen reiterated the point in that regard. I will be specific. There are areas outside the IPAV's control and there are areas very directly within its control. I have a fair degree of experience in the Dublin context. There are quite a number of landlords who have one rental property and for many people that is part of a pension plan. It might be their only pension provision. Invariably, when these individuals let their properties through estate agents or auctioneers, they act on the advice given to them. They do not cherry-pick and ask whether it should be A, B or C. In the context of advising the landlord, it is the role of the auctioneer, having shown the property, to outline who might be a suitable tenant and to provide advice on rent payment schemes. For example, how a scheme with a local authority would

mean the rent payments are secure, etc. It is the auctioneer's role in that context that the committee is trying to ascertain. Obviously, if an individual landlord is renting his or her property, he or she will pick and choose. When properties are let through IPAV members, however, it is they who advise landlords on whether people are suitable tenants. This is the context in which the committee members are asking how is the IPAV proactively supporting the various schemes such as HAP, RAS, etc.

Mr. Eamon O'Flaherty: In our office, and in other offices in our area, we have people who come in every day who are on the HAP scheme. They come in with excellent references and one can say to the landlord "Look, here are people on the HAP scheme and here are people who are working." Both want to rent for a period and we give all the details. It is about education of landlords - they need to be educated more about the benefits of the HAP scheme. When they hear about the scheme, they say the tenants come from X or Y location, from other social areas, from wherever and refer to the issues relating to that. Landlords should be made more aware of it. I strongly recommend that all local newspapers and so on carry more on it and that their websites and those of local authorities be up to date. The benefits of the schemes should be highlighted. Our offices have let to many people on the HAP scheme and we never have any real issue with them. No matter from where people come, there will always be issues with some tenants, but for the vast majority of agents, as long as references and such are tidied up and everyone is happy enough from that point of view, there really is no issue in renting to people on the HAP scheme. The main thing is to communicate the benefits of the scheme to landlords. However, this goes back to the current lack of supply. If 30 people line up to view a two-bedroom apartment or a three-bedroom house, invariably only one party will get it and there will be 29 others who will be disappointed. Blaming the agent or the landlord is not the answer. Part of the solution to the problem is to have more supply to the market. That is what it is all about.

Mr. Patrick Davitt: On housing in the city, my family had a council house, which is what we call them down the country. That is where I was born and bred. It was a two-up, two-down council house. There were ten of us in the family and we had one of these houses when I was growing up. In the country it is the same as it is in the city, presumably, from that point of view. County councils should continue building and should not alone build social housing but should also be able to give moneys to young people who want to buy houses in their areas. That should happen again. We do not see why it was stopped. County councils, like banks and everyone else, state many people have not repaid those loans. I do not know if that is the case.

On housing and landlords, as referred to by Deputies Barry Cowen and Kathleen Funchion, I carried out training with a county council on the scheme. Its concerns were how it was going to get auctioneers to talk to it, get clients and ensure its schemes would be known to landlords. I was to undergo the training one particular morning and ten people were supposed to show up. Only seven showed up. I underwent the training and thought they would find it very relevant. I agreed to send an e-mail to all of our members in a particular area, in which I told our agents that the people concerned would be in contact with them at a particular time. I asked them to look at renting to these categories of people, as that would be perfect. I even told the attendees to come into our office on 1 January, when our diaries came out, and that I would give them ten diaries in order that they could speak to all of our members. I have not heard from them since. This is a two-way process. It is not all to do with auctioneers and to whom they want and do not want to rent.

We do not represent landlords. Therefore, I do not believe Deputy Barry Cowen expects us to assure him that landlords would do X, Y or Z. However, from the point of view of auction-

eers renting properties, we are bound to get the best price possible for landlords. That is our job. We cannot tell a landlord what to do. If a landlord can get €1,000 by renting the property to someone with and without social benefits, at the end of the day, that is his or her choice. All we can do is take the references and pass them to the landlord who must make the decision. If he or she does not make the call and the auctioneer makes it and something happens, God be with him or her.

Chairman: They make it often on the advice of the-----

Mr. Patrick Davitt: Some landlords will listen to the advice of the auctioneers and some will not.

Chairman: I agree.

Mr. Patrick Davitt: If one is too strong in one's advice, one will lose one's job. It is unfortunate, but that is what happens.

Deputy Barry Cowen: Given the immediacy of the issue and the problem in the rental sector, the stakeholders at the coalface such as those in the Peter McVerry Trust and the Simon Community, to name but two, have for the past two and a half years been calling for State intervention and an increase in rent supplement. If that is adhered to by the new Government, under pressure from many others, one has to accept that that is an interference in what is an abnormal market. It is seeking to close the gap between an auctioneer and a landlord in making a decision because of the principle that "money is king". We have to interfere in order to increase the State subvention to allow the people concerned a greater opportunity of achieving properties or to keep them in their existing properties. All I am saying is that we all have a role to play in appealing to the goodwill of those involved in paying reasonable rent as the aim is to have people on a level playing pitch. Of course, there are exceptions in every walk of life. However, these people need to be shown equality and parity of esteem. I hope that the IPAV, ourselves and everyone else in the sector recognises that. In particular, I appeal to those involved to recognise the situation in the context of short-term increases in rent supports and what this means, rather than proving the Government or the Department right. They have denied this for the past two years by saying it would lead to an increase and exploitation by those who are in receipt of it. That is the point I am making.

Mr. Patrick Davitt: I take that point.

Deputy Bernard J. Durkan: I wish to comment.

Chairman: Is the Deputy's comment on exactly the same point?

Deputy Bernard J. Durkan: Yes, and I believe it is a crucial point. This is where the nub of the problem lies. The Department of Social Protection replaced the local authorities in providing homes for people who are now on the housing list. I strongly disagree with my colleague from an adjoining constituency, Deputy Cowen. Even it is only for the short term, it is only postponing from today what is going to happen further down the road. When the transfer took place, I spoke publicly about it. I said that it would never work and that it was an abdication of responsibility on the part of the Department of the Environment, Community and Local Government and the local authorities. The responsibilities of both were of a first-hand nature, at the coal face. For the life of me, I cannot understand how any increase in the rental would improve that situation other than to use Government funding from another source or Department to patch up a problem that exists and that requires urgent treatment.

Deputy Maurice Quinlivan: I wish to comment on the housing assistance payment and rental accommodation schemes and why people try to rent under them. The answer the IPAV representatives provided does not quite address the issues raised. The Government housing strategy was to deliver 100,000 social houses and was based on 80% of these units coming from the private sector. Obviously, and I think we all agree, that is not now going to happen.

I will set out some examples. Last week, we had people in our office in Limerick looking for a house. They had been to the housing officer in the local authority and the advice from Limerick City and County Council in recent months has been to the effect that there are no houses and that people should rent privately and get on the HAP scheme. People have returned to our office having been to all the auctioneers in the city and informed that the latter are not dealing with HAP tenants. The IPAV deputation said it would be down to the landlord but these people are not even getting to apply for the properties that become available. They are being told the properties are gone even though they are still on the *daft.ie* website. We have rung from our office after certain properties were supposedly gone only to find out that they were not gone. The IPAV should talk to the people who are letting these properties and explain how HAP and RAS operate. The vast majority of these tenants are decent tenants who are simply looking for someone to stay. I understand there is a supply issue and that people will go for the biggest price. Perhaps auctioneers should say that to people rather than saying they do not take HAP or RAS tenants. That is what we are seeing. Although it runs contrary to the legislation, that is clearly what is being said by estate agents in Limerick. I can vouch for that much.

Chairman: We will take one more contribution at this stage from Deputy Butler.

Deputy Maureen O'Sullivan: Most of my questions were not answered.

Chairman: We will get the deputation to take them together.

Deputy Mary Butler: I wish to comment on the HAP scheme from the perspective of the Waterford constituency. The highest amount available in rent supplement in Waterford is €525. The dogs in the street know that it is not possible to get a house any place in Waterford city or county for €525. A person might get a place for €650 or for an amount heading towards €700. Prices are at the €650 or €675 mark. The HAP scheme is a win-win option if a tenant can get the landlord to take it up. In many cases, however, a person who is on social welfare is putting her hand in her pocket to make up the difference between €525 and €675. This has not been spoken about, it has been brushed under the carpet. Up to €150 comes out of their earnings for the month and the majority of these people are on social welfare. I imagine this is happening in other constituencies as well. These people have to come up with €150, sometimes a little more and sometimes a little less. This is a major issue but it has not been addressed. It is a little part of the black economy. I would support the conversion of non-viable commercial buildings especially in rural areas but also in cities because there are plenty of shops all over Dublin, Cork, Waterford, Limerick and Galway with premises downstairs but the upstairs is not in operation. Do the witnesses see a role for the local authority to come on board in those instances?

Chairman: There are questions about the rental sector and the HAP scheme in particular, and Deputy O'Sullivan's issue. I leave it to whoever would like to answer first.

Mr. Eamon O'Flaherty: In response to Deputy O'Sullivan's point about rural resettlement, that scheme was originally intended for people to sell a property in Dublin and move down the country. The scheme we envisage would be for first-time buyers, people who have no house at the moment. A tax incentive could also apply to people who want to move out of the city and

down the country. This scheme could be adjusted accordingly. The scheme we would promote or envisage would be for people in need of housing, primarily first-time buyers.

In response to Deputy Butler, I do not think the local authority would be involved in it. This is more for the private sector and people who want to purchase a property for less than €100,000. There is a huge market and the properties are there but to make them attractive and appealing to young families, investment will be required. There will be work for local tradesmen, and the local hardware merchant will hopefully get a spin off as well and bring more money into that economy.

Deputy Fergus O’Dowd: Does the IPAV engage with the room-for-rent scheme, whereby a person living alone has a room to let? It is not done under a lease or a legal agreement in the usual sense of the word but the person can get up to €12,000 per annum tax free and the rent the tenant pays is written off against his or her tax.

Mr. Eamon O’Flaherty: We welcomed that when it was increased to €12,000 in the last budget. I live in Maynooth, Ireland’s only university town, and a lot of people there benefit from that scheme because they can take a student in for four or five nights a week. Most people using that scheme do it privately. They do not generally go to an agent.

Deputy Fergus O’Dowd: Is it the IPAV’s experience that many do not actually know about it? I know it is usually an individual but even couples whose families have flown the nest have significant room available that they could rent out in this manner. There could be more of this, which would be part of the solution.

Mr. Eamon O’Flaherty: I agree. The Deputy is referring to what we call the “empty nesters”. As with the HAP scheme, it is a question of education to make people aware of these schemes. Some people are aware but some are not. From a security point of view and the social interaction for someone living alone, they are great. It is a very positive initiative and we welcomed it at the time but it should be promoted more. It is not something for agents to promote actively. It is done privately.

Deputy Fergus O’Dowd: One of the problems is matching the applicant with the house. That is where the agents might be able to play a useful role.

Mr. Eamon O’Flaherty: We would be delighted if we could.

Deputy Fergus O’Dowd: The space is there. If the right client is found on both sides it can work to everybody’s benefit. It could have a significant impact, particularly on single people. It could be a useful option. We do not push it enough. That refers to all of us. It is a collective issue.

Chairman: There were several comments on the rental scheme, HAP and so forth. Would the witnesses like to make any further comments on that area?

Mr. Patrick Davitt: On the point made by Deputy Butler, the same happens throughout the country. In Mullingar, where I live, a person gets €390 to rent a property but the rent is €500. The person can make up the money or not get the property because somebody else will pay that amount of money. Even when the landlord chooses the tenant he or she has to come up with the extra money. The scheme to increase that rent is good. That could be down as an extra part of the rental to the local authority or to the health board in the area or whatever the case may be.

I do not know whether an increase of the rental allowance on a full-scale basis is very helpful. As auctioneers, we might not see that it is all that helpful. It is certainly helpful in the areas that Deputy Butler talks about, in which lot of the moneys really are too low. As for the black economy, I do not know where the money goes, if the landlord takes it or what he or she does with it. That is really the landlord's own concern. There is no doubt that people do have to pay it.

As is stated in our submission, the landlords as we know them - the typical landlords who have one or two properties - have been the cornerstone of these properties and of supplying these houses for years. Many people talk now about the professional landlords coming to Ireland in the form of these vulture funds. We do not believe those professional landlords are the correct way to go. Not too long ago the newspapers wrote about one particular Canadian fund's AGM at which was discussed how it had increased the rental prices of houses in Ireland by 22%. When it increases rents by 22%, everybody follows on. If one big company here with maybe thousands of apartments does this, the next thing that happens is that Mary Jo and Jackie Joe and everybody who comes in to the auctioneers wants to increase the price. Auctioneers have a problem with this as well but it is not a problem that auctioneers can solve.

We believe that a landlord with one or two houses should get an allowance like the one landowners get. If a landowner over 40 or 50 years of age gets €10,000 or €20,000, he or she can write it off at the end of the year. Deputy O'Dowd mentioned the rental scheme. Someone renting out a room can write off €12,000 tax free. Why do they not offer the same for landlords?

I do not represent landlords, incidentally. I am just talking about this because as auctioneers, we speak and hear about this all the time. I and Mr. O'Flaherty were talking at the weekend to an individual who lives in Maynooth. He has two people living in his house and earns €10,000 tax free. If he was a landlord and he was getting €10,000 for one house, he would have to pay the 50% tax on it. Why would there not be a scheme in place such that if he rents his house for five or ten years, he would be given a tax allowance for it? That is what they do in conacre land renting and now they have tried to move into long-term land renting. Why do they not offer landlords those breaks? Why can the county councils not take some of these people who are on social welfare and the like on a long-term basis? The landlord would get his break. He would be happy enough to rent on the house again to whoever the county councils want and everybody would be happy. That is not the way at the moment.

The landlords with one or two houses are practically being priced out of the market by the professional landlords who are coming this way. Professional is the word. The more properties they get their hands on, the further up the rental prices are going to go. Somebody who owns one block of 100 apartments can put up the rent by 10% at the stroke of a pen. Everybody's rent then goes up. If there are 50 landlords in that building, the chances are that some of the apartments will be under-rented. Many landlords will under-rent properties because they are happy with their clients. Some landlords are never going to go back to their tenants and put up the rent because they have a very good relationship with them. As we stated in our submission, we believe that professional landlords who come into Ireland should offer something in the way of new housing. For them to buy these houses from NAMA at an under rate and to come in here and start pushing up the rents is wrong. If they buy 100 houses here at under value, they should build 100 houses to go with it.

Chairman: Thank you. Is everybody happy?

Deputy Maureen O'Sullivan: I want to ask about the vacant site levy and, going back to

the rented accommodation, I want to ask about standards. While I am not tarring all landlords with the same brush, there certainly are landlords who are looking for increases in rent when it is reductions they should be getting because of the poor standard of accommodation.

Mr. Patrick Davitt: We were among the first bodies to support the vacant site levy of 3%. Many of our members did not want us to support it but we did. We supported it through the Lord Mayor of Dublin and we supported the whole system of executing it. We feel there are too many sites in Dublin that are not in production and that should come into production. One of the most important things about the site levy is that it keeps investors out of the market. If the levy is big and strong enough, investors who want to buy these properties will not be able to buy them because they will have to pay the levy every year. If it is 3%, 5% or whatever, they have to pay it, which means that the chances are an investor will not buy it because there is no surety about when it will happen. They do not know if it will happen in one, five or ten years time. They have to keep paying the levy.

The site levy does two things. It brings land into production and makes sure that when builders buy it they build on it rather than hoard it. The levy needs to be considered because, based on the advice of the Attorney General, it cannot be introduced until 2019, which we feel is wrong. Money should come into the economy in 2018. We do not know whether 3% is the correct figure. It is a small figure. The first part of any building is the land, and if its price goes up, so too do house prices. If only builders buy and use land, that means prices will remain at building rather than investment levels, and it is to be hoped builders can achieve a profit at a later date.

On the condition of rental housing, a law covers this area. County councils have engineers who inspect all such properties. We recently received a letter from a county council which asked us what we could do. There is very little we can do. County councils have the law on their side and engineers to carry out investigations into houses. If they are not up-to-date, landlords should be told they cannot rent them until such time as they are brought up to date.

It is very difficult for an auctioneer to tell somebody there is something wrong with his or her house. A landlord would respond by saying he or she will rent out the property himself or herself. If an engineer from a county council, who had the law and authority behind him or her, visited a house and told a landlord he or she needed to do certain things before he or she could rent our his or her property, the work would be carried out.

Deputy Maureen O'Sullivan: Some councils are doing that, which is good, but unfortunately some landlords are using the process as an excuse to get rid of tenants. They can then do a certain amount of work, increase the rent and find different tenants. The original tenants are then placed on the homelessness list.

Mr. Patrick Davitt: That might be true, but as I say, I do not represent landlords. Many properties in the country are under-rented, whereby landlords are not charging the proper rent for their houses. There is a lot of discussion about the price of rent in the cities, something of which everyone is aware, but many landlords are happy with their tenants who pay their rent every month, whether they are there for one, five or ten years. In many cases, landlords are, believe it or not, embarrassed to look for more money.

I am also aware that many are over-rented, but the recent legislation outlawing rent increases for two years spooked many landlords. While it is a good scheme which we support, it led to increases in rent because there was a two-year window. Hence, the property price register

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showed an increase in rents. We understand that prices are now at 2007 levels, and in some cases above that level.

Chairman: Most members have completed their questions. IPAV is not directly responsible for bedsits, but it may have some experience of the market. New guidelines were issued a number of years ago. Has there been a reduction in the number of bedsits on the market? Do the witnesses have that information? I ask for an honest answer.

Mr. Eamon O’Flaherty: I imagine there has been a reduction. Some agents would deal specifically with bedsits. They are located primarily on the North Circular Road and other such places in the inner city of Dublin, as well as in Cork and Galway. There has been a drop in supply, but some are still in existence. It is a specific question for people operating in specific areas.

Chairman: I thank the witnesses for coming before the committee.

Mr. Patrick Davitt: I wish to make a final comment. We represent auctioneers. The committee can see from our proposal that some are way out of line. We want to be part of solving the problem and to be stakeholders. We are happy to talk to the committee or any other committee at any time. We are happy to be part of the property council and to provide any support we can to the committee. The committee is fantastic and will do very good work. We have called for such a committee for a long time. We happy to support it in any way we can.

Chairman: I thank the witnesses for their attendance and answers. One of the common themes that emerged today was trying to determine the cost of construction and other related costs. It is interesting that it came up again with this group of witnesses. That is something we will probe further as a committee. I thank the witnesses for the documentation they supplied. Members of the committee have it and it will also be on the website.

That concludes the business for today. The committee is adjourned until Thursday, 5 May at 10.30 a.m.

The committee adjourned at 3.16 p.m. until 10.30 a.m. on Thursday, 5 May 2016.