



## About Hardware Association Ireland

Hardware Association Ireland (HAI) is the national trade association representing hardware, building materials, DIY, homewares and garden at retail, wholesale, and manufacturing level.

Our members make a valuable contribution to the economy of Ireland. From family run businesses to publicly quoted companies, such as The Grafton Group, HAI members serve their local communities competitively.

The sector has a turnover of €2.4 billion (CRO), pays wages in excess of €800 million and is a significant contributor to the public purse.

It directly employs 26,000 people and it underpins the jobs of a further 147,000 builders and tradespeople. A large proportion of these employees work and live in rural Ireland, and HAI members are an important presence on main streets in rural towns and villages across the country.

HAI represents all levels of the supply chain, from household names such as Wavin, Tegral, Kingspan and Fleetwood, to small, independent and specialist manufacturers.

HAI members play a key role in the construction supply chain, providing an efficient and effective route to market for building material products and a vital source of credit to customers.

We represent over 400 employers in the industry, and our members operate in one of Ireland's key economic sectors. New builds, renovations and retrofitting are major barometers of, and a contributor to the nation's economic success.

This plan is:

- ✓ Good for Jobs
- ✓ Good for our Economy
- ✓ Good for our Environment
- ✓ Good for Home Owners
- ✓ Good for First Time Buyers



## Introduction

### From Chief Executive Martin Markey



The future is uncertain for all of us as we get used to the new normal, and we may only have just begun to see the difficulties caused by Covid-19.

This plan is one of incentives and investment. It will go a long way in securing the future of the sector. It will provide the much-needed stimulus to boost demand, generate significant activity in construction and home renovation, greatly reduce Ireland's carbon emissions and will provide much needed support for first time buyers and homeowners. It will secure 26,000 jobs and generate over 20,000 new jobs.

Hardware Association Ireland began the process of compiling our recommendations and this report in March of this year, as our members began closing their doors and the construction sector came to an abrupt halt.

It was clear at the beginning of the Covid-19 pandemic that our sector would suffer badly, that the damage would be extensive and long lasting, and that the true cost would not be known for a very long time.

This document has been reviewed by Dr Ronan Lyons, Assistant Professor of Economics at Trinity College Dublin. We thank Dr. Lyons for reviewing the report and making a number of helpful suggestions. HAI would also like to thank Colm O'Callaghan and Sinead Lew of PwC for their expert guidance.





## Recommendation 1 Home Renovation Incentive (HRI) scheme for Renovations

All independent consumer insight research (1) conducted in recent years highlights a strong appetite for RMI (repair, maintain and improve) amongst householders.

HAI strongly encourages the re-introduction of the HRI scheme for a period of three years.

Statistics from the Revenue Commissioners clearly shows that the scheme was highly successful when it was last introduced from 2013-2018. During the period of the previous HRI scheme, 147,369 projects were completed on 94,179 properties. Almost €2.5 billion flowed through the economy, with €105 million claimed in tax credits. (Source: Revenue Commissioners).

HAI also advocates that the minimum qualifying spend is set at €3,000 to encourage residents of smaller homes to avail of the scheme. Also, we propose increasing the ceiling to €50,000 as an incentive for homeowners to pursue additional home improvement projects.

Evidence to-date shows that the HRI scheme has acted as a strong encouragement for otherwise latent home improvement works, effectively making the scheme cost neutral for the exchequer.

Further, HAI proposes that the tax credit be made claimable in the same year as work is completed, with 100% of the claim credited the following tax year (originally this was spread over the following two fiscal years). This adjustment would provide an extra incentive and ensure money is more efficiently circulated back into the economy.

### Key Proposals:

- Re-introduce and extend the HRI scheme by 36 months.
- Lower the floor of the scheme and increase the ceiling.
- Claim tax credit in same year as work completed with claim credited the following year.



HAI recommends the Home Renovation Incentive Scheme as the business model to deliver the strategy because:

- It works - it has a proven track record.
- It is a core competence of key Government agencies.
- It is fast and effective - it lets money flow and flow immediately throughout the economy, and throughout the country.
- It will help restore consumer confidence and encourage sensible and local spending.
- It is labour intensive and will grow employment by 20,000
- It will make it cheaper for first time buyers to buy and upgrade older houses.



**HRI Scheme Results**

Number of Works	147,369
Number of Properties	94,179
Total Value of Works	€2,470,799,346
Average Value of Works	€16,766
Total Number of Contractors	13,091
Maximum Credit to be Claimed	€169.98m
Number of Credit Claimants	54,948
Value of Credit Claimed	€105.06m

In Operation October 2013 - December 2018

Source: Home Renovation Incentive (HRI) Statistics 2013-2018 - Revenue Commissioners





## Recommendation 2

### Home Renovation Incentive (HRI) scheme - for Energy Retrofitting of Homes

HAI proposes the Home Renovation Incentive scheme as the model to deliver the extensive home energy retrofitting programme required to reduce our carbon emissions and upgrade the housing stock.

There is a groundswell in public opinion towards becoming more eco-friendly as evidenced by the most recent Eurobarometer Poll (2). Results of the poll evidence that, while concern about the environment and climate change has grown throughout the EU, where 35% of EU citizens consider it to be an important issue - this figure rises to 50% in Ireland. Consumer research conducted on behalf of HAI (1) shows that householders have a considerable appetite for energy efficiency improvements to their home.

Previously Ireland set a target of 20% reduction in greenhouse gas emissions by 2020. However current forecasts suggest that only a 1% reduction will be delivered. (3, 4). 80% of our homes have a BER rating C or lower. We use 7% more energy than the EU average and 58% more carbon. **We require a breakthrough on this.** The plan to retrofit 500,000 homes will be enabled by the strategy detailed below. HAI members will be key delivery partners in the implementation of this strategy.

In other areas of environmental protection Ireland has an enviable track record – as

evidenced by the success of the WEEE (Waste Electrical and Electronic Equipment) recycling scheme, where Ireland is one of the best performers in Europe. This success shows what good strategy and partnership can achieve.

HAI welcomes the recent report of the Climate Action and Tax Strategy Group and its focus on taxation stimulus to encourage retrofitting. The perceived cost of making energy efficiency improvements to homes remains the biggest barrier to consumers.

#### Key Proposals:

- Reduce VAT to 9% on all carbon saving products such as heat pumps, insulation, wood burning stoves (all products as per Energy Saving Credits-Better Energy Homes).
- Introduce a value-based incentive scheme for retrofitting with similar incentives to the HRI scheme. At present most incentives are weighted towards deep retrofitting. Even with current grants, the financial outlay for many householders is prohibitive. According to the Property Price Register, the average selling price of a second-hand house in many parts of the country is less than €200,000. Currently the Deep Retrofit Grant programme has the aim of attaining an



A rated home. This requires an investment by the homeowner of an estimated €30,000. **Adjust the grant system such that it will incentivise households with a C and D rating to attain a B rating.** The business case for this is strong. If government retrofit 100,000 public housing units and a further 400,000 private homes are incentivised to do so, this will leave enough in the public purse to upgrade the homes of those in fuel poverty. Works to be conducted only by a qualifying contractor who is registered for the scheme and can demonstrate tax compliance and VAT registration.

- Previously SEAI granted works were practically excluded from the Home Renovation Incentive. To overcome this, we suggest an alignment of both. How it will work: if an individual receives an SEAI grant then the total qualifying expenditure (grant + tax exemption) will be reduced by the amount equal to the grant amount-allowing for co- existence with SEAI grants and avoiding duplication of funding. For example, if a household spends €10,000; the SEAI grant may account for €5,000 and the household can claim tax relief on the other €5,000 under HRI.
- Introduce measurements (KPIs) and targets for retrofitting activity at local government level.
- Local Property Tax – lower the LPT for those who carry out an energy retrofit on their property that results in an improvement in the BER rating.
- Capital Gains Tax on the sale of rental properties. Lessen the capital gains tax on the sale of rental properties from 33% to 20%. This to be applied to those who carry out a retrofit resulting in a BER improvement 2 years prior to the sale. This will encourage retrofitting, make the property more saleable and help unlock much-needed supply to the housing market.
- HAI fully endorses St. Vincent dePaul’s recommendation to “Ensure sufficient funding is available to allow Local Authorities to complete the energy retrofitting of social housing stock and set a target of upgrading all existing stock in the next four years.



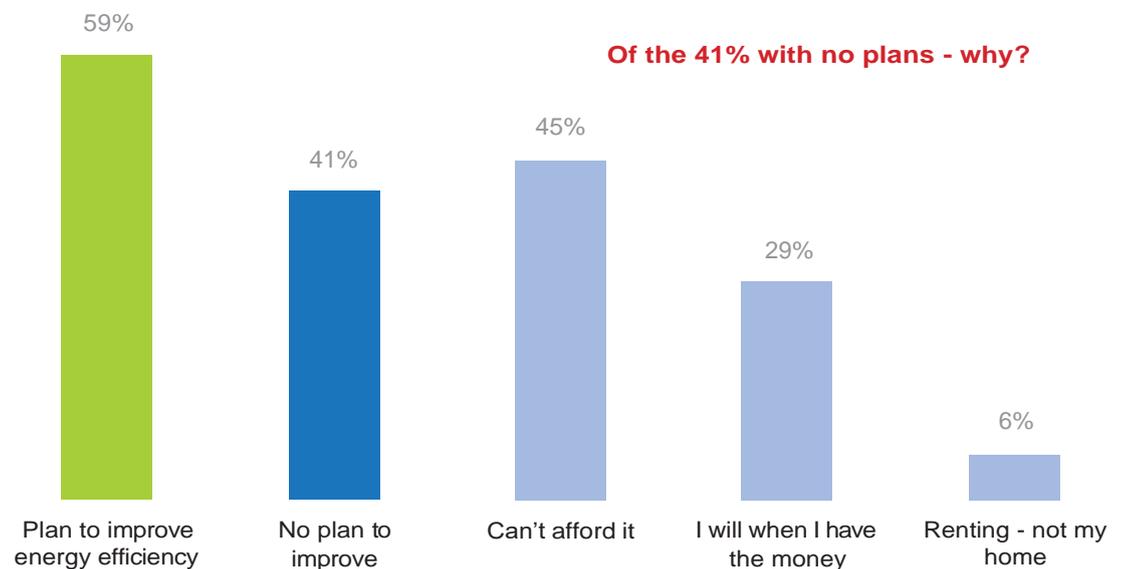
## Recommendation 2

### Home Renovation Incentive (HRI) scheme - for Energy Retrofitting of Homes

If ever there was a time for this it is now.

- Encouraging greater energy efficiency in our homes will help restore confidence, inject cash into the economy and create thousands of sustainable green jobs.
- It will also enhance our energy security by decreasing our dependence on imported fuel. And, it will decrease our carbon footprint.

#### Energy Efficiency - Future Plans and Barriers



The perceived cost of making energy efficiency improvements to homes remains the biggest barrier

Source: Core Research Omnibus Survey: Sample 1,000. Fieldwork Oct/Nov 2019



## Recommendation 3 Support for those Buying a Home

Residential housing remains heavily under supplied and new house build activity subdued in Ireland for a wide variety of reasons. Most builders and economists estimate that we need at least 35,000 new homes to clear the backlog.

In 2019, 21,500 new homes were built, this year the target was for 24,000. With the disruption to construction due to Covid-19 this target will not be met. Most estimates predict 16,000 new housing units by year end. The general election underpinned housing as a pivotal area of concern to the electorate.

The recent Eurobarometer results show housing to be of far greater concern in Ireland than 26 of the 28 EU states. Only Luxembourg is more concerned about housing than us.

At present, most workers in the frontline of the Covid-19 pandemic, such as nurses and garda, cannot afford even a very modest home in Dublin and in many of our towns and cities. We welcome the Rebuilding Ireland plan and its ambitious targets, and we believe the sector needs additional stimulation to encourage new builds and reduce the number of vacant dwellings.

### Key Proposals:

- Continue with the Help to Buy Incentive Scheme.
- Include second-hand homes in the Help to Buy Incentive Scheme.
- Adjust bank exceptions.

Typically, banks make exceptions in terms of deposits/income in 20% of cases of mortgage applications. Usually this is used up by quarter 3.

- Either increase to 33% to the end of 2021.

Or

- Have a year-round calculation of exemptions, and not a calendar-year one. This would prevent the 'spending' of exemptions by banks in Q1 each year.



## Recommendation 4

### Upskilling the sector and Re-skilling New Employees

It is essential that the industry can respond to changing demands. Up to the onset of Covid-19 growth in the sector was hindered by a shortage of skilled workers.

Today, with so many people out of work, there is a potential pool of new workers. A cohort of those currently out of work are unlikely to return to their previous careers, at least in the short to medium term. Some will need to be re-skilled to adapt to the needs of the economy.

#### Key Proposals:

- We support the recommendations in the Construction Industry Federation's report 'Demand for Skills in Construction' (5). Despite demand for construction over the medium to long term, a skills shortage could threaten to derail this. In particular, HAI advocates the establishment of a Construction Skills Forum, to monitor progress and address barriers in the education and training system which are impeding the delivery of the required skilled employees.
- HAI recommends a double deduction on tax for training for companies who upskill and train staff in renewable and clean energy products.



## Recommendation 5 Special Consideration for Timber Industry for Brexit Negotiations

Brexit presents challenges across our industry and in particular, to the timber trade. The Irish timber sector contributes €2.6bn and sustains 12,000 full time rural jobs. Over half of Irish sawmills output is exported, and 95% of those exports go to the UK, compared to 41% for food and drink. 90% of panel products produced in Ireland are exported, with two thirds going to the UK. The UK is the biggest importer of wood in Europe and our only logical market for exports. We call on Government to ensure its Brexit strategy takes account of the specific needs and opportunities of the timber industry.

HAI specifically calls on the Government to consider the following actions:

Acknowledging that the impact of the United Kingdom's exit from the European single market and customs union will be widespread and varied. HAI endorses special consideration for the timber industry in the Brexit discussions and outlines the following threats to the industry:

### Immediate Threats:

- Banks may not be willing to support investment in the industry due to volatility in our key export market.
- This is exacerbated by the current uncertainty over planting and felling licences
- Reduction in demand could lead to job losses in rural areas.

### Long term threats:

- Tariffs – we expect sawn timber to carry no tariff and panel products to carry 7%.
- Post Brexit – reduction in the 'ease of movement' adding cost and time.
- One study estimates a 5% increase in costs, this is likely to be considerably higher for timber due to the relatively high volume/value ratio.



## Recommendation 6

### Introduce voucher scheme for winter fuel allowance

Introduce a voucher scheme for winter fuel allowance

HAI urges the introduction of a fuel voucher system under which those currently receiving a winter fuel allowance would be entitled to use a dedicated fuel voucher/smart card to purchase only fuel products from registered and tax compliant retailers and merchant fuel outlets, including many HAI members.

Currently the allowance is paid by way of a cash top up on the recipients' current payment, which can be spent on anything, not exclusively solid fuel, and from any source of supply without any traceability or recovery for the State. HAI believes that this is an unintended and unnecessary loophole.

The Department of Social Protection has indicated that a total of 410,000 people currently claims €20 in fuel allowance per week (€520 in total during the allowable period), including those in receipt of social welfare and HSE payments. The allowance costs the State €213 million per year. A fuel voucher system would allow the Government to recoup some of this €213 million expenditure through legitimate outlets' tax returns. It will ensure that the money is spent with legitimate suppliers and not those operating in the shadow economy, and ensuring that the payment is fully used, as intended, to help in reducing fuel poverty.

#### Key Proposals:

The introduction of a fuel voucher scheme so that:

- The winter fuel allowance is used as intended.
- Registered and tax compliant fuel merchants are supported.
- Government can recoup some of its €200+ million welfare spend.



## Summary:

The future of the sector, and the economy in general is very far from certain. We have experienced a period of rapid and unprecedented decline, and the precarious nature of both Covid -19 and Brexit are threatening economic recovery.

Ireland today is in need of economic growth, more and better houses, decisive reductions to our carbon emissions, a fairer deal for first time buyers and more people back at work.

The plan we have outlined herein addresses these challenges and will go a long way to Rebuilding our Future.

HAI believes that the recommendations detailed above are a coherent and right response to the challenges and opportunities that we face. They are both appropriate and pro-social with a particular relevance for much-needed regeneration throughout the country.



## References:

- (1) Core Research- Household Attitudes to Renovating and Energy Efficiency Nov 19.
- (2) Eurobarometer Spring 2019.
- (3) Extract from Speech by Minister for Communications, Climate Action and Environment Richard Bruton T.D McGill Summer School July 2019.
- (4) European commission report- Ireland is set to miss its 2020 targets for renewable energy and energy efficiency, is highly dependent on energy imports and has among the highest electricity costs in the EU, the Commission said. "Ireland has lagged behind so far in tackling decarbonisation," it said. "Greenhouse gas emissions in transport and buildings are high and have remained on a rising trend. Ireland will fall short of the 2020 energy efficiency and renewable energy targets. "Ireland's transformation to a climate neutral economy will require sizeable private and public investment over a sustained period in renewable energy, electricity infrastructure, energy efficiency and sustainable transport." The report describes the Government's Climate Action Plan as "credible" but requiring effective and sustained implementation".
- (5) Demand for Skills in Construction CIF/DKM Economic Consultants.

### **Hardware Association Ireland Board**

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