



Contracts In Use Survey (UK 2001)

The latest Survey carried out by Davis Langdon & Everest on behalf of the RICS in relation to contracts in use in construction projects was published in April this year.

The Results

Points of interest which can be derived from the 2001 Survey are:-

- There is an increased use of design and build procurement (now at 13.9% of the total number of contracts surveyed, or 42.7% by value).
- The use of design and build procurement has increased markedly since the Surveys first started in 1985 when judged by value of the contracts let (its market share is now more than double that of its closest competitor).
- The Joint Contracts Tribunal (JCT) forms are still market leaders, accounting for 91% of all contracts let by number (79% by value).
- There has been a decrease in the use of management contracting (now at 0.6% by number of the contracts let and 2.3% by value in 2001 as opposed to 1.5% and 10.4% respectively in 1998).
- The use of partnering contracts, in isolation, is very low (0.6% by number of contracts, 1.7% by value). However use is slightly higher when it is used with a standard form.

The 2001 Survey is the first attempt to record the use of two-stage tender forms of contract. These account for at 4.1% of the total value of contracts

let - but this figure could be understated due to the fact that some surveys were returned incomplete in this respect. Some use of the ACA form of contract PPC2000 was also recorded.

Trends

So what can be derived from this?

- It is clear that the use of JCT forms is still dominant within the industry.
- Use of management contracting has decreased, as has construction management. The use of design and build is still increasing for mid-value work.
- It is also interesting to note that, despite the industry's espousal of partnering, the take up of partnering contracts is still low. It is also interesting that, despite the industry's clamour against retention, there is no recorded use of the JCT option of a bond in lieu of retention.

Design and Build in Ireland

There is still widespread use of the RIAI and GDLA forms of Contract. However our own experience indicates an increased use of Design & Build in Ireland. Notwithstanding, we are still without a standard Design & Build Form of Contract with increasing use being made of bespoke Contracts being drafted by lawyers at significant costs to the Industry. It behoves all parties to the construction process to address this issue as a matter of urgency.

Comparison of House Prices in Ireland with the UK.

A new house price Index for the UK has been compiled and published by the Office of the Deputy Prime Minister. The Index is shown overleaf and will shortly be on our website. The Index shows a national UK increase of 29.3% between February 2002 and July 2003, with a 16.6% increase in Northern Ireland for the same period. The Permanent TSB National House Price Index for the same period in Ireland is 22.7%

Economic Growth Forecast

Since our Q2 review the ESRI has published, in July 2003, its medium term review which states that "The economy has the potential to grow quite rapidly for another five years. While it is likely to be much less vibrant than in the boom years of 1994-2001, it will nonetheless be well above the dreams of our EU neighbours. This potential for quite rapid growth is due to the key demographic factors remaining favourable, and also to related factors affecting the productivity of the labour force. Looking beyond 2004, the ESRI anticipates a world recovery from 2005 onwards, with the Irish economy regaining some lost ground. The period of underachievement in the first half of the decade could be offset in the second half of the decade by a period of growth above the long-term potential of the economy. Such a time path for output would see the economy restored to full employment by the end of the decade."

Benchmark Forecast, Major Aggregates

| | 2002 | 2003 | 2003 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 1995-00 | 2000-05 | 2005-10 | 2010-15 | 2015-20 |
|-----|------|------|------|------|----------|------|------|------|------|---------|-------------------------|---------|---------|---------|
| | | | | | Per Cent | | | | | | Annual Average % Growth | | | |
| GDP | 6.3 | 2.6 | 3.1 | 6.1 | 6.6 | 5.9 | 5.9 | 5.3 | 5.0 | 9.8 | 4.8 | 5.7 | 3.3 | 2.9 |
| GNP | 0.6 | 2.4 | 3.0 | 4.7 | 5.7 | 5.6 | 5.7 | 5.1 | 4.8 | 9.0 | 3.1 | 5.4 | 3.5 | 2.8 |

Meanwhile across the pond the Economist Intelligence Unit in its September 2003 world forecast states "A global economic recovery is under way, and the Economist Intelligence Unit expects world GDP growth (on a purchasing power parity basis) to average 3.3% in 2003, rising to 3.9% in 2004. However, in the early stages the recovery will remain fragile, and our forecasts still suggest that the OECD will take until late 2004 to reach even a trend pace of growth.

The Economist Intelligence Unit World Forecast

| World summary (%) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------|------|------|------|------|------|------|------|------|------|------|
| Real GDP growth | | | | | | | | | | |
| OECD | 3.1 | 3.8 | 0.9 | 1.8 | 1.9 | 2.4 | 2.6 | 2.5 | 2.4 | 2.4 |
| Non-OECD | 4.4 | 5.9 | 4.4 | 4.6 | 5.4 | 6.0 | 6.1 | 5.9 | 6.1 | 6.1 |
| World | 3.6 | 4.6 | 2.2 | 2.9 | 3.3 | 3.9 | 4.1 | 3.9 | 4.0 | 3.9 |
| North America | 4.2 | 3.9 | 0.4 | 2.5 | 2.5 | 3.4 | 3.1 | 3.0 | 2.9 | 2.8 |
| Western Europe | 2.7 | 3.8 | 1.6 | 1.3 | 0.9 | 1.9 | 2.5 | 2.4 | 2.4 | 2.4 |

In Brief.

Church building costs – August 2003

Currently, the cost of building a new church in the UK is around £2200 (€3190) per place, according to the latest Study of Functional Unit Prices in the BCIS Surveys of Tender Prices.

EU Enlargement

With EU enlargement on track for expansion on 1st May 2004, nine of the ten candidate countries have now voted in favour of joining. The tenth country Cyprus in the Cypriot House of Representatives voted unanimously in favour of EU membership. Cyprus was the only acceding country of the ten not to hold a referendum.

Sweden rejects euro

Sweden delivered a crushing rejection of the single currency on Sunday 14 September 2003. The referendum result was 56.1% against and 41.8% for, with a turnout of 81.2%.

Duisenberg hands over to Trichet

The European Parliament's Economic and Monetary Affairs Committee has voted to confirm Jean-Claude Trichet as the new President of the European Central Bank. Trichet is due to take up the ECB presidency on 1 November next.

Revision of the Seveso II Directive

A revision of the Seveso II Directive on the prevention of major accident hazards has finally been agreed. Under the new Directive industrial operators will now be obliged to produce risk maps showing areas that might be affected by a major accident and moreover requires Member States to provide the EU Commission with minimum data on all Seveso sites within their territory. Chemical and thermal processing operations in mining as well as operational tailings management facilities containing dangerous substances are now covered by the rules.

The indices shown overleaf are updated regularly on our website. Further copies of this review are available on our website to download as an Acrobat PDF file.

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**UK House Price Index:** Statistics from the Office of the Deputy Prime Minister

| All dwellings | | | | | | Government Office Regions | | | | | | | | | | UK excl | |
|------------------------------|-------|-------|-------|-------|-------|---------------------------|-------|---------|----------|----------|-------|--------|-------|-------|---------|----------|-------|
| | | | | | | North | North | Yorks & | East | West | | | South | South | UK excl | London & | |
| | | | | | | East | West | Humber | Midlands | Midlands | East | London | East | West | London | S East | |
| Index level (Feb 2002=100.0) | | | | | | | | | | | | | | | | | |
| 2002 | Feb | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | |
| | Mar | 103.5 | 103.5 | 101.7 | 103.9 | 105.8 | 105.1 | 104.3 | 103.0 | 104.8 | 103.1 | 102.8 | 104.2 | 102.9 | 102.9 | 103.3 | 103.5 |
| | Apr | 104.9 | 104.8 | 103.3 | 105.4 | 108.0 | 106.2 | 107.1 | 105.0 | 107.0 | 105.1 | 103.0 | 105.3 | 103.4 | 105.7 | 104.8 | 105.3 |
| | May | 107.6 | 107.6 | 107.8 | 108.3 | 108.1 | 108.7 | 111.2 | 107.7 | 110.4 | 107.1 | 105.9 | 108.0 | 105.9 | 108.2 | 107.5 | 108.1 |
| | Jun | 112.0 | 112.0 | 112.3 | 112.6 | 112.2 | 116.3 | 115.3 | 115.1 | 114.8 | 112.8 | 109.0 | 111.3 | 110.8 | 113.0 | 112.3 | 112.8 |
| | Jul | 112.9 | 112.9 | 111.2 | 112.9 | 111.5 | 113.2 | 115.1 | 112.5 | 118.5 | 113.5 | 110.9 | 112.5 | 111.2 | 115.4 | 113.0 | 113.7 |
| | Aug | 115.4 | 115.6 | 115.2 | 113.2 | 113.5 | 116.5 | 116.4 | 115.0 | 119.8 | 116.6 | 114.5 | 114.6 | 114.2 | 118.4 | 115.6 | 116.1 |
| | Sep | 118.2 | 118.4 | 117.3 | 115.6 | 118.5 | 120.6 | 118.2 | 117.0 | 123.1 | 120.6 | 116.7 | 117.5 | 117.3 | 121.1 | 118.4 | 118.9 |
| | Oct | 119.1 | 119.6 | 116.7 | 114.5 | 113.4 | 116.8 | 120.6 | 119.0 | 126.3 | 120.5 | 119.1 | 117.0 | 118.5 | 123.8 | 119.7 | 120.1 |
| | Nov | 120.3 | 120.8 | 118.9 | 115.4 | 114.6 | 123.7 | 120.5 | 122.9 | 127.7 | 124.3 | 121.0 | 116.9 | 120.0 | 122.9 | 121.3 | 121.8 |
| Dec | 124.3 | 124.7 | 125.4 | 119.6 | 114.5 | 129.0 | 126.3 | 124.0 | 133.0 | 130.1 | 123.5 | 120.5 | 123.3 | 128.6 | 125.3 | 126.1 | |
| 2003 | Jan | 123.4 | 124.0 | 123.3 | 115.8 | 117.2 | 122.7 | 121.5 | 123.1 | 135.0 | 123.6 | 127.7 | 117.5 | 124.2 | 129.2 | 125.0 | 125.3 |
| | Feb | 122.1 | 123.0 | 123.9 | 107.8 | 116.3 | 121.6 | 122.1 | 122.5 | 132.4 | 123.1 | 125.1 | 115.3 | 123.6 | 132.0 | 123.9 | 124.1 |
| | Mar | 124.7 | 125.6 | 122.8 | 114.1 | 115.1 | 126.1 | 124.4 | 126.7 | 135.6 | 129.3 | 130.7 | 115.5 | 126.0 | 132.0 | 127.2 | 127.6 |
| | Apr | 127.7 | 128.2 | 127.1 | 120.9 | 122.0 | 135.2 | 128.7 | 132.5 | 141.2 | 129.9 | 131.2 | 118.5 | 127.9 | 133.3 | 130.1 | 131.0 |
| | May | 126.8 | 127.3 | 128.1 | 121.0 | 116.3 | 132.7 | 129.1 | 130.7 | 141.9 | 130.8 | 130.1 | 115.6 | 127.7 | 133.0 | 129.8 | 130.5 |
| | Jun | 127.1 | 127.4 | 131.1 | 122.9 | 120.4 | 138.4 | 130.1 | 131.8 | 138.7 | 131.7 | 130.1 | 117.4 | 126.6 | 131.0 | 129.7 | 130.9 |
| | Jul | 129.3 | 129.6 | 132.6 | 127.3 | 116.6 | 140.9 | 134.2 | 134.7 | 140.2 | 133.1 | 128.9 | 123.0 | 127.3 | 132.9 | 131.0 | 132.4 |

Permanent TSB National House Price Index (Source: Permanent TSB)

| Base Year 1996 = 100 | | | | | | | | | | | | |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| 1996 | | | 96.6 | 97.0 | 98.2 | 99.8 | 100.2 | 101.4 | 102.0 | 102.6 | 102.8 | 102.4 |
| 1997 | 104.6 | 105.8 | 109.0 | 110.0 | 111.8 | 113.3 | 114.3 | 115.4 | 116.2 | 118.3 | 119.6 | 102.5 |
| 1998 | 121.5 | 123.4 | 126.0 | 128.2 | 132.4 | 136.9 | 142.6 | 146.4 | 148.5 | 150.9 | 152.4 | 156.4 |
| 1999 | 156.8 | 159.4 | 161.3 | 163.6 | 165.6 | 167.8 | 171.4 | 174.1 | 176.4 | 178.6 | 181.7 | 184.4 |
| 2000 | 187.5 | 189.5 | 193.1 | 196.5 | 200.0 | 203.7 | 207.5 | 211.7 | 212.7 | 214.8 | 219.0 | 223.7 |
| 2001 | 226.1 | 227.1 | 230.0 | 232.7 | 233.7 | 234.5 | 236.8 | 238.9 | 238.5 | 236.5 | 235.5 | 233.5 |
| 2002 | 231.5 | 233.1 | 237.4 | 244.2 | 245.3 | 246.6 | 247.5 | 250.7 | 254.4 | 275.8 | 261.4 | 264.6 |
| 2003 | 266.6 | 269.0 | 271.8 | 275.2 | 279.9 | 282.9 | 286.1 | | | | | |

DOE House Building Cost Index (Source: Department of the Environment)

| Base Year 1991 = 100 | | | | | | | | | | | | | Yearly % Jan to Jan. |
|----------------------|-------|-------|-------|--------|--------|--------|-------|-------|-------|-------|-------|-------|-------------------------|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | |
| 1992 | 102.6 | 103.4 | 103.5 | 104.9 | 104.9 | 104.9 | 105.0 | 105.0 | 105.5 | 105.5 | 105.4 | 105.2 | 2.63% |
| 1993 | 105.3 | 105.1 | 105.1 | 107.6 | 107.7 | 107.7 | 107.8 | 107.8 | 108.2 | 108.4 | 108.4 | 108.7 | 3.70% |
| 1994 | 109.2 | 109.3 | 109.4 | 110.3 | 110.1 | 110.6 | 110.7 | 110.9 | 112.2 | 112.7 | 112.9 | 113.1 | 3.94% |
| 1995 | 113.5 | 114.1 | 114.1 | 114.1 | 114.1 | 114.1 | 114.5 | 114.5 | 115.7 | 115.8 | 115.9 | 115.9 | 2.11% |
| 1996 | 115.9 | 115.7 | 115.9 | 115.9 | 115.9 | 116.0 | 116.0 | 116.0 | 116.9 | 117.1 | 117.2 | 117.2 | 1.81% |
| 1997 | 118.0 | 118.5 | 118.8 | 119.8 | 119.8 | 119.8 | 120.8 | 121.0 | 121.5 | 122.0 | 122.6 | 122.6 | 4.15% |
| 1998 | 122.9 | 123.1 | 123.8 | 123.8 | 124.5 | 124.5 | 125.7 | 125.7 | 126.0 | 126.2 | 126.2 | 126.1 | 2.77% |
| 1999 | 126.3 | 126.4 | 126.5 | 130.5 | 130.5 | 130.5 | 131.5 | 131.5 | 134.1 | 134.7 | 134.8 | 134.9 | 7.52% |
| 2000 | 135.8 | 136.1 | 136.4 | 136.5 | 136.8 | 136.9 | 137.2 | 137.2 | 137.7 | 153.8 | 153.8 | 153.9 | 13.62% |
| 2001 | 154.3 | 154.7 | 155.6 | 157.4 | 157.6 | 157.7 | 161.1 | 165.9 | 166.0 | 169.3 | 169.4 | 169.3 | 10.11% |
| 2002 | 169.9 | 170.0 | 169.5 | 169.5 | 169.5 | 167.7 | 173.8 | 173.9 | 173.9 | 173.9 | 174.0 | 174.1 | 2.53% |
| 2003 | 174.2 | 174.5 | 174.5 | 177.3# | 177.3# | 177.4# | 177.1 | 177.2 | | | | | |

Revised index due to backdated increase of 3% from 1 April 2003 under the National Partnership Agreement—Sustaining Progress.

CSO Wholesale Price Index for Construction Wages & Materials (WPCM4040)

(Source: Central Statistics Office)

| This index has been rebased to the year 2000, historical index figures are available on our website www.akc.ie | | | | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Base Year 2000 = 100 | | | | | | | | | | | | |
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| 2000 | 96.1 | 96.5 | 96.7 | 97.4 | 97.8 | 98.0 | 98.0 | 98.2 | 98.7 | 107.4 | 107.5 | 107.6 |
| 2001 | 108.0 | 108.4 | 108.5 | 110.4 | 110.4 | 110.6 | 112.6 | 115.6 | 115.7 | 117.8 | 117.8 | 117.7 |
| 2002 | 118.1 | 118.8 | 118.9 | 119.7 | 119.8 | 119.9 | 122.1 | 122.2 | 122.3 | 122.8 | 122.7 | 122.8 |
| 2003 | 122.1 | 122.3 | 122.4 | 124.4 | 124.4 | 124.3 | 124.3 | | | | | |

CSO Consumer Price Index (CPAM 063) (Source: Central Statistics Office)

| Base Year 1996 = 100 | | | | | | | | | | | | |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| 1997 | 99.5 | 100.1 | 100.2 | 100.3 | 100.5 | 100.8 | 100.7 | 100.5 | 101.0 | 101.2 | 101.6 | 101.9 |
| 1998 | 101.3 | 101.8 | 102.3 | 102.8 | 103.2 | 103.7 | 103.4 | 103.7 | 104.0 | 104.1 | 103.7 | 103.6 |
| 1999 | 102.8 | 103.4 | 103.7 | 104.2 | 104.7 | 105.0 | 104.6 | 105.2 | 105.6 | 105.7 | 105.9 | 107.1 |
| 2000 | 106.9 | 107.8 | 108.5 | 109.3 | 110.1 | 110.8 | 111.1 | 111.7 | 112.1 | 112.9 | 113.3 | 113.4 |
| 2001 | 112.5 | 113.5 | 114.4 | 115.4 | 116.1 | 116.7 | 116.4 | 116.8 | 117.3 | 117.7 | 117.6 | 118.2 |
| 2002 | 118.0 | 118.8 | 119.9 | 120.9 | 121.5 | 121.7 | 121.3 | 122.0 | 122.6 | 123.2 | 123.3 | 124.1 |
| 2003 | 123.6 | 124.8 | 125.8 | 126.1 | 126.0 | 126.0 | 125.1 | 125.9 | | | | |