

Speech by Liam Connellan, Director General, Confederation of Irish Industry, at CII Mayo Region Meeting at Breaffy House Hotel, Castlebar, at 1 p.m. on Monday, February 25, 1985.

---

LINKS WITH FAST GROWING NEW INDUSTRIES CAN IMPROVE THE GROWTH PROSPECTS OF IRISH FIRMS

Industry in Ireland can be generally classified into two broad categories. These are the fast growing new industries whose output last year increased by about 25%, and the established industries whose output last year increased by an average of only 1%.

The main challenge facing all Irish industries is to develop new products and processes which will accelerate growth. Technology is changing in all sectors of industry. There are many examples of Irish firms which have responded to this challenge and up-graded their technology to meet, directly, the needs of a sophisticated international market place. Many others concentrated on exploiting the considerable opportunities available as sub-contractors to fast growing new industries.

For example, it is estimated that the main electronics firms are now purchasing £115 million worth of goods from Irish sub suppliers annually. Demand for Irish made electronic components is expected to increase by 25% to 30% per annum, without taking account of the possibilities of replacing more of the components which are currently imported. There are also considerable opportunities for Irish firms to become sub suppliers in other industrial sectors such as chemical and pharmaceuticals, mechanical engineering and healthcare.

New overseas firms, generally, have a very positive attitude towards the development of Irish sub suppliers. They are frequently prepared to help the local supplier in achieving the stringent quality levels required and to provide engineering expertise. Many of them already buy from over 100 local manufacturers. Some have established special "Can you make it?" showrooms at their plants.

The relationship between the purchasing and supply company is crucial. It must be built on mutual trust, commitment and partnership. Irish industry is now establishing specialised niches in the large European market of 300 million people. This requires a commitment to excellence and the highest standards of quality. I welcome the announcement that an Irish standard specification for quality assurance will shortly be launched by the National Standards Authority.

The products of Irish industry are becoming increasingly more specialised. Two products groups, computer equipment and chemicals, now account for over 30% of our total exports and Irish output of these products continues to expand rapidly.

Hundreds of Irish sub suppliers have met the stringent quality requirements of the multinational companies. These firms are characterised by a commitment to quality, professionalism, high level skills, persistence and energy. A project reject rate of less than one tenth of one per cent is demanded and achieved. They appreciate that excellence in manufacture and in customer service will ensure success.

I would point to the example of five successful sub supply firms :

- 1) A medium sized plastics moulding firm in Mullingar which has been awarded IBM's Quality Award for Excellence, also exports 15% of its output to Japan, increased its total sales by 42% last year, and plans to increase them by a further 55% this year. It has grown from 15 to 180 employees in four years.
- 2) A small engineering firm in Waterford, which operates computer numerically controlled equipment to make components for computers, became the first machine shop in Europe to receive the High Quality "Ship to Stock" certificate of excellence from the Digital Equipment Corporation. This qualifies the firm to quote for the Company's world wide business. The same firm has obtained a 15-year contract from the Ford Tractor Company for the production of spare parts for Ford tractors for world wide distribution.
- 3) A small food processing firm in Donegal, working in partnership with the Quinnsworth Supermarket chain, now manufactures high quality, own brand potato chips and has displaced products previously imported from Holland.
- 4) A small electronic component manufacturer in Galway exports 65% of its total output, and sells 20% of its output to new overseas companies in Ireland.

- 5) A wood processing and packaging firm, with headquarters in Arklow, has built up the firm from 8 to 380 employees since 1971. Much of this growth has been due to its success in supplying new overseas companies.

These examples demonstrate the success which can be achieved by small and medium sized Irish firms as sub suppliers to major international corporations at home and abroad. Most managers of multinational companies in Ireland have a genuine interest in developing high quality local supplies.

It can be a long and arduous process to achieve the necessary standard of excellence. Commitment is required from both sides. The rewards, however, can be enormous.

I believe that the hundreds of examples of Irish manufacturers, who have successfully met the challenge of supplying products and components to firms in the forefront of their technology, can be repeated tenfold in the next few years. Almost every Irish manufacturing firm can become a fast growing industry by being the best in its own particular field. A commitment to quality and reliability will ensure that success.

END