

Speech by Liam Connellan, Director General, Confederation of Irish Industry, at the Annual Dinner of the Association of Management Consulting Organisations at the Berkeley Court Hotel, Dublin 4, at 7.00p.m. on Friday, 14th June 1985.

TECHNOLOGICAL ADVANCES OFFER NEW OPPORTUNITIES FOR DEVELOPMENT

Since joining the European Community in 1973 Ireland has made some progress in reducing the gap in living standards between Ireland and other EEC member states. The output per capita of the Irish economy has increased from 52% of the European average in 1973 to 60% to-day. Almost one-third of the remaining gap is due to the larger number of dependents in the Irish population compared with the rest of Europe.

It is likely that a much greater improvement would have been made were it not for the impact of two major international recessions which depressed economic activity all over Europe.

MORE

WHY MORE RAPID INDUSTRIAL GROWTH IS POSSIBLE

More rapid progress can be made over the next decade because of technological advance, and the very different structure of our economy now compared with 1973.

Manufacturing industry now provides the main dynamic for economic growth. It accounts for more than one-third of the total output of the economy and in recent years has been growing more than twice as fast as the rest of the economy.

Within the manufacturing sector, new technology industries such as electronics and pharmaceuticals have shown the most rapid expansion. Although segments of the electronics industry are currently experiencing a cyclical downturn the underlying growth of this sector internationally is still expected to exceed 15% to 20% per annum. These fast growing new technology sectors account for a higher proportion of the industrial sector in Ireland than in any other EEC country.

A strong emphasis on new technology offers the potential for the Irish manufacturing sector as a whole to sustain an average growth of 10% per annum, and can provide the means for closing the gap in average output per capita between the Irish economy and the rest of Europe.

The sustained expansion of new technology sectors will require a particularly strong concentration on marketing and technological innovation. This applies not only to the electronics and pharmaceuticals sectors but also to every firm in the manufacturing sector.

Every firm, irrespective of its industrial sector, must have the capacity to apply the latest technological advances in the development of its products and processes. For example, equipment for the clothing industry was demonstrated at a trade fair in Cologne last week which will enable the output per person in many aspects of clothing manufacture to be doubled. In many countries the application of robots to repetitive operations is increasing rapidly. Swedish industry has now three robots in operation for every thousand people in the manufacturing sector. Here in Ireland, in the field of biotechnology a major research project is currently under way to examine the possibilities of using lactic acid bacteria in milk to develop new products and processes. Some time ago I visited a firm near Tokyo employing 400 people, which manufactures laser machine tools capable of cutting steel to an accuracy of 10 microns. Using this equipment a complex press tool can be made in a few hours.

URGENT NEED TO ACQUIRE TECHNICAL SKILLS

The major challenge now facing all sectors of industry is to acquire the technical skills to develop new products and processes which will contribute to the dynamism of both new and

established firms and will enable them to expand rapidly in response to the changes in the marketplace.

Many Irish manufacturing firms are in a Catch 22 situation. They would like to, and indeed need to, employ more young technologists but are already heavily overborrowed and have not the funds to meet the additional expenditure. Well qualified engineering graduates therefore have no choice but to seek work abroad in countries such as Germany, The Netherlands, Sweden or the United States. Industry loses the benefit of the nation's investment in education. I would strongly urge that the recommendations of the Sectoral Development Committee to develop a recruitment and training scheme eligible for European Social Fund incentives should be implemented by the appropriate State agencies.

SPECIALISATION

As barriers to trade are broken down in the European market, industry in Ireland is becoming more specialised. The larger Irish manufacturers are concentrating their production on a narrow range of products which can be competitive in the large European market of 320 million people. Because of the economies of scale inherent in supplying a truly open European market Irish firms have the potential to achieve world standards of competitiveness. The success of larger firms can open up thousands of subcontracting opportunities for small firms.

Sustained industrial growth in all modern economies results in higher levels of total employment in the economy resulting from spin-off effects in subcontracting and service industries.

INFORMATION TECHNOLOGY

Side by side with the growth of manufacturing we are also in the midst of major changes in information technology as computers are applied to everyday tasks, and for the development of new processes and services.

A recent study estimated that the information services sector comprising banking, insurance, financial and professional services, as well as public, administrative, education and business services account for over 40% of all employees in the economy. Recent developments in telecommunications have created the possibility of developing an integrated services digital network which will link telephones, computers, video machines, viewdata terminals, televisions, facimile machines and vehicle phones; locally, nationally, and internationally.

Within 10 years it is estimated that computers will provide at least 100 times more power at costs roughly comparable to those of today. By 1990 it is expected that one half of all American households will have a computer-based system.

Already in Ireland about one household in twenty has a home computer.

In the business sector, the great majority of firms have their own computers and word processors; a high proportion are linked telephonically to data bases and are using facimile machines to transmit documents; an increasing proportion are using electronic mail facilities and videotex, and many are investigating the use of teleconferencing. Ireland can capitalise on these developments as soon as the digital telecommunications network is completed.

OUTLOOK

These changes can have a very positive impact on the Irish economy. A young well-qualified population of engineers and computer scientists can help accelerate the pace at which these developments are applied, and the rate at which the economy output gap with the rest of Europe is closed. The main difference between the Irish economy and more developed economies like Denmark is that proportionately our output of goods and services is only half as great. The gap has already been closed in some segments of manufacturing industry. It now needs to be eliminated throughout the whole economy. I believe that technology will enable the rate of progress in closing the gap to be accelerated and that tens of thousands of additional jobs can be created as a result.