



# PRESS RELEASE

## The Confederation of Irish Industry

Speech by Mr Liam Connellan, Director General, Confederation of Irish Industry, at the Annual Dinner and Dance of the Wexford Chamber of Commerce, in the Talbot Hotel, Wexford on Wednesday, 7 April 1976.

---

### 1. THE BRITISH BUDGET

Yesterday's British Budget poses major problems for Irish industry. If the measures are successful, the British rate of inflation will decline to 10% by the end of this year, and to 5% by the end of 1977. On the other hand, British wages and salaries will rise by about 7% in 1976, and at an annual rate of only 3% during the first half of 1977.

Developments in the British economy have a greater impact on Irish industry now than at any time since 1930. We are operating in a free trade area, comprising 55 million people, having the same currency, language, free movement of goods and similar distribution systems. In these conditions, it is obvious that the sales of our products are almost completely determined by their competitiveness.

### 2. UNEMPLOYMENT

The high level of unemployment, and the rate of inflation are, by far, the greatest problems requiring solution.

Although there has been a seasonal dip in recent weeks, the trend in unemployment continues upwards. This high level of unemployment is caused by the low level of demand for Irish products at home and abroad. Since Ireland supplies a minuscule proportion, less than 1% of European industrial output, it is worth asking why it has not been possible to maintain international demand for our output. We supply less than 3% of British manufactured imports. Even if British demand is stagnant, it should be possible for us to increase output by taking a slightly larger share of the British market, without causing any disruption. However, we know that the facts are different.

### 3. TRADING PERFORMANCE

Let us compare our trading performance with that of the United Kingdom, with which we have free trade and a common currency. During the four months from November to February, British exports increased by almost 22% compared with the previous year, and Irish exports increased by 9%. Lest it be thought that the fall in the volume of Irish exports was due to lower agricultural exports, the increase in manufacturing exports at 12%, was only slightly better than that of total exports.

During the same four month period, British imports increased by 8% compared with a year earlier, while Irish exports to the United Kingdom fell in value by 6%.

MORE

On the other hand, during this same period, Irish imports from the United Kingdom increased by 28% compared with the previous year.

#### 4. COST LEVELS

Since 1971, earnings in Ireland have risen much more rapidly than those in Britain. The main changes were between 1972 and 1974. In 1975, we merely succeeded in holding our relative position. Unfortunately, if we were to achieve an increase in our share of the British market, it would have been necessary to gain a real improvement in unit costs.

We have now arrived at a situation where many firms which have large employment in Britain and Ireland, find that the actual level of wages and salaries in their Irish subsidiaries is significantly ahead of those in their British counterparts. The consequences are inevitable when a decision has got to be made on where activity should be expanded, or reduced.

The social taxes, which must be paid by the employer in relation to health insurance, social welfare, pay-related benefit and redundancy, are now higher in Ireland for employees earning up to £50 per week than in the U.K.

MORE

We rightly aspire to the same standard of living as that obtaining in the rest of Europe, but this must be earned by improvements in productivity, so that our costs per unit of production are no higher than those of our competitors. The lower our unit costs are, the greater will be the demand for our products, and the greater will be the possibility that sufficient jobs can be created for an expanding population and that the very high level of unemployment can be reduced.

#### 5. OUTLOOK

Between 1972 and 1974, Irish unit wage costs rose by 8% faster than those in Britain. In 1975, the rate of increase was about the same in each economy. If the British measures are successful, then a pay pause through to mid-1977 would succeed merely in restoring the relative price levels which existed in 1972. This is a measure of how far our costs have got out of line with our major competitor. The need for a pause in wage and salary increases is now even greater than before the British budget.

The alternative is a continuing rapid increase in imports from Britain, many product lines will become uneconomical to manufacture in Ireland and production will cease, exports will decline, Irish prices will continue to rise more rapidly than in Britain, and unemployment will continue growing.

We have been given an eleventh hour chance to make sure that the right decisions are taken. A pay pause now is more essential than ever. We cannot ignore the impact which the successful implementation of the British budgetary proposals will have on jobs and prices in Ireland.

6. TRANSPORT LINKS

Efficient transport links between Ireland and other countries are an essential component in the success of our export effort. Each week, there are approximately one hundred regular sailings from this island to ports in other countries. About 80% of trade from the Republic is carried along six major trade corridors, the most important of which, after Dublin/Liverpool/Preston, is the corridor which links Waterford, Wexford, Rosslare, Fishguard and Newport. About a quarter of all Irish trade is carried along this corridor.

The development of the Port of Rosslare as a major link with Britain and Europe is an important part of transport and ports policy. The recently announced proposal by CIE to develop the Port has far-reaching implications for international trade. The development of Rosslare as a major port complex has significance, both for the trade and industry in the area, and also, in the national context

MORE

as a major Roll-on, Roll-off port for freight and tourist traffic. Development of port facilities demands a corresponding improvement in approach roads to ports such as Rosslare, to cater for traffic to and from the major industrial centres. Only in this way can the requirements of industry, tourism and transport be met. The development of Rosslare should be considered in this context. The Confederation has, in recent weeks, stressed the importance of a national transport and ports policy which would co-ordinate the investment, planning and future development in ports throughout the country.

END