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IRISH INDUSTRY - PROBLEMS OF GROWTH

BY

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Irish Industry is currently growing faster than at any time since 1969. Exports since the middle of last year have been expanding at a level 35% higher than twelve months earlier. Industrial exports to the 'old' EEC have increased by over 100% in the same period. Industrial output is expected to grow by 8% this year.

Despite these favourable indicators, Ireland GNP/capita is only half the Community average. It is expected to grow by over 5% this year, but this will be matched by the growth of Community GNP/capita. Industry now contributes 40% of GNP and contributed 80% of the growth in exports during the 1960's. It is clear that prospects for future growth in per capita income is largely dependant on industrial growth. What factors prevent a more rapid growth of industrial output?

The major factor in determining the growth of any firm is the quality of its staff from management to shop floor. The managing director as the main decision maker has the greatest influence. We all know many instances where a change in management had a dramatic effect on the performance of the firm. An enterprising and skilled management can often double the growth rate of the individual firm.

I would, however, pick out seven outside influences which have a major effect on industrial development.

These are :

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1. High taxation
2. High transport costs
3. Poor telephone system
4. Inadequate pool of skilled managers and workers
5. High inflation
6. Rate of technical change
7. Increased competition from abroad

1. High Taxation :

Corporate Taxation for firms supplying the home market in Ireland is among the highest in Europe. Yet exports by indigenous firms in every economy are built on a sound home market base. It does not make very good sense to penalise the developing firm because it has not yet reached that stage by ensuring that it never will.

2. High Transport Costs :

Irish exports to the main markets of Europe - which take 77% of our exports - will always have a transport costs disadvantage because of our geographical position. It may be well to recognise this now as an area requiring premanent subsidy.

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3. Poor Telephone System :

Ireland is now the only country which has not got direct dial communications with other EEC countries. Delays on calls even to and from Brussels can frequently be two hours. This is a serious business handicap.

4. Inadequate Pool of Skilled Managers and Workers :

The efforts of IMI and AnCO require continuing support so that knowledge, skills and attitudes are constantly upgraded. The results of training are medium term and sometimes difficult to measure. The object is to condense experience, provide information and help the individual cope with continuous change. There is ample evidence that managers as well as skilled workers can be trained. Irish investment in industrial training at all levels needs to be increased considerably.

5. High Inflation :

The Consumer Price Index is now 9.9% above last year's level, and is expected to drop to an 8% growth during 1973. This compares with the British attempt to hold price increases to about 3%, and wage increases to approximately 8%. Since, despite diversification, Britain still takes over 60% of Irish exports, action is required to damp down the Irish rate of

inflation. A convincing Prices and Incomes policy is required which will reduce the effects of wage/price "leapfrogging".

6. Rate of Technical Change :

The pace of technical change is accelerating. Productivity in industry is growing by over 5% per annum. This is caused to a large extent by necessary increases in new machinery and processes. Industry is, therefore, hungry for capital, but must justify a commercial rate of return. When abnormal industrial growth is required short term capital incentives are essential.

On the other hand, low technology labour intensive industry is playing a declining role in our economy. We must, therefore, continually upgrade both the quality and technology of Irish products. Licensing, and joint venture opportunities with foreign companies offer one way to accelerate this upgrading. The Confederation of Irish Industry is initiating a number of pilot projects to see how this can be done most effectively.

7. Increased Competition from Abroad :

On 1 April the first 20% tariff reduction was made for EEC goods entering Ireland. This will increase competition on the home market. Industry must fight to retain its share of the Irish market which has been decreasing by about one percentage point per annum in recent years.

Retention of home market share is as important as increasing exports, and should be regarded as such in the package of incentives.

Irish industry must be the main provider of new jobs for the growth in population, and those leaving agriculture. A massive capital investment is required both to increase investment within industry, and to provide an efficient infrastructure in transport, communication, and training. This capital can be provided by reduced taxation on retained profits, and by additional capital incentives.

By early 1974 the European Community should have four funds in operation which will provide additional funds to Irish industry. These are the FEOGA fund for resettlement of agricultural workers in industry; Community Development Contracts for the transnational development of new products and processes; the Social Fund for re-training of adults; and the Regional Fund to stimulate regional development. The accountancy profession can make a major contribution in firstly, being up to date with the requirements of each of these, and secondly, in formulating proposals which will help Irish industry to benefit. The underlying philosophy of all EEC proposals is to help those who help themselves. Development plans will be required for companies, industrial sectors and regions, stating how they would use funds if available. The financial plan will be the cornerstone; and that, gentlemen, is your responsibility.

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