



PRESS RELEASE

The Confederation of Irish Industry

Speech by Mr Liam Connellan, Director General, Confederation of Irish Industry at CII Regional Meeting, held at Limerick Inn Hotel, on Wednesday, 22 February 1978.

Small Firm Production Can Replace Imports

The value of consumer spending is expected to rise by about £500 million in 1978 which represents a real increase of about £200 million after allowing for inflation. It is estimated that, at least, 2/3rds of this increased spending will be on imported consumer products.

For example, consumer imports increased by 14% during 1977, whereas total consumer spending increased by only 5%, and this would represent an even greater propensity to import.

Whereas many of the consumer products which are imported are not manufactured in Ireland, a major proportion of imports are represented by basic products.

For example, seven basic products, i.e. clothing, footwear, furniture, meat preparations, dairy products, fish products, and pastry biscuits and cakes, alone, accounted for almost £200 million of imports during 1977. The increase in imports

of these products rose by 35% in volume or about £45 million. this is the approximate value of output which would be produced by 4,500 people in Irish industry. Many of these products are manufactured in industrial sectors where small firms predominate internationally.

For example, in Germany, of 8,500 firms in the clothing and footwear industry, 3,000 have less than 10 employees; another 3,000 have between 10 and 50 employees; a further 1,000 have between 50 and 99 employees; and less than 1,000 have more than 100 employees. Similarly, of the 10,000 firms in the wood and furniture sector, 6,000 have less than 10 employees; 3,000 have between 10 and 15 employees; and only slightly more than 1,000 have more than 50 employees. Finally, of 8,500 firms in the food, drink and tobacco sector, 3,500 have less than 10 employees; 2,500 have between 10 and 50 employees; approximately 1,000 have between 50 and 100 employees; and there are about 1,000 firms having more than 100 employees.

There is also a very large number of manufacturing firms in Ireland in these same industrial sectors. For example, there are 300 furniture firms having less than 100 employees; 300 clothing and footwear firms; and close to 1,000 small food processing units.

The sectors which I have mentioned, therefore, offer considerable scope for the development of small industry. The products which these small firms manufacture need not be products which

have never been produced before. They can manufacture common products uncommonly well.

Comparative Advantage of Small Firms

I have pointed out seven product areas which accounted for almost £200 million worth of imports in 1977, and in each of which imports are taking an increased share of the market. I do not advocate protectionism. Irish industry is committed completely to free trade. It is, however, right that we should identify certain areas in which small firms may be able to establish a comparative economic advantage.

The small firm has some advantages over its larger competitor. It can readily identify local demand and switch production to meet the needs of the market. It can provide variety; can cope with small orders; and produce goods of the highest quality. Clothing furniture and food products can be manufactured to meet local specialised needs. On the other hand, we must recognise fully that small firms should not try to compete with mass produced products where economies of scale can offer considerable cost advantages.

Outside the consumer area the Project Identification Unit of the IDA can indicate a wide range of industrial products suitable for small scale manufacture but which must be imported currently.

Special attention should also be paid to the 6,000 own-account craft workers who registered in the 1971 census. Perhaps 20% of these full time craft workers in industries such as textiles, furniture, and engineering can be encouraged to take on additional employees and develop a small industry. The Producer/Craft centre, shortly to be opened in Rathfarnham with IDA assistance, points to the possibilities,

Conclusion

I welcome the increased emphasis which SFADCO will be placing on small firm development in the Mid West Region. There are probably 300 small industries and another 500 own-account craft workers within a 40 mile radius of Limerick City. I have no doubt that a high proportion of these units can show significant growth. There is a wide range of training, employment, and equipment incentives available to assist the small company.

Small firm development offers considerable possibilities for increasing the share taken by Irish firms of the £200 million worth of real additional spending which will be generated in the economy this year

A comparative advantage can be gained, based upon local knowledge, personal service, quality, reliability, and the encouragement of the local community. I have no doubt that the goodwill and support is there in each community. Large firms and public authorities can encourage the development of small firms by placing initial orders.

The local community can help by recognising the small industry owner as a major contributor to its economic and social development. The courage and confidence to start up and expand industry can be created by this local support.

The Confederation, through its Small Firms Association, is currently preparing a report on how the rate of small firm development might be increased.

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