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TRANSPORT AND INDUSTRIAL DEVELOPMENT

Industrial Trade

The expansion of our economy depends, now more than ever, on our capacity to increase penetration of export markets and develop opportunities for import substitution at home. Our response to this challenge will determine future living standards, employment prospects, particularly for our young people, and the creation of national wealth to provide the basic services needed in the economy. The main thrust of industrial growth since the mid 1970's has come from the new technology industries which now account for 40% of exports, and whose output has grown by 15% per annum in the same period. Our dependence on exports is well illustrated by the figures for 1983, which show that 53% of national output was sold in export markets. It is expected that this will reach just under 60% during 1984. Expansion of export markets in these new industries coupled with the development of indigenous export industries and import substitution is a significant challenge to all sectors of industry. It now requires a positive business environment through Government policy if we are to achieve these objectives.

Transport Policy

It is widely recognised that one of the key elements in our success is more aggressive marketing and the necessary support from State and private

sector services to give Irish firms the competitive edge at home and abroad.

One of the crucial factors is our ability to deliver the goods to our customers on time, in good condition, and at competitive cost.

Competitiveness is not simply a question of cost but includes many factors such as product design and development, effective marketing, high productivity in manufacturing and in related services, and the quality of services such as telecommunications, infrastructure and transport. Since 1978 unit costs in the Irish economy expressed in a common currency have increased by 16% faster than those of our competitors. As a result of these higher cost increases the growth of industry and of employment has been much lower than it would otherwise have been. Competitiveness is a critical factor in reducing inflation, increasing the output of industry and in the protection of employment.

The cost and efficiency of distribution services whether in export or home markets or in the important area of procuring supplies of essential raw materials from foreign sources is a critical factor in the total competitiveness of Irish products. It is estimated that freight transport costs represent about 12% of manufacturing costs, and about 8% of our export sales. At these cost levels transport and distribution activity has become a target for much more vigorous analysis and action by industry.

Several reports on transport policy in Ireland in the last decade,

including the Confederation's study on road freight transport in 1974 and later the report of the Transport Consultative Commission, show that the efficiency and cost of transport in Ireland is to a large extent affected by legislation and government policies outside the control of the individual firm. It is clear that transport legislation up until now has been very restrictive, and has reflected the policies and philosophies of the 1930's rather than the practical needs of industry in the 1980's. I refer in particular to the legislation which has restricted the development of the professional road haulage sector, and has resulted in the highest percentage of own account transport in Ireland amongst European countries. I welcome the recent decision by the Minister for Communications to accept the recommendations of the Transport Consultative Commission to liberalise road freight transport as a major breakthrough in transport legislation. A liberal approach to transport is an essential prerequisite to the development of the industry in its own right, and more importantly its capacity to match the needs of manufacturing industry at home and abroad. The Confederation eagerly awaits the necessary legislation to give effect to these measures liberalising access to road haulage, and removing the ban on vehicle leasing, and on back loading. These measures will make a valuable contribution to increased efficiency of transport, reduction of costs and will enable industry to redirect to capital now tied up in transport equipment and management time to raising industrial output and expanding trade.

Roads

The expansion of the road transport system which now accounts for about 90% of all freight transport and over 95% of passenger movements clearly demonstrates the significant role of the road infrastructure in our economic growth. The fact that the allocation for road improvement works in each of the three years 1980, 1981 and 1982 fell far short of the expenditure proposed in the Road Development Plan for the 1980's clearly demonstrates that sufficient priority has not yet been given by Government to expenditure on the development of transport infrastructure. The inadequacy of the road system is a significant factor in the high cost of road freight transport, because vehicle productivity based on the average speeds obtainable on Irish roads is only 60% of that obtainable in other countries of the European Community with whom we compete in export markets. This factor coupled with inordinate delays due to traffic bottlenecks in major cities and towns places Irish transport operators, and therefore their customers at a competitive disadvantage and unnecessarily increases transport and distribution costs.

The primary objective of road development should be to ensure that an adequate network exists to meet the needs of the productive sectors of the economy both public and private. A firm commitment is required from Government that the necessary priority will be given to developing the national primary and national secondary routes. The importance of these routes is quite clear, since although national primary routes comprise less than 3% of the total road network, they carry almost one quarter of total traffic. In addition the national primary and national secondary routes between them comprise less than 6% of the total road network but carry

more than 34% of total traffic. These are the routes which in the main carry the freight traffic to and from major industrial outlets throughout the country as well as distributing consumer products competing in the home market with highly competitive imports.

Given the importance of road freight transport to economic growth, it is essential that investment in our infrastructure receives greater priority as a matter of urgency. A survey undertaken by the Confederation in 1981 on the public attitudes to roads showed that there is a public acceptance of the inadequacy of the roads within and between major cities and towns to meet current and future needs. The survey indicates that about 90% of the people interviewed considered roads inadequate and almost 60% ranked public expenditure on new road construction as the single highest priority for Government expenditure. The benefits of investment in road improvements have already been well demonstrated during 1983 with the opening of the Naas By-Pass, and the Santry By-Pass linking the city with Dublin Airport. The benefits obtained from these improvements and the requirement to eliminate other well known bottlenecks confirms the urgency of increased expenditure on infrastructure. Given the severe restraints on public expenditure, it is essential that possibilities for an enlarged private sector involvement in the provision of infrastructure are explored.

Public Transport Issues

In addition to the priorities to be given to the development of road transport through changes in legislation and the development of infrastructure, the problems associated with the public transport services must also be overcome. The Confederation in its submission to Government on the proposed review of public transport policy outlined in the McKinsey Report, supported the restructuring of public transport to take account of the needs of industry, to reflect the changes in industrial development, and to solve the serious problem of public expenditure on the transport system.

Time will not permit a detailed discussion on the pros and cons of the recommendations in the McKinsey Report, but I believe that as in the case of the proposals on road freight transport, there is an urgent need for a firm statement of policy from Government on the future for the public transport system. This must of course include the future of the railways which I believe are a vital part of transport infrastructure, and have a role to play in the movement of goods within Ireland. However, it is clear that industry will only continue to support the railway system so long its services are competitive with the road alternative. Clear distinction must therefore be drawn between the role of public transport in the normal commercial freight system, and the social role of the public transport system in passenger movements.

The approach to public transport policy must be positive, and aim to improve the efficiency and attractiveness of these services to users.

The development of an efficient and competitive freight transport system to date has for the most part been hampered by the absence of transport policy, and the slow rate of change in attitudes and legislation. If transport services are to match the needs of industry in the years ahead, key decisions must be taken as a matter of urgency. In particular the legislation to liberalise road freight transport must be implemented before the end of 1984. Decisions on public transport policy are equally urgent.

Training

Change in legislation alone will not be sufficient to achieve a better balance between professional haulage and own account, and to avail of the benefits of lower costs. Higher quality standards, better management, and improved marketing techniques must also be given greater priority. The Transport sector must be capable of supplying a range of services to satisfy the varying demands of large volume international movements as well as a comprehensive distribution network for small shipments at home and overseas.

Services must be tailored to the needs of the customer and based on a sound marketing approach. Clearly this can only be achieved by a change of attitude to transport management and a more comprehensive training at all levels. I know that your Institute is already providing a training and

education programme. I believe you will continue to have a very important role in improving the level of efficiency and professionalism in transport in the future. I would encourage you to continue your work so as to ensure that the training is geared to provide the necessary management skills to meet the future needs of industry .

E.E.C. Transport Issues in Ireland

The efficiency of our transport system is to an increasing extent dependant on action and decisions taken by the European Community. While Government has the responsibility for domestic transport policy, legislation introduced at a European level affects the pace and development of many important aspects of transport which impinge on both domestic and international trade.

The lack of progress in coming to grips with European transport policy is one of the notable disappointments after 25 years of the European integration process. The failure of the Community to take hard decisions on major transport policy issues has frustrated the growth of the transport sector, and in particular the road transport system. The piecemeal implementation of legislation has imposed additional costs and introduced new problems for Irish industry and transport operators.

While the lack of progress on transport issues in Europe is to be deplore, there are some signs that action is at last underway. The main thrust of the proposals coming from the European Commission on transport issues -

such as access to the market for international road transport, control of road transport tariffs and rates, and the relationship between the European railways and road transport - is based on the principle of liberalisation. This is an important breakthrough: for too long national transport policies have supported a restrictive system which gave rise to protectionist measures in all modes of transport. I suggest that protectionism is in the long run detrimental not just to the transport operators but to the interests of international trade. Governments and E.E.C. institutions must press ahead with the introduction of policies to encourage the expansion of transport and improve the level and quality of service to manufacturing industry. For too long the European Community has delayed the implementation of growth policies while at the same time it insists on introducing legislation which increases costs and puts further constraints on the development of the industry.

The services of the future must be based on a liberal approach to maximise flexibility, to encourage innovation in new technology, to expand the range and type of services to industry. Transport must move with the times and be able to respond quickly to changes at international level particularly in the evolution of a European Transport Policy. Action to remove costly and unnecessary administrative bottlenecks in transport throughout the European Community requires a firm political commitment and continued pressure from manufacturing industry and the transport industry combined. National policies must recognise the importance of transport in expanding trade through higher industrial output. It is the role of industry to expand the wealth creating capacity of the economy, to increase living standards and provide permanent jobs, this requires a determined effort by all to expand markets for Irish made goods both at home and abroad.

Transport must be ready and capable to meet the changing needs of industry
in a highly competitive environment.