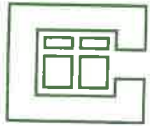


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# PRESS RELEASE

## The Confederation of Irish Industry

Address by Mr Liam Connellan, Director General, Confederation of Irish Industry, at the Irish Purchasing Conference 1978, at the Burlington Hotel, Dublin, on 31st May 1978, under the auspices of the Irish Institute of Purchasing and Materials Management.

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### IRISH INDUSTRY AS A SOURCE OF SUPPLY

#### INTRODUCTION

When I was first invited to give this paper I was most impressed that the theme chosen for this 1978 Irish Purchasing Conference was "Purchasing for Economic Development". We are all aware of the tremendous problem of unemployment now facing the Irish economy and it is easy to delude ourselves that the problem can be solved by the provision of any type of employment. While recognising that Government strategy has a very important role to play in providing a climate sufficiently favourable for investment and an adequate backup infrastructure, the main contribution to growth must come from expanding the productive sector of the economy.

However, if we want a prosperous society, each and every one of us has to play his or her part. I, therefore, applaud the responsible attitude adopted by the Institute in recognising the very important role that all of you associated with purchasing in the economy can play. If this Conference can persuade each of you to take a serious look at the purchases your company makes and the source of supply, and if you, at least, investigate some way in which you could buy more Irish production, then this day will have been most worthwhile.

#### LEVEL OF IMPORTS

Imports in 1977 were £3.1 billion, which is about 57% of GNP. It is estimated that some 60% of these imports are made up of materials for further production. We must recognise that a good proportion of this is unavoidable because we simply do not have the necessary raw material in Ireland or that the cost of entry into some industrial processes would be prohibitive.

At present, Ireland is attempting to reach as high a rate of sustained industrial growth as is possible. The Government White Paper, 'National Development 1978-80', set an annual industrial growth target of 13% on average for the 3-year period. In doing this, the economy faces many constraints, one of which is the current account balance of payments deficit. It is, therefore, essential that unnecessary importation is avoided so as to minimise one of the major constraints to growth. Chart 1. shows that the share of competing imports as a percentage of home consumption rose dramatically in the period 1960 to 1973. Since 1973, the Central Statistics Office has discontinued the compilation of this data on a regular basis. However, it is likely that the trend that was evident in the period 1960 to 1973 has accelerated since then, due to the elimination of tariff barriers with the European Community. It is estimated that competing imports i.e. products for which Irish substitutes are available, now account for 30% of home consumption.

Some of the more dramatic increases have occurred in areas where we have traditionally had a strong industry. For example, in the textile sector the import penetration increased from 26.9% to 45.8% between 1960 and 1973. However, the share of home consumption taken by clothing and footwear imports has risen much more dramatically from 5% in 1960 to about 30% in 1973 and to over 50% to-day. Even in the engineering sector there was an unhealthy rise from 18% to 30% over the period from 1960 to 1973.

#### TWO LEVELS OF DEMAND

Increased import penetration is happening at two levels of demand

- i.) At the final product stage which are mainly consumer items, and
- ii) At the intermediate goods stage where imported products, whether they be raw materials or component parts, are making up an increasing share of our final output.

#### CONSUMER PURCHASES

The Irish Goods Council, through its Guaranteed Irish campaign, expects to shift some 3% of consumption spending away from imports and into Irish produced products. Purchasing Managers attached to the big distribution retail and wholesale companies can respond best to this campaign by distributing and displaying for sale as many Irish produced goods as possible.

This campaign makes sound economic sense for the retail trade because the more Irish made goods that are sold, the greater will be the number of jobs available, and this, in turn, will lead to higher spending and, therefore, higher turnover and profitability. High quality Irish made goods account for over £3,000 million of export sales this year, including £80 million of clothing; £18 million of footwear; and £8 million of furniture.

## INDUSTRIAL PURCHASING

However, to-day, I wish to concentrate my talk mainly on the other area of demand - i.e. the demand for intermediate products. There are undoubted advantages in being close to the source of supply of industrial components and services. These are personal contact which may provide a better standard of service, cheaper transport charges, less risk of delays through transport problems, a shorter lead time for orders, lower stock requirements, and easier redress against complaints.

For example, there are numerous small engineering companies which have the ability to produce component parts for further manufacture. At the recent Enquip exhibition, at which over 80 engineering firms manufacturing in Ireland exhibited, many people were surprised to learn that products which they had been buying abroad were, in fact, also made in Ireland - often by new firms had started production in recent years.

### a) Sub-Contracting

I would urge every Purchasing Manager to be on the look out for such firms, and be constantly in search for firms with the capability to produce the required components, even if the firms are not, currently, making these products. In the short run, this may be the more difficult approach, but is definitely the most rewarding in the medium term. It is good purchasing practice to develop the production, quality, and service capabilities of your suppliers. It is foolhardy to place undue reliance on traditional sources of supply from abroad, on whom an Irish purchaser may have little influence during periods of difficulty.

It should be an important aim to concentrate our efforts on the building up of a significant support industries sector which will benefit the whole of industry. Already, many larger companies have stimulated the production of a wide range of components by existing and new Irish companies.

### b) Own Manufacture

Because of the pressures of free trade which have occurred over the last decade and a half, through the Anglo Irish Free Trade Agreement, and subsequent entry into the European Community, industry has come under pressure to rationalise and consolidate. Established companies can consolidate their position only by finding new products or new markets.

It is perhaps worth noting that only one out of every hundred new products developed is, in fact, commercially viable. The Purchasing Manager can be a valuable source of ideas for diversifying the production of his or her own

organisation. He or she is in a unique position to know the market prices and trends of his or her company's bought out components; and the machine of the company's factory; and can, therefore, provide considerable assistance in make or buy decisions. This role assumes a special importance for manufacturing firms seeking to attain the 25% incentive company tax rate for 3% additional employees.

c) Joint Venture

However, it may be that the Purchasing Manager's own company is constrained from making a new product by lack of capital, or technological know-how. Therefore the company wishing to find a new product may have to do so through a joint venture arrangement, whereby the company can acquire the necessary technological know-how.

The Purchasing Manager should be aware of the possibilities, and be sufficiently open minded to suggest, that his or her company should become involved in a joint venture for the supply of its raw materials or inputs. Furthermore, a Purchasing Manager who is currently purchasing from abroad, should acquaint himself or herself with the manufacturing capabilities around and could be instrumental in initiating a licensing agreement with the present supplier and a local Irish manufacturer.

The scope for developing really good industrial support is tremendous if everyone examined their requirements with a developmental attitude, not only in relation to his or her own company directly but, also, to neighbouring companies who are, or could become suppliers.

AGENCIES PROMOTING INFRASTRUCTURAL DEVELOPMENT

There are three main State agencies currently engaged at a national level in trying to identify opportunities for existing industries or new industries.

The Industrial Development Authority

The IDA for the past two and a half years has been running a project identification programme to help Irish firms and individuals to identify project opportunities, locate joint venture partners and carry out product and process development work. Extensive exercises, based on import substitution, have been carried out by analysing the statistics and, more importantly, by visiting large industrial and Government organisations. From these visits purchases of imports have been identified and investigations have been carried out as to whether any companies in Ireland have the capability of providing such products. Various sectors of industry have been examined and a list of products which, feasibly, could be manufactured in Ireland has been drawn up.

A number of major importing companies could, in fact, find that it would be both advantageous from a source of materials point as well as being profitable to integrate backwards to manufacture some of the products which they are continuously importing.

The Project Identification Unit is also looking at the spinoff possibilities arising out of new overseas industries locating in Ireland. As most of the industries are in a strong growth phase, any company producing components or raw material for these companies will themselves reap the rewards of the growth. Certainly there are major opportunities in casting, manufacturing of component parts, intermediate chemicals for the health care sector and all kinds of packaging products. I understand that the IDA has a wide range of projects which it has identified and which it is keen to have manufactured in Ireland.

The degree of success that this unit has achieved is seen by the fact that, after two years of operation, it has resulted in forty projects with an annual output of some £18 million. It is desirable that Purchasing Managers should use this IDA service in searching for local suppliers.

#### The Irish Goods Council

Besides running the Guaranteed Irish campaign, which is aimed at the consumer market, the Irish Goods Council has a special unit attempting to identify areas where one firm could sub-contract to another firm. Its efforts are directed at existing manufacturing companies which have spare capacity.

When two compatible firms have been found, the benefits to both can be substantial. Apart from saving one company the expenditure of, buying equipment to do a similar process, which it in turn could use at something less than full capacity, it also enables the existing firm to utilise its equipment fully and, thus, reduce its own unit costs.

This scheme, besides encouraging a more integrated industrial structure, also has the effect of directly increasing productivity and, thereby, reducing unit costs. It therefore improves the position of Irish industry, making our goods more attractive at home and abroad.

Purchasing Managers can assist this drive by keeping the Irish Goods Council informed of components sought and of capacity available.

#### The Institute for Industrial Research and Standards

The Institute for Industrial Research and Standards has an Engineering Sub-Contracting Unit which encourages larger companies to go to local companies for sub-assembly engineering etc. It is also engaged in product search which is mainly

directed at finding new products not currently being manufactured in Ireland.

At present, this section of the IIRS is planning to identify products that will sell on the world market and can, coincidentally, be a source of import substitution.

It considers that there are strong production possibilities in the chemicals industry. Here again, the joint venture or licensing agreement could bring access to new technologies.

#### THE PURCHASING MANAGER'S UNIQUE ROLE

Purchasing Managers have the knowledge necessary to identify a commercially viable production possibility, and they should make their own companies aware of the commercial prospects. Any company with substantial purchases should be consciously making the decision as to whether to make or buy the product involved.

Furthermore, I would urge you to investigate rigorously the possibility of joint venture or manufacturing under licence, if not by your own company, by a company which you think may have the technical capability.

I would urge all of you, if you do identify a production possibility, and, if your own company does not wish to pursue it, or if you do not know of any company that would have the capability or desire to become involved, to make contact with one of the State agencies which I have mentioned.

The Confederation recently initiated a survey of member firms asking them to identify products or services which they would like to have manufactured in Ireland, but are currently purchasing from abroad.

Already firms have indicated specific requirements for almost sixty products with an annual usage of £7 million. This list, with the name of the purchasing company and the contact man in the firm, will be published in the Confederation's weekly Newsletter. We recognise that many of these products may not yet be economic to manufacture in Ireland, but expect that many others are available, or can be made available.

I attach a copy of the questionnaire which was issued, and would ask you, as purchasing managers, to assist us in bringing further opportunities to our notice.

We shall also invite the relevant State agencies to supply us with information, for publication, on new business opportunities for firms manufacturing in Ireland.

It is essential that every effort is made to communicate the needs of industry to potential Irish manufacturers.

The purchasing managers of this country, who play a major role in buying over £3,000 million of goods from abroad, can make a significant additional contribution to the growth of industrial output by communicating their requirements more widely. The Confederation would welcome your help in making known these requirements. I know that we can count on your support.

END

**CHART 1**

**% COMPETING IMPORTS OF HOME CONSUMPTION**

	<u>1960</u>	<u>1970</u>	<u>1973</u>
<b>FOOD</b>	2.1	5.2	5.8
<b>DRINK &amp; TOBACCO</b>	2.8	3.2	5.3
<b>TEXTILES</b>	26.9	33.8	45.8
<b>CLOTHING &amp; FOOTWEAR</b>	4.7	18.3	28.9
<b>WOOD &amp; FURNITURE</b>	31.5	34.6	37.0
<b>PAPER &amp; PRINTING</b>	26.9	31.4	35.3
<b>CHEMICALS</b>	30.8	28.4	40.8
<b>STRUCT. CLAY, CEMENT</b>	13.0	18.3	11.3
<b>METALS &amp; ENGINEERING</b>	17.9	25.1	30.1
<b>OTHER MANUFACTURING</b>	19.6	23.9	37.6
<b>TOTAL</b>	<b>13.4</b>	<b>19.1</b>	<b>23.6</b>

SAMPLE LIST OF GOODS

SAMPLE LIST OF GOODS WHICH FIRMS WOULD WISH TO PURCHASE IN IRELAND

<u>PRODUCTS</u>	<u>IMPORTS (£)</u>
Steel Pipe Lines	8,000
MR 4 Steel Coil	1,000,000
Drills, Reamers Taps	8,000
High Speed Steel & Tool Steel	400,000
Special Oil Resistent Cardboard Cartons	100,000
Carbide Nibs	60,000
Spanlock Channel	117,000
Steel Stud	16,000
Paper Jointing Tape	22,000
Wheels	75,000
Flexible Drives	9,000
Bearings & Flanges	4,000
Die Casting Zinc	35,000
Zinc Die Casting Alloy	360,000
Scroll Springs etc.	20,000
Brass Extrusion	52,000
Paper for Laminating	90,000
Resins for Laminating	219,000
Woven Glass Cloth	168,000
Copper Sheets for printed circuit boards	27,000

PRODUCTSIMPORTS (£)

Steel Plate & Profiles	1,785,000
Welding Electrodes	125,000
Marine Paint Systems	50,000
Aluminium Coiled Strip	60,000
Mild Steel Strip	20,000
Plywood	150,000
Aluminium Windows	36,000
Uni Roof	18,000
Flexolex Plastic Water Proof Coating	16,000
Additives for Polymer Extrusion	15,000
SRBP Tape Centres	7,000
Sewing Machine Spare Parts	4,000
Polyester Cloth	100,000
Woven Cloth	20,000
Acrylic Yarn	100,000
Fabric	94,000
Pfaffe Sewing Machines	5,000
Buttons	2,000
Cardboard Cores	42,000
Cartons for Tetra Pack Machine	48,000
Outer Box Board	160,000
Animal Glue	17,000
Paraffin Wax	26,000
1 Gallon Glass Jars	300,000
Egg Yolk 10% Salt	40,000

PRODUCTSIMPORTS (£)

25 Litre Polypropylene Lined Steel Drums	26,000
High Strength Friction Grip Bolts	2,000
Kee Klamp Fittings for Handrail Connections	2,000
Rectangular Hollow Mild Steel Tubing	50,000
Abrasive Belts	16,000
Machine Knives	25,000
Low Density Polyethylene Raw Material	795,000
Hydraulic Rams	35,000
Quality Office Furniture	8,000
Aluminium Windows for Crane Cabins	12,000
Ring Pull Cans	1,200,000
Stormproof Hinges	1,800
Screws (Steel Twinfast)	1,000
Carbon Brushes	1,500
Metal Ended Centres	6,479
Ultrasonic Equipment	20,000
Industrial X-Ray Equipment	30,000

OPPORTUNITIES FOR MANUFACTURE IN IRELAND

INDUSTRIAL PURCHASING

It is intended to publish regularly in the Confederation's Newsletter, a list of products, components and services for which a manufacturer in Ireland is sought but which are currently purchased from abroad.

Success in obtaining Irish manufacturing suppliers could make a significant contribution to industrial development and employment in this country.

Please let us have the following information, for publication, on products and services which your firm would like to have manufactured in Ireland but must, currently, purchase abroad.

Description of Product(s) or Service(s)	Annual Value of Purchases
1. _____	£
2. _____	
3. _____	

Name of Firm : \_\_\_\_\_

Address : \_\_\_\_\_

Contact Executive in Firm : \_\_\_\_\_

Please return to : Mr John Lynch, Director of Business Policy  
Confederation of Irish Industry, Confederation House  
Kildare Street, Dublin 2.