

Speech by Liam Connellan, Director General, Confederation of Irish Industry, at CII Mid-West Regional Meeting, University Club, NIHE, Plassey Technological Park, Limerick, 11a.m., Thursday, January 14th 1988

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ANY REDUCTION IN INDUSTRIAL INVESTMENT INCENTIVES WOULD  
SLOW DOWN PACE OF RECOVERY

There has been no growth in the volume of investment in equipment in Ireland over the last five years compared with an increase of 20% in the European Community. This stagnation in investment has serious implications for the continued expansion of industry and for the creation of jobs throughout the economy. Stagnation of investment in plant and machinery since the beginning of this decade has contributed to a fall in employment in the economy averaging 15,000 a year. The evidence of earlier decades shows clearly that when investment in equipment increased employment in the economy also expanded steadily each year.

The Confederation disagrees strongly with recommendations made by the Irish Congress of Trade Unions that incentives for investment should be reduced. This call is coming at a particularly inopportune time. During recent months there have been signs that the rate of investment is at last beginning to recover. We should now be concentrating on accelerating this trend, and thereby quickly creating the conditions for more rapid economic expansion and job creation.

Within the last week a survey of leading Irish industrialists has indicated very serious concern about the impact on investment which a cessation of free depreciation or a reduction in capital allowances would have in the coming year. This perception is one which we would urge Government to take strongly into account when making final decisions on the forthcoming budget.

It is foolhardy to talk of reducing incentives for productive investment when at the end of December 19% of our population was unemployed, and our per capita purchasing power is only 64% of the EEC average. Ireland needs much more investment in order to create more jobs, and raise living standards.

It should also be recognised that competition for internationally mobile investment has intensified dramatically over the last decade. Most highly developed European economies are spending significant sums on industrial incentives.

The main aim of investment incentives is to improve competitiveness and increase output and employment. The pace of technological change is now so rapid that firms which delay investment will be pushed out of business by their counterparts who have the use of more modern facilities.

Any reduction in industrial incentives would slow down the process of recovery and the possibilities of creating additional jobs. A sustained promotion of investment must go hand in hand with necessary measures to bring the cost of utilities, transport and insurance in Ireland into line with those of our trading partners.

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