



PRESS RELEASE

The Confederation of Irish Industry

Cork/Kerry Regional Committee of the Institution of Engineers of Ireland Annual Dinner at Blackrock Castle, Cork on 12 March 1976 at 8 p.m.

Speech by Mr Liam Connellan, Director General, Confederation of Irish Industry.

THE WAY FORWARD

For Industry, this year started with a 50% cut in tariff barriers for goods coming from countries other than the U.K. This happened at a time when firms were operating at 20% under capacity and the unemployment in the manufacturing sector was 14%. Much of the reduction in output was caused by the international recession, although by the end of last year there was ample evidence that a great number of orders were being lost because the prices of Irish products were too high.

During recent weeks, two decisions have aggravated the position further by increasing industrial costs. For example, the cost of increased taxation for oil used by industry will be about £10 million and the announcement on Thursday of the increase in Social Welfare contributions by employers will add a further £10 million to industrial costs. Industry has, therefore, been loaded with additional costs of £20 million per annum during the last few weeks. These increases are equivalent to over £2 per week for every person engaged in industry.

I am not opposed to Government having sufficient finance to pay its employees, or to higher social welfare benefits. I do, however, strongly oppose the sudden imposition of industrial costs on a manufacturing sector which is finding it exceptionally difficult to maintain its labour force. These increases have changed our relative cost position, compared to our competitors, and will have the inevitable effect of making uneconomic the continued manufacture of many products in this country. To the extent that our competitors have not had to face cost increases of similar magnitude, our relative price position will deteriorate. Last year, total employment in the manufacturing sector declined by 15,000. It is inevitable that a further 15,000 will lose their jobs this year unless corrective action is taken. We appreciate that Government must raise sufficient revenue to cover its expenses. We seriously question a policy which raises this revenue by increasing taxation on the manufacturing sector. Surely, priority must be given to making our goods more competitive in order to create employment. Industry must be the main creator of employment in a country at our stage of development. But only 19% of the workforce is engaged in manufacturing compared with about one-third in the rest of the EEC. The way to development can only be by expanding the productive base. Decisions to withdraw £20 million from industry will cause a sharp deterioration in the relative costs

of manufacturing in Ireland and can only result in higher unemployment. There is little point in allocating money for new investment in industry, if at the same time, we ensure that industrial costs are allowed to escalate and production lines are closed down.

The crucial issue now is to, first of all, ensure that existing jobs can be maintained. No one can deny that the price level of our goods affects both home and export demand. A pay pause can help reduce the price of our products and create employment. We must accept that otherwise unemployment will continue to rise rapidly.

Priority must be given to the creation of employment. If this employment is created in the services sector, it merely increases the overheads on a diminishing manufacturing base. It is, therefore, essential that new employment be created in the manufacturing sector itself. We must not just say that this is desirable. We must make sure that it happens.

I would suggest that the following five steps are necessary:

1. Restoration of Competitive Position

- a) By removing the recently imposed hydrocarbon and social welfare taxes.
- b) Agreement on a pay pause until we can get employment growing again.

2. Improvement in Productivity

There must be improvements in productivity at every level within the economy so that industrial, direct and indirect, costs can be reduced. Every Government decision should be examined for its affect on productivity. For example it should be recognised that a decision to increase the number of public holidays by a further day would reduce national productivity by $\frac{1}{2}\%$, increase costs and unemployment. On the other hand, improvements in productivity will be reflected in lower prices, higher demand and more employment. Since Ireland supplies less than 1% of EEC industrial output, the capacity for growth in export demand is effectively unlimited. We should not, therefore, be afraid that, if we increase our national productivity, there will be no markets available to absorb these goods. However, increased market penetration will be achieved only by a strong and sustained marketing effort. I am convinced that this marketing effort can and will be made if there is a restoration of confidence in our ability to get our costs under control.

3. Marketing Effort

Considerable resources must be allocated to a marketing effort. During recent months, there has been a significant shift in the pattern of our exports. Almost 30%

of Irish exports are now sent to the old EEC, compared with less than 10% only five years ago. Most of these products are sold in the six main cities within a two hundred mile radius of Rotterdam. It is now necessary to allocate major resources to the setting up of full time, professionally staffed sales offices in these cities.

Ireland sells approximately 2% of its exports to the ACP developing countries of Africa, the Caribbean and the Pacific. This compares with 7% of United Kingdom exports being sent to these same areas. There is a growing awareness of the potential for this country in trading with the developing countries. As a nation, which is newly emergent from the status of a developing country and with limited resources, we have many advantages in working with countries in Africa and the Middle East which are now going through the same process. A major contribution can be made by our consulting, construction, capital goods firms and semi-state companies in assisting the development of these countries. However, in order to do this, it is essential that we can offer the same credit facilities and performance guarantees which are available from our competitors. Unfortunately, this is not the case and, in the last few days, the Confederation has submitted proposals to the Department of Industry and Commerce regarding the changes which are necessary in order to stimulate further the efforts of Irish industry in these areas.