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Irish Industry as it exists at present, developed under high protection. The main part of that protection was applied in the period after 1932. The system did not aim at bringing into existence an industrial structure which could ultimately become competitive in free trade conditions. Instead this protection was regarded as a major instrument in the Government's policy of bringing about a largely self-sufficient Irish economy. When protection was being considered for a particular industry the important question was not whether that industry could compete in free trade but rather, whether if relieved from import competition on the home market, it had the technical capacity to substitute Irish made goods for imports.

Under protection the Irish manufacturer's total potential market was the total consumption of his particular product in Ireland. That meant that by international standards his maximum potential sales for any one line tended to be very small. Significant growth could be achieved by constantly extending the product range in efforts either to replace further imports or encroach on product areas already served by other Irish manufacturers. That meant a steady pressure on manufacturers to spread their activities to even more marginal product areas. Thus up to the middle 1960s sub-contracting played a very minor role as a general factor of Industrialisation in Ireland.

In the 1960s the realisation that further industrial growth under the policy of protection was limited led to the general acceptance of the need for participation in expanding markets. Negotiations for membership of the European Economic Community were undertaken and though these ended in failure in 1967 it is expected that Ireland's application will eventually be successful. A free trade agreement between Britain and Ireland signed in 1965 whereby the present protective tariffs are to be dismantled at the rate of 10 per cent per annum, will be fully operative by 1975.

In free trade, the Irish manufacturer will have to deal with an almost precisely opposite situation to that which existed under protection. From being a large fish in a small pool he will suddenly become a very small fish in a very large pool. The total market for any product he might make is likely to be in terms of its own size practically unlimited. Instead of seeking to satisfy the widest possible spectrum of demand in a very narrow and small market, he will tend to find himself meeting a very narrow and specialised demand in a very large market.

In the Anglo-Irish Free Trade Area, Irish Industry has free access to a total market of more than fifty million. In the European Economic Community it would have such access to a total market of nearly three hundred million. The total turnover of even a large firm would only be a tiny fraction of that market. In a market of such size success for the small unit will normally depend on not looking at the market geographically and trying to gain or hold a particular section of it but rather in identifying a particular group of customers in the market as a whole to whom some particular product can be profitably sold. In seeking out that segment, certain parts of the market can be normally discounted. It will not always be profitable or even, perhaps, possible for instance for an Irish firm to seek to compete directly in standard goods against the mass producers of the large European countries. The economics of large scale production and the available technological and marketing resources normally give the large producer decisive advantages over small competitors. There is reason to believe however, that a number of Irish firms could become the suppliers of components to these mass producers and a thorough investigation of the fields of sub-contracting could lead to a higher rate of industrial expansion than previously experienced. The very large number of small companies that flourish on sub-contracting work in the United States adequately proves that by following the right kind of policy, small units can operate profitably in a large market.

The industrial sector that offers the greatest scope for sub-contracting in Ireland is engineering. Due to the circumstances outlined earlier, in which industry grew up, the extent of sub-contracting was very limited being mainly confined to the machining of components, metal fabrication, and protective and decorative finishing. An exact picture of the nature of sub-contracting in the industry is difficult to ascertain due to the absence of any published detailed survey. The last comprehensive survey of the industry to be carried out was in 1962, by a Government Committee, and that covered only the larger manufacturing units. The survey emphasised that due to the lack of trade organisations or national representative body for the industry it was not possible at the time to include the more numerous widely scattered small units which went to make up a large part of the industry.

The Federation of Irish Industries conscious of its role as the National representative body for Irish Industry and its duty to contribute within the limit of its resources to the national effort in the field of industrial expansion has in the recent months undertaken a detailed survey of the engineering industry.

The purpose of the survey is to identify the scope of the industry, catalogue its productive capacity and draw up a programme which will assist its future growth and expansion under free trade conditions. While the survey is not yet completed the initial findings have shown a total of 850-enterprises which could be classified under the broad heading of engineering. A large percentage of these (approximately 40 per cent) have less than ten employees. A detailed examination of these 850-units is proceeding, and a preliminary classification indicates the following groupings:-

CLASSIFICATION	NATURE OF ACTIVITY	No. OF FIRMS
(1) TRANSPORT	Motor Vehicle Assembly, Coach Building Caravan, Lorry Bodies and Trailer manufactures, Shipyards and Boat Building, Air-craft Maintenance, Locomotive and engine repair works etc.	105
(2) ELECTRICAL EQUIPMENT MANUFACTURES	Industrial Electrical and Electronic control equip-ment, Electric Motors, Consumer Electrical equip-ment, Communications equipment, Electrical Components, Radio and Television, etc.	97
(3) MECHANICAL EQUIPMENT MANUFACTURES	Agricultural Machinery and equipment, Mechanical Hand-ling and Storage, Pneumatic and Hydraulic equipment, Cutlery, Tools, Special Purpose Machines, Mechanical components, Cranes, Weighing equipment, etc.	224
(4) FINE ART MANUFACTURES	Precious Metal Fabricators, Jewellery, Ecclesiastical Furnishings, etc.	19
(5) METAL FABRICATION AND CASTING	Steel Mills (1 off) Structural and other Steel Fabrication Shops, Ferrous and Non-Ferrous Casting Small Metal Working Shops, etc.	196
(6) METAL MACHINERY AND FURNISHING	Machine Shops, Protective and Decorative Furnishing, General Repair and Main-tenance Engineering Shops, etc.	147
(7) MISCELLANEOUS MANUFACTURES	Abrasive Tools, Clutch and Brake linings, Mechanical Toys, Metal Office Furniture, Engineering Plastics, etc.	62

It can be seen from the foregoing list that the very nature of the productive activities of some of the units must involve sub-contracting, though it would be quite safe to say that a number of the participants are not conscious of the fact.

The need for the appreciation by the engineering industry of the part that sub-contracting can play in its future development can be seen from the targets set for this industrial sector in the current National economic programme. The Third Programme for Economic and Social Development covering the years 1969-1972 calls for a growth rate of 6.5 per cent per annum in the general industrial sector with an increase of employment of 2.5 per cent or 31,000 new jobs by 1972. New firms attracted to Ireland in this period are expected to contribute 30 per cent of the additional output, 40 per cent of the growth on employment. Chemicals, Metals, and Engineering are expected to play a leading part in this industrial expansion, with an annual average percentage growth of gross output of 9.4 per cent and employment of 4.8 per cent over the period of the programme.

One of the successful features of the Irish Industries scene in the last decade, has been the attraction of overseas firms to establish manufacturing units in Ireland. A number of these firms are engaged, particularly in the engineering fields in the manufacture of components and assemblies for export to their parent companies for incorporation in finished products. There are special incentives available, which make the establishment of production units in Ireland by foreign based firms very attractive. Thus in Ireland today sub-contracting on an international scale is not completely unknown.

The existing foreign companies and those which are also expected to set up in Ireland in the years ahead offer an opportunity for the native Irish firms to secure a portion of the large market created through membership of a free trade area, by specialising in the supply (sub-contracting) of a limited range of products to these firms.

It is not only in the fields of manufacture that sub-contracting can play an effective role, in creating employment in Ireland, but also in the service and design fields. The increasing policy of the placing of "Turn Key" contracts for the supply and erection of new industrial plants in Ireland by both native and foreign enterprises is resulting in the appointment of main contractors from the more industrially advanced countries. There is every reason to believe that a certain portion of the design work, manufacture and erection of buildings, supply and erection of plant other than specialised machinery and control equipment, could be undertaken by Irish firms at very favourable prices, if the facilities available in Ireland were known at an early stage to the main contractor. These are particular advantages, for tax and manpower, in the establishment of professional engineering services in Ireland.

The scope for sub-contracting in Ireland in the years ahead would appear to be extensive. The Federation of Irish Industries having recently created a special sector to cater for the specific needs of the existing engineering industry in Ireland is fully aware that one of the prime functions of the new sector is to investigate every field of economic and technical endeavour which could be of assistance in the future expansion of the industry. The programme as already stated, calls for a complete survey of the industry, followed by the setting up of a national representative organisation. It is hoped that this will lead to joint ventures amongst the members of the industry, so that the question of the establishment of "Capacity Exchanges" and other aspects of sub-contracting can be undertaken by the industry as a whole at an early date.

We must look to countries which are successful in the field of sub-contracting for guidance in its wider application in Ireland. The study of case histories and knowledge of the experiences of the more developed countries will be beneficial in our efforts to foster the growth of sub-contracting as a factor in the future industrial expansion of Ireland.