

ICLRD CONFERENCE

8th May 2009

Before the Celtic Tiger of the past decade, Ireland was perceived as having, and in reality it had, an essentially rural economy and a rural society, although the agricultural component had been declining, as a proportion of Gross Domestic Product over several decades, from when it had been our biggest industry. But even as agricultural productivity and output were rising, the number of farms was reducing at a relatively steady rate of between 1½% and 2% per annum, partly as a result of consolidation, where the number of large farms has been increasing from a relatively low base and the numbers of both small and medium-sized farms has reduced dramatically over a decade – by over 70% and two-thirds respectively, and the overall number of farms has fallen by about one-third over the past thirty years. Those changes have been even more dramatic in areas along the border, where, by and large, land is poorer and mixed farming, pigs and poultry farming, and cattle and sheep farming in Less Favoured Areas were dominant, and these are precisely the sectors where the reductions in the numbers of farms have been greatest. For all its expenditure on the Common Agriculture Policy, Europe has been unable to counter the economic imperatives of higher efficiency and productivity, based on economies of scale. The result is that those trends, even if they are likely to be subject to temporary interruption as a result of the international recession, are probably going to continue for several decades to come.

Yet we cannot and should not dismiss the importance of the farming sector to our national economy; it still accounts for 6% of national exports and 5.8% of employment and, together with the related processing sector, they produce one-sixteenth of national Value-

Added, one-twelfth of private sector employment and more than one-tenth of national exports (when drink is included with food).

Those statistics still rank the most important component of the so-called 'rural economy', as one of the most valuable contributors to national wealth in Ireland, and as a sector which deserves continued support and nurturing, and more investment.

It is against that background that this conference on rural restructuring has to be viewed and welcomed. The rural economies North and South of the border have similar problems and I thank the organisers for their focus on a part of our economy, which has received much less attention than it deserves and much less investment than it needs.

Nobody can dispute the strength of the demographic trends in Ireland, where North and South, there has been, and continues to be, a drift to the East, to the Greater Dublin and Belfast areas in particular, and where there has been, and continues to be, a drift from rural areas into larger settlements in the rest of the country. As part of my work over recent years, I had to examine what was happening in areas where the population was in decline. One of the starkest conclusions I discovered was that, in a very real way, de-population of rural areas is a two-step process; firstly, for a variety of reasons - access to schools and other services (the factors which define remoteness, or proximity to services) - people move from their rural homes into local settlements and then, sometimes within the same generation, but often in the next generation, they move to bigger centres. Two examples of that phenomenon are firstly Rosslea, where, for years, people have been moving from Eshnadarragh and Derrygannon, and other parts of the slopes of Slieve Beagh into Rosslea, and then later they move to Enniskillen or Lisnaskea. A

second example was Fintona, which has been attracting people from the outlying areas into the village, but, at the same time, it has been losing population to Omagh. Similar examples can be seen in the Sperrins and the Mourne, despite their visual attractiveness to outsiders and their potential as visitor destinations.

These phenomena do not occur by accident. Of all the factors which I could have addressed, in this short presentation, none contributes more to the 'drift from the land' than the totally blinkered planning policies, which we have on both sides of the border, but especially in the new regulations in the North. These regulations are being imposed by people who know nothing about rural life, have no empathy with rural dwellers, have no appreciation of rural communities and wish to see the countryside preserved for those who see it as some form of gold-fish bowl, which would be beautiful to look at, if it wasn't for the ignorant 'culchies' who happen to live there, but who should get out so that the more refined intelligentsia can enjoy the scenery. The development of rural communities and rural economies will not be possible, if people are not allowed to live there, and develop businesses there, and socialise there. Farm diversification will not occur, if farmers cannot build on their own land. New rural businesses will not be established, if promoters cannot get planning permission for factories. The rural economy will not grow, if its growth is not facilitated. No sane person would support totally random development in rural areas, but the current restrictions are excessive, unnecessary and punitive on rural society; it is time that our legislators ignored the pathological objectors, the so-called 'protectors of the countryside' and the latter-day Mansholts.

For those of you who are much younger than I am, Sicco Mansholt, who was the European Commissioner for Agriculture in the late 1960s. Based on the Report of the Gaichel Group, he sought the

removal of small farmers from the land and the concentration of population into a small number of major urban centres; it would have removed five million farmers from rural areas, at a time when the European Union was only a fraction of the size it now is. What he failed to do in the 1960s, our planners may well achieve half a century later, with no obvious vision for the rural economy or its society.

The reality is that, while farmers occasionally make mistakes and the odd farmer acts irresponsibly in relation to the environment, farmers are still society's primary protectors of the natural environment. By and large, they do a good job and should not be punished because they have to live near their work. Ireland does not need and cannot afford a rural hinterland devoid of people and with no economic infrastructure; that is elitist nonsense, which serves no economic or social purpose, and is not even good for tourism, which generally respects and responds positively to the culture of rural life and society.

I would not suggest that I know the solution to the issues associated with the development of the rural economy; LEADER groups, Area Based Strategy groups, farmers groups and many others have attempted to develop solutions, and they are much brighter than I am. But I do know some things:

- I know that it is both theoretically and practically possible to develop the rural economy, because I have seen it done and might have made a very small contribution to it, in some places;
- I know that rural businesses have succeeded in the past, because I have seen the successes and I am confident that others will succeed in the future;
- I know that success will come faster and more effectively, if we can secure an integrated approach to the development of rural areas,

and if the different agencies, with an involvement in the main issues affecting these areas, show flexibility and empathy, in attempting to promote initiatives in rural areas (particularly in remote and deprived rural areas);

- I know that the new knowledge-based businesses envisaged in the Lisbon Strategy do not have to be based in urban areas to succeed; and, most of all,
- I know that unless we can ensure that the support structures needed for businesses, wherever they are located, are available in rural areas, we will never be in a position to build enough sustainable businesses in rural Ireland to have a sustainable rural economy and rural society.

So what are those supports? The European literature on peripherality identifies it as being far more than geographic remoteness, or extra travel times, or higher transport costs, and suggests that most 'border' areas suffer some of the effects of remoteness. More importantly and more pertinently in the context of this conference, it suggests that peripherality is just as much influenced by a plethora of other factors; the following have been distilled from a variety of studies:

- a lack of access to the centre of decision-making and to decision-makers (which applies in both National and European terms);
- a lack of demand from the public sector, which tends to see the major centres of population as the primary locations for the supply of both goods and services;
- barriers to entry (including investment);
- the lack of physical resources or support services and, sometimes, the absence of natural resources too;

- any lack of scale, including any side-effects of a culture which fails to see beyond the domestic market – and it is interesting that, regularly, the relevant literature refers to this as a ‘culture’ or a ‘mind-set’;
- the absence entrepreneurship, dynamism, creativity and innovation (including product, process and market development), and, very importantly, any lack of skilled employees or management expertise, or of access to skilled sub-contractors; and finally,
- what they call, ‘inadequate information transfer mechanisms’.

Most parts of rural Ireland, including especially the border areas, suffer from many of these disadvantages (some suffer from most of them); but they also have the resilience to overcome the majority of them and the native genius to find solutions, where others might see only the problems. I would like to take a few minutes to address a few of them.

Clearly, right across Europe, the whole issue of ‘access’ is central to the potential for sustainable development in remote areas. That includes both physical access through the roads network, where there is no rail network, and a good communications network; both of these are outside the direct control of local groups, but both of which are within the control of governmental agencies. A poor roads network can add up to 15% (or more) to transport costs and could, in some situations, change the prospects for businesses from positive to negative. There are times when local communities have to flex their combined muscle, to get what they deserve and a good roads network normally comes from using a community’s muscle.

Secondly, and probably more importantly for modern knowledge-based businesses, like those envisaged in the Lisbon Agenda, they

need good state-of-the-art telecommunications systems, almost certainly including broad-band, for today's international markets. If inadequate transport networks cause costs to increase, 'inadequate information transfer mechanisms' will create losses of orders and failure to exploit market opportunities - and that is possibly worse than high costs. Ireland made great strides in communications development in the mid-1990s, but we are now starting to fall behind the leading industrial nations, though the proposed new Saturn Ring in the North, or Project Kelvin, which will go through Monaghan, or even the more recently suggested Avanti Satellite System, should make a big difference on that dimension.

And thirdly, they need access to decision-makers and to public sector markets, with the latter being particularly important on a small Island like ours.

None of these come from sitting back and hoping – or even from praying; they may come from pro-active lobbying and pressure; they might even come by good luck, but as Gary Player once said “The more I practise, the luckier I get”, so I think the lobbying and pressure are better bets.

In terms of the major facilitating factors, I would put access to a good, skilled work-force as very important. That implies some combination of education and training, and, generally, Ireland is well served in both those respects.

I know that, in theory at least, both skills and management expertise are generic; a good manager in an insurance call centre can manage a cement plant, as the Quinn Group proved by transferring some one from the call centre in Enniskillen to run a cement production facility in Ballyconnell, a couple of years ago (much to the surprise of many of our cement customers) and he has been highly successful. And

that is not the only example of such transfers within the Group, though it is probably one of the least predictable.

But there is a major caveat to that, which sometimes goes un-noticed, and it is this – such a transfer will succeed only if the culture and business models in both entities are at least similar, if not exactly the same.

That issue of organisational culture has major implications for any person, or any organisation, hoping to provide training for businesses, or hoping to impart skills to people, in the expectation that they might get jobs in local rural businesses. It is both useful and necessary to build a skills base in anticipation of investment in rural areas, but it is equally necessary to recognise that most (though not all) entrepreneurs want a specific business model, based on their specific culture, in their businesses, and employees who cannot fit into that culture, or operate within that model, will not retain their jobs, even if they get a position in the first place.

Too many trainers and training organisations fail to recognise the importance of actual organisational cultures, as distinct from what they think is the most appropriate organisational culture, or business model, and while the business model and the organisational culture are different, they ultimately become intertwined.

So training and the creation of a skills base will have most benefit when they are provided on a basis which recognises and takes account of organisational cultures and real business models; in my opinion, that is best achieved, through in-company training and tailored skills programmes, rather than via generic training – though there is a major role for generic training in developing core skills, which can then be adapted for use in specific businesses.

Those are the weaknesses and the threats associated with the challenges facing rural communities throughout this country, at present. But there are also strengths on which to build and opportunities to exploit.

For a start, rural Ireland is blessed with strong communities, which function as supports for their members and which provide powerful bases for economic development. Economic development never occurs in a vacuum; it needs a social and cultural framework within which to flourish and rural communities in this country provide those pre-requisites – the people (in most cases, people with both skills and commitment), the sense of identity, the sense of togetherness and of co-operation, which is essential in the establishment and growth of economic entities. In terms of facilitating factors, those are huge, but frequently unrecognised, strengths. We also have the role models of successful rurally-based economic successes. And we have the interest in enterprise and industry, which are inherent elements of farming communities; in the past, that was best demonstrated through the co-operatives, but it also existed where there are no such organisations. The old tradition of the ‘meitheal’ is still alive in rural Ireland, even if its status has reduced from when I was young.

Secondly, we have the opportunities. Recession or no recession, there are still people with ideas for both on-farm and off-farm diversification – people with ideas in relation to both incubation and innovation. Many, probably most, of them need help.

In many cases, that help involves money and the banking system is not providing that sort of support at present – in fact, banks are contributing to the depth of the current recession, through their failure to lend and their general loss of confidence in both themselves and their customers, even those, which are largely owned by those

customers, albeit indirectly. But capital can still be sourced for good projects, especially if those with the ideas are prepared to share with those with the capital. It can be a torturous process sometimes, but think of how the co-operatives developed in another era, when there was less wealth and fewer enterprises.

I have a strong view that every area, defined broadly, possibly as broadly as a whole county, or part of a county, should have a group, which meets three or four times a year (or may be less) to explore the possibility of establishing new businesses, to identify what would encourage people to start their own businesses, to examine the impediments which those with ideas feel exist and to consider how such impediments could be overcome. And I am confident, that if people had access to good, experienced mentoring support, either provided on a voluntary basis, or subsidised by some agency like the County Enterprise Boards (which, I have to say, do great work, even if they may be better in some counties than in others, but overall they have achieved many successes), or Enterprise Ireland, or LEADER, or through any other mechanism, we would see the establishment of many more new businesses in rural Ireland.

A major impediment to starting a new business is the risk and uncertainty involved, the fear of failure and the danger of losing what one already has or owns. A good mentoring programme would go a long way to reducing those fears and it should be considered.

I would like to give some examples, of businesses which started from inauspicious circumstances and succeeded (*non-scripted*).

Now more than ever, Ireland needs more farm diversification, more new enterprises, more innovation within existing businesses, more incubation activity, but it is not providing enough structured support to persuade those who are short of confidence that they should invest

in pursuing their dreams. That needs to change. I have seen at first hand how such support can assist; I have seen how much more important confidence is than education, when it comes to taking risks, demonstrating vision, identifying opportunities and making new projects succeed. I have seen it in many of the businesses with which I have been involved.

And I know with absolute certainty that are others in every county in this country who could do what those people have done, and possibly even do it better. What is needed is some stimulus to help them to dream impossible dreams and turn them into reality.

If this conference is to become the start of such a process, this will have been a great day in the history of Irish business, Ireland's rural communities and Ireland's future job-creating enterprises.