

HOUSES OF THE OIREACHTAS

Volume: 1

Number: 16

AN COMHCHOISTE FIOSRÚCHÁIN I DTAOBH NA GÉARCHÉIME BAINCÉI- REACHTA

JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

Déardaoin, 26 Márta 2015

Thursday, 26 March 2015

The Committee met at 9.30 a.m.

MEMBERS PRESENT:

Deputy Pearse Doherty,	Senator Sean D. Barrett,
Deputy Joe Higgins,	Senator Michael D'Arcy,
Deputy Michael McGrath,	Senator Marc MacSharry,
Deputy Eoghan Murphy,	Senator Susan O'Keeffe.
Deputy Kieran O'Donnell,	
Deputy John Paul Phelan,	

DEPUTY CIARÁN LYNCH IN THE CHAIR.

Sitting suspended at 11.50 a.m. and resumed at 12.10 p.m.

Ms Maeve Donovan and Ms Geraldine Kennedy

Chairman: In session 2 the committee of inquiry into the banking crisis will have a discussion with Ms Maeve Donovan, former managing director, and Ms Geraldine Kennedy, former editor of *The Irish Times*, on the role of the media during the property boom in the lead-in to the banking crisis in the period 2002 to 2007.

In our session this morning we focused on the role of the media during the property boom in the lead-in to the banking crisis in the period of 2002 to 2007 and any change in approach after the crisis. I welcome Ms Donovan and Ms Kennedy who have been invited to discuss *The Irish Times*' editorial policy on the economy and the property boom and, separately, the newspaper's business model and sources of revenue, including that from the real estate sector during that period. Ms Donovan joined the newspaper from ICC Bank in 1977. She held a number of senior management roles in the company before being appointed managing director of The Irish Times Trust Limited in 2007. She retired in 2010. She holds an MSc from Trinity College Dublin and has served as chairperson of NNI, the newspaper industry representative body. She has been a director of the International Newspaper Marketing Association, INMA, and served in the European national newspaper group of the World Association of Newspapers. She is also a director of the Children's Medical & Research Foundation, the fund-raising board for Crumlin hospital and the National Children's Research Centre.

Ms Kennedy was appointed editor of *The Irish Times* in October 2002, the first woman to hold the post in the history of the newspaper, and retired in June 2011. She has covered politics for *The Sunday Tribune*, *The Sunday Press* and *The Irish Times* for most of her career. She was a Member of Dáil Éireann between 1987 and 1989 when she served as spokesperson on foreign affairs and Northern Ireland for the Progressive Democrats Party and in the role of Chief Whip. She was a member of the Committee on Procedure and Privileges and the inaugural Anglo-Irish Parliamentary Tier. As editor, she was awarded five honorary doctorates for her services to journalism by Queen's University Belfast, 2005; Dublin Institute of Technology, 2007; University College Dublin, 2008; Trinity College Dublin, 2009; and the University of Limerick, 2012. She is an honorary member of the Royal Irish Academy and adjunct professor of journalism at the University of Limerick.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. If they are directed by the Chairman to cease giving evidence on a particular matter and continue to do, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and, as they have been informed previously, the committee is asking them to refrain from discussing named individuals in this phase of the inquiry.

Members are reminded of the long-standing ruling of the Chair to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official by name or in such a way as to make him or her identifiable.

I invite Ms Kennedy to make her opening statement to the inquiry.

Ms Geraldine Kennedy: We have prepared in a way that my statement is better as the in-

roduction.

I thank the committee for its invitation to discuss the role of the media during the property boom in the run-up to the banking crisis and also any change in approach adopted after the crisis. I am speaking as the former editor of *The Irish Times*. I retired in June 2011, having been appointed editor in October 2002.

Specifically, I was asked to address the newspaper's editorial policy on the economy and the property boom between 2002 and 2007; the approach to reporting on the property market and the economy; and the contribution of the media to public understanding and debate around fiscal-budgetary policies and their implications. I have also been asked to cover the business model and sources of revenue. I will deal with that issue later.

I will be as helpful as I can in answering the committee's questions. In the limited time given to me to prepare this submission I have been unable to review every single aspect of the newspaper's coverage in news, analysis, comment, opinion page, letters to the editor, etc. I have been asked to account for coverage over six years - 52 weeks a year, six editions per week, adding up to 1,872 publication days. It was impossible for me to read and review all of the material in every single issue of *The Irish Times* published in that period and I hope the committee will understand this. Unfortunately, the archive does not easily facilitate such a detailed analysis.

By way of introduction, I should, first, provide some background on how *The Irish Times* operates since it may be helpful in our discussion. Unlike most other newspapers, it is owned by a trust. There are only a handful of newspapers owned by trusts in the world today. The main object of The Irish Times Trust Limited and the company which manages and operates the newspaper, The Irish Times Limited, is "to publish *The Irish Times* as an independent newspaper primarily concerned with serious issues for the benefit of the community throughout the whole of Ireland free from any form of personal or of party political, commercial, religious or other control".

The memorandum and articles of association set out the policy principles of the newspaper: the support of constitutional democracy through governments fairly elected; the progressive achievement of social justice between people and the discouragement of discrimination of all kinds; the promotion of a society where the quality of life is enriched by the standards of its education, its art, its culture, and its recreational facilities, and where the quality of spirit is instinct with Christian values but free from all religious bias and discrimination; the promotion of peace and tolerance and opposition to all forms of violence and hatred so that each man may live in harmony with his neighbour - I presume they intended women to be involved also - considerate for his cultural, material and spiritual needs; and the promotion of understanding of other nations and peoples and a sympathetic concern for their well-being.

The objects of *The Irish Times* require that, in its journalism, news shall be as accurate and comprehensive as is practicable and be presented fairly; comment and opinion shall be informed and responsible, and shall be identifiable from fact; and that special consideration shall be given to the reasonable representation of minority interests and divergent views. I have appended a copy of the memorandum and articles of association for the committee's perusal.

From the above, the committee can see that *The Irish Times* has an unusual structure where the managing director and the editor each report independently to the board. It is designed to ensure the effective management of the newspaper's strategic and commercial functions and the

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independence of the editor, working within the newspaper's editorial policy. There is a partnership of equals with different responsibilities. It seems appropriate, therefore, that I address section 1 of the committee's questions and the former managing director, Ms Maeve Donovan, section 2 because of our separate roles.

I was asked to address the context of the banking crisis. Let me put the reporting of the economy and the property market in the context of some of the other major news events at home and abroad that we covered in *The Irish Times* between 2002 and 2007 because we were not single-mindedly looking at the property market or the state of the economy. During that period there were two general elections; the invasion of Iraq; the introduction of the euro; changes in the leadership of Fine Gael, the Labour Party, the Progressive Democrats Party and Fianna Fáil; ten new members of the European Union; Mary McAleese's election as President; the deaths of Pope John Paul II, Liam Lawlor and Charles J. Haughey; the historic meeting between Dr. Ian Paisley and former Taoiseach Bertie Ahern in Dublin, just to mention a few events. There was also *The Irish Times* story in September 2006 that the then Taoiseach, Mr. Ahern, was receiving moneys from businessmen while he was Minister for Finance, which was to lead to the newspaper's appearance before the Mahon tribunal and costly challenges in the High Court and the Supreme Court to establish the journalistic right to protect sources. I have supplied an appendix giving more detail of the types of issue that would have preoccupied an editor at the time.

However, admittedly with the benefit of hindsight, the boom and bust in the economy were the major event that spanned all of these years and had most impact on the lives of the people. Editorial policy, by definition, is found in the leaders that express the views of the newspaper as determined by, or on behalf of, the editor every day. I was able in the limited time available to review the editorials and leaders published in *The Irish Times* over the 1,872 editions that are the subject of this inquiry. *The Irish Times* wrote 289 leaders expressing editorial policy on the economy and the property boom between 2002 and 2007. They were a major issue of concern in the editorial columns in those years. There were 38 leading articles in 2002, 73 in 2003, 56 in 2004, 52 in 2005, 31 in 2006 and 39 in 2007.

I am taking a narrow view of what the committee means by the economy and the property boom. Throughout those years, it is fair to say that the policy of *The Irish Times* was critical of both the establishment and operation of the Financial Regulator and IFSRA, the Irish Financial Services Regulatory Authority, believing they were not independent of the Central Bank. The newspaper was concerned about the erosion of competitiveness and critical of benchmarking in the determination of public sector pay, cautious about the banks' lending policies and the scale of the property market. As an aside, the chairman of the board of The Irish Times Limited was the Financial Regulator between 2002 and 2008. I have attached an appendix on editorial policy on the economy and the property boom.

From 2003 onwards, the newspaper was warning that trends in the mortgage market were a cause for concern. This policy was consistently expressed in editorials in the following years. By way of illustration, in 2006, the newspaper was calling on the Central Bank and the then Government to analyse the risks the property market posed to future financial stability in an article "Rate change cause for moderation" on 3 March. In case I could be accused of being selective, I am presenting all editorials to the committee for its perusal. I have also written a short summary of the policy positions relevant to the banking inquiry.

In their book, *The Fall of the Celtic Tiger: Ireland and the Euro Debt Crisis*, the authors Donal Donovan and Antoin E. Murphy identified four separate but related crises that resulted in the collapse of the Irish economy which required an international financial rescue. These

were, first, a property crash as the housing price bubble burst; second, a banking collapse where banks carrying too many non-performing property loans had their solvency questioned; third, fiscal failure as the economy contracted and tax revenue from property collapsed leading to the fourth crisis, sovereign debt. *The Irish Times* covered all four crises in detail as these stories unfolded in stages over the years to the best of its ability. The coverage involved detailed news and analysis by reporters, specialist correspondents in the finance and business fields and the economic editors of that decade. In effect, Simon Carswell became a full-time specialist in covering the banking crisis. Extra resources and pagination were provided to the newspaper during this period. In addition to reporting, *The Irish Times* commissioned articles about the banking crisis and the property market from specialists and noted academic economists. Its opinion pages were the platform for divergent views and public debate that often set the agenda and contributed to the national debate.

The Irish Times was the only newspaper to publish the article by Morgan Kelly, professor of economics in University College Dublin, predicting there would be a property crash with prices falling by between 40% and 60%. The first article was carried on 28 December 2006. Two others were carried subsequently. Other noted contributors to the debate in the newspaper included the current Governor of the Central Bank, Patrick Honohan, then professor in Trinity College Dublin, Professors Karl Whelan and Ray Kinsella, both University College Dublin, Brian Lucey, lecturer in finance, Trinity College Dublin, and Alan Ahearne, professor of economics, National University of Ireland, Galway. He later became an adviser to the late Brian Lenihan, the then Minister for Finance.

The same editorial standards applied in the property supplements as elsewhere in the newspaper. There was no trade-off between editorial and advertising. Advertising features were clearly signposted. Advertisers did not write editorial copy. We never carried advertorials in *The Irish Times*. The newspaper had occasion late in 2007 to make a complaint to the professional bodies of auctioneers and valuers that some estate agents were providing the property supplement with misleading selling prices. The newspaper took the view that if agents were unwilling to supply accurate information or if the vendors were reluctant to disclose the true selling price, then it would be damaging to the credibility of the newspaper to carry the results. The introduction of the national property register in 2012 was a consequence of this discovery and disclosure in *The Irish Times*.

This review of editorial policy and the approach to reporting on the property boom in the run-up to the banking crisis proved to be an interesting exercise for me. I was challenged to consider whether in my then role as editor of *The Irish Times* journalists could or should have foreseen the multifaceted nature of the financial crisis, including the property crash and the banking collapse. I do not know what we could have done differently to put ourselves in the position to predict the magnitude of the fall. We reported the news forensically. We challenged the consensus and canvassed all views and published them. The media, as always, were reliant on reporting the views of the specialists, be they Government, the Central Bank, the Financial Regulator or the profession of economists. Journalists were less well-placed than others to make an accurate assessment.

Chairman: I thank Ms Kennedy. I call Ms Maeve Donovan to make her opening statement.

Ms Maeve Donovan: I thank the committee for the opportunity to discuss the role of the media in the period to which the inquiry refers.

I retired from *The Irish Times* in 2010 following 33 years' service in the company, the

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final eight years as managing director. As my colleague Geraldine Kennedy addressed the newspaper's editorial policy in the period in question, I will attempt to answer the committee's questions on the company, its business model, property-related commercial activity and the editorial-commercial relationship.

The Irish Times newspaper is published by The Irish Times Limited and its controlling shareholder is The Irish Times Trust Limited. The Irish Times Limited exists to publish *The Irish Times*. It is prohibited from providing dividends to its shareholders. Accordingly, all profits are retained in the company. The Irish Times Trust Limited has certain powers under the memorandum and articles to appoint and remove directors of The Irish Times Limited, to call general meetings and the control of significant acquisitions and disposals. The primary role of the trust is to appoint a board which it believes will ensure the company is well run and adheres to its core objects. Thereafter, the trust leaves the board to get on with it. The board has the responsibility of adhering to the main object concerning the quality and independence of *The Irish Times*. The trust acts a second guarantor or long stop, a responsibility grounded in the trust as a whole.

Editorial policy at *The Irish Times* is the responsibility of the board of The Irish Times Limited. In practical terms, day-to-day policy is executed by the editor and team in the context of the memorandum and articles of the company. The core requirement is trust, integrity and balance. As managing director, I had no input into day to day editorial decisions. The managing director is, however, responsible for the overall viability, performance and development of the business, including responsibility for strategy.

Regarding the business model and sources of revenue 2002 to 2007, *The Irish Times* business model is a traditional one in the quality newspaper sector in Europe and elsewhere. News gathering and all ancillary activities are funded by a combination of cover price and newspaper sales revenue, subscription revenue and advertising revenue, both print and digital. During the inquiry's reference period, growing revenues derived from printing external publications. The latter commenced in 2002 with the commissioning of the company's new printing plant at Citywest. The ratio of advertising to circulation revenue was typically 60:40 on average. This moved up and down depending on the state of the economy. Key advertising sectors, particularly for quality newspaper titles, are property, recruitment, general classifieds including motors and display or run-of-paper advertising. The classifieds include cars and small ads in various categories. The run-of-paper advertising is largely about retail, food, financial services and so on.

During the reference period, the steady advance of digital media, and hence digital advertising, was a key strategic challenge for the company. This remains the case for *The Irish Times* and indeed all print media, as the pace of digital adoption continues to increase.

On the importance of property-related revenues to the overall revenue mix, property is a key pillar of the newspaper's publishing revenue. The commercial property supplement in Wednesday's newspaper and the residential property supplement on Thursday are important to readers as well as advertisers. The readers of *The Irish Times* have a strong interest in both residential and commercial property. They are buyers for both categories and many are also property investors. In addition to the dedicated supplements, *The Irish Times* also provides extensive coverage on homes, interiors and related lifestyle content. In an overall context, therefore, property is a key driver of readership both print and online for *The Irish Times*. From an advertising perspective, *The Irish Times*'s audience is of particular interest to companies trading in the sector. This has been the case for decades and certainly through my entire period

at the newspaper. The company's acknowledged success in the property advertising market has attracted new domestic and UK players into this market and into the sector.

When I came to work for *The Irish Times* in 1977, it was the market leader in the property sector. That position was maintained through the 1980s and 1990s, through the reference period, and it continues today. Through the decades there have been new market entrants in both print and digital formats. The market is highly competitive and highly diversified. Globally, the long-standing success of newspapers in the pillar categories of property and recruitment is what gave rise, in large part, to the arrival of standalone digital websites and the resulting disruption of the newspaper's commercial model.

During the reference period, the company sought to balance increasing exposure to the property sector through a range of diverse activities. The most notable of these was the development of strong external printing revenues from the Citywest plant.

The relationship between the editorial and commercial functions is clearly drawn in the Memorandum and Articles of Association of the Irish Times Trust. It specifies that editorial content in the newspaper shall be "free from any form of personal or party political, commercial religious or other sectional control". That separation is carefully maintained under the stewardship of both the trust and the board. This requirement of the company is deeply embedded in the company's culture. It is heavily emphasised from the induction of new staff onwards, and it is fundamental to the way in which the company operates.

At a macro level, everybody in the organisation understands the importance of advertising to the enterprise. At the micro level, all staff, both editorial and commercial, are aware of the necessity of maintaining the separation of editorial and commercial activities. Customers of the business are also very much aware of this. This does not mean that clients do not sometimes complain, but the role of the business team, especially its management, is to act as a buffer between commercial interests and the producers of editorial content. This practice is regarded within the company as a key asset, and the independence of the newspaper is emphatically stressed when the newspaper is marketed to clients. It is one of the key differentiators of *The Irish Times* within the Irish newspaper sector.

On engagement in property-related commercial activity, during the reference period *The Irish Times* engaged in two notable transactions. The first was the purchase of the website *myhome.ie*. As early as the late 1990s, *The Irish Times* sought to secure its position in key markets as revenue started to migrate from print to digital media. Standalone classified sites had started to proliferate, particularly in Europe and the USA. Obtaining a market-leading property site in the sector became a key strategic objective for the company and, hence, for the management team. Along the way, the company developed several digital iterations in the property sector. We had *ireland.com/property*, and owned the *ireland.com* portal at that time. We also had *irishtimesproperty.com* and *nicemove.ie*. Despite considerable investment and marketing activity, none of these sites proved to be viable competition for *myhome.ie*, which was the market leader and had grown exponentially from its launch in 2000. Therefore, our company's intentions turned to growth by acquisition. The *myhome.ie* business became available for sale in 2006. The Irish Times Limited retained NCB as an adviser for the bidding process. There was a competitive process with at least two other bidders involved. The acquisition was unanimously approved by the board of The Irish Times Limited and the transaction was approved by the shareholder, the Irish Times Trust. The website became part of the Irish Times Group and today it remains a key strategic asset of *The Irish Times* and trades profitably. *The Irish Times* has a strong position in both print and digital media in a sector which has substantial revenue

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streams, which will help to protect the title into the future. Successfully making the migration from print to digital is essential to the survival of *The Irish Times* and indeed to all print media.

The second transaction was the sale of the D'Olier Street and Fleet Street premises and the leasing of the Irish Times building in Tara Street from Dublin City Council. During 2005 and 2006, the company had been examining changing work practices and creating an appropriate environment for a changing business. Various options were examined, including extensive remodelling of its listed buildings in D'Olier Street. The cost of redevelopment was prohibitive and inevitably required compromising on the space requirements. Therefore, the decision was made to seek modern accommodation within the city centre, proximate to key sites such as the Dáil. A suitable property was identified and the D'Olier Street and Fleet Street buildings were sold in 2007. The company transferred operations to Liffey House in Tara Street, a facility which was much more suitable for the development of the newspaper and a range of digital business interests. The price achieved, €29.1 million, was considerably higher than the company had anticipated.

Chairman: Thank you very much, Ms Donovan. Just before I bring in the lead questioners, I wish to deal with a couple of matters, including the last subject Ms Donovan dealt with. She said that *myhome.ie* became available in 2006, but when was it actually purchased?

Ms Maeve Donovan: It was purchased in 2006-2007. The transaction went through during that period.

Chairman: When in 2007 was that completed?

Ms Maeve Donovan: I actually cannot tell you.

Chairman: Just generally, was it in quarter one or quarter two?

Ms Maeve Donovan: I think probably quarter two.

Chairman: Okay.

Ms Maeve Donovan: I could be wrong about that.

Ms Geraldine Kennedy: I think it was bought in 2006.

Chairman: In 2006?

Ms Geraldine Kennedy: I thought it was.

Ms Maeve Donovan: I actually do not have the date; I am sorry. One of the things we did not research was the date of the acquisition itself.

Chairman: My own research seems to indicate 2007. How much was paid for it?

Ms Maeve Donovan: I am very glad to have the opportunity to answer that question because there has been a lot of speculation about the price and a lot of inaccurate coverage. We paid €40 million, and the price reflected what we needed to pay to secure the business at that time.

Chairman: In Ms Donovan's opening address she outlined the rationale for purchasing the website - that this was a platform that *The Irish Times* wanted to get into. Those at the newspaper were observing what was happening internationally in the United States and Europe. Was

there any commentary in *The Irish Times* with regard to the concentration of €40 million of the company's funds in a particular sector?

Ms Maeve Donovan: There was, naturally, because *The Irish Times* had not engaged in acquisitions in any significant way in its history up to that point. It did obviously attract a lot of comment. It might be useful to contextualise the issue, if the Chairman would like me to do so at this time.

Chairman: Sure, yes.

Ms Maeve Donovan: Maybe we have to go back a little further. When I started in the newspaper business in 1977, it had not really changed a great deal since the time of Gutenberg. There was hot metal type, steam, darkness and goodness knows what.

Chairman: My father, his father and his grandfather were printers, so I know all about hot lead.

Ms Maeve Donovan: The Chairman knows what it was like. In the first few years I was there, it did not change a lot in many ways. The big technological change was probably the move to photo-typesetting in the first instance. That was a huge, traumatic change in the industry. Then, at the end of the 1980s, there was the arrival of colour. That again facilitated growth and change in the business, but the pace of change as we moved into the mid-1990s just took off like a runaway train in the industry globally. A large part of that was to do with the process around the disruption of any industry. It was not unlike communications or the phone industry. People from outside the media industry could see that a large amount of revenue was running through this business. With the developments in technology, they were looking at ways in which they could disrupt that industry and take some of that business away. That was not necessarily immediately apparent in the late 1990s in the Irish market from an advertising perspective. However, it must be said that *The Irish Times* was always at the forefront technologically. We were first into colour printing and we were first into publishing the newspaper online. *The Irish Times* was one of the first newspapers in Europe to publish online in 1994, which was a very long time ago.

The ad market and the disruption in advertising, however, moved much faster than the reader transition, as it were. We found that the information and data that we were gathering as we moved towards the back end of that decade - these were derived from our contacts internationally with *The New York Times*, *The Guardian*, *The Daily Telegraph* and newspapers throughout Europe and, indeed, on study tours that we-----

Chairman: I want to get to the point as to why the whole medium has changed. Now we see a 24-hour news cycle, Twitter and all of the rest of it. I just want to return to the concentration issue. Some €40 million is quite a substantial sum of money for a company.

Ms Maeve Donovan: It is.

Chairman: I am seeking clarity with regard to the purchase and the timeline of it. It commenced in 2006, but Ms Donovan is indicating that it was quarter two of 2007 when it was purchased.

I am sure that both Ms Kennedy and Ms Donovan will talk about it later, what with all of the questioning, but we have heard about the very clear need for separation between what one might call the business end and the journalistic end of newspapers. There may be a requirement

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at times for the two to talk about what is happening in the real world outside the newspaper as well. It seems to coincide with the purchase of *myhome.ie* that a very significant article in the witnesses' newspaper, through Professor Morgan Kelly, said that the property market was going to crash. The newspaper was investing in a website that was promoting a product that was going to go into a very, very serious time. Was there any awareness of that during the discussion to purchase the website?

Ms Maeve Donovan: To explain the context again, one can take the view that it was a way of concentrating on a sector that was in flux, but in fact we viewed it as a diversification.

Chairman: What I am talking about is the valuation that was actually put on it. Certainly, somebody can see the rationale for a need to diversify, but the valuation-----

Ms Maeve Donovan: Of course. Let me deal with the price. We were, as I said to the Chairman, professionally advised. There were other bidders, so it was a competitive bidding process. Indeed, we did make an earlier bid that was turned down. However, the view that we took was that we were buying a very profitable business with very significant revenue streams that were not being affected by transition. We were taking a very long view. *myhome.ie* is a critical part of *The Irish Times* today. It will be in ten years and it will be in 20 years.

Chairman: On reflection on that price that was paid back in early 2007, how does Ms Donovan view the purchase price now?

Ms Maeve Donovan: I wish to God we had paid less for it, but I also am very glad that we got it. I think *The Irish Times* today would say that it was very glad to have it.

Chairman: Would Ms Kennedy like to offer a view on the whole purchase?

Ms Geraldine Kennedy: I had reservations. I would have been a director of the board of *The Irish Times* as well. In that sense, I would be aware of what was going on. I had reservations that I expressed - it was well known that I had them - about buying *myhome.ie*. My reservations-----

Chairman: Was it the purchase price Ms Kennedy had the reservations about or the acquisition of the site?

Ms Geraldine Kennedy: The purchase price.

Chairman: Okay.

Ms Geraldine Kennedy: I was in favour of the policy of diversification. There was informed speculation at that time that the underbidder was *The Guardian*. There certainly was a rationale not to allow one's major revenue base to walk out of Ireland to another newspaper in Britain at the time. I had reservations about the purchase because of the price. Any editor worth his or her salt would like to see money going into the development of the newspaper.

Chairman: I thank Ms Kennedy. We will move on. The first questioner up is Senator Barrett.

Senator Sean D. Barrett: I welcome our two visitors this afternoon. If I may, there may be an identity issue on page 4. We will have the Financial Regulator in later, but I do not think that he was ever chairman of *The Irish Times*. That is stated on page 4: "As an aside, the Chairman of the Board of The Irish Times Ltd was the Financial Regulator".

Ms Geraldine Kennedy: I am sorry. He was the chairman of the regulator. I thank the Senator.

Senator Sean D. Barrett: I thank Ms Kennedy, because we will be talking to some of those people.

Chairman: It was just to clarify that. I thank the Senator very much.

Senator Sean D. Barrett: The sentence above that, if I may, states: “it is fair to say that the policy of *The Irish Times* was critical of both the establishment and operation of the Financial Regulator and IFSRA, believing that they were not independent of the Central Bank.” That was quite a controversy when the McDowell report was opposed by the Department of Finance and the Central Bank itself. What were the misgivings of *The Irish Times* at the time?

Ms Geraldine Kennedy: It was not sufficiently independent. The Senator probably knows where it operates. It operates on the very same floor in the very same building of the Central Bank. It was known to have been created to do what was called soft-touch regulation. If one was going to bother appointing a regulator at all, one would give it authority and powers. We did not know then how much it would have been needed. I put that point in here because I anticipated that the committee would ask how *The Irish Times* could be independent with the chairman of the regulatory authority on its board. We were independent. That is a very good example for the committee. He would not have been that happy with these views and he would have spoken to me, saying that we had got all that wrong and everything like that, yet we maintained our position in the interests of our readers.

Senator Sean D. Barrett: Did Ms Kennedy follow that up afterwards? That is part of the narrative that we have to look at. This body was set up in somewhat controversial circumstances. Did *The Irish Times* follow how the story involved after 2003 until the night of the guarantee?

Ms Geraldine Kennedy: It is quite clear from the Peter Nyberg report - I cannot do any better than him - that, when he listed the factors that had to come together to create a financial crisis of the scale we got, the work of the Central Bank, the regulator and the Government are the top three things that he mentioned. The roles of the Parliament, strangely enough, and the media are the last two.

Senator Sean D. Barrett: Ms Kennedy mentioned at the top of page 5 that she gave Simon Carswell the space to become “a full-time specialist in covering the banking crisis”. What concerns did Simon Carswell express to Ms Kennedy to achieve that valued status subsequently? He was in here as a witness a few weeks ago, as she knows. What concerns was he bringing to her that she felt that step should be taken?

Ms Geraldine Kennedy: At that particular time - I had never seen it in my life before - practically every lead story on every front page was a financial or banking story of some type or other. I have never seen the business department of a newspaper having to work so hard or so many extra pages having to be put into it because of the volume of news in that particular area. It is most unusual. One would often see it in politics, health and other areas, but not in the business and finance area.

Senator Sean D. Barrett: Did Mr. Carswell have intuition about two banks that we know subsequently went broke or did he feel that-----

Ms Geraldine Kennedy: He did.

Senator Sean D. Barrett: -----the regulation of the sector was defective? He must have had some concerns if he was able to impress Ms Kennedy sufficiently to give him that status.

Ms Geraldine Kennedy: His title was “finance correspondent” but, as it happened, he was spending all of his time reporting on the banks, and obviously doing it very well because he was the journalistic specialist that the committee called in here to address it on the issue. He did have concerns. What is interesting as well is that, because he wanted to investigate it further, I freed him up from other markings. He got a paid leave of absence to write the books that he spoke to the committee about and all that. It was a very worthwhile use of resources by *The Irish Times*.

Senator Sean D. Barrett: *The Irish Times* also had a very important interview with Milton Friedman by Conor O’Clery, where a Nobel prize winner was extremely concerned about the design faults in the euro. Was that story followed up by the newspaper? It was certainly a scoop to get it at the time, but did it influence Ms Kennedy afterwards as this crisis developed?

Ms Geraldine Kennedy: I do not remember the detail of it and I do not have it before me now. I remember him getting that interview. It would have been one of the areas where we would have demonstrated different views in *The Irish Times*. One has to consider, I think, the position that I was in as editor as the whole story involved. It was sort of moving in stages. There was no point where I would have said there would be a crash or there would be a soft landing. In any case, I would not have the expertise to make that personal judgment myself, but what we were very careful to do was to give every view on the issue and give everybody a say. There was nobody who offered opinions to the opinions page or other pages of *The Irish Times* who was not allowed to express a view.

Senator Sean D. Barrett: Will Ms Kennedy tell us the background to the famous article by David McWilliams? Did she know it had been rejected by other publications?

Ms Geraldine Kennedy: Does the Senator mean Morgan Kelly?

Senator Sean D. Barrett: I am getting my gurus mixed up. It was definitely Morgan Kelly.

Ms Geraldine Kennedy: David McWilliams gets a lot of credit but, as I recall, he predicted the crash in 1999 and it did not happen until eight years later. That is important. If one says something often enough, it will happen. If one were to keep saying now that Fine Gael and the Labour Party would form the next Government or Fianna Fáil and Fine Gael or Sinn Féin and somebody else, one is bound to get something right at some time. Morgan Kelly offered an article in December 2006 to the business section of *The Irish Times* predicting a crash of the scale of between 40% and 60%. Peter Murtagh, who is the opinion editor - I hope the Chairman does not mind me mentioning his name - contacted Morgan Kelly subsequently and invited him to write other material because he was the only one at that time expressing that view.

It is my clear understanding that Morgan Kelly’s article was turned down by the *Sunday Business Post* and one of the *Independent* newspapers, either the *Irish Independent* or *Sunday Independent*. I cannot say which one it was and I do not know whether members asked the *Irish Independent* team about that in the previous session because we were outside the committee room at the time.

Chairman: The matter was raised this morning.

Senator Sean D. Barrett: In the final sentence of her opening statement, Ms Kennedy noted that journalists “were less well-placed than others to make an accurate assessment.” That is a very pessimistic statement.

Ms Geraldine Kennedy: I am not pessimistic. Did Senator Barrett, a very esteemed economist, predict the crash?

Senator Sean D. Barrett: I could probably maintain that I did. Is this an abdication by the Fourth Estate? That is what I am concerned about. *The Irish Times* has a track record, having got Milton Friedman and Morgan Kelly and it also got a strong line on the McDowell report.

Ms Geraldine Kennedy: There was a very interesting article written by my predecessor, Conor Brady, following a conference in Brussels which investigated newspaper coverage of the crash and the financial crisis. Mr. Brady wrote an article which we published in *The Irish Times*. It reflected exactly what Senator Barrett is asking. His conclusion in the article was that maybe we had so many specialists that we did not join the dots together. Maybe that is the case but if one looks back into recent history, is that not the case also with the child abuse crisis, the role of the Catholic Church, the Magdalen laundries, Letterfrack and everything? It is grand to say in hindsight that one knew everything when the jigsaw fits into place years later. I believe that is the position we are in.

Senator Sean D. Barrett: Some of the evidence given yesterday and the previous day suggested that journalists are under too much pressure from public relations companies, they do not have time to do independent research and they tend to ask the incumbents about what is taking place in a sector rather than seeking out contrarian views. Was that the reason Ms Kennedy was feeling pessimistic? Would most journalists prefer to be in public relations rather than being investigative journalists?

Ms Geraldine Kennedy: Most journalists want to be investigative journalists at the age of 21, if possible. As a breed, they do not like public relations people but PR people are part of life today. I am sure the committee has a PR person. Look at all the Dáil questions that are asked about how much the Health Service Executive spends every year. Look at how much Irish Water is spending to communicate on behalf of the Government. PR people are part of life and any journalist worth his or her salt will deal with them.

Senator Sean D. Barrett: Are the living standards of journalists much lower now than they were ten or 15 years ago? In the Bowes pub kind of setting it was certainly the story that one building society in particular went out of its way to recruit journalists and give them mortgages. Would such privileged status for journalists have influenced coverage of the sector?

Ms Geraldine Kennedy: I do not believe so because most of the journalists who would have got their mortgages from that particular company at that particular time would have their mortgages paid now. In other words, it was happening in another era.

I wish to raise another issue, if I may be allowed, arising from yesterday’s proceedings and Mr. Harry Browne’s presentation. I have some respect for Mr. Browne’s views because he worked in *The Irish Times*. However, I am also conscious and aware of his antipathy towards *The Irish Times* over the circumstances of his departure. That being said, he made a reference yesterday which could be grossly misinterpreted by the committee when he suggested to Senator MacSharry or perhaps Deputy Michael McGrath that there was some big property scam in *The Irish Times* and the Senator or Deputy asked whether this meant they got bricks and mortar.

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Deputy Michael McGrath: The exchange was with Senator MacSharry.

Ms Geraldine Kennedy: I beg the Deputy's pardon.

Deputy Pearse Doherty: Mr. Browne did not name any institution.

Ms Geraldine Kennedy: I know that and I will not name anybody.

Chairman: I will allow Ms Kennedy to address the issue before moving on.

Ms Geraldine Kennedy: I will not name anybody but I would not like members to think that happened during the boom because it did not. It happened in the 1970s and if the inquiry is interested in the issue, it was written about by Frank McDonald, an expert from *The Irish Times* whom the committee also called before it, on page 216 of his book, *The Destruction of Dublin*. This concerned events that took place in the early 1970s. As a result of this controversy, new ethics guidelines were agreed with the National Union of Journalists and introduced in *The Irish Times*.

Senator Sean D. Barrett: One of the current correspondents of *The Irish Times*, Professor John FitzGerald, informed the inquiry that if he wrote a quarterly report on the economy which may have been somewhat pessimistic, someone who he referred to as a nervous Nelly in the Department of Finance would ring him up to complain. Did Ms Kennedy ever receive those kinds of telephone calls?

Ms Geraldine Kennedy: Yes, one could not be editor of *The Irish Times* without getting telephone calls and pressure from some sector or other every single day - from politicians, the late Brian Lenihan, not so much from bankers, from representatives of churches, judges, ambassadors and from every sector. The question is whether one would allow that to influence the policy of the newspaper and I can categorically say that I never did.

Senator Sean D. Barrett: Was the property sector among the sectors that would make telephone calls to Ms Kennedy?

Ms Geraldine Kennedy: Yes, they would not make telephone calls to me but I am aware that many telephone calls were made to my colleague, Ms Donovan, by the property sector about various coverage in the property supplement as well as in the main newspaper. To illustrate the issue, I remember Pat Rabbitte saying at one stage or other that the article by Morgan Kelly rocked the foundations of the State. People from the property sector were saying it would rock the foundation of *The Irish Times*, we would never get an advertisement again and it was damaging the credibility of the country. I became aware of this but it did not stop me from publishing Morgan Kelly again.

Senator Sean D. Barrett: Ms Kennedy stated, "The same editorial standards applied in the property supplements as elsewhere in the newspaper." The whole tone of the property supplement is so saccharine and gushing that it must be different from the rest of the newspaper.

Ms Geraldine Kennedy: No, it is not and very strict rules apply in it. The Senator could be confusing the advertisements with the editorial material. There has to be an editorial balance of about 40% and 60% between editorial and advertisements. Often, the poor old property editor would be pulling out his or her hair - there were two of them in my time - on a Tuesday when more and more ads would come in during the years of the boom because the supplement would have to be increased by two pages and these would have to be filled. A lot of critical stories

were published in the property supplement as well. I think it was Dr. Mercille who asked a question yesterday about when *The Irish Times* had ever covered affordable housing. I have ten editorials covering affordable housing and I can leave them with the inquiry if members wish. The people who wrote about affordable housing, half of whom wrote about it in the property supplement, included Dr. Garret FitzGerald, Fintan O'Toole and Des Geraghty, who was head of an affordable housing association at the time. These issues were tackled in the property sector as well, so much so that a lot of complaints were made to the property sector.

Senator Sean D. Barrett: Was that in the main body of the paper?

Chairman: We will come back to the Senator in a moment.

Ms Geraldine Kennedy: They appeared in the property supplement as well.

Deputy Eoghan Murphy: Reference was just made to contact from interests outside the paper. Was Ms Donovan ever contacted by someone senior in government or a senior Government representative over content carried in the paper?

Ms Maeve Donovan: Never.

Deputy Eoghan Murphy: What about business interests outside of that?

Ms Maeve Donovan: Of course. My job was to head them off at the pass. I have lost count of the number of times over the years that various people from all walks of life and strands of business would contact me complaining about various aspects of the paper. It could be content, positioning, price or any one of a range of factors. In truth, where content was concerned my response essentially would be to listen. A lot of people simply wanted to vent and decided "I am going to ring *The Irish Times* and give them hell". It was to my desk that they came.

Deputy Eoghan Murphy: What about from someone senior, perhaps in the Government or with a particular interest, or someone well known? Is there a code for dealing with that complaint? Would management let editorial know and would there be a discussion?

Ms Maeve Donovan: I suppose the code is such that we do not allow it to interfere in any way with content. We start from that process. As I said, my instinct was generally to let them vent and talk it down. If it was of huge interest, clearly we would have a conversation about it, but we are operating within a context in which there are no circumstances whatever in *The Irish Times* where there can be intrusion into the editorial space. I think that is very well understood and, unlike with other newspapers, it is a codified process. You know from the first day you walk into D'Olier Street - as it was then - what the rules of the game are. The Deputy might consider that from a commercial perspective this was a negative, but I have always regarded it as a positive. There was such clarity around it and our advertiser audience was very well informed about it as well. It adds strength to the paper.

Deputy Eoghan Murphy: Ms Donovan said in her opening statement:

the independence of the newspaper is emphatically stressed when the newspaper is marketed to clients. It is one of the key differentiators of *The Irish Times* within the Irish newspaper sector.

Does this mean other titles are not stressing this, or do not have this independence?

Ms Maeve Donovan: I am not commenting on the other titles one way or the other. My job

was to position *The Irish Times* to-----

Deputy Eoghan Murphy: I think Ms Donovan was commenting on them, though. In her opening statement she said it was a key differentiator between the paper and other titles.

Ms Maeve Donovan: I believe it to have been a significant differentiator, particularly because it was so clearly articulated.

Ms Geraldine Kennedy: It is in our charter and it has to operate. It is great protection for the editor and for journalists.

Deputy Eoghan Murphy: In differentiating *The Irish Times* from other papers by making this so explicit, Ms Donovan is stating that other papers do not make it explicit.

Ms Maeve Donovan: They would not have made it explicit in the same manner as *The Irish Times*. That certainly is the case. We did regard it as a huge selling point for the newspaper.

Deputy Eoghan Murphy: How would that independence, or the way that the paper makes its independence explicit, make Ms Donovan view other papers?

Ms Maeve Donovan: We view them as competition but we always viewed our own position as stronger. I will put it no more than that.

Deputy Eoghan Murphy: In terms of independence?

Ms Maeve Donovan: In terms of independence. We believed that was actually an asset as opposed to a deficit.

Deputy Eoghan Murphy: Ms Kennedy mentioned that she had been contacted by senior Government people. Would she like to elaborate on any of those contacts? Were they in respect of particular articles or particular coverage of events?

Ms Geraldine Kennedy: I would constantly get complaints from Government and Opposition parties. Sinn Féin was great at it, so was the Green Party. They all do it. It is part of the way of life.

Deputy Eoghan Murphy: Was Ms Kennedy ever contacted by the Taoiseach or by a Cabinet Minister?

Ms Geraldine Kennedy: Yes.

Deputy Eoghan Murphy: What would be the purpose of those contacts?

Ms Geraldine Kennedy: To tell us maybe that they thought we were wrong or we were a bit hard on them on something or other. Of course I would take the call, meet them if they wanted to meet, and then make up my own mind. I would not feel I had to-----

Deputy Eoghan Murphy: No overt pressure was put on the paper to change an opinion or position or to write a certain way?

Ms Geraldine Kennedy: No. I always looked at pressure like this - taking it that it is me the Deputy is talking to - I was not bullied around by Charlie Haughey when I was in my 20s so I was hardly going to be bullied by lesser politicians in my 50s.

Chairman: Next question, Deputy.

Deputy Eoghan Murphy: Coming to Ms Kennedy's relationship with the board, the statement was made yesterday that the ownership structure of a newspaper had a direct impact on the editorial decisions taken. *The Irish Times* is unique in that it is managed by a trust - that is the long stop - but it also has the board. Does the board have a say over editorial policy?

Ms Geraldine Kennedy: It does, yes. The way it is expressed is that the board owns editorial policy. I gave the Deputy the principles of editorial policy as per the memorandum and articles of association. On an operational basis, it is up to the board to see that they are implemented. I even found this strange myself. In a bit of research I did before coming before the committee, I had somebody go back through all the board reports for the inquiry period of 2002-07 and editorial policy on the financial crisis and the property market. The property bubble, or however the Deputy would like to define it, was never raised or discussed.

Deputy Eoghan Murphy: Those are formal notes taken from board meetings.

Ms Geraldine Kennedy: Yes.

Deputy Eoghan Murphy: Informally, would there have been relationships or contact?

Ms Geraldine Kennedy: It was not ever discussed informally at the board. It was not that it was not minuted - it was never discussed at the board of *The Irish Times*. Individual board members at different times might have asked why I was not doing this, that or the other, and I would say to them "Well, that is not the policy that I intend pursuing at this time." There was a point, for example, at which the new chairman, David Went, asked why I would not write an editorial supporting the banks and I said I had not yet done so because the haircut had not been announced and I was waiting to see how much taxpayers would have to pay. I would not be doing an editorial in the interest of the banks but in the interests of our readers and taxpayers. I basically said that if he had any issue with that we could have a discussion on the board about it. There never was a discussion.

Deputy Eoghan Murphy: Regarding the management-editorial relationship, Ms Kennedy talked about a partnership of equals between herself and the managing director. As managing director, Ms Donovan had no input into the day-to-day editorial decisions. Would she have input into general editorial policy?

Ms Maeve Donovan: Insofar as editorial policy is dictated by the memorandum of the trust, that is a set issue. To clarify a little bit how editorial policy flows from the board, it is set in the Memorandum and Articles of Association of the Irish Times Trust. That is devolved for discussion where there would be major issues, addressing policy to the board of Irish Times Limited. However, the board, in large part, allows those issues to devolve to the editor and the editorial team. On a day-to-day basis, that is how it works. The structure in *The Irish Times* gives a more clearly defined and higher level of protection and independence to the editor than might be the case in other structures.

Deputy Eoghan Murphy: As editor, would Ms Kennedy be involved in strategic decisions for the paper?

Ms Geraldine Kennedy: Yes, I would. This system actually works very well and is very well understood in *The Irish Times*, in case we are not explaining it correctly. At board meetings I have a say, like any other member of the board, as a director on strategic decisions. I would express a view and all that, just as Ms Donovan could express a view if the board was discussing editorial policy. One thing the board spent a very long time discussing - it came

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up *ad infinitum* at every single board meeting for a period - was the establishment of the Press Council and the Press Ombudsman. Every member of the board, including me, would express a view on it. I was delighted with that - it is great to be able to tease something out and get support on something.

Deputy Eoghan Murphy: When it came to strategic decisions, such as introducing or expanding a property supplement, introducing a new supplement or a commercial acquisition, would the editor have a role in that decision?

Ms Geraldine Kennedy: Yes.

Ms Maeve Donovan: Bear in mind that the editor is a director of the company in this case.

Deputy Eoghan Murphy: My understanding is that the decision to purchase *myhome.ie* was unanimous on the board.

Ms Geraldine Kennedy: Yes; there was no vote.

Deputy Eoghan Murphy: Did Ms Kennedy have an issue with the purchase of *myhome.ie*?

Ms Geraldine Kennedy: Yes, but we are a democracy.

Deputy Eoghan Murphy: But there was no vote.

Ms Geraldine Kennedy: There was no vote, no.

Deputy Eoghan Murphy: So Ms Kennedy supported the decision.

Ms Geraldine Kennedy: I expressed reservations about the decision but one was not asked for one's support since there was no vote. Does the Deputy understand what I mean?

Deputy Eoghan Murphy: Did Ms Kennedy not think of calling a vote to see-----

Ms Geraldine Kennedy: No, I did not. I did not feel strongly enough about it because there was a case for diversifying in *The Irish Times* and property was a big revenue stream for the newspaper. I certainly would have been very conscious of how dangerous it would be to the future of *The Irish Times* if *The Guardian* were to succeed in buying the main property website in Ireland at a stage when newspapers were in transition and in a move to a digital world.

Ms Maeve Donovan: I wish to give the Deputy some information which might help to clarify how this particular aspect would work. First, as Geraldine has said, she would have had reservations and would have liked to have more money to spend on other things at the time. However, her opposition was not to what was accepted as the problem, namely the migration from print to digital. I will give the Deputy an earlier example that might illustrate this for him. The job of the editor and the entire journalistic team is very much focused on the issues of today and the immediate future. It is very different for the business. If we go back to the end of the 1980s when *The Irish Times* introduced colour printing, we had a very eminent editor, Mr. Douglas Gageby. At that time, despite the investment, Mr. Gageby said that there would not be colour on the front page of the newspaper until Ian Paisley cut the tape on the Border. I can tell the Deputy that within months there was colour from one end to the other of the editorial pages. It took time for him to be sold on the idea. That is the issue with strategic decisions. The business must look at strategic issues over a very long period of time.

Ms Geraldine Kennedy: I will try to help with one thing, on a day to day basis and start-----

Deputy Eoghan Murphy: I am going to run out of time so I will stay with Ms Donovan, if I may. She described the acquisition of *myhome.ie* as a natural movement from print to digital. Is that how she sees it? In terms of the paper moving to digital-----

Ms Maeve Donovan: What we see is a block of revenue that has supported press for decades suddenly appearing in a different field which has nothing to do with print media. The very important point about *myhome.ie* is that it is a digital business. It is a stand-alone business and it does not have any editorial content or position. So it is a drain from our revenue.

Deputy Eoghan Murphy: It is very different from a property supplement in a newspaper.

Ms Maeve Donovan: Yes, very different.

Deputy Eoghan Murphy: It is a property-related commercial activity, as Ms Donovan said in her opening statement.

Ms Maeve Donovan: We saw it as a diversification.

Deputy Eoghan Murphy: In terms of the independence of the paper, was there ever a fear that an over-reliance on property and moving into this new commercial activity would undermine the actual or perceived independence of the paper?

Ms Maeve Donovan: No there was not because what allows us to put feet on the ground in China, Moscow or anywhere else in the world is the revenue we derive from areas such as property. It is very important to say, in the context of *The Irish Times* structure, that we do not have access to shareholder funds. We finance our operation ourselves out of our own earnings.

Deputy Eoghan Murphy: Was there a discussion among senior editorial staff or management in the paper that this particular move into the property sector could undermine the paper?

Ms Maeve Donovan: Never that it undermines the paper, no. There was a lot of discussion on it but largely around the price, as one would expect. As I said earlier, I wish to God we had paid less for it. Unfortunately, if we had not paid what we did pay, we would not have it and it is critical for us.

Deputy Eoghan Murphy: What impression did making such an acquisition while also publishing articles in the paper which ran contrary to the consensus at the time make on the readership of *The Irish Times*? They were reading the views of Professor Morgan Kelly on a complete crash in the property sector while at the same time, *The Irish Times* was making a major property-related acquisition.

Ms Maeve Donovan: There was plenty of criticism of the decision but that was largely within the media sector. One of the key differentiators in the newspaper sector is that one's critics, or rather one's competitors, get to publish their views on one every day.

Deputy Eoghan Murphy: Did anyone in *The Irish Times* publish an article criticising the purchase of *myhome.ie*?

Ms Maeve Donovan: Did we publish anything in the paper? I would have to ask Geraldine but nothing in particular-----

Ms Geraldine Kennedy: We published a story about it. It was announced in *The Irish*

Times.

Deputy Eoghan Murphy: It was announced as news but did anyone write any critical comment on it?

Ms Maeve Donovan: I do not remember anything that stood out-----

Ms Geraldine Kennedy: No, but nobody was stopped from doing so. That is very important.

Deputy Eoghan Murphy: I thank Ms Kennedy for that clarification.

Chairman: Last question, please, Deputy.

Deputy Eoghan Murphy: The website *myhome.ie* has its own business interests. How are they managed, separate from the newspaper?

Ms Maeve Donovan: I am sorry, I did not hear the question.

Deputy Eoghan Murphy: *myhome.ie* has its own business interests in terms of-----

Ms Maeve Donovan: In terms of staff and so on and so forth-----

Deputy Eoghan Murphy: Yes, but it also sponsors particular events, television programmes-----

Ms Maeve Donovan: Yes, it does. It operates independently. Actually, for many years it lived in a different place as well. It is now, for cost reasons, based within the same building but it operates separately. Having said that, there are synergies on the sales and technology side but not at all on the content side because, as I have said already, there is no content in *myhome.ie*.

Deputy Eoghan Murphy: I take it that synergies on the sales side means that sales staff are working for both *myhome.ie* and *The Irish Times*.

Ms Maeve Donovan: We still have two sales teams but there is the possibility for some integration there. A large part of it is office space and technology in terms of why it makes sense to have it where it is.

Chairman: I now call Deputy Joe Higgins.

Deputy Joe Higgins: Substantial advertising revenues came in to *The Irish Times* from property developers, commercial and home builders and so forth between 2002 and 2008. Would Ms Donovan have a rough estimate of how much money was taken in from that kind of advertising?

Ms Maeve Donovan: I can tell the Deputy exactly what it was. Our view is that this information is historic. It is not of any current competitive advantage to anybody so I am happy to give the Deputy the figures. The Deputy asked how much of our total revenue came from property.

Deputy Joe Higgins: I ask Ms Donovan to give us a rough figure, in the millions, for what came in during those six years. We do not have time to go into each year, unfortunately.

Ms Maeve Donovan: It ranged from €10 million in 2002 to €22 million in 2006.

Deputy Joe Higgins: How much in 2006?

Ms Maeve Donovan: Twenty-two million euro.

Deputy Joe Higgins: That would nearly be €100 million over five or six years.

Ms Maeve Donovan: At its peak, it was 17% of the total revenue of the business.

Deputy Joe Higgins: In any case, it is tens of millions of euro.

Ms Maeve Donovan: It is, yes.

Deputy Joe Higgins: Ms Kennedy knows that before political parties were subject to limits on the donations they could receive, beef barons, property developers and banks made substantial donations to them. Those same political parties loudly protested that those donations had absolutely no effect on their policies or how they might deal with issues in Government but nobody believed them. Should they believe newspapers when they say that massive advertising revenue of that order would have absolutely no influence on how those newspapers dealt with the property bubble, for example, and the issues that it raised regarding developers, speculation, profiteering and so forth?

Ms Geraldine Kennedy: I think they should believe us and I will explain why. Ms Donovan has given a figure of €100 million over six years. In the year 2005, for example, in the annual accounts of *The Irish Times*, it cost €45.13 million to produce the paper. The editorial budget of *The Irish Times* was in or around the €30 million mark for the nine years that I was there. That is a huge editorial budget which enabled us to have a correspondent in London, Washington, Paris, Berlin, one in Moscow for a while and one in China. We had two correspondents in Northern Ireland during that decade but there is only one there now. That all costs an awful lot of money but it is part of the role of *The Irish Times*, which is to give an independent view of world events as a neutral country. The *Independent*, our main competitor, has no foreign correspondent at all. What one reads in that paper is British newspapers' views on things like the Iraq War, to which we sent reporters. Given that a newspaper has to finance itself either by selling newspapers or advertising, I was delighted that we got a lot of money from property because it enabled us to provide wonderful coverage.

Deputy Joe Higgins: The research that the inquiry team has done found that between 1996 and 2006, the price of an ordinary home increased each year, over ten years, by the equivalent of the average industrial wage. These were astonishing increases, resulting in a young generation being skewered economically by what was going on in the property market. Mortgage payments were shooting up putting huge pressure on people, the period of the mortgage increased from 20 years for their parents to 40 years and by common consent there was rampant speculation in land involved and profiteering. Did Ms Kennedy ever launch an initiative of investigative journalism in *The Irish Times* to uncover the rampant profiteering and speculation that was going on in the housing industry during that period?

Ms Geraldine Kennedy: I think I did. Yes. Mr. Frank McDonald appeared before the committee. I asked him to do a series on the builders, which was subsequently turned into a book, on what they own, what they get, how much they are worth, what they do, the sites they own, the sites that are undeveloped. He did that, not once but twice, during the boom and after the boom, on who owned Ireland. I would regard that as investigative journalism. Nobody else did it and it was done by Mr. Frank McDonald.

Deputy Joe Higgins: For example in-----

Chairman: The Deputy will shortly come to his final question.

Deputy Joe Higgins: In 2006 the price of an average new home in Dublin was €375,000. Did Ms Kennedy conduct an investigation on how much of that would be for bricks, mortar, labour and by common consent a substantial amount, perhaps 50%, for profit as well? Does she ever remember-----

Ms Geraldine Kennedy: I do not remember doing that precise one but I remember writing a number of editorials about affordable housing and raising the issue of house prices for young people. I have those editorials here with me if the Deputy wants them.

Chairman: This is the Deputy's last question.

Deputy Joe Higgins: My last question is in relation to how Ms Kennedy covered the aftermath of the property bubble. Research by Dr. Julien Mercille, who appeared before the committee yesterday, found a strong preference for fiscal consolidation or austerity policies in *The Irish Times*. For example, his research outlined that 57% of all opinion articles and editorials in *The Irish Times* discussing Irish Government budgets between 2008 and 2013 supported austerity with opposition only to specific cuts voiced by 15%. Does Ms Kennedy think that is balanced journalism to give that massive support, on the face of it, to austerity with all the effects on the victims of the bubble and to support it in that way?

Ms Geraldine Kennedy: I listened to Dr. Mercille with great interest yesterday. Without doubt he was the finest conspiracy theorist I have heard in a long time. I was disappointed that his material was not evidence based. He gave one fact in his submission which was that there 40,000 articles written in *The Irish Times* about economic policy and the property boom and only 78 about affordable housing. That is absolutely wrong. It is very easy to press a button and get "property bubble" without taking into account all the other formulations of expressing that same phenomenon. Between the years 2008 and 2013 the country was banjaxed, it was bankrupt. Unless we want it to be Greece, one had to try to bring the country out of the mire. I noted yesterday that he seemed to support Argentina and in something else I read about him he supported-----

Deputy Joe Higgins: Does Ms Kennedy dispute the figures and the percentages that he outlined in terms of the support for---

Ms Geraldine Kennedy: No. I do not know but I would be surprised.

Deputy Joe Higgins: But Ms Kennedy said that his contribution was not facts based and now she says she does not know.

Ms Geraldine Kennedy: I do not know as I did not study that period because the terms of reference of the inquiry given to me were for 2002 to 2007. His figures were for 2008 to 2013 which is beyond my period as editor and I did not study that before coming in here. I will say that I believe, personally, and would probably have pursued the policy as editor, that there was very little option for Ireland unfortunately but to try to get its house back in order. It required great sacrifices by ordinary people.

Deputy Joe Higgins: Yes. In other words, Ms Kennedy supports it. Did she support then the bailout of the financial markets rather than the people who were victims?

Ms Geraldine Kennedy: I do not-----

Deputy Joe Higgins: How is that balanced journalism?

Chairman: I am going to move on.

Ms Geraldine Kennedy: I am getting into a political argument with the Deputy if he does not mind.

Chairman: I am not going to facilitate that. I am moving on. I call Deputy Pearse Doherty.

Deputy Pearse Doherty: Cuirim fáilte roimh na finnéithe. Ms Kennedy has made a number of comments in respect of previous witnesses who have appeared before the committee. There was some laughter when she talked about David McWilliams and his predictions. Does she believe David McWilliams was wrong in his predictions?

Ms Geraldine Kennedy: He was not wrong in his prediction but he made it eight years before it happened.

Deputy Pearse Doherty: Was he right at that point?

Ms Geraldine Kennedy: We did not have the boom then.

Deputy Pearse Doherty: Sorry, was it right at that point?

Ms Geraldine Kennedy: He is a good entertaining enjoyable economist.

Deputy Pearse Doherty: I am not asking Ms Kennedy to give me her opinion on Mr. McWilliams himself. I am asking about his analysis. When Mr. McWilliams predicted that there would be a property crash, does she believe he was right?

Ms Geraldine Kennedy: It was the case that 1999 happened in 2007.

Deputy Pearse Doherty: Does Ms Kennedy believe he was right in predicting a property crash at that point in time?

Ms Geraldine Kennedy: I do not know, I am not evading the Deputy's question, no more than I knew that Morgan Kelly was right when we published his material, his articles.

Deputy Pearse Doherty: In hindsight we know that the property crash happened and we relied on Professor Kelly's documentation in the past and we have had Mr. McWilliams before the committee. At what point does Ms Kennedy believe that Mr. McWilliams was correct in his analysis that if the trends continued there would be a property crash?

Ms Geraldine Kennedy: He was right.

Deputy Pearse Doherty: Okay. In relation to one of the other witnesses who appeared before the committee, Mr. Harry Browne, Ms Kennedy somehow suggested - correct me if I am wrong - that the evidence he gave to the committee could be coloured by the way he left *The Irish Times*? Is that correct?

Ms Geraldine Kennedy: I said that he has antipathy to *The Irish Times* which *The Irish Times* and its journalists are aware of since he left.

Deputy Pearse Doherty: In relation to the evidence he provided to the committee-----

Chairman: Deputy-----

Deputy Pearse Doherty: In relation to the evidence he provided, what evidence in particular would Ms Kennedy like to dispute at this committee?

Ms Geraldine Kennedy: I am disputing the primary one. I will not go into everything. The primary issue that caused me some concern was the inference by him that a property scam was going on during the period of the inquiry. I wanted to put it on the record of the House that it was not.

Deputy Pearse Doherty: Does Ms Kennedy have the quote? I have just looked at the quote that we have and it is already online. He mentioned that in the earlier part of my career-----

Ms Geraldine Kennedy: Okay.

Deputy Pearse Doherty: He did not mention the institution. He mentioned that it was dealt with in-house. In terms of the period of the inquiry, he referenced somebody who was let go in a paper that no longer exists.

Ms Geraldine Kennedy: I am saying to the Deputy when I was watching that at home yesterday I was-----

Deputy Pearse Doherty: That is fair enough if that was Ms Kennedy's impression.

Ms Geraldine Kennedy: That was my impression of it and I did not want to leave that impression on the record, that anything like that happened in the last-----

Deputy Pearse Doherty: In relation to *myhome.ie* was the contract that *The Irish Times* entered into for €40 million in its totality?

Ms Geraldine Kennedy: Yes.

Deputy Pearse Doherty: That was the complete liability that *The Irish Times* was entering into.

Ms Maeve Donovan: We would have paid an additional payment five years later if the business performed as we had hoped it would.

Deputy Pearse Doherty: In her evidence, Ms Donovan welcomed the opportunity to clarify some misleading reports. The reports were that €50 million was the potential payment for *myhome.ie*. Is that correct or not?

Ms Maeve Donovan: I am sorry, that is not what the report said. What the report said was that we paid €50 million - we did not.

Deputy Pearse Doherty: Okay.

Ms Maeve Donovan: I think it is important, if the Deputy does not mind me saying so, to say that this is not a territory, as we all know to our cost, where we can toss around €10 million either way as if it were nothing. We paid €40 million. Had it been different times and the earnings had been very significant, we might well have looked back and paid another €10 million five years later. That did not arise and, clearly, it will not arise now.

Deputy Pearse Doherty: The national broadcaster reported on the purchase of *myhome*.

ie that *The Irish Times* paid €40 million upfront with an additional provision of €10 million if certain targets were reached. Is that report accurate?

Ms Maeve Donovan: When was this?

Deputy Pearse Doherty: This was in the national broadcaster at the time of the purchase of *myhome.ie*.

Ms Maeve Donovan: If that was the case, and I have no knowledge of it, it was a very accurate piece of reporting and in marked contrast to the other reporting.

Deputy Pearse Doherty: The key thing is that *The Irish Times* was willing to enter into potentially purchasing *myhome.ie* for €50 million.

Ms Maeve Donovan: Potentially buying those profits, yes, absolutely.

Deputy Pearse Doherty: That is the contract that was entered into. If targets were met, that would be the liability.

Ms Maeve Donovan: That is right.

Deputy Pearse Doherty: Based on the turnover profit of *myhome.ie*, how many years would it have to accrue that profit for *The Irish Times* to break even?

Ms Maeve Donovan: I will not discuss at this stage the figures of the business that we acquired. That certainly is confidential to *The Irish Times*. What I would say is that it was a very profitable business at the time and we took the view that it was a very long-term acquisition for us because of the pace of migration to digital. It was our expectation that the primary source of revenue in the long run, not just in that area but potentially others as well, would be digital rather than print and that was the threat we were trying to mitigate.

Deputy Pearse Doherty: Some of these accounts are published. Anyone can pay a few euro to look at these after-tax profits in the companies register so it is not a huge state secret as to what certain companies have in terms of profits. There have been reports, for example, that it would take 25 years at current profits just simply to break even. The reason I am trying to get at this is not about the profitability of the company-----

Chairman: The Deputy is running out of time so I need to push him to a question.

Deputy Pearse Doherty: In the purchase of *myhome.ie*, was it or was it not built into the analysis that property prices would have to be maintained or at least increased, and if there was a major slump, that investment would have gone belly-up? I know Ms Donovan has said on the record before, when she was asked if she regretted this investment, that she did not. Are they the same sentiments she has with *myhome.ie* today?

Ms Maeve Donovan: Entirely, because it should be remembered that what we were buying was the migration. Our expectation was that as the business moved steadily out of print and into digital, it was critical for us to have a position there. I will give the Deputy an example that might be of use in setting this in context, specifically about the pace of change. There is an article in this morning's edition of *The Irish Times* business pages that the Deputy might want to have a look at. It says that in the past 12 months, €1 of every €3 spent on digital has been spent on mobile. For a business like *myhome.ie*, if there were no mobile platform, that money would be going ever faster. It comes back to this issue that we must position ourselves with

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future technology if we are to protect *The Irish Times* for the long haul, and that, fundamentally, is what *myhome.ie* does and will do long into the future.

Deputy Kieran O'Donnell: I welcome Ms Kennedy and Ms Donovan. I want to take up the issue of *myhome.ie* and clarify a number of points. It was reported at the time that *myhome.ie* had profits of about €2.5 million annually and a turnover of about €6 million. That is a profit of about one twentieth of what was paid for it and turnover of about one eighth, which would appear-----

Ms Maeve Donovan: And growing fast.

Deputy Kieran O'Donnell: At the time, the shareholding was controlled by three of the top estate agents and one of the top banks. This company was growing and was suddenly put up for sale in 2006. We now know that July 2006 was a watershed in terms of the property market. *The Irish Times* bought *myhome.ie* during 2006. When Ms Donovan was considering the purchase of *myhome.ie*, did she reflect on the fact that three of the top estate agents and one of the top banks were the principal shareholders in *myhome.ie* and that they were selling out at a time when the market clearly was reaching its peak? *The Irish Times* bought at the peak of the market.

Ms Maeve Donovan: Totally. Absolutely, yes, we did.

Deputy Kieran O'Donnell: It looks like *The Irish Times* bought in August 2006-----

Ms Maeve Donovan: We bought at the top.

Chairman: The question has been made so will Ms O'Donovan respond, please?

Ms Maeve Donovan: There are two things. The business of *myhome.ie* was growing like the clappers for two reasons. One was because the market was booming and the other was because the migration from print to digital was getting faster. What is very important from an industry point of view is that, six months earlier, Daily Mail Group and Trust paid £48 million for *primelocation.co.uk*, the agents' website in the UK.

Deputy Kieran O'Donnell: That is a totally different market. In the limited time that I have, I want to clarify a number of points. The *myhome.ie* website was and is a property website. It was linked into property. Why did *The Irish Times* invest in a website at the peak of the market when, if it was going as well as it was going, it was being sold by three of the prime residential estate agents and one of the prime banks, which was subsequently bailed out by the taxpayer?

Chairman: There is a degree of repetition here.

Deputy Kieran O'Donnell: Ms Donovan is not answering the question.

Ms Maeve Donovan: Maybe I might come at this in a different way. I cannot get into the heads of the vendors. I presume the vendors were selling because their view of it was short-term. We were buying because our view of it was long-term.

Deputy Kieran O'Donnell: Into a market that was clearly collapsing.

Ms Maeve Donovan: The market goes up and down. The market has been up and down three or four times in my period there.

Deputy Kieran O'Donnell: What were Ms Kennedy's reservations? It looks like D'Olier Street was sold in 2006 for €29 million and another €10 million was borrowed and that was used to buy *myhome.ie*.

Ms Maeve Donovan: We did not borrow.

Deputy Kieran O'Donnell: Did *The Irish Times* borrow that €10 million? There were borrowings of €10 million in that particular year in the accounts.

Ms Maeve Donovan: That is right, yes.

Deputy Kieran O'Donnell: What were Ms Kennedy's reservations at the time as a member of the board?

Chairman: The Deputy will run out of time soon.

Deputy Kieran O'Donnell: What were Ms Kennedy's reservations?

Ms Geraldine Kennedy: My reservations were the price that *The Irish Times* was paying for that website.

Deputy Kieran O'Donnell: Was there a specific editor of the property supplement?

Ms Geraldine Kennedy: Yes.

Deputy Kieran O'Donnell: Did they report to Ms. Kennedy?

Ms Geraldine Kennedy: They did, yes. All the editors reported to me.

Deputy Kieran O'Donnell: As the editor, did Ms Kennedy feel that she had any responsibility in terms of checking the veracity of the advertisements that were put in by various developers and estate agents?

Ms Geraldine Kennedy: Whereas Ms Donovan would be in charge of financial strategy and the finances of the company, I would be in charge of content and design, and that covered all content in the newspaper, including ads. I could turn down an ad and would have done so on a good number of occasions.

Deputy Kieran O'Donnell: Property ads?

Ms Geraldine Kennedy: I do not remember a property ad being turned down.

Deputy Kieran O'Donnell: Were there any procedures to check that what was in a property ad was accurate?

Ms Geraldine Kennedy: Yes, we did, but that would not need to come to me. The Deputy forgets that we are working in a time-driven environment every day. Does the Deputy understand?

Deputy Kieran O'Donnell: Yes, I do.

Ms Geraldine Kennedy: I have said to the Deputy that at the time there were some complaints from readers that prices we were listing in the paper were not in accordance with what had happened. If we were so sold into property, does the Deputy really think we would have made formal complaints to the estate agents and valuers which eventually led to the property

register being introduced? Does the Deputy understand?

Deputy Kieran O'Donnell: I understand.

Chairman: This is the Deputy's last question.

Deputy Kieran O'Donnell: How much has been written off *myhome.ie* in the balance sheet of *The Irish Times*?

Ms Maeve Donovan: The bulk of it has been written off. I actually do not have those figures to hand. I am five years retired from the company.

Deputy Kieran O'Donnell: In hindsight, was it a wise investment?

Ms Maeve Donovan: Absolutely. It is a critical strategic investment.

Deputy Kieran O'Donnell: Even though nearly the full €40 million has been written off?

Ms Maeve Donovan: The bottom line is that if we did not own *myhome.ie* today and it was owned by a competitor of *The Irish Times*, it would be a huge ongoing threat to the long-term financial stability of *The Irish Times*.

Deputy John Paul Phelan: I thank the Chair and welcome the witnesses. I have a short initial question for Ms Donovan. I think it was in answer to Deputy Higgins's question that she spoke about 17% of revenue from advertising relating to property. Was that 17% of advertising revenue or of total revenue?

Ms Maeve Donovan: Of total revenue.

Deputy John Paul Phelan: Did Ms Donovan meet, formally or informally, with representatives of leading developers or leading members of the banking fraternity at which discussions took place on editorial matters?

Ms Maeve Donovan: No.

Deputy John Paul Phelan: In nine years as editor, did Ms Kennedy formally meet with leading property developers or bankers?

Ms Geraldine Kennedy: No, but I could have met them by accident. I would definitely have run into Mark Fitzgerald because Garret Fitzgerald was writing for the paper and I would have known him. We were not, however, talking about property advertising. I may have run into others as well, but there was never, ever a meeting about property advertising with me.

Deputy John Paul Phelan: Is the same true as regards financial institutions?

Ms Geraldine Kennedy: Yes.

Chairman: That has already been stated in today's testimony, so I do not want repetition.

Deputy John Paul Phelan: I do not think financial institutions were discussed.

I wish to put a couple of questions to Ms Kennedy relating to the testimony of yesterday's witnesses. Mr. Browne said that the political and economic elites set the agenda in Irish media circles. In the broader context of the Irish media, what is her view on that statement?

Ms Geraldine Kennedy: I think it was Dr. Mercille who said that. I will speak for *The Irish Times* and not for the broader media because I do not know the details of how other media are run. One could not be a quality, independent newspaper like *The Irish Times*, with a reputation around the world, without covering the Parliament - and we are the only paper in Ireland which still devotes a page to the Dáil - and without covering the Government, the trade unions and what Dr. Mercille would regard as the elites. That is what a national newspaper does. The important thing is that we also cover suicide, social exclusion, poverty and other issues as well as representing minority interests, as we are mandated to do. I do not know how one could be *The Irish Times* and not cover what Dr. Mercille would call the elites, which would include places such as his own university, UCD.

Deputy John Paul Phelan: Dr. Mercille went on to identify the three main factors that account for what he described as biased coverage of the economic crisis. They were the media's links with corporate and governmental sectors, advertising pressures and sourcing issues. What is Ms Kennedy's view on that?

Ms Geraldine Kennedy: They would be areas of concern if one had to have areas of concern. I never came under pressure because of advertising to take any line on anything. I am an authority on the question of sources. *The Irish Times* went to the High Court, the Supreme Court and the European Court of Human Rights at the cost of €1 million to protect its sources. What was the first factor?

Deputy John Paul Phelan: Links with the governmental and corporate sector.

Ms Geraldine Kennedy: One has to report on them. One need not have links with anybody if one would prefer, but is that what the Deputy would want?

Deputy John Paul Phelan: Mr. Browne also said that journalists were leaned on by their organisations not to talk down the banks. Is Ms Kennedy aware of that having occurred?

Ms Geraldine Kennedy: I never leaned on any of my staff not to talk down the banks. On the contrary, I would have sent them after them.

Senator Susan O'Keeffe: Ms Kennedy said that David Went asked whether she might write a piece about the banks. He was a banker as well as chair of *The Irish Times*. I take it that Ms Kennedy said "No" to that request.

Ms Geraldine Kennedy: I said "No" and did not do it. I explained why. It concerned the famous haircut. I told him that if he felt strongly about it he should raise it with the board of *The Irish Times* and we would have a discussion on it. That never happened, though.

Senator Susan O'Keeffe: Ms Kennedy spoke about getting telephone calls, complaints, and requests for clarifications. Did anybody else on the board of *The Irish Times* ask a similar question during her tenure?

Ms Geraldine Kennedy: No.

Senator Susan O'Keeffe: Ms Kennedy said she had lots of conversations and got lots of complaints from politicians and that she would sometimes meet them at their request. Did she have any formal meeting with the Taoiseach, the Tánaiste or Government Ministers that were formally arranged on foot of a call from them to say they needed to talk about something?

Ms Geraldine Kennedy: Not in the form of a complaint. It would be very unusual to be

the editor of *The Irish Times* and not have the odd meeting with the Taoiseach of the day to be briefed on policy. I remember Brian Cowen doing so and I would have had meetings with Bertie Ahern and Brian Lenihan. They never involved pressure relating to the property sector or financial interests. One likes to be informed. An editor has to write editorials and reach out to readers, so he or she must be informed. I would, on occasion, have telephoned someone for a briefing on something I did not know enough about. I regard that, though, as a normal exchange of views.

Senator Susan O’Keeffe: So sometimes Ms Kennedy would ask the politicians and sometimes the politicians would ask her. It was a two-way street of exchange.

Ms Geraldine Kennedy: That is correct.

Senator Susan O’Keeffe: I know Ms Kennedy said she had a record of standing up for herself against politicians, but in any of those conversations, did anyone ever suggest doing something or put any pressure on to change tack?

Ms Geraldine Kennedy: Frequently, but it would be wrong to suggest that it was only politicians. *The Irish Times* is a very important organ of opinion in Ireland which aspires to set the agenda and conducts a national debate. Vested interests would be very annoyed if we wrote things they did not like, but that is normal. Some very strange things did, however, take place at *The Irish Times* which surprised even me. For example, ambassadors accredited to Ireland get their seal of office from the President of the day and they expect and demand a meeting with the editor of *The Irish Times* within a week. It is as though they have not really arrived until that happens. On one occasion a judge made contact indirectly to say a photograph was being sent. He complained that his photograph had not been put in the paper. Having received his seal of office three days earlier, he felt no one would know he had been made a judge until *The Irish Times* said so. It is a strange place.

Senator Susan O’Keeffe: Ms Kennedy may recall the remark made by the Taoiseach to the effect that people should take their lives if they disagreed with the *status quo*. Did that type of conversation ever arise between Ms Kennedy and the Taoiseach or a senior Minister?

Ms Geraldine Kennedy: Mr. Ahern never told me to commit suicide. On one occasion, during the events that were to lead to his resignation, he said he had never had anything against me but that he needed me to go to jail like a hole in the head with all the corrupt people that were out there.

Senator Susan O’Keeffe: There was never a conversation about *The Irish Times* changing its tone to keep in line with the *status quo*.

Ms Geraldine Kennedy: None that comes to mind. There must have been conversations in which they said the HSE was working well or something like that. One would listen but would then go off and do what one wanted. It would be very rude not to interact with the Government or politicians of the day.

Senator Susan O’Keeffe: We have talked much about the amount of money paid for *myhome.ie*. Obviously, Ms Donovan wanted it to succeed. As she said, the newspaper had to own it and it still needs it. There was an imperative to make it succeed and ensure the property market was buoyant. With that, the newspaper was simultaneously providing a €100 million platform for advertisers in the six years in question. It could be argued that this showed an imperative on the part of *The Irish Times* to really want the property market to go on succeeding

because it had its own skin in the game.

Ms Maeve Donovan: Coming back to the point I made earlier to Deputy Kieran O'Donnell, it was not to do with the growth of the property market as such. The property market will always be with us, good or bad. It was to have the position in the digital market that was critical.

Senator Susan O'Keeffe: The newspaper already paid well over the odds for the website.

Chairman: The Senator is over time. Will she please conclude her questions?

Senator Susan O'Keeffe: Surely the newspaper did not want it to fail.

Ms Maeve Donovan: Had the ship sailed on, it would have been wonderful. It did not but we still needed to have the business. We need it today and will need it in ten years' time.

What is happening here is that we are not getting clarity around the migration issue and its strategic importance.

Chairman: I want to clarify this. Does Ms Donovan believe the purchase of *myhome.ie* was a strategic and proper decision for *The Irish Times*?

Ms Maeve Donovan: Yes, I do.

Chairman: However, does she have a reviewed position on the price paid for it?

Ms Maeve Donovan: Yes, that is it.

Deputy Michael McGrath: I welcome Ms Donovan and Ms Kennedy.

Both dealt with the separation of editorial policy from commercial considerations in their opening statements. Ms Donovan stated "Editorial policy at *The Irish Times* is the responsibility of the board of The Irish Times Limited" while the day-to-day policy is a matter for the editor. Did the board also deal with the commercial performance of the company?

Ms Maeve Donovan: Of course. Unusually, the editor is a director of the business. That is somewhat unusual but it is the same with *The Guardian*.

Deputy Michael McGrath: Is there not a direct overlap between the editorial side and the commercial side?

Ms Maeve Donovan: Yes, there is.

Deputy Michael McGrath: Is there not a contradiction?

Ms Maeve Donovan: I do not think so and it was never my experience.

Deputy Michael McGrath: The ultimate governance of editorial policy was also responsible for the commercial performance of the company.

Ms Maeve Donovan: I think that is probably the case for many publishers. *The Guardian* would be a comparable publisher in that regard. I know from some of the commentary the committee has had over the last while that *The Guardian* is regarded as whiter than white in its behaviour. With regard to digital acquisitions, *The Guardian* was first out of the traps and paid an extraordinary amount of money in the 1990s for *AutoTrader*, a car website. *AutoTrader* subsequently bought *carzone.ie* and has had a strong presence on this island as a result. I have

never heard anyone suggest *The Guardian* went easy on the automotive industries because of that. I am sorry as that is a digression.

Deputy Michael McGrath: That is fine.

The Irish Times during the period in question seems to have had a greater dependence than other newspapers on revenues from property-related advertisements. At the peak, 17% of total revenue for the business was accounted for by property-related advertising. We have had evidence already from the *Irish Independent* and *Sunday Independent* that, on average, property-related advertising revenue accounted for 9% of total revenue and perhaps up to 11% at the peak. The *Irish Examiner* indicated yesterday 11% to 12% of advertising revenue was accounted for by property-related advertising revenue and it came to 7% of total revenue.

Ms Maeve Donovan: This was for very good reasons. A significant proportion of those who read *The Irish Times* are businesspeople and property investors. Advertising chases its most relevant audience. That is why we have such a strong showing for property. One of the factors with regard to the low percentage that some of the other titles have given the committee is down to the mix of revenue they carry. In the case of the *Irish Independent* and the *Sunday Independent*, one will see page after page of advertising for supermarkets. One will not see that in *The Irish Times*. Proportionality, the mix is different. Recruitment would also be important to *The Irish Times*.

Deputy Michael McGrath: The acquisition of *myhome.ie* has been well covered. However, Ms Donovan stated in her opening statement, “During the reference period the company sought to balance increasing exposure to the property sector through a range of diverse activities.” However, the largest investment the company made in its history was directly linked to the health of the property sector. How does Ms Donovan reconcile that?

Ms Maeve Donovan: It could just as easily have been jobs. The point is not the diversification in the sector but the diversification into a different industry, from print to digital. That is the piece with which we are struggling here.

Deputy Michael McGrath: During the period in question, did *The Irish Times* have a specific policy governing the acceptance of gifts or corporate hospitality by journalists from banks, auctioneers and property developers? Did it instead rely on the National Union of Journalists, NUJ, and Press Council codes like the other newspaper titles?

Ms Geraldine Kennedy: We were stronger than the NUJ. Journalists were not to take them. One would not accept trips from people. The Israeli Government on several occasions would have invited journalists from Europe to go on a street trip to Israel. When *The Irish Times* was involved, it would have expected to be able to set the agenda on where it could go and what it wanted to see. It would be stated at the end of any such articles as to who had paid for them.

Deputy Michael McGrath: Ms Kennedy has gone to great lengths going through all the editorials during the time in question. On reflection, even taking account of the editorial space given to minority and divergent views, could more have been done to challenge the broad mainstream consensus on the economy and property sector?

Ms Geraldine Kennedy: I am not sure where I would start doing it. I do not know what I could do that we did not do. We reported all news reports fairly and gave their views, some of vested interests, some of banks. We particularly pursued academic economists. We had as diverse a range of views as we possibly could in the opinion pages on the state of the economy.

We employed an economics editor all the time which other newspapers often did not do. We were very cautious and raising concerns in leading articles for a long time up to the bust. I do not know what we could have done. I would love to be able to say if I pressed that button and did that, then would I have been Morgan Kelly but I would not.

Senator Marc MacSharry: I welcome Ms Donovan and Ms Kennedy.

In yesterday's testimonies, there was an issue of a journalist who had been disciplined by way of losing his job because an advertiser had complained. It was stated this was close to the late height of the boom. Then the other issue was for the earlier part of his career when he spoke about the bricks and mortar issue.

Ms Kennedy's counterpart at the time in the *Irish Independent* stated, "My primary fixation was optimising the sales of the newspaper." What was Ms Kennedy's primary fixation?

Ms Geraldine Kennedy: My primary consideration was to inform my readers about what was going on. In so doing, one would like to maintain and increase circulation. We did that for a long time up to about 2006 and it then started falling as people moved more and more towards digital. My primary fixation would be to have quality and well researched content to inform our readers.

Senator Marc MacSharry: Did Ms Kennedy, given the set-up of the trust or whatever, in her editorial capacity feel that the commercial direction betrayed her ideal of trying to inform the readers?

Ms Geraldine Kennedy: I never thought that it was portraying the ideals of the trust.

Chairman: Did Ms Kennedy say "featuring" or "portraying"?

Ms Geraldine Kennedy: Portraying.

Senator Marc MacSharry: I said betrayed.

Ms Geraldine Kennedy: Betrayed, sorry.

Senator Marc MacSharry: The Chairman should stay out of it. We know what we are talking about over here.

Chairman: I am not trying to orchestrate the Senator's line of inquiry.

Senator Marc MacSharry: The Chairman is imperfect.

Ms Geraldine Kennedy: I never thought that the commercial policy being pursued by the newspaper was threatening the ideals of the trust. Certainly, the commercial policy of the newspaper never affected coverage in *The Irish Times*. I never kept anything out. I never stopped investigating anything that would hurt somebody on the board, on the trust or anything like that.

Senator Marc MacSharry: On a day when Ms Kennedy had put the paper to bed and she decides to look at it on her way home or the next morning to see who wrote what about X, out falls the 40 pages of a property supplement. Does Ms Kennedy have any thoughts about that?

Ms Geraldine Kennedy: No. I would be saying, "Thank God".

Senator Marc MacSharry: Very good.

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Ms Geraldine Kennedy: I would say thank God but not because it is the property supplement. I never looked at an advertisement in a newspaper until I became editor. I can tell the Senator that is a fact. Being on the board and everything like that, one became more conscious that a lot of money is needed to run this newspaper and to maintain a standard in quality when other newspapers did not. For example, *The Washington Post* and all American newspapers now have no correspondence and in Europe they have cut all that down. There is a real re-trenchment in newspapers. If I looked at a big property supplement, a big job supplement or any other sort of a supplement I would say, "Great, we are making money".

Senator Marc MacSharry: Ms Kennedy mentioned that Mr. McWilliams predicted the crash-----

(Interruptions).

Senator Marc MacSharry: -----in 1999.

Ms Geraldine Kennedy: Yes.

Senator Marc MacSharry: Ms Kennedy said that if one keeps saying something it will come true. Was Ms Kennedy trying to say that a stopped clock is right twice a day?

Ms Geraldine Kennedy: Yes.

Senator Marc MacSharry: Does Ms Kennedy feel that his analysis was that shallow?

Ms Geraldine Kennedy: No. I do not feel his analysis-----

Chairman: That was a leading question.

Senator Marc MacSharry: Or not?

Chairman: Yes.

Ms Geraldine Kennedy: I have listened-----

Chairman: I thank the Senator.

Ms Geraldine Kennedy: I am not going to say that.

Senator Marc MacSharry: I thank Ms Kennedy. I have a question on the commercial side of the business. I wish to refer to the bonus structure for property sales executives. Is a property sales executive expected to sell across the board? Is person "A" assigned to property and person "B" assigned to recruitment?

Ms Maeve Donovan: Yes, they are specialists.

Senator Marc MacSharry: Does the same bonus structure exist?

Ms Maeve Donovan: The structure is the same, yes.

Senator Marc MacSharry: What are targets based on?

Ms Maeve Donovan: They are based on a mix of things like any business. Trading to date

and one's projection as to what one expects will happen in the year to come.

Senator Marc MacSharry: What would one base the projections on?

Ms Maeve Donovan: A gut feeling, a bit of forecasting or a bit of research. Our sales people would tell the Senator that it is a very imprecise art. There would be a lot of debate about it.

Senator Marc MacSharry: I pursued this line of questioning earlier. What is the salary range of the sales executives? In the relevant period, what kind of bonuses existed? What was the bonus structure? What was the percentage? What way was it structured?

Ms Maeve Donovan: I am a bit rusty on the matter at this stage.

Senator Marc MacSharry: I am inquiring about when Ms Donovan worked there.

Ms Maeve Donovan: I think around or about 20% of base salary could be obtained, in addition to base. There or thereabouts. I do not know what it is now.

Senator Marc MacSharry: I thank the delegation.

Chairman: I thank the Senator and call Senator Michael D'Arcy.

Senator Michael D'Arcy: The ladies are very welcome. Does Ms Kennedy believe *The Irish Times* contributed to the property boom?

Ms Geraldine Kennedy: I do not know. Was it the Taoiseach, Deputy Enda Kenny, who said that people went mad? I suppose there is the fact that people were looking at houses and here one had a supplement where one could look at beautiful houses. Did that encourage people to go out and buy them? I do not know. If they were to go out and buy them they have to get mortgages and everything like that. We were not telling them to go out and buy them or get mortgages. I would be reluctant to say "Yes" to the Senator's question.

Senator Michael D'Arcy: Is Ms Kennedy saying "No"?

Ms Geraldine Kennedy: I would be-----

Senator Michael D'Arcy: I ask Ms Donovan the same question.

Ms Maeve Donovan: My take on it would be that in so far as we are contributors to a dialogue, within society as a whole, I presume we have a role to some extent.

I would say to the Senator that the audience for *The Irish Times* are very educated and are very well informed. I do not think that because we ran property advertisements in *The Irish Times* that the average reader, of *The Irish Times*, was running into the street, waving their chequebook and saying, "I'm going to pay an inflated price for whatever".

Senator Michael D'Arcy: I did not ask that question.

Ms Maeve Donovan: I understand. In the broader-----

Senator Michael D'Arcy: I asked did *The Irish Times* contribute to the boom and I am not saying how much or little.

Ms Maeve Donovan: I would tend to agree with one of the committee's earlier presenters. Dr. Nyberg, I think, said to the committee that when he ranked the factors that contributed from

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Nos. 1 to 7, he put the media at No. 7. Did we have some role? Of course we had some role. I do not think we were a major cause of the property boom, no.

Senator Michael D’Arcy: Ms Donovan has said the media had a role and did contribute.

Ms Maeve Donovan: We contributed to the issue and the debate in society as a whole, of course, yes.

Senator Michael D’Arcy: My next questions are for Ms Kennedy who is a long-standing journalist and then editor. *The Irish Times* group is the third group of media outlets who have attended here. They have all said much the same thing, that there is zero cross-over between the commercial and editorial sides. In fact, none at all. Is that a bit pure? Is there some cross-over?

Ms Geraldine Kennedy: Is it me the Senator is asking?

Senator Michael D’Arcy: Yes.

Ms Geraldine Kennedy: Certainly, *The Irish Times* is in a very strong and special position because it is done by trust and that is valued by all journalists who work for it. That is the greatest thing that *The Irish Times* has going for it, if one is a journalist for the newspaper.

There is, of course, interaction. We have not said this but I suppose it is worth saying. There is a weekly management meeting which would be made up of some editors, departmental heads, marketing, advertising, promotion, managing director and editor where one talks about plans for the week ahead. It is where we would say, “We are doing a series on suicide and we think you should promote it”. There would be that sort of interaction or one could not survive. One is selling two things in a newspaper - sales and news. One has to have interaction because one is moving at such a pace. One has a deadline driven environment every day so of course there is interaction. It is a bit pure to say there is no interaction because there simply has to be. One must get on to the printing plant in Citywest and say the paper is going to be such a size on such a night. The two sides of the house have to work together on it.

I would doubt myself that if we are not white as snow the *Irish Independent* is that pure. I know that Denis O’Brien, for example, was on to me about an advertisement, to get me to insert it, about the Mahon tribunal. I know that Sam Smith, and the committee probably know it themselves as he would tell them, went off down to cover the Mahon tribunal when Mr. O’Brien was before it yet not a word appeared in the newspaper. That sort of thing would not happen in *The Irish Times*.

Senator Michael D’Arcy: Can I further probe that line of questioning, Chairman?

Chairman: If one has to, Senator.

Senator Michael D’Arcy: Something may not be said but there may be an understanding. Can what Ms Kennedy has just said be said about other and all media outlets? My question is for Ms Donovan.

Ms Maeve Donovan: I beg the Senator’s pardon.

Senator Michael D’Arcy: While something may not be said, there may be an understanding or there is a possibility that there is an understanding that there are some areas where one does not go.

Ms Maeve Donovan: If we stick specifically to property, the key reason-----

Senator Michael D’Arcy: Can I advance my query a little bit beyond property, Chairman?

Ms Maeve Donovan: Of course, please.

Chairman: It seems quite advanced already.

Senator Michael D’Arcy: I wish to follow a line of questioning. I ask the Chairman to allow me to do so because if it happens in another sector it also happens in property.

Ms Maeve Donovan: There is obviously a lot of interaction between the commercial and editorial sides, as Ms Kennedy has told the committee. We are involved in a fairly complex endeavour that requires our co-operation. With regard to any advertising appearing in the newspaper, what it is chasing is the audience.

Senator Michael D’Arcy: I am not sure that Ms Donovan is getting what I am saying.

Ms Maeve Donovan: I am sorry.

Senator Michael D’Arcy: What I am saying-----

Chairman: Please ask the question again, Senator D’Arcy, and then wrap up.

Senator Michael D’Arcy: While there are areas that should not be reported or that should be reported, there can be an understanding, or, as Ms Donovan said, an implied understanding, that those involved simply do not go there. Is that the case?

Ms Maeve Donovan: I have no knowledge of it, if that is the case. We have had a series of exceptional editors and columnists whose stock in trade is their independence. Certainly, I do not believe that to have been the case, no.

Chairman: We are now going to move towards a wrap-up. I will take in the two leads and then I will deal with some supplementary questions towards the end. Senator Barrett, a question with a supplementary, please.

Senator Sean D. Barrett: Thank you, Chairman. I welcome our visitors. There are some matters arising. I did not interpret Mr. Browne’s evidence as hostile in any way. The matter of how I interpreted what he was saying yesterday only arose today.

I will move on to other matters. Does the training of journalists equip them to deal with the kind of crisis that this inquiry is investigating?

Reference was made to pressures that people exercise on editors. I think this will surprise the people watching at home. They do not ring up a judge before a case. They do not even ring up a referee before an important match. Therefore, the idea that so much of this influence is being sought to be exercised is quite a serious new finding for those of us outside journalism. I suppose it depends on what the bar of public opinion will decide about that.

Did the discussions with the former Minister, Brian Lenihan, include how important it was, in his view, that the banks should be bailed out?

Ms Geraldine Kennedy: No. I will address the question about the training of journalists first. Some contributor to the committee made the point that they should all be trained in fi-

nancial journalism. Financial journalism is only one aspect of a newspaper. Therefore, we do not want them all trained in financial journalism. We had economics writers. We had Simon Carswell, who specialised in the banks to such an extent that the committee invited him to appear. I thank the committee for that. We had Frank McDonald, who specialised in planning. Therefore, different journalists at different times specialise, often learning it on the hoof out in the field. I do not think there is anything wrong necessarily with the training of journalists, because if the whole economics profession, with the exception of your David McWilliams and my Morgan Kelly, did not see any sort of crash, then how could I have trained a journalist to see it?

Senator Sean D. Barrett: The influence-----

Ms Geraldine Kennedy: I wish to say another thing to the committee, lest the wrong impression has been given. There was never any association between a judge and me, or *vice versa*, with regard to influence.

Senator Sean D. Barrett: He just wanted his photograph in the newspaper. Was that it? I was saying that people watching here do not attempt to influence decision-makers in the sense that they would not contact a judge or a referee. However, Ms Kennedy gets contacts on a regular basis from Ministers or people in business attempting to influence the content of *The Irish Times*.

Ms Geraldine Kennedy: Yes, or to inform me of their views. Is Senator Barrett surprised at that?

Senator Sean D. Barrett: I am, yes.

Ms Geraldine Kennedy: It is absolutely par for the course. Not a day would pass without someone making contact to pressurise me to put something into *The Irish Times* or, equally important, keep something out.

Senator Sean D. Barrett: I think many people outside do not behave like that. They do not attempt to influence law cases. They do not even attempt to influence refereeing decisions. They will be surprised by what Ms Kennedy has told the committee.

Ms Geraldine Kennedy: I hope it will not bring an avalanche to my poor successor.

Senator Sean D. Barrett: The evidence-----

Chairman: Briefly, Senator. I need to push you. It was a matter of a question and a supplementary, not a whole new line of questioning.

Senator Sean D. Barrett: Is there evidence on the Sam Smith case? Ms Kennedy raised concerns about the Mahon report.

Ms Geraldine Kennedy: No. He told me.

Deputy Eoghan Murphy: One thing I should have put on the record, but completely forgot to, is that my brother sold advertising for *The Irish Times* from the London office.

Ms Maeve Donovan: Was he good?

Deputy Eoghan Murphy: I am not going to comment on that, but I think perhaps it was around 2002 or 2003. I had completely forgotten about it.

Ms Geraldine Kennedy: How much of the €17 million did he bring in?

Deputy Eoghan Murphy: My question relates to Ms Kennedy's response to Senator D'Arcy when he was asking questions about contacts Ms Kennedy had received. Ms Kennedy talked about someone contacting her about an advertisement. It related to the movement or placement of an ad. I was a little unsure.

Ms Geraldine Kennedy: It would be very unusual for me to be contacted about an ad. However, within *The Irish Times*, if what might be deemed a distasteful or garish ad or something like that came up, the advertising manager or his deputy would come to me and point out that it was going in tomorrow and might ask whether that was okay. On some occasions I would say "No". The other thing they would be looking for is to shape ads. They might want the ad to be a given way so that the ad was the feature on the page and the editorial was simply dressing, whereas I would always insist that it should be the other way around, because it is a newspaper and the ads should go around the stories.

Anyway, I was contacted by Denis O'Brien because he had put in an ad which was pulled by me from the newspaper. He must have been told that the editor had pulled it. Then, the next time he wanted to put in an ad he wrote directly to me and put it to me that I would be making the decision anyway. That was the reason for that particular contact.

Deputy Eoghan Murphy: Why did Ms Kennedy pull the ad in the first instance?

Ms Geraldine Kennedy: I pulled the ad because it was that chocolate box ad or chocolates ad about the Mahon tribunal. I pulled it only-----

Chairman: I am sorry, Ms Kennedy. Has the ad anything to do with the topic of this inquiry, the banking crisis or property?

Ms Geraldine Kennedy: No, it has not, but Deputy Murphy is asking me.

Deputy Eoghan Murphy: The witness mentioned it. I was interested because it was about the placement of advertising.

Ms Geraldine Kennedy: I pulled it on that occasion-----

Chairman: I wanted to establish the point, because there seems to be a discussion going on here.

Ms Geraldine Kennedy: I pulled it on that occasion because it is the policy of *The Irish Times* that ads are ads and editorials are editorials, and in respect of ads, it must be clear to the reader who has put in the ad or whose ad it is. There was no attribution in that case.

Deputy Eoghan Murphy: I gather Ms Kennedy also said in her earlier remarks that *The Irish Times* does not do advertorials.

Ms Geraldine Kennedy: Yes.

Deputy Eoghan Murphy: Why not?

Ms Geraldine Kennedy: They confuse readers as to what is editorial and what is an ad.

Deputy Eoghan Murphy: Let us consider the property supplement of a newspaper. Another newspaper was before the committee. The representatives said that their property sup-

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plement was a commercial vehicle by which to sell advertising, which made up 65% of the supplement. Can the same be said for *The Irish Times* property supplement? Is it a commercial vehicle to sell advertising?

Ms Maeve Donovan: It sells advertising but its editorial is under the control of the editor. As a general rule, the mix would be different - in other words, the balance of content to advertising would be different as well.

Deputy Eoghan Murphy: Does Ms Donovan believe a person reading the property supplement can make the distinction between editorial and advertorial when there is a paid-for ad on the back page for a property that is for sale and a front-page glowing description of that same property, its unique features and why it is worth the value that it is worth?

Ms Maeve Donovan: Generally, if it is on the front page it is because the property is exceptional in some way or of particular interest in some way. I would hope that they can make the distinction, yes. I sincerely hope that they would also make the distinction between the quality of content in that area in *The Irish Times* and elsewhere, because I think there is a considerable difference.

Deputy Eoghan Murphy: Is Ms Donovan referring to the quality of content versus content elsewhere?

Ms Maeve Donovan: I am referring to similar content in other publications.

Deputy Eoghan Murphy: Does Ms Donovan believe similar content in other publications verges towards advertorial?

Ms Maeve Donovan: I think they are perfectly comfortable with that. It is to do with the policy of our newspaper. In our case, that content is firmly under editorial control. Again, I put it to Deputy Murphy that we would regard that as an asset.

Deputy Eoghan Murphy: The placement of a particular property-----

Chairman: Please move on. This is your very last question, Deputy.

Deputy Eoghan Murphy: What is on the front page bears no relationship to the fact that advertisements have been bought in the same supplement. Is that the case?

Ms Geraldine Kennedy: There is a story. Does Deputy Murphy understand?

Deputy Eoghan Murphy: Perhaps, but is it news?

Ms Geraldine Kennedy: It is, yes. Was it not news on the front page that Bertie Ahern was selling St. Luke's some weeks ago? Was that not news?

Deputy Eoghan Murphy: That is different, because of the political connotations of that particular property.

Ms Geraldine Kennedy: Perhaps, but there are others. I am thinking of cases such as the guys who had all those houses on Shrewsbury Road. People gloat over that and love reading about that.

Deputy Eoghan Murphy: It is not news that a particular property might have a lovely view of Dalkey bay. That is not news.

Ms Geraldine Kennedy: No, but it is if it is owned by Bo No, or Bono, or whatever he is called.

Chairman: That is the second time we have had U2 this week.

Is what we are really looking for here-----

Deputy Eoghan Murphy: Forgive me, but not every house being sold is being sold by a celebrity.

Ms Geraldine Kennedy: I am only answering the question.

Chairman: This line of questioning is coming to an end. I will wrap things up but before I do, I wish to return to a couple of matters. In her opening statement, Ms Kennedy states on page 4 that she thinks "... it is fair to say that the policy of *The Irish Times* was critical of both the establishment and operation of the Financial Regulator and IFSRA, believing that they were not independent of the Central Bank". Will she elaborate on this statement?

Ms Geraldine Kennedy: There were editorials, which I have provided to the committee, and a number of commentators, including the business editor, wrote columns taking the point of view that the regulator, not the person but the regulator, was not sufficiently independent of the Central Bank at the time. I think that is now practically an established fact.

Chairman: Some of the testimony from Peter Nyberg and others that came before the committee - I think Professor Honohan - was that there is a counter argument that separating the two of them created disjointedness as well. It was the operational side of the offices of the Central Bank. Is Ms Kennedy's view still the same or has it been reshaped?

Ms Geraldine Kennedy: It is, yes.

Chairman: That they should be separate?

Ms Geraldine Kennedy: If we are to have a regulatory authority, it should be independent.

Chairman: The nature of advertising and how it can be explosive in a growing economy and shrink very quickly when there is a downturn is something which came up with the *Irish Independent* this morning. Will Ms Donovan tell us if *The Irish Times* has done any modelling or examination with regard to that cycle and phenomenon?

Ms Maeve Donovan: Not specifically. Obviously, on an ongoing basis every year, we try to take a view as to which way the market is going to go. It would probably be an interesting area of study to look back at. However, whether or not with the pace of change it would be any way indicative for the future, I could not tell the committee.

Chairman: I thank Ms Kennedy and Ms Donovan for coming before us this morning. The purpose of this inquiry is severalfold. It is not just to look at the past and put pieces of a jigsaw together but also to take those lessons from the past and give them a context, into the future, so the crisis and the hardship which was visited upon the Irish public and the Irish nation is not revisited upon their shoulders again. Are there any lessons which the witnesses can draw from that crisis period and provide to this inquiry this afternoon in terms of either the media or, generally, going into the future, what we need to be doing as a country?

Ms Geraldine Kennedy: One of the big lessons to be learned by politicians is the impor-

tance of a free and independent media and the ownership models of media. This is an issue that is somewhere or other on the Government's agenda. It brings home once again how important that is to a free and democratic society.

Chairman: This question was posed this morning with one of the other news agents - does Ms Kennedy believe that this inquiry is hindering or helping that independence of media?

Ms Geraldine Kennedy: It is probably helping because it is forcing people to examine their stewardship on very important issues for the Irish people. We can know an awful lot from hindsight, but we did not know then a lot of the things that happened. It is important to bear that in mind.

Chairman: Does Ms Donovan wish to add anything?

Ms Maeve Donovan: I would absolutely agree with Ms Kennedy. For us, on the business side, it has been a very good experience to go back and review in a more forensic way our planning and so on. I could not point to anything of any significance which has changed for us in terms of how we go about our business. It reassured us with regard to the fact that we have a very robust model. Given our structure, what we do is earn as much as we can to invest in good journalism, to put people out where the current editor wants them to go and to finance the type of appeal with regard to sources that Ms Kennedy spoke about earlier. We were able to spend over €1 million on appealing to the European Court of Human Rights on the protection of sources because we carry a lot of property, recruitment and motor ads. This is the way in which we operate. We have a very circular process. Everything goes back into the product and into ensuring its longevity.

Chairman: I bring this session to conclusion. We will commence on session 3 later on this afternoon. I thank Ms Geraldine Kennedy and Ms Maeve Donovan for coming before the inquiry today and for their assistance, participation and engagement in helping us form our views. I thank them for their valuable contributions. I excuse the witnesses and propose that we suspend until 3 p.m.

Sitting suspended at 2.25 p.m. and resumed at 3 p.m.

Mr. Ed Mulhall and Mr. Paul Mulligan

Chairman: We will commence session No. 3 of today's hearings with Mr. Ed Mulhall, former head of news and current affairs, and Mr. Paul Mulligan, head of commercial operations at RTE. We are focusing on the role of the media during the property boom in the lead-in to the banking crisis in the period 2002 to 2007. Our next session will look at any changes in approach after the crisis. I welcome Mr. Ed Mulhall and Mr. Paul Mulligan, who are specifically invited to discuss RTE's editorial policy on the economy and the property boom, and separately RTE's business model and sources of revenue, including that from the real estate sector, from 2002 to 2007.

Mr. Ed Mulhall is a Trinity College Dublin politics and economics graduate. He joined RTE as a radio producer in features and current affairs in 1979. He was appointed assistant head of features and current affairs in 1985. He became a television producer in 1998 before moving to RTE News as a programme editor for the launch of "Six One News". He became managing editor of television news in 1994, director of news in 1997 and managing director of news and