

Opening Statement to the Joint Committee of Inquiry into the Banking Crisis

Maeve Donovan

Thank you for the opportunity to discuss the role of the media in the period to which your enquiry refers. I retired from The Irish Times in 2010 following 33 years service in the Company, the final eight years as Managing Director. As my colleague Geraldine Kennedy has addressed the newspaper's editorial policy in the period in question I will attempt to answer your 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. Thus 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 that 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 Ltd. In practical terms, day to day policy is executed by the Editor 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.

1. Business Model and Sources of Revenue 2002 - 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 (i.e. newspaper sales revenue), subscription revenue, advertising revenue (print and digital) and, during the enquiry 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. Key advertising sectors (particularly for quality newspaper titles) are Property, Recruitment, classifieds and Display or run of paper advertising. Classified include cars and small ads in various categories. Run of Paper are the large display ads that run on news pages - retail, food, financial etc.

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 all print media as the pace of digital adoption continues to increase.

2. Importance of Property Related Revenues to the Overall Revenue Mix

Property is a key pillar of the newspaper's publishing revenue. Commercial Property in Wednesday's newspaper and Residential 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 provides extensive coverage on Homes, Interiors and related lifestyle content. In an overall context therefore, property is a key driver of readership in both print and online for The Irish Times.

From an advertising perspective the Irish Times audience is of particular interest to companies trading in the sector. This has been the case for decades and the company's acknowledged success in the property advertising market has attracted new domestic and UK players to the sector.

When I came to work for The Irish Times in 1977 it was market leader in the property sector. That position was maintained through the 80's and 90's, through the reference period and it continues today. Through the decades there have been new market entrants in both print and digital. The market is highly competitive.

Globally, the long standing success of newspapers in the 'pillar categories' of Property and Recruitment is what gave rise, in large part, to the creation of 'stand alone' 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. Most notable was the development of strong external printing revenues at The Citywest plant.

3. Relationship Between the Editorial and Sales Functions

The relationship between editorial and commercial functions is clearly drawn in the Memorandum and Articles which specifies that editorial content in the newspaper shall be 'free of any form of personal, political, commercial or sectoral influence'. This separation is carefully maintained under the stewardship of both Trust and Board.

This requirement of the company is deeply imbedded in the company culture. It is heavily emphasised from induction of new staff onward and is fundamental to the way in which the company operates.

At a macro level everyone in the organisation understands the importance of advertising to the enterprise. At the micro level all staff, both editorial and commercial, are aware of necessity to maintain the separation of editorial and commercial activities. Customers of the business would also be very aware of this. This does mean that clients sometimes complain but the role of the business team, especially management, is to act as buffer between commercial interests and the editorial content producers. 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 with the Irish newspaper sector.

4. Engagement in Property Related Commercial Activity

During the reference period The Irish Times Limited engaged in two other notable transactions as follows:

1. MyHome.ie

As early as the late 90's the company sought to secure its position in key markets as revenue started to migrate from print to digital. Stand alone classified sites had started to proliferate especially 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.

The company developed several digital iterations in the property sector, ireland.com/property, irishtimesproperty.com and Nicemove.ie. Despite considerable investment and marketing activity none of these sites proved to be viable competition for MyHome.ie. MyHome.ie was the market leader and had grown exponentially from its launch in 2000. The 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 advisers for the bidding process. There was a competitive process with at least two other bidders. The acquisition was unanimously approved by the board of The Irish Times Limited and the transaction was approved by its shareholder, The Irish Times Trust.

MyHome.ie became part of The Irish Times Group and remains a key strategic asset of The Irish Times Ltd and trades profitably. The Irish Times has a strong position in both print and digital in a sector which has substantial revenue streams which 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.

2. Sale of D'Olier Street/Fleet Street Premises and the lease of The Irish Times building in Tara St from Dublin City Council

During 2005/6 the company examined changing work practices and creating an appropriate environment for a changing business. Various options were examined including extensive remodeling 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, proximate to key sites such as the Dáil. A suitable property was identified and the D'Olier Street/Fleet Street buildings were sold in 2007. The company transferred operations to Liffey House in Tara Street a facility which was more suitable for the development of the newspaper and a range of digital business interests. The price achieved, €29.1M, was considerably higher than the company had anticipated.

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