



Independent News & Media PLC

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11th March 2015

Mr. John Hamilton

Clerk to the Committee
Joint Committee of Inquiry into the Banking Crisis
Leinster House
Dublin 2

Dear Mr. Hamilton,

Submission from Michael Doorly, Company Secretary, Independent News and Media (INM) to the Joint Committee of Inquiry into the Banking Crisis

This submission is made in accordance with the request received from the Clerk to the Joint Committee, Mr John Hamilton, in his letter dated 4th March.

The Joint Committee has sought information which falls into two categories in relation to the media; editorial and reporting and the commercial dimensions of media enterprises. My erstwhile colleague, Mr Gerry O'Regan, former Editor of the Irish Independent, has completed a submission concerning the editorial stream, and my contribution will focus on the business and commercial matters. During the time period which is the subject of the Committee's inquiry, I was Finance Director of Independent Newspapers (Ireland) Limited, which is the Irish subsidiary of INM PLC, and I welcome the opportunity on behalf of the organisation to assist the Committee in the conduct of its important work.

At the outset, I would like to briefly address the subject of the role of the media from a commercial perspective. It is generally accepted that one of the lynchpins of a democratic society is a free press, which operates on an independent basis. It follows that in order to establish and maintain independence, media organs must be financially sustainable and capable of survival in a commercial, competitive world. In seeking to achieve this desired outcome the print media has two core sources of income: revenue from sales of the publication/s and advertising. Both income streams are vital and, clearly, there is an interdependency in commercial terms.

The reality, of course, is that the publication is the core product which, through the quality of its content and success in building circulation and readership, creates the opportunity for its presentation to advertisers as a channel for the promotion of goods and services. Advertising revenues are a factor of the reputation and integrity of a publication, built through good reporting and journalism, and content that is relevant to its readership. The requirement to maintain and build upon the editorial integrity of its publications underpins the INM policy of the strict and absolute separation of the editorial and commercial functions in the organisation.



The Committee of Inquiry has requested me to address a number of matters including sources of revenue, including the real estate sector; the importance of the real estate sector within the overall revenue mix; engagement in property-related commercial activity and the relationship between editorial and sales functions. The Committee will understand that INM, as a commercial organisation operating in a highly competitive industry, is not in a position to disclose detailed financial figures that would be of potential benefit, and certainly of interest, to our competitors. I will, however, attempt to deal with the issues in a manner that provides the Committee with substantive information which will meet its requirements.

INM is the largest media operation in the island of Ireland. It has a strong portfolio of national, regional and local print titles, including the Irish Independent, which is the market leader among the dailies, and the Sunday Independent, Ireland's biggest selling Sunday newspaper. The production and distribution of newspapers is a complex operation in terms of the skills, expertise and logistics utilised and organised to bring the product to the reader. But in the business sense it's quite simple: we sell newspapers and we sell advertising

As already outlined, newspaper revenues are derived from two sources: circulation and advertising. Ireland 2002-2007 was a country in the throes of a major economic boom. GDP grew strongly in each of those years and newspaper sales and advertising revenues enjoyed increases broadly in line with the economy. Over the period, the revenues of the Irish Independent and the Sunday Independent increased by an average of 6.5% per annum, or a total of 31.7%. Advertising and circulation revenues grew by 52% and 17%, respectively. This is not surprising in an economy where personal consumption grew at an average of almost 5% a year between 2002- 2006, and increased by 7.3% in the first half of 2007.

It is important to note, however, that while the increase in advertising revenue was substantial, in terms of the overall revenue mix, the shift was relatively modest. In 2002 the proportion was 60%/ 40% advertising/circulation, while in 2007 it was 66%/34%. This movement was not insignificant, but neither could it be described as a paradigm shift.

In line with the scale of activity in the residential property sector, where house completions ranged from 57,695 in 2002 to 93,419 in 2006, the demand for newspaper advertising space to promote housing developments remained strong throughout the period. From a relatively low base, revenues from this source grew by an average of 13% per annum, or a total of 89%, between 2002 -2007. For reference purposes, it is worth noting that revenue from travel advertising increased by 153% over the course of these years.

Property advertising revenue represented an average of 14% of overall advertising income in the period in question, although the level varied from a low of 11.2% in 2002 to a peak of 17.2% in 2006. Despite the instability this revenue stream contributed in a significant way to the finances of INM over these years. That said, it is important to put the matter in context relative to overall income of the two newspapers during the period. On average, revenue from the property advertising stream represented just over 9% of overall income over the years concerned.

In his submission to the Committee my former colleague, Gerry O'Regan, has conveyed valuable insight in relation to the role of the media during the economic boom and subsequent crash. The only comment I will add, specifically concerning the property market, is that the media, in my view, cannot create or sustain a boom. Demand for property is created by a mix of factors over which the media has no control: overall economic conditions; consumer confidence: ready availability of finance; income trends: demographics and rate of home formation and societal capacity for risk.



In relation to information sought concerning sources of revenue arising from property-related commercial activity, I can advise the Committee that INM did not engage in property development activities and was at no stage a participant in the property industry.

Mr Gerry O'Regan outlined the position concerning the complete separation of the editorial and commercial functions in our organisation and I have addressed the issue earlier in this document.

I trust that my comments will assist the Committee in the conduct of its business.

Yours sincerely,

**Michael Doorly,
Company Secretary.**