

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

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Introduction

Mr Chairman,

Thank you for the opportunity to speak before you and your colleagues here today.

I have been asked to address the role of the media during the property boom in the lead-in to the banking crisis (2002 to 2007) and any changes in approach after the crisis.

My comments will deal with these matters with specific reference to the Irish Examiner, our editorial policy on the economy and the property boom from 2002 to 2007, and the business model and sources of revenue of the newspaper during that period, as referred to in the invitation from the Committee.

I would like to give you a brief introduction to The Irish Examiner. It is a broad-based morning mid-market newspaper publishing six days a week, 52 weeks of the year, with an increasingly active online presence across many platforms, and I have been editor since 2001.

While we have a respected national profile our circulation is significant in Cork and Munster, where we have the largest readership of any daily newspaper. And my role as Editor is to lead a great team who make it all happen every day.

The raisons d'être of any trusted newspaper are manifold – it must inform honestly and accurately, it must question and challenge where questions need to be asked and answers found, it must present a broad range of diverse opinion and it must know and engage with its readers.

If it does all of these things successfully it generates enough income to pay the wages of its employees, its contributors, contractors, suppliers and shareholders.

That income is derived in the main from two principal sources. One is circulation sales. The other is advertising.

Turning to the specific areas you asked me to consider, chairman:

Editorial policy on the economy and the property boom

Approach to reporting on the property market and the Irish economy

As far as the Irish Examiner was concerned during the period in question, we approached the reporting on the economy and the property market the same way we approached reporting across the broad spectrum of the newspaper – we endeavoured to ensure our reporting was accurate and reflected the facts.

The newspaper reflected all shades of opinion during those years, including prominent warnings – going back to 1999 and throughout the Celtic Tiger era that the property boom could not last forever. Of course, any cautionary or critical commentary to the effect that it might all crash was viewed by our political leaders as unpatriotic, as this inquiry has previously heard.

What our coverage quite properly did, at the time, was reflect the preoccupation with property in a country experiencing an unprecedented boom. We reported what was happening and we reported what authoritative institutions such as the Central Bank, the ESRI, the OECD and the ECB said about what was happening.

No newspaper lives apart from its readers, and their preoccupation with, and enjoyment of, the financial benefits of that era were reflected in our columns. No one who lived through that period - proclaimed throughout the world by our political leaders as an economic miracle - was immune from the spirit of the time. It was the prevailing narrative of the political, banking and property establishment.

At the time, we had little or no reason to believe that key figures in our financial regulatory infrastructure were not doing the work they were required to do and not functioning as they should in the best interests of the State and its citizens.

Nor was there a level of transparency around the regulatory processes which would have allowed us to access the information that subsequently emerged, after the crash and too late, when the damage was done.

Believe me, had I or any of my colleagues in the Irish Examiner been able to access that critical information about the real state of our financial institutions in the years and months leading up to the bank guarantee I would have published it.

But it wouldn't have been enough to have been privy to that inside information. I would have had to be able to prove it in a court of law.

Because publishing what you know to be true does not mean you cannot be successfully sued for libel.

That's a point worth remembering when people question why the media don't publish "what the dogs in the streets" might think they know.

Turning to the property market specifically, aside from reporting property news and commentary in the main newspaper, we introduced a Weekend section with a property element in the mid-1980s.

This was a period of deep recession in Ireland and a world away from the property boom, and yet property editorial was of interest and important to our readers. That Weekend section also included the usual mix of features, television highlights, and generally softer focus content suitable for relaxed reading at the weekend.

In the mid-1990s due to its increasing popularity and as the economy improved, the Property element became a stand-alone publication, focussing on residential homes, and that continues to this day. In 2001 we introduced a commercial property section on Thursdays.

The purpose of the weekend Property magazine is to provide readers with factual information on property for sale throughout the country, but primarily in the Munster region. In essence it's a mix of properties for sale, with a brief factual description in addition to larger spreads for more distinctive and striking properties that might or might not be for sale but which we think might be of reader interest. It also has sections featuring interior design, home improvements, gardening, antiques etc.

It has been an important forum for informing readers of the types and costs of property available for sale, particularly during the period under review, 2002 to 2007, along with additional advertising from furniture and home interiors companies, DIY and gardening etc. It does not now, and never did purport to

provide commentary or opinion on the property market generally or to provide critical analysis of the Irish economy.

That was and is the preserve of the main newspaper. While advertising in the Property section was an important and valued source of revenue during the Celtic Tiger years, as it was before that and still is, it is important to stress that it did not seek to influence the editorial policy of the newspaper, and certainly did not hinder our warnings over several years about the dangers of a financial crash.

In my entire time as editor of this family-owned company the owners never once sought to interfere editorially. The family has been publishing newspapers since the 1800s and I am in the privileged position of being the beneficiary of their strong belief in editorial independence.

During the period between 2002 and 2007, the newspaper published articles relating to the property sector and Irish economy generally. The newspaper's news reports in this area reported factual information such as rising property prices, ESRI Reports, pronouncements of leaders in their fields and reported on all Government related interventions into the property market.

Although many of the articles published during this period mirrored the widely held view of the majority of commentators at the time - in particular in relation to a prediction of a soft landing - it was not all one way traffic. Articles containing opinion contrary to the prevailing view of the property market were also published.

As far back as 1999 we reported on spiralling house prices and warnings from the then Governor of the Central Bank, Maurice O'Connell, that banks were "lending too much money too easily".

A full two years before Morgan Kelly warned of an imminent crash, historian Ryle Dwyer wrote in his Irish Examiner column headlined: 'Why the housing boom could collapse like a ton of bricks' – "the threat posed is patently obvious, yet it is being ignored, even though it threatens the social, financial and political fabric of society".

Warning consistently over many years, he drew parallels to the speculative property boom which caused the economic collapse of Japan. "Is anyone so foolish as to think that what happened in Japan couldn't happen here?" he asked.

That was in February 2005, over three and a half years before the State's guarantee of the banks and almost six years before the bailout by the Troika.

Between Maurice O'Connell's warning in 1999 and Ryle Dwyer's in 2005 we published many articles, including editorial commentary, which questioned the viability of the boom, and particularly the danger to the economy posed by the property bubble. In 2004 we asked whether the glowing economic predictions

of the time were based on sound financial principles, on the speculation bubble or on overly optimistic aspirations.

(Sample editorial coverage attached).

Contribution of the media to public understanding and debate around fiscal/budgetary policies and their implications

In addressing this section I wish to address my response to the newspaper for which I have responsibility and knowledge rather than present a critique of the media generally

During the period covered here, the investigative eye of the newspaper was trained on those ultimately responsible for the fiscal and budgetary policies of the State, namely the Irish Government. Critical analyses of the policies of the Government did form part of the opinion editorials of the Irish Examiner during the property boom.

As referred to earlier, the threats of rapidly increasing house prices and a failure to put on the brakes were published in the newspaper as early as 1999 and continued throughout the boom years. There was no change of editorial policy during those years.

Our approach as a newspaper has been to accurately report the news and to comment objectively on the facts as far as we were able to discern them.

Alongside that, I continued our long-standing tradition of providing a platform to all shades of opinion, including those I might not have agreed with.

Business model and sources of revenue during 2002 – 2007

As Editor of the Irish Examiner I work alongside a chief executive who has responsibility for the day to day commercial side of the operation. We would obviously be aware of each other's activities at a general level but we have separate roles, I am responsible for ensuring that a newspaper which will inform and interest our readership is published on a daily basis, he is responsible for all commercial aspects of the organisation.

Importance of property-related revenues within the overall revenue mix

As I said earlier, the income of the Irish Examiner derives from two sources: newspaper sales and advertising revenue.

The latter is important within the overall revenue mix in respect of the continued existence of the newspaper. However, even at the height of the property boom, property-related advertising was never a major proportion of our revenues.

Since the crash, it's no secret that property related advertising revenues have fallen significantly, and that is not unique to us. Therefore, while important, property related advertising revenue, did not, and does not, form a very large part of the overall revenue mix. I should also say that despite the fall in revenue, because of our readers' interest in all things property, we have maintained the same level of editorial investment in the subject.

Engagement in property-related commercial activity.

It is already in the public domain that in 2006 the Irish Examiner moved from Academy Street in Cork to new, rented headquarters on Lapp's Quay. The Academy Street-building housed a 35 year-old printing press that was no longer fit for purpose and had no commercial utility or value. It was therefore decided to sell this building to move to a more modern office block in the city while printing was outsourced.

The Academy Street building, which was owned by the company for over 150 years, was sold for approximately €40 million. This move was not unique and it followed a number of other newspapers both here and abroad who moved printing presses from city centre locations to the suburbs, or outsourced their printing.

In a separate property transaction around this time, another city-centre premises owned by the company which was used as a garage and store for newsprint was sold for approximately €2m

These are the only property or property-related related transaction of any significance that I am aware of during this period. I was not involved in any way in these decisions, which I understand were based on commercial considerations rather than on speculation in the property market.

I understand that these property matters were negotiated at a holding company level at Thomas Crosbie Holdings Ltd at the time.

Relationship between the editorial and sales functions

As I said, there is a clear distinction between editorial and the sales functions of the newspaper. That said, all editors nowadays must have a commercial sharpness and awareness to ensure the best opportunity for their newspapers to survive and prosper.

While the commercial side of the house will never dictate editorial policy, we, like most newspaper worldwide, produce commercial supplements which are advertising-led and clearly labelled as such.

We have also published specifically themed editorial booklets with topics as divergent as Suicide, Infertility and Eating Disorders, and while these are open to sponsorship and advertising, editorial content is sacrosanct and cannot be influenced.

The Suicide booklet was produced without advertising or sponsorship at a financial loss, but we published it in order to provide a public service as neither the HSE nor any other State agency had published anything like it despite the huge numbers dying by suicide.

While, it would make little economic sense to turn down advertising, a key pillar of revenue, and especially nowadays, it should be noted that in specific cases editorial positions have remained consistent even when significant advertising clients objected to articles concerning them and threatened to withdraw their business.

Conclusion

Much of the information on the causes of the crash - that have subsequently come to light as a result of various reports, and indeed the work of this Inquiry - were not only not in the public domain in the lead up to the banking crisis but were inaccessible to the Irish Examiner and the other media in this country

Our reporting was influenced by the information available to us. While we had articles, editorials, columnists and commentators who, as the Celtic Tiger roared, said, in effect "it's out of control, it's going to end in tears," and that there was something profoundly wrong when someone on €40k a year could borrow €400k to buy a house, the predominant public sentiment in political, financial, and property circles was that at worst the boom was going to end with that oft-quoted 'soft landing'.

And that predominant sentiment found its reflection in media coverage of the time.

A daily national newspaper such as ours is necessarily general in nature, with a mix of news, sport, business and features between its covers. We are not a Financial Times or a Wall St Journal staffed by a big team of financial forensic experts. So we are reliant on agents of the State to be competent, professional, open, honest and reliable in what they do and say and then we report on that.

Under my editorship, the Irish Examiner has explored all major societal and economic developments and campaigned on social justice issues including intellectual disability, suicide awareness, rape and violence against women.

Our reporting on the economy during the period in question was as balanced, diverse and well-informed as was possible given the information available to us, which was not all of the information available to various agents of the State.

I do not agree with those who argue that the media played a key role in fuelling the boom by its failure to adequately critique the fundamental weaknesses of the Celtic Tiger era.

It is easy to do that with the perfect vision of hindsight. If we were guilty of anything, and I believe we were, it is that we believed and accepted that institutions such as the financial regulatory authorities, the Central Bank, were doing their jobs and doing them competently, with due diligence, with appropriate compliance policies and with proper political and Departmental oversight – all of which we believed were designed to ensure the stability of our economy.

From what we know as a result of the Honohan, Regling-Watson and Nyberg reports, and the contributions of others to this inquiry, it appears to be obvious our trust in these various arms and agents of the State was, to say the least, misplaced.

I acknowledge that there was insufficient critique of the constant claims that there would be no crash, that our 'economic miracle' would continue to be an example to the world, and that we should have more rigorously challenged the predictions of analysts and economists – including those who contributed to our newspaper - who had direct or indirect associations with financial institutions.

While this is an accusation that could be levelled at many editors and publishers throughout the world much better resourced than my own organisation, it remains a matter of personal regret.

Thank you

