

Opening statement of Tom Murphy, Chief Executive, Irish Examiner to the Joint Committee of Inquiry into the Banking Crisis.

Introduction.

On foot of a request from the Committee of Inquiry into the Banking Crisis in Ireland the Irish Examiner has nominated me to appear before the Committee to discuss Item 2 – Business model and sources of revenue, including from the real estate sector (2002-2007).

I was the CEO of the Irish Examiner from October 2002 to June 2010, when I was appointed Group Chief Executive of the, then, holding company of the Irish Examiner, Thomas Crosbie Holdings Limited. I was not the CEO of the Irish Examiner for the period from July 2010 until October 2011, at which stage I re-assumed that role, in addition to my other responsibilities.

As many of you will know, the Irish Examiner is a daily, morning, mid market newspaper, produced six days a week, which circulates in broadsheet format in the Republic of Ireland generally but its core area of circulation is in the Cork and Munster region particularly.

In addition, the Irish Examiner has an established and increasing online newspaper presence now but in the period 2002 – 2007 all of this was in its infancy and, as such, was being established. The Irish Examiner had no online property business in that period but had associated companies, under the then parent company, Thomas Crosbie Holdings Limited, called Recruit Ireland Limited (a recruitment support company) and breakingnews.ie (an online news publisher and content syndicator to third parties).

I would like to address the areas the Committee has asked me to comment on;

Business model and sources of revenue including from the real estate sector (2002-2007).

1. Background.

As CEO of the Irish Examiner I have the task and pleasure of leading a great team of people who are responsible for producing, publishing and administering the best possible newspaper we can, 6 days a week, 52 weeks a year. I had 8 direct senior management reportees at the time for the following roles / functions;

- 1) Advertising Sales,
- 2) Circulation Sales,
- 3) Distribution & Administration,
- 4) Editorial.
- 5) Finance,
- 6) Human Resources.
- 7) Marketing.
- 8) Production & IT.

Tim Vaughan has been the Editor of the Irish Examiner since 2001 and is a highly regarded and experienced Journalist and Editor. Mr. Vaughan has responsibility for all editorial matters pertaining to the Irish Examiner and his brief is to continue, as his predecessors did, to produce the best possible newspaper he can for our readers.

The Editor's brief from the Board continues to be to publish as he views appropriate without fear or favour and, whilst he must be aware of influencers given the nature of his role, he is to remain steadfastly independent of such influences for purposes of editing the newspaper.

This has been the philosophy of the Crosbie family, as handed down from generation to generation, and remains the ethos of the newspaper to today.

2. Importance of property - related revenues within the overall revenue mix.

In common with most, if not all, quality newspapers, the Irish Examiner has two main income streams. The first is from circulation sales in the form of cover price and the second is from advertising sales.

Circulation revenue is the mainstay of the revenue base but increasingly advertising revenues became, and remain, vital, more particularly since 2007 when newspaper circulation volumes declined. The ratio of advertising to circulation revenue in the period averaged 60:40 %.

In any newspaper the key advertising sectors are, to a greater or lesser extent, Property, Recruitment, Classifieds and Run of Paper (ROP). ROP advertising typically is the larger Display type advertisements often used by Retailers, Telecoms and Motor dealers et al.

Increasingly today, digital advertising revenues are becoming more important but in the reference period they were insignificant.

The Irish Examiner published a Commercial Property section, every Thursday, within the newspaper for many years including the period 2002- 2007.

It also published a residential property section from the mid eighties which moved to a stand-alone publication on a Saturday from the mid nineties, given the high level of home ownership in Ireland relative to the rest of Europe and the ever increasing interest in property, furniture and interiors that the Irish population displays.

Advertising revenue is of vital importance to fund a) the (current) 300 jobs in the Irish Examiner and b) the continuing role of the Irish Examiner and the wider industry, so sales from all sectors is a critical success factor for newspapers.

Property advertising in the Irish Examiner is, in relative terms, as important today as it was at the top of the Celtic tiger but so are Recruitment revenues, Retail sector revenues and all other advertising sector sales. However, in the period 2002-2007 property advertising was very consistent and strong.

Having said that, it reflected only a small but important % of our overall revenues in the period. Whilst it represented a greater % of our advertising revenues, internally we accorded it no greater importance over any of our other advertising sales sectors or over our circulation revenues. To illustrate the point, we tend to allocate the same headcount and editorial space to property in our publications today in 2015 as we did at the top of the market in 2007.

3. Engagement in property-related commercial activity.

In 2006 that the Irish Examiner moved from Academy Street in Cork to new, rented headquarters on Lapp's Quay, Cork. The Academy Street building housed a 35 year-old printing press that was no longer fit for purpose. This printing press had no commercial utility or value. It was therefore decided to sell this building, leaving the old printing press in-situ for economic reasons and, to move to a more modern office block in the city. Printing was then outsourced. It is also worth remembering that work practices were changing in the industry and, in particular, it had become increasingly difficult to operate the type of scaled printing and distribution business we had, from a premises in the centre of Cork city.

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

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

These are the only property related transaction of any significance that I am aware of that the Irish Examiner participated in 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. These property matters were negotiated, at a holding company level, at Thomas Crosbie Holdings Limited, at the time.

4. Relationship between the editorial and sales functions.

There is a clear distinction between editorial and the sales functions of the Irish Examiner as referred to in Section 1 and as fostered at management level by the management team and me.

The concept of editorial independence is fostered by everyone in the company and is well understood in our marketplace. However, editors nowadays must have a commercial sharpness and awareness to ensure the best opportunity for their newspapers to survive and prosper. By way of example, this is practiced in the Irish Examiner by;

- a) The Editor ensuring there is timely and adequate communication, where relevant, to the circulation and advertising managers of his planned editorial activities to ensure that there is the best possible opportunity to maximise the sale of newspapers and, where relevant and appropriate, the sale of advertising.
- b) Similar communication with the Marketing Manager so that appropriate in-paper signposting and, where appropriate, advertising slots can be purchased on radio and television.

While the commercial side of the house will never dictate editorial policy, we, like most newspapers worldwide, produce commercial supplements and features which are advertising-led and clearly labelled as such, to ensure no confusion arises in relation to their origins.

We have also published specifically themed editorial booklets covering 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.

Tom Murphy.

March 25th, 2015.