



## **New face of the spies in the City; The old cloak and dagger image fades as ‘Business Intelligence Services’ gain respectability**

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The boardroom roll reads like a Who's Who of the City: former HSBC chairman Sir Willy Purves, ex-British Airways boss Sir Rod Eddington, former diplomat Sir John Weston and GlaxoSmithKline chairman Sir Christopher Gent.

With such luminaries at the top table at one time or another, the Hakluyt Foundation could perhaps be a powerful City charity.

Named after 16th Century English writer and adventurer Richard Hakluyt, it might even be a posh people's travel club. But think again.

Hakluyt is a discreet 'business service' staffed largely by former Foreign Office Secret Intelligence Service officers MI6 to you and me and operating across the world.

Financial Mail can reveal that the company has been paid Pounds 1.8 million by EADS, the European defence and aerospace giant behind the Airbus A380, for unspecified 'consultancy services'.

Intriguingly, the payment came from the budget of the group's strategy chief, Jean-Louis Gergorin. The 60-year-old executive, a confidant of French Prime Minister Dominique de Villepin, stepped down last month amid accusations of involvement in a smear campaign.

He is accused of writing an anonymous letter to a judge that falsely accused French Interior Minister Nicolas Sarkozy a rival of the Prime Minister and other political figures of money laundering using secret bank accounts in Luxembourg. Gergorin, who is on Pounds 60,000 bail, admits sending the lists but denies he is the author.

But EADS has a simple explanation for the payments to Hakluyt straightforward snooping.

After all, Hakluyt, formed in 1995 by ex-SIS men Christopher James and Mike Reynolds, has also been accused of infiltrating green groups at the behest of major oil companies, and an Airbus manager said: 'You cannot work in the aerospace sector without trying to find out what your competitors are up to.'

Airbus has only one major competitor American giant Boeing.

And Rupert Huckster, a director at Hakluyt, told Financial Mail: 'We never identify our clients or publish the advice we give them. But I'd like to point out that our clients are companies, not individuals, though obviously we deal with individuals as representatives of the companies.' In the wine bars and restaurants of Knightsbridge and Mayfair, where Hakluyt and London's other corporate spooks cluster, those in the know agree: spying is going mainstream.

Some say it is racking up hundreds of millions a year in fees.

When Hakluyt was established, only a couple of such agencies were known. The most prominent is Kroll, founded by Jules Kroll and now part of Marsh & McLennan, the world's biggest insurance broker. It was set up in London in 1986.

About the same time, Control Risks was formed from a management buyout at another insurer, Hogg Robinson. Then, much of the work was for insurance companies that wanted to assess cover for executives against kidnap in dangerous countries, to track down gangs who hijacked and scuttled ships and their cargoes and to trace stolen art.

One group, Argen, founded by late legendary spy John Fairer-Smith, was implicated in bugging 10 Downing Street.

As the corporate intelligence groups spread their wings, they became involved in hostile takeovers. 'We worked for the big dinosaurs, raiders like Hanson and Sir James Goldsmith,' recalls Patrick Grayson, first UK head of Kroll and now running his own outfit, GPW.

The involvement of Kroll and others in a deal was often rumoured but seldom established. But when a journalist or banker received a brown envelope stuffed with lurid details of an executive's private life, they rarely asked questions. It was the disclosure that Lord Hanson and Lord White were paying for a stable of racehorses on the Hanson company tab that torpedoed their takeover tilt for ICI.

And the revelation of a 'bug' in an executive's biscuit tin put paid to the tit-for-tat takeover rivalry between Woolworths and Dixons in the late-Eighties.

Listening in to board meetings became, if not routine, then not uncommon.

One executive, referring to people who would rummage through dustbins for snippets, said: 'There is no doubt that kind of thing was happening.'

'Normally, the big firms would not do it themselves, but there was a ready supply of fringe characters formerly of the darker parts of the forces and security services who would carry out black bag operations. Any piece of personal information was available at a price.' The corporate spooks insist that things have changed drastically.

Grayson says: 'It is now absolutely standard practice for FTSE 100 companies to put firms such as ourselves on a retainer and I foresee the day when the business intelligence service appears on the deal announcement alongside the bankers, lawyers, accountants and financial PR.'

'The industry will have come of age but it will be a little sad. I think we should retain a faint whiff of cordite about us.' About a dozen significant business intelligence firms now operate in London, including Penumbra, Alaco and Risk Advisory Group, headed by former SAS officer Arish Turle. And major accountancy firms have recently moved into investigations.

Emma Codd, partner at Deloitte, has a team of 12 in the UK. 'We call it integrity due diligence,' she says. 'When a private equity firm is making a big investment in a small management team or an investment is being made in a high-risk sector or region, our services are just as important as due diligence on the figures.' Steven Haynes joined KPMG in February from Control Risks. 'At the moment I have eight staff,' he said. 'By the end of the year, there will be 14.' He and Codd might not mourn the passing of the cloak-and-dagger era, but they agree with Grayson on the current rules.

Grayson says: 'We do not misrepresent ourselves. We do not lie or steal or bug or burgle. Most of it is simply asking questions. Secrets have direction.'

A man keeps his mistress secret from his wife, but not from male colleagues, for instance.' With a flicker of a smile, Grayson warns: 'If you mention gumshoes trawling through dustbins, you'll be shot at dawn.' The whiff of cordite, perhaps?