

Taking It On Trust

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ALVIN STARDUST, *Bad Manners* and *The Darts* are just a few of the naff 1970s pop acts that get walk-on parts in the New Labour story, courtesy of former record boss Michael Levy. Close friend Pete Waterman once remarked: "People say he is a schlock merchant, he likes twee rock 'n' roll."¹ Given the roster of bands Levy signed during his music biz days, even that description grossly overestimates the man's musical tastes. That was an earlier life, of course.

These days Levy has reinvented himself as a world statesman, a Foreign Office minister in all but name, as the Prime Minister's special envoy to the Middle East. This is an astonishing appointment for a man whose open espousal of Zionism and ties to the Israeli establishment automatically compromise him in Arab eyes. Yet there is nothing on his curriculum vitae that indicates any experience relevant to this delicate diplomatic role in a perpetually crisis-ridden region.

One only has to hope that Blair's appointment was not based solely on Levy's activities between these two careers. As the Prime Minister's special envoy to the extremely rich, Levy has raised around £10m for the New Labour cause. "He knows how to shake down the fat cats", one Labour insider remarked disapprovingly. "He takes them to meet Blair for 20 minutes and then marches them off to the nearest cash point."²

Much of this money bypassed the party proper and went straight to Blair's private office, increasing the leader's financial – and thus political – independence from both the membership and the trade unions. Among the posts the funds helped pay for while Labour was still in opposition were those of chief press officer Alastair Campbell and chief of staff Jonathan Powell.

Levy's importance to Blair can hardly be overstressed. The two first met at a dinner party in 1994, given by senior Israeli diplomat Gideon Meir, and Levy soon became the politician's tennis partner. After financially backing Blair's leadership bid from his own pocket, the following year he was entrusted with setting up the so-called Labour Leader's Office Fund blind trust to finance the Leader of the Opposition's private office. Equally importantly, he also revolutionised the Labour Party's already established efforts to find high-value donors.

The phrase "blind trust" refers to a funding conduit that allowed people to make donations to politicians via independent trustees, without the politicians themselves knowing who their backers were. Theoretically, this ruled out the possibility of donors buying influence. There was an added bonus for businesses, as, unlike gifts to a party, support for a blind trust did not have to be declared in company annual reports. Throughout the mid-1990s, Labour made full use of such mechanisms. Neither the money nor the benefactors were listed in the party's voluntary annual round-up of £5,000-plus donors, as donations to Labour frontbenchers through blind trusts were not deemed donations to the Labour Party itself. The trusts themselves were not bound to make their accounts public. The common missing link here is accountability.

The problem with blind trusts is that they are not so much blind as just a little bit short-sighted. Not only did the beneficiaries regularly find out who their supporters were, but sometimes the world and her cohabiting partner did so as well. Such was the public disquiet that such arrangements are now banned under the Political Parties, Elections and Referendums Act 2000.

But Levy took full advantage of the system while the going was good. His adept blind trust fundraising enabled Blair to run the biggest opposition leader's office in history, employing some 20 full-time staff on appreciable salaries. Although figures remain confidential, the best guess is that in just three years the Labour leader received around £2.5m in this manner before becoming Prime Minister.³

Most of this came from an unknown number of wealthy individuals. To this day, only four of Blair's benefactors have been identified for certain, while there are fingers pointing to a few other names. But of the known donors, two subsequently received peerages. While it does not necessarily follow that the scheme was anything other than the model of probity, there is at least an argument that Lloyd George knew its father. With full details unlikely ever to emerge, we will probably never be in a position to make an informed judgement.

Blair was not the only Labour politician on the blind trust bandwagon. John Prescott, Gordon Brown, Margaret Beckett and some lesser lights were also in on the act. David Shaw – the Conservative backbencher who led the charge on the issue for the Tories – claimed in 1997 to have identified a constellation of six or possibly seven New Labour blind trusts. These he named, under parliamentary privilege, as the Leader of the Opposition's Fund; the Deputy Leader's Fund; the Shadow Chancellor's Fund; the Industrial Research Trust; the Westminster Objectors' Trust; the Front Bench Research Fund; and the Soho Fund, linked to Mandelson. In a none-too-subtle dig at Mandelson's sexuality, Shaw added: "I shall not say anything more about the honourable gentleman and his connections with Soho."⁴

Shaw now freely admits he milked the issue for party purposes and has little in the way of documentation. The Westminster Objectors' Trust, for example, was primarily a local vehicle for opponents of the activities of Westminster's Tory council leader Shirley Porter, and thus hardly in the same political league. He also appears to have missed out the Marjorie Mowlam Research Fund. In 1999, Mowlam was rebuked by the Commons Committee on Standards and Privileges for failing to declare a donation of £5,000 made five years previously by Greg Dyke, the media chief now in charge of the BBC.

Who else paid into the blind trusts? How did their interests subsequently fare under New Labour? Details are sketchy at best. But one point is both clear and extremely important to grasp. Big business was the provenance of most of the money that flowed in. That, of course, dovetailed nicely with Blair's political project. Financial

independence from union funding was seen as a good in itself. Conversely, the willingness of a layer of business people to put their hands in their pockets represented one of the first concrete manifestations of rapprochement with the private sector. In short, the rise of the blind trusts marked an important staging post in the party's transformation.

Yet the first Labour politician to take advantage of such arrangements was the rather more traditionalist John Smith, the main beneficiary of the Industrial Research Trust, established in April 1993. Prime mover in its foundation was Smith's close friend Lord Haskel, a key player in the Labour Finance and Industry Group. The Leeds-based textile manufacturer, born in Lithuania, was ennobled as one of Smith's first batch of working peers. Haskel himself will neither confirm nor deny being one of the actual trustees.⁵

Less reticent about involvement in the Industrial Research Trust, although not exactly forthcoming, are Lord Gregson, industrialist and president of the Defence Manufacturers Association, and Baroness Lockwood, the one-time chair of the Equal Opportunities Commission, who have admitted their role as trustees.⁶

Some 20-30 parties made donations to the trust, the trustees confirmed. These included the Caparo Group, owned by Indian-born industrialist Dr Swraj Paul, which has gone on the record as giving £130,000 over a number of years. Dr Paul was upgraded to Lord Paul in 1996.⁷

Smith didn't keep all the cash to himself. Money from the Industrial Research Trust was also paid to other senior Labour politicians including Brown and Cook, as their entries in the register of members' interests reveal.

Senior frontbenchers quickly cottoned on and set up blind trusts of their own. Prescott's office, with a staff of seven, established the John Prescott Campaign Research Trust. Cook was backed by the World Affairs Research Trust, and Beckett by the Margaret Beckett Research and Administration Trust. Yet another fund, the Labour Front Bench Research Fund, helped meet the costs of other frontbenchers.⁸

On taking over the party leadership in 1994, Blair found himself entitled to more than £1m in so-called Short Money, as state handouts enabling parties with seats in parliament to fulfil their duties are called. Blair could also claim a cut – presumably the lion's share – from the old Industrial Research Trust.

But he evidently found such backing insufficient. So in 1995 the Labour Leader's Office Fund was born. Trustees in this instance included Lord Merlyn-Rees, home secretary under Callaghan; Baroness Jay, Callaghan's daughter; and Baroness

Dean, the erstwhile print union leader. Although not a trustee, Levy had the job of bagman.⁹

No press release was issued proclaiming the fund's establishment. Its existence only became public knowledge with an article in the *Sunday Times* in November 1996. The Blair camp was quick to defend its integrity. One unnamed spokesperson argued: "It is not a secret fund, it is a blind trust, which means that no one in the office knows who the donors are. Certainly not Tony."¹⁰

Certainly not Tony? Given that details of four prominent businessmen backers were published in the newspaper, that argument hardly passed muster. Among those named were the late Sir Emmanuel Kaye and Sir Trevor Chinn.

Kaye had sold his industrial vehicles business Lansing Bagnall to Linde of Germany for an undisclosed sum, reportedly £100m, in 1989. Getting him on board was a particular coup for Levy. Kaye, who died in 1999, had a history of mobilising business for the Conservatives. In 1968, he founded the Unquoted Companies Group, an alliance of major private firms. It waged political campaigns against Labour industrial relations reforms, and later lobbied Thatcher for tax breaks for entrepreneurs.

He was also a member of the CBI council from 1976 to 1989, and its financial policy committee from 1985 to 1992. As befits a staunch eurosceptic, he had given substantial cash backing to the Conservatives. Yet, somehow, Levy managed to bring him into the Labour funding milieu. Kaye went on to become an important financial backer for the Labour Party, with at least one six-figure donation under his belt.

Chinn joined the board at Lex Service in 1959, building a small group of garages into a self-described "broad-based provider of motoring and business solutions". Lex acquired the Royal Automobile Club in 1999, and the following year severed all ties with the motor retail sector on which it was once based.

Like Levy, Chinn had long been involved in charity work, including such causes as the Variety Club and the Great Ormond Street Hospital Wishing Well appeal. Indeed, his charitable activities were the official reason for the award of a knighthood from Margaret Thatcher in 1990.

The other two persons named by the *Sunday Times* as Labour Leader's Office Fund donors – printing millionaire Bob Gavron and Granada Television's Alex Bernstein – both subsequently secured peerages. That all four of the backers, as well as Levy himself, were Jewish was a point picked up on by commentators as diverse as the *Jerusalem Post* and the British National Party.

There are further Jewish connections. The trust's books were handled by London

accountants Blick Rothenberg, which also looks after many major Israeli companies operating in Britain. The Conservatives allege that Maurice Hatter, chairman of IMO Precision Controls, also gave to the trust.¹¹ Hatter is known for certain to have given £1m to government education initiatives, £10,000 to Labour election funds and £25,000 towards Frank Dobson's abortive London mayor campaign.

Late publisher Paul Hamlyn was already a substantial Labour donor and is also likely to have given to Blair's blind trust. He was friend of both Gavron and Levy, who later extracted from Hamlyn a £2m donation to the party proper in 2000.

But in this case there is no need to resort to anti-Semitic conspiracy theory to explain all this. First, there is a longstanding layer of Labour-leaning Jewish business people, which formed the core of the Labour Finance and Industry Group. Second, in the early days Levy was quite obviously working his own contacts. As one Labour source put it:

"The nexus is not sinister. It is probably the social relations that surround a particular reform synagogue in North London. If you crack that congregational network, you have probably cracked much of the cross-linkage. It may explain some of the anomalies in the fundraising and the unexpected sources of funds traditionally associated with the Tories."¹²

What of the other blind trusts? MP Alan Meale, trustee of the John Prescott Campaign/Research Trust, argues that most of the money that came in was generated by Prescott's outside earnings, such as fees for speeches and articles.¹³ But at least £10,000 was given by Haris Sophoclidis, a British-based Greek-Cypriot property developer. Prescott has holidayed on several occasions at Sophoclidis' villa in Cyprus, after getting a taste for the country during his days as a steward on cruise ships in the eastern Mediterranean.

Sophoclidis owns J&P Ltd, one of the Middle East's largest property and construction firms, building hotels, airports, hospitals and military bases worldwide. He also plays an influential role in the Greek diaspora as president of the Greek Cypriot Brotherhood, an organisation which is in its own right a corporate donor to the Labour Party, and is vice-president of the World Council of Hellenes Abroad, described as a non-governmental organisation, albeit one "created by a 1995 presidential decree".¹⁴

His son Tony Sophoclidis spent four years as a Prescott aide before becoming a lobbyist. While working for the Deputy Prime Minister in 1997, Tony led a delegation of Labour MPs – including Meale, Rudy Vis, Stephen Twigg and Joan Ryan –

to the island, where they met top Cypriot politicians. Sophocles senior has been officially accredited as a parliamentary researcher too, with privileged access to the Commons courtesy of a pass provided by Meale.

Gordon Brown received a £50,000 cheque from Kaye through the Industrial Research Trust. The donation followed a meeting between the two men at a function organised by the Labour Friends of Israel group in 1996. A spokesperson insisted: "Gordon had no idea, neither had any of his staff, who funded the blind trust."¹⁵

But some of those who saw the blind trust system up close and personal are not so sure just how blind it was. Henry Drucker, briefly a key player in Labour's search for big donations, has described the set-up as essentially "evil". This is criticism from a surprising quarter. The US-born academic, who now holds dual nationality, is a longstanding Labour Party member. In 1979 he co-edited a book with Brown, and was later chairman of Cook's constituency party.¹⁶

Drucker founded the Oxford Philanthropic fundraising consultancy, known as Oxphil, which specialises in finding backers for good causes. Clients include Nottingham University and the Welsh National Opera. He successfully raised £340m for Oxford University, Alma Mater of many a leading politician. Little wonder Labour wanted him on board.

In March 1996, Drucker was hired until after the next election to work on ways of extracting sums of £25,000 or more from companies and wealthy individuals. This was a time when Labour still considered a £5,000 donation a relatively big gift. But, as Drucker points out, the super-rich are happy enough to hand over £100,000, or even £1m, for causes they truly support.

Right from the start, press coverage pointed to probable tension between Drucker and Levy. But no matter. The appointment was obviously personally sanctioned by the party leader himself. Drucker recalls being recruited by Blair's chief of staff Powell after Blair had just returned from a trip to Hong Kong. "People told Blair the Tories came to Hong Kong with a bag and left with it full of cheques. Basically he wanted to know how to do the same thing."¹⁷

Oxphil agreed to assess the market, its standard methodology, and was given a tight deadline. Powell supplied a list of people he thought would give sizeable sums, and Drucker set about interviewing them. That didn't prove too difficult. "This was a period of maximum charisma for Blair and New Labour", Drucker recalls. "They were clearly going to win the next election, and all sorts of people wanted to be on Blair's good side."¹⁸

The object of market assessment is to tell

clients what they have to change about themselves to get the money rolling in. What Drucker found was enormous resentment of blind trusts, and widespread disbelief that they were indeed anonymous. Additionally, people were fed up with being approached by multiple competing blind trusts. The whole shooting match was also considered hypocritical on the part of a party pledged to openness in matters of political funding. No message could have been more guaranteed to infuriate Levy.

Drucker made his findings clear through progress reports fed to Powell, who by now realised blind funds were a big issue. "What I, in retrospect foolishly, didn't appreciate is that there was no way Michael Levy was going to live with the recommendation of no blind funds, and no way Blair was going to live with recommendations Michael Levy would not live with."¹⁹

After just seven weeks Drucker and Labour parted company. The official line was that the party had decided to keep fundraising in-house rather than relying on a paid outsider. But the main reason for the rapid divorce was Drucker's moral concerns.

A showdown between Levy, Drucker and fellow Oxphil consultant Rebecca Rendel took place at Levy's home in the spring of 1996. Drucker recalls the gathering vividly.

"I think I was set up by Levy. He knew perfectly well what we were saying because Jonathan told Tony and Tony told him. As soon as we got to the house we were subject to a verbal assault. He was shouting and unpleasant... It was obviously an authority issue. Who the hell did we think we were? He was running this. What the hell were we doing making recommendations? I knew he was running Tony's blind fund so I didn't anticipate a very pleasant meeting. It was basically, 'this is what I am doing and therefore you will accommodate it'. "²⁰

Shortly afterwards, Drucker formally presented his findings to a Labour delegation at Pall Mall's Reform Club that included general secretary Tom Sawyer, finance director Paul Blagbrough and two or three others. The meeting made no difference. Drucker was thrown off the case. His views found sympathy in some quarters, however. He recalls a one-and-a-half-hour telephone consolation chat with Donald Dewar – later First Minister of the Scottish assembly – who advised him not to take things personally.²¹

Despite parting on bad terms, Drucker is still unwilling to disclose the names of the donors he canvassed. "You would be able to guess two-thirds of them", he maintains. "The other third is too obscure." Nevertheless, he does recollect some pretty in-your-face approaches from honours-

seekers. One British-based businessman with foreign connections came right out and asked how much the going rate was for a peerage. He was willing to pay several million pounds for the privilege, Drucker believes.

He also offers an interesting insight on one of the ways that blind trust donors could be sure that Tony knew of their kindness.

“If Michael Levy thought you would give a lot of money to the party, he would invite you to play tennis at his house and say ‘there’s a fair chance Tony will turn up’. Tony turned up, of course. When Tony left, Levy asked for money. I’m sure Levy, being the sort of guy he is, would ring Blair up ten minutes later and say, ‘we got two £500,000 cheques today’.”²²

Just when the blind trust issue was all but forgotten, the Labour Leader’s Office Fund hit the headlines again with the publication of Geoffrey Robinson’s memoirs in 1999. The former Paymaster General insisted that he had been “happy” to give a substantial donation to support Blair’s work as leader of the opposition. Controversy revolved around both the size of the gift – as much as £250,000, according to press reports – and the channel through which it was made. Labour went to some lengths to quash any suggestion that the money was paid into the Labour Leader’s Office Fund.

Parallel to the blind trusts, but rather less secretive, Labour has, with initial trade union encouragement, maintained a high-value donors’ unit since the early 1990s. After a shaky start, its efforts have met considerable success. Levy has played a major role in the unit’s work. For instance, he was directly involved in soliciting the £1m donation from Formula One chief Bernie Ecclestone through the unit.²³ But much of the graft was undertaken by his protégée Amanda Delew, whom he had met through the charity Jewish Care. Delew took the job of fundraising consultant to Blair in 1996. Together, Levy and Delew are reported to have raised £12m before the 1997 election.

The following year Delew, whose CV also includes stints at the Imperial Cancer Research Fund and Scope, transferred from Blair’s staff to the head office payroll, running the high-value donor unit until her departure in 2001. Not for nothing did Millbank insiders refer to her as “Amanda the Loot”. Her approach to fundraising appears openly to have been based on the maxim “flattery will get you everywhere”. As Delew explained in a memo written just after the 1997 election win, but only leaked the following year: “Major donors expect to be invited to Number 10. If this cannot take place then income levels may be affected.”

What she appears to be saying is that she considered it her job to sell the rich the chance to rub shoulders with the powerful. The document set down her strategy to bring in £12.5m over the following four years.

“The support of Tony Blair and Jonathan Powell is critical to the success of the programme. Major donors need to feel they are at the centre of things.... Jonathan offers an opportunity for them to meet someone at the focus of all activity, who will answer their questions, while providing a reason for them to visit Number 10. He offers authority and integrity and his proved his ability at charming and impressing ... donors.”²⁴

Her ideas on the subject didn’t stop there. She called on the Prime Minister to hold “private meetings with some of the more interested supporters.... These meetings should never address the subject of money and wherever possible Michael Levy should be in attendance. The meetings should simply be for Tony to meet people who are supportive of the party”.²⁵

When the text of the memo hit the press. Labour spokesperson Dave Hill was at pains to dismiss the document as naive, and, what is more, one that was quashed before it even reached the party leadership. “No one who gives money to the party is given preferential treatment and no one can buy access to Downing Street”, he indignantly insisted. Secretary of State for Culture Chris Smith insisted it was merely “a paper that was prepared by a middle-ranking official”. That was hardly an accurate description of a woman who played a central role in the party’s drive to attract six-figure donations.²⁶

For instance, it was Delew who organised the event dubbed “the most expensive cheese and wine party in British political history”, held in January 1997. Business and celebrity guests included Greg Dyke, Jeremy Irons, Melvyn Bragg and David Puttnam. The keynote speech was made by Peter Mandelson, who – only half-jokingly – suggested that no one should leave before they had donated £25,000. Moreover, such subsequent £2m Labour donors as Christopher Ondaatje and Lord Hamlyn have been regular guests at Delew bashes.²⁷

A second leaked Delew memo made it to the press in September 1999, when the *Sunday Telegraph* revealed a list of high-value donations and pledges to Labour totalling over £5m. The 31 names mentioned formed an eclectic mix of people from the worlds of business, media and the arts.²⁸ Showbiz names were prominent, including Creation Records chief Alan McGee and Simply Red singer Mick Hucknall. But business people were also to the fore. These included such usual suspects as Lord Haskins, Gavron and Bernstein. Some names were slightly more surprising.

Previously-unsuspected Labour supporters included property tycoon John Ritblat and publishing boss Felix Dennis.

Ritblat – chairman of British Land, Britain's second largest property company – had been an outspoken Thatcher enthusiast. He was a reported past donor to the Millennium Club, a Tory fundraising group that requires a minimum payment of £2,500, although Ritblat denies this is the case. After publication of the Delew list, he also denied having given any money to Labour, causing the *Sunday Telegraph* to retract the suggestion.²⁹

Dennis first hit the headlines as a defendant in the *Oz* obscenity trial in 1971, before making good as the lad-mag entrepreneur behind *Maxim* magazine. In the process, he has accumulated a £200m fortune, and any residual hippy idealism has gone out the window. Dennis has pointedly failed to deny the suggestion that he keeps ten girlfriends on the go at any one time, owns countless cars including five Rollers and a Bentley, and has 23 kitchens spread across several homes.

Pledges, however, are a different matter from money in the piggy bank. The memo acknowledges that only £1m was actually in hand. Much of the remaining £4.38m may have been more by way of Delew's wish list than hard cash.

Three of those named – Hatter, Haris Sophocles and David Goldman – were listed as having pledged £1m each. Labour admitted that Goldman, chairman of BATM Advanced Communications, had not actually made such a commitment, despite five-figure donations to Labour in the past. Hatter also denied having promised £1m in this instance, past generosity notwithstanding. Whatever the case, within months of the alleged pledge, he received a knighthood for public services. Sophocles' largest known donation to Labour is £5,000-plus worth of dinner tickets in 1999, although his support for Prescott as an individual politician has been at least twice that.

The largest subsequently confirmed donation on the Delew list came from Gavron, then chairman of the Guardian Media Group, owner of the *Guardian* newspaper. He had in the past both expressed his admiration for Thatcher and been courted by the SDP. Gavron gave Labour a reported £500,000, handed over in the same month he became a peer.

Another subsequent donor was Gulam Noon, founder of Noon Products, which makes frozen curries for Sainsbury, Waitrose and Marks & Spencer. The company was involved in a bitter strike in 1998, when it refused to recognise the GMB union at its plant in Southall, even though 90 per cent of the 300-strong workforce had joined.

There were allegations of low pay, oppressive management and favouritism at the factory. Noon – one of Britain's wealthiest Asians, worth some £10m – gave Labour £100,000. He picked up a knighthood in 2002.³⁰

Jeremy Mogford, founder of the Brown's restaurant chain, pledged £100,000, while Derek Johnson, chairman of shipping agents JSA, admitted that he had indeed promised £100,000 but had not yet paid up.

Delew has now moved on to become campaign director at the Giving Campaign, a government-backed initiative to increase support for charities, where her job will once again be to encourage the corporate sector to put its hands in its pockets. Giving Campaign backers include Blair peer and Labour donor Lord Joffe, former chairman of Allied Dunbar.

Further down the food chain from the high-value donor unit is the 1000 Club, Labour's organisation for those in a position to contribute a comparatively modest annual £1,000 or so, which has existed since the early 1990s. The symbolism is all-important here. While its activities may make middle-class participants feel like big shots, it has few links with the real centres of power in the Labour Party.

Early efforts were headed by Jack Cunningham, with a steering committee including Lord Graham of Edmonton, Labour right fixer Mary Goudie, MEP Pauline Green, and Sarah Macaulay of Hobsbawm Macaulay Communications, later to marry Gordon Brown. Great and good involvement in the early period also included European commissioner Bruce Millan, novelist Ruth Rendell, Jonathan Powell and Tom Sawyer. Three of the steering committee have since been awarded peerages, and are now known as Baroness Goudie, Baroness Rendell and Lord Sawyer respectively.

The covering letter accompanying the club's promotional literature in March 1996 – laden with such Blair clichés as “young country” and “new economy” – promised invitations to special summer and Christmas receptions, an annual conference dinner, campaign briefings and chances to meet members of the Shadow Cabinet. The reply-paid envelope was addressed to Hobsbawm Macaulay Communications in Soho's Poland Street.

The 1000 Club organises Labour's £500-a-plate fundraising dinners, an annual event that raises around £500,000 while spreading warm fuzzy feelings among those well-heeled enough to attend. For what was once a workers' party, this event is probably the ultimate in post-modern irony.

The first of these dinners took place in 1991, with speeches from Kinnock and barrister-

playwright John Mortimer, and a celebrity auction featuring actor Stephen Fry as master of ceremonies. Items up for grabs included the script of television drama *A Very British Coup*, an early 1980s fantasy about the election of a working-class left-winger as Labour prime minister.

While the attendees obviously didn't miss the price of admission, few could properly have been described as front-rank business people. VIP guests included Sir Kenneth Berrill, former chairman of the Securities and Investments Board, and head of the Central Policy Review Staff at the Cabinet Office between 1974 and 1980 and Gerald Frankel, chairman of the British Office Technology Manufacturers' Alliance, later a leading light in the Industry Forum. Merchant banker Jon Norton, later Mo Mowlam's partner, was there with his then-wife.

Within five years, the event had grown considerably in stature. The 1996 dinner saw 450 tickets sold out a month before it was held in July. Hobsbawm Macaulay refused to release the guest list. "This is a private function", an employee explained. "People who have bought tickets have asked not to have their names disclosed."³¹ Names that did slip out included Bruce Shepherd, managing director of Shepherd Offshore; Caparo's Swraj Paul; Ulster Unionist David Montgomery, chief executive of the Mirror Group; and Hanson director Peter Harper, the company's linkman to Labour.

The Cable Communications Association booked a table for ten, the magic number guaranteeing that a Shadow Cabinet member would be seated with them. Meanwhile, an array of enticing corporate sponsorship options were available. Full-page advertisements in the souvenir programme came at £12,000, while sponsors were sought for the champagne reception, the wine, the after-dinner whisky or cognac and the chocolates. The obligatory auction gave MP Tony Banks the chance to shell out £17,500 for Eric Cantona's football shirt.

On the celebrity front, Richard Attenborough, Ruth Rendell, Richard Wilson, Simon Mayo and Claire Rayner – later to switch political preference to the Liberal Democrats – tucked in to mixed leaf salad with asparagus and chicken, salmon in watercress sauce, and lemon brulée on a raspberry coulis. Not a prawn cocktail in sight. Lesser-known individuals were there too. Lobbyist Neil Lawson – two years later famous for 15 minutes in the cash for access affair – commented: "Well, I'm a Labour man. So £500? I don't care. I can afford it."³²

Once Labour was in office, the big business A-list started suddenly coming to the fore. At the 1998 dinner, held at the Park Lane Hilton, spin

doctors made much of the presence of Richard Handover, chief executive of W.H. Smith; John Rose, chief executive of Rolls-Royce; and party donor Gerry Robinson, chairman of Granada. Companies with an estimated combined stock market value of a cool £250bn were represented at the event. Yet not one important trade union leader is known to have been on the guest list.³³

Attendees were divided into two categories: the rich and the very rich. The hoi polloi were taken to a general reception, there to be plied with cheap champagne. The elite were whisked away to the Curzon Room, there to mingle with the Cabinet. This upper echelon included Elizabeth Murdoch, who was personally consoled by Cherie Blair over the break-up of her parents' marriage. Yet not even the media mogul's daughter qualified for one of the prized seats at Table 24. This privilege was for serious money backers only. Those dining with the Prime Minister and his wife included Levy, Sainsbury, Hamlyn, Gavron and Goldman.

In retrospect, 1998 marked the high point in the history of the annual dinner. Attendance was down the following year, with not even such dependables as Hollick and Puttnam showing up. Nevertheless, business guests included Creation Records' McGee and Tim Waterstone, founder of the eponymous bookshop chain. Enron, riding high at the time, took a table for ten.³⁴

The 2001 bash, held at the Hilton Metropole, further underlines just how far the calibre of attendees has gone downhill. The 600 guests, who feasted on grilled artichokes, best end of lamb and bread-and-butter pudding, were led by *Big Brother* star Dean Sullivan, Jenny Seagrove, Lord Attenborough and thriller writer James Herbert, none of them exactly business movers and shakers.

New Labour fundraising dinners of this type are now replicated on a miniature scale across the country. For instance, just before the last election, Chief Secretary to the Treasury and Oxford East MP Andrew Smith sent personal invitations to a £65-a-head dinner to hundreds of business leaders in the Oxford area. Speakers included e-commerce minister Patricia Hewitt, addressing the topic "the new economy and business success", and Smith himself, although even his friends would admit that he is hardly a great orator. What was not made clear in the letter – which did not even mention the Labour Party – was that proceeds were destined for constituency funds.³⁵

What, then, of the ultimate architect of Labour's funding revolution? What manner of man is Michael Levy? Acquaintances routinely describe him as bad-tempered, even prone to tantrums. Guitarist Chris Rea, one of the many Levy launched to stardom, remarks: "He is

extremely tough, one of the hardest bastards I have ever met, but I would leave my children with him rather than anyone else.” Drucker weighs in with the observation: “People hated him, for all the reasons Labour people hate people. He’d only joined the party three weeks ago. He is vulgar, which surprisingly matters in the Labour Party.”³⁶

Whatever his personality traits, Levy’s career success has made him extremely rich. Together with his wife Gilda, he maintains luxury homes in both North London and Israel. Such is his standing in the Jewish community that the *Jerusalem Post* has hailed him as “undoubtedly the notional leader of British Jewry”, a standing that must come as news to the Chief Rabbi.³⁷

Yet for all his current status, Britain’s envoy to the Middle East hails from modest East End origins, growing up in a house without a bathroom. After leaving Hackney Downs Grammar School at the age of 16, he trained to be an accountant. His ability to audit the books of record producers gave him entry into the music business. Levy founded Magnet Records, which at one stage enjoyed 8 per cent of the entire UK singles market, and sold it to Warner Brothers for £10m in 1988. Afterwards he founded M&G records – the initials stand for Michael and Gilda – which did not meet the same success. By the 1990s, Levy was devoting much of his energies to his role as chairman of Jewish Care, raising an estimated £60m for the charity.³⁸

Although a lifelong Labour supporter, Levy had never been an active grassroots member. Nevertheless, by this point he had personal access to the party leadership. Smith regularly visited the Levys’ huge Totteridge abode to enjoy Gilda’s impeccable *heimisch* cuisine.

Blair became another regular guest, and a strong friendship has clearly developed between the two men. Indeed, during my one brief meeting with Levy, the fundraiser informed me that he and the Prime Minister are “like brothers”.

A life peerage followed within months of Labour taking office. This, according to record producer pal Pete Waterman, is incredibly important to Levy: “This peerage possibly means more to him than anybody else. Being brought up where he was ... that would have been the greatest accolade anyone could have achieved. Working-class people like accolades. He is still working class. He personifies what people call working-class millionaires.”³⁹

The following year Levy was even appointed to Panel 2000, the government body charged with selling the idea of “Cool Britannia” to a sceptical Britain. Just how cool can an erstwhile rock ‘n’ roll schlock merchant pretend to be? Yet there are suggestions that he may not be paying his way

as one of Cool Britannia’s citizens, after Benjamin Pell – a Londoner who makes a living selling documents found in law and accountancy firm waste bins to the press – uncovered details of his tax affairs. Levy unsuccessfully sought a high court injunction to prevent publication of Pell’s findings.

Levy paid only £10,000 in the 1997-8 tax year, and just £5,000 in 1998-9. At less than the cost of a table at a New Labour gala dinner, £5,000 is a remarkably low tax bill for a man worth an estimated £10m, being the equivalent to what a basic-rate taxpayer pays on a salary of around £21,000. The *Sunday Times* later suggested that during the 1998-9 period Levy drew £50,000 in business expenses from his company Wireart Ltd, including a £31,000 mileage allowance.

Levy insisted he had done nothing untoward. He stressed he had not resorted to offshore arrangements, despite earlier involvement with a Guernsey trust and his previous part-ownership of a firm of tax avoidance advisers. Levy maintains that in 1998-9 the bulk of his money was tied up in property and a pension, and he lived off his capital, in order to devote himself to political and charitable activities. His tax bills over the preceding 12 years had totalled £3.5m, he added.

The latest controversy to engulf Levy involves claims that he set up meetings between ministers and an Australian property group called Westfield, which hired him as a consultant to assist the company in expanding its chain of shopping centres in the UK. The contract, worth somewhere between £100,000 and £250,000, was terminated four months sooner than planned, allowing Levy to avoid declaring the consultancy in the House of Lords register of interests. There have also been reports that Levy has been paid a six-figure sum by Universal Music, a subsidiary of France’s Vivendi, and around £100,000 by BEA Systems, an American company. Levy strongly denies any impropriety.⁴⁰

After his peerage came the job of special envoy to the Middle East, an appointment that seems to derive purely from his sway with Blair. Never having run for political office in his life, Levy effectively bought his way into international diplomacy. In 1999 alone, he visited Syria, Jordan, Oman, Qatar, Israel, Egypt and Lebanon, usually staying in British embassies in the process. Since the launch of the US war against terrorism, the post is suddenly even more crucial than it was before.

But is Levy the right man for the job? As Foreign Secretary, Robin Cook was barely on speaking terms with the Prime Minister’s appointee. Businessmen closely involved in the Middle East add that Levy is widely distrusted by Arab nations and British diplomats in the region

alike. Given that he has personal and family ties to the Israeli Labour Party, even Ariel Sharon has grounds to consider him partisan. The Tories have also suggested that he may be engaging in Labour fundraising during his regular visits to the country.

Nevertheless, Levy has been able to act as broker in talks between Palestinian leader Yasser Arafat and Israeli foreign minister Shimon Peres that may not have taken place if he had not been on hand to facilitate them.⁴¹ In a region perpetually on the brink of war, we need to hope that the man who brought Alvin Stardust to the nation's youth can now save us all from Armageddon.

Notes

1. *Guardian*, 18 August 1997.
2. *Jerusalem Post*, 24 September 1999.
3. *Daily Telegraph*, 18 October 2000.
4. *Hansard*, 12 February 1997.
5. *Independent on Sunday*, 14 May 1995.
6. *Guardian*, 16 May 1995.
7. *Observer*, 5 October 1996.
8. *Daily Telegraph*, 12 March 1997.
9. *Observer*, 17 November 1996.
10. *Ibid.*
11. *Daily Mail*, 17 November 1997.
12. Labour insider, interview with author.
13. *Financial Times*, 23 November 1996.
14. *Sunday Telegraph*, 5 September 1999; World Council of Hellenes Abroad website as of 4 December 2001.
15. *Sunday Times*, 10 May 1998.
16. *Guardian*, 19 March 1996.
17. Henry Drucker, interview with author.
18. *Ibid.*
19. *Ibid.*
20. *Guardian*, 18 August 1997.
21. Henry Drucker, interview with author.
22. *Ibid.*
23. *Sunday Times*, 10 May 1998.
24. *Observer*, 30 March 1998.
25. *Ibid.*
26. *Daily Telegraph*, 30 March 1998; *Observer*, 7 January 2001.
27. *Daily Telegraph*, 30 March 1998; *Sunday Telegraph*, 5 September 1999.
28. *Sunday Telegraph*, 5 September 1999.
29. *Private Eye* (recent retraction).
30. *Guardian*, 14 February 1998.
31. *Financial Times*, 15 June 1996.
32. *Observer*, 14 July 1996. Lawson was working for Lowe Bell at this time.
33. *Daily Express*, 26 April 1998.
34. *Observer*, 11 April 1999.
35. *Guardian*, 22 February 2001.
36. *Guardian*, 18 August 1997; Henry Drucker, interview with author.
37. *Guardian*, 18 August 1997.
38. *Ibid.*
39. *Ibid.*
40. *Financial Times*, 5 April 2002; *Financial Times*, 15 April 2002.
41. *Daily Telegraph*, 4 October 2001.

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