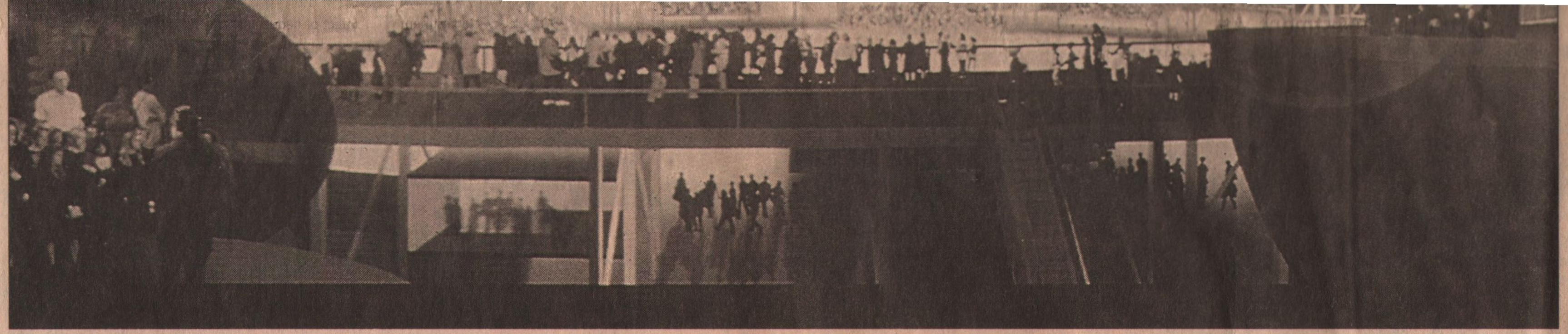

Where's the credit zone? Money is still sought for at least four of the dome's 14 sectors. Some sponsors want a pledge that the Jubilee Line extension will be finished in time

Dome inflates hard cash total

by Jon Rees

DESPITE last week's claim that the Millennium Dome has raised £157m of sponsorship, the cash that companies will pay will be considerably less.

The dome organisers are including the value of non-cash items such as sponsors' efforts to attract visitors in their total amount and some estimates suggest that the actual money pledged to help finance the dome's £758m cost could even be less than £100m.

Tony Blair sent the New Millennium Experience Company a letter last week congratulating it on reaching its £150m sponsorship target. "There were those who thought it could never be done and that a sponsorship target of more than twice anything previously attempted in the UK would never be achieved," he wrote. "The cynics were wrong."

But NMEC refuses to reveal how much sponsorship is in cash and how much is value-in-kind. And despite the announcement that the target has been reached, nearly half the sponsors have not signed a contract.

Several companies named as sponsors last year are withholding their signatures amid arguments over the prominence of their brands and other matters. Some sponsors want a pledge that the Jubilee Line tube extension will open in time – but NMEC is powerless to give it.

Sponsorship sources say some of the trouble stems from sponsors' concern for the long-term health of their brands, compared with the short-term nature of the dome project, which will be wound up in 2001.

'Many of the sponsors are still wrangling over their contracts'

NMEC refuses to say how many companies have signed, but admits that contractual wrangling is going on with many sponsors.

It says tensions are inevitable, but that companies which have not signed full contracts have signed heads of agreement committing them to the scheme. McDonald's, one of the main official sponsors, for instance, is understood to not to have signed but has been making payments since November.

But even though the dome has met its overall sponsorship target, at least four of the 14 zones – the Local, Living Island, Play and Rest – are still seeking money.

NMEC says it has used the zones to attract sponsors to the project in its entirety and many are signed up to other schemes contributing to the dome.

The main sponsors, including British Airways, Ford, BT, BAA, Boots, BSkyB and Marks & Spencer, have pledged £12m each and have the right to call one of the dome's 14 zones its own. Manpower, for instance, is sponsoring the Work zone.

New sponsors include Woolwich, Prudential and Reuters, which will match the £6m contributed by the Corporation of London to fund the Money zone, plus Coke and De Beers.

NMEC is particularly relieved to have won backing for the Faith zone, previously known as the Spirit zone. About £4m has been raised from Christian groups, including Sir Tim Sainsbury's Jerusalem Trust, as well as the Hinduja Foundation.

But NMEC refuses to reveal the amount being spent on each individual zone, saying the inside of the dome is classed under a single budget. Nor will it say where the money will go if a particular zone costs more or less than expected. There is a contingency fund of £86m, which is counted as part of the £758m total cost of the project, to cover such eventualities.

The organisers defend the decision to include non-cash contributions to meet its target. "As in all sponsorship deals, whether it is the Olympic Games or a hurdle race at Plumpton, value-in-kind is as good as cash," says Sholto Douglas-Home, NMEC's marketing chief.

It means that Camelot, for example, will make much of its contribution in the form of ticket sales for the dome at its lottery terminals. Coca-Cola, now the official soft-drink supplier, will not reveal the value of its sponsorship, but will contribute to the Millennium Festival, a £100m grant programme which is supported by NMEC and others.

NMEC would have also liked to be allowed to include in its tally sponsors' marketing expenditure on promoting their involvement with the Millennium Experience, but was forbidden by the Millennium Commission and the government.

Besides the main sponsors, there are also official suppliers. These, which include Unilever whose Wall's brand has the dome's official ice cream contract, make up-front cash payments then lend their promotional muscle in return for the "usually exclusive" right to supply their goods and services.

Earlier this year the government pledged that no more public money would go into the project after more than 30 MPs signed a House of Commons motion demanding assurances that the taxpayer would not have to rescue it if funding fell short, so the dome's organisers will be relieved to have hit their target.

The remainder of the project's cost is made up of £399m from the National Lottery, £194m from ticket sales, merchandise and catering plus a notional £15m from asset sales after the celebrations are over. Privately, ministers and NMEC officials reckon more can be realised.

Amid criticisms that the dome has been overtaken by the demands of big business, perhaps the most high-profile part of the project remains free from any hint of corporate taint. It has been decided that the dome will not be sold as a giant advertising hoarding.

Donovan takes Smart case against Shell to court

by Simon Rines and Sylvia Pfeifer

SMALL businessman John Donovan will take on oil giant Shell UK this week in a high court hearing over charges of alleged breach of contract and misuse of confidential information.

Donovan, managing director of sales promotion agency Don Marketing, claims that Shell's Smart Card loyalty scheme, launched in 1997, is based on proposals he first put to Shell in 1989.

Shell denies the allegations and its defence team has claimed in the past that an internal project called Onyx – which began in October/November 1991 – created the loyalty programme now known as Smart. The company insists it will strongly defend the proceedings.

The case, which starts on Thursday and is expected to last three weeks, is the final chapter in a long-running legal dispute between Donovan and Shell. It follows three previous claims by Donovan concerning forecourt promotions which he alleges Shell used between 1993 and 1994 without his consent, including one promotion called Now Showing.

In this time Donovan also became a Shell shareholder and, with his father Alfred, set up the Shell Corporate Conscience Pressure Group. Apart from Donovan's dispute, the group also claimed to highlight concerns being expressed by franchisees in their dealings with the company.

These disputes were eventually settled out of court, with Shell paying Donovan as part of a confidential agreement.

To highlight his current grievances, Donovan has mounted a high-profile campaign including the creation of an anti-Shell website, picketing of Shell HQ and annual meetings. He has also placed ads in the trade press warning Shell Smart partners that they, too, could face legal action.

In addition, Donovan has issued a libel writ alleging that a Shell press statement on the matter implied his previous claims were without merit and the Smart claim without substance. Shell sought to have the libel writ struck off, but in a preliminary hearing in July last year this was rejected and the oil company ordered to pay costs.

If Donovan succeeds in his Smart Card claim some industry observers argue he could make millions because Smart has an unlimited lifespan and is already running in nine countries.

Tokyo, still reeling from the financial crisis in the Far East, remains in fourth place with $1,117bn of assets under management after recording the smallest rise of any leading centre.

The 1999 Target Cities report, compiled by American financial research firm Thomson Financial Investor Relations, found that total global institutional equity holdings increased by 23% in 1998, reflecting massive rises in the world's leading stock markets over the year.

About $14.9bn is now thought to be under management worldwide.

The value of funds under management increased by 18% the previous year.

The research also shows London surging further ahead of its nearest European rivals. More funds are invested in the City than in the next seven European centres combined.

Frankfurt, with $270bn, drops one place in the European rankings to fifth behind Zurich's $491bn, Paris with $420bn and Amsterdam with $294bn.

excellent.

"Not only have we overtaken Geneva, but we've halved the gap between ourselves and Frankfurt."

He added that the rise was partly due to the decision by Scottish life assurance firms to spin off their fund management arms and run them as separate operations.

The research ranked the world's top 25 leading equity centres and was compiled using information from 6,000 fund management houses worldwide.

THE RAIN MAKERS

PROFILES OF THE CITY'S LEADING FIGURES

JIM CANTWELL

It needed something like a miracle for Olivetti to gain Telecom Italia; the Mormon banker provided it

IT TAKES a lot to shake the serious out of an earnest Mormon banker such as Jim Cantwell, but Olivetti had no problem at all. From the moment Cantwell, head of telecommunications at US investment bank Donaldson Lufkin & Jenrette, approached Olivetti chief Robert Colannino with his masterplan, he has been smiling. Now he even giggles: "I'm so happy about the deal. It was such a pleasure. I'm just so happy when I think about it."

Then he snaps out of it and says: "Look, every banker in the business has their ups and downs and transactions sometimes get there and sometimes they don't, which is incredibly frustrating. But this was the most outrageous transaction of them all and it came through."

Put like that, it is a case in point. DLJ was one of the four investment banks to advise Olivetti on its £40bn fiercely-ambitious bid for five-times larger rival Telecom Italia, which won it 51% control.

Cantwell and telecom co-head John Durran are widely credited with dreaming up the deal in the first place, but Cantwell is quick to point out rival bank Lehman Brothers' involvement: "The idea came up from Lehman and DLJ simultaneously. We both put the idea forward to Colannino and he put the two banking teams together to do it."

The tributes continue – "Chase Manhattan did an outstanding job" – and accolades, too, for Mediobanca, which used its powerful connections to gather support among key Italian institutions. And finally: "It couldn't have happened without Colannino and his team. They had tremendous courage to stick with it all the way."

But above all, Cantwell is an investment banker and his job is to make money. Not only has he done that – the four banks netted a cool £200m between them – but he has also boosted the firm's league table. DLJ, which came 12th in Acquisitions Monthly's league table of advisers to European takeovers for the first quarter, is now heading for the bulge-bracket league.

The DLJ team can now see more business off the back of the deal and Cantwell cannot wait: "This deal has knocked down all limitations. The CEOs of all the major telecom companies now have to operate their companies so that their stock price stays high. It's their only defence, otherwise a talented bunch of executives is going to come along and do it for them."

It's a theory he can put into practice because of DLJ's niche expertise in telecoms and financials as well as in providing the finance through its structured finance division.

In particular, Cantwell points to a twist in DLJ's attitude which made it different from the "herd" mentality of his previous employers, JP Morgan and Morgan Stanley: "Because DLJ knows how to sell its stuff – from bridge loans to high yield bonds – it can tackle tricky situations that more conservative banks can't."

It's a passionate speech for someone who fell into investment banking because his wife's uncle – the chief of an American store – recommended it. "I have to admit I knew very little about banking when I went into it," he says. "I went into it like people choose what shoes they are putting on. I didn't know what to expect, I just thought the money would be good."

Cantwell's seeming diffidence was key to the deal. He was, after all, asking banks for $1bn commitments and the only way to secure them was through chief executives, not executives lower down the hierarchy. He says: "Let's just say that the amounts that we needed to finance the deal were so large that we needed an 'understanding' from senior bankers."

The strategy paid off. More than $30bn was raised in the loan markets – twice the amount Cantwell had originally gunned for. "Towards the end, it was amazing. We created a grey market for the bonds. It was incredible." Shareholders thought so as well.

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