



European BUSINESS

MARCH 2006

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- BUT BUYER BEWARE

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STOCKS TO BACK IN 2006

THE WHEELS FALL OFF
F1 HEADS FOR A CRASH

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WHAT NEXT FOR SPAIN'S
MOST AGGRESSIVE BANKER?

+ AGNES B.
WAVE POWER
INVEST IN VIDEO ART

**WHO
WANTS
TO BE A
BILLIONAIRE?**

**DECLAN GANLEY'S
TEN RULES FOR SUCCESS**



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The great contriver

Declan Ganley's astonishing rise shows a flair for locating the next big idea and then creating the market conditions for take-off. *By Richard Lofthouse*

HE'S NOT A BILLIONAIRE, BUT THEN MONEY'S NOT HIS only concern, and that partly explains his success as an entrepreneur. As well as pungent views on Europe, Declan Ganley has a plan to rescue the world from its dependency on oil and wishes he had more lives in which to transform whole industries. He's never had fewer than two businesses on the go, and if he sold up tomorrow his net worth would be in the region of €300m – not bad for a 37-year-old whose biggest enterprises are yet to come, and who just a couple of decades ago was serving beer in a London pub, recently off the boat from Ireland.

Ganley is a riot of competing passions. Returning from our lunch in a chauffeur-driven, long-wheel-base black Mercedes limousine, he digs around in a dossier and thrusts a letter into my hands, dated August 2005, signed by Louisiana Senator Mary Landrieu. She requested Ganley's help in the immediate aftermath of Hurricane Katrina. Ganley duly obliged, deploying a specialised disaster communications network developed by his latest company, Rivada Networks.

Ganley's very proud of that letter. Sitting in the back of this enormous car, brandishing it amounts to a symbolic act. It's the side of Ganley that "likes his food cooked", as he puts it when faced with sashimi during lunch, the side of him that belongs to the Naval & Military Club in London's upmarket St James's district, the side of him that wants to be photographed next to a brand new Rolls-Royce Phantom. It's the Establishment part of Declan Ganley, the Churchillian side, matched by a broad, strong countenance and darkly respectable suits.

The other side of him is more volatile, more interesting and possibly closer to the true Ganley. It starts with a pronounced Irish identity, by turns fiery and quixotic, possibly

turbulent, beneath a surface charm smoother than the creamiest pint of Guinness. And it ends in an astonishing ability to draw together fabulous management teams to tackle complex opportunities that would thwart most entrepreneurs, plus a specific capacity to focus doggedly on a perceived opportunity despite apparently massive risk.

He's had seven businesses so far, of which only one was a failure – Adornis.com, the much-feted luxury goods website on which Ganley reckons he lost approximately €7m. Then there was his first venture, a never-named metals trading enterprise, following the collapse of the Soviet Union; Kipelova Forestry Enterprises in post-Soviet Latvia; three telecoms ventures – Broadnet, Cabletel and today Rivada Networks – and finally Capital Route, a pan-European executive chauffeur company.

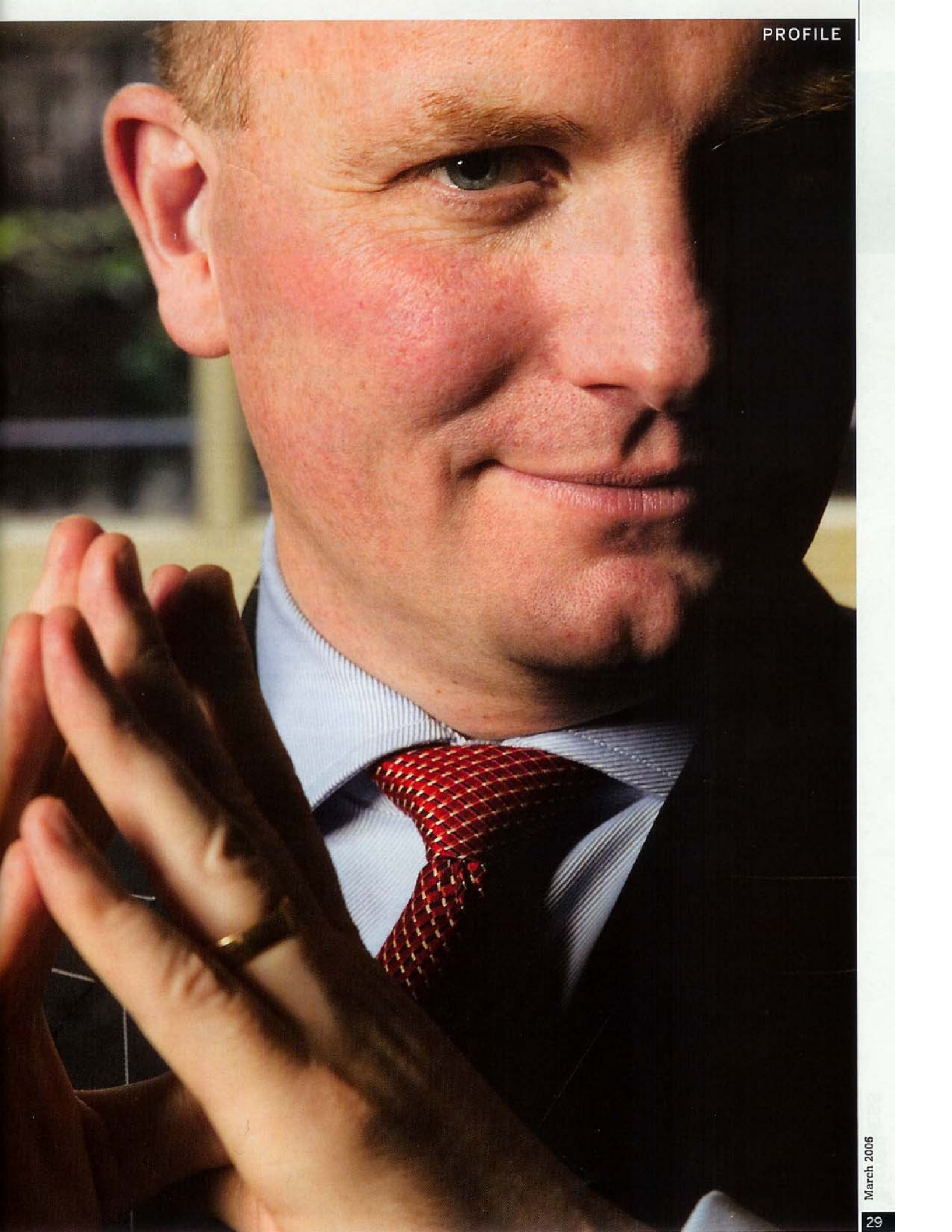
Swirling around Ganley are numerous auxiliary passions, all competing for attention. His views on Europe are as passionate as a 19th-century Fenian debating Irish Home Rule. And then there's his love of Irish chamber music, his patronage of composers, Cuban cigars and Catholicism, teetotalism, clay pigeon shooting, country house restoration, helicopter flying and four children.

So how did the Irishman from County Galway get scrambled for a post-Katrina relief mission, installing interoperable voice and data networks amid the rooftops of drowning New Orleans? The immediate answer concerns Ganley's love of the telecoms sector – it's his defining trait, he's a telco guy – but the story really begins with 9/11 and the terrorist assault on the Twin Towers.

Ganley's wife Delia is a first-generation Italian/Polish immigrant from Staten Island, just off the southern tip of Manhattan, and her brother-in-law was one of just

KEY FACTS

- Ganley emigrated from Ireland to London at 18, and made his first break in an insurance brokerage.
- In 1990 he was exporting Siberian aluminium to the West via Latvia.
- Other businesses have included Kipelova Forestry Enterprises in Latvia; Capital Route, a pan-European executive chauffeur company; and three telcos – Broadnet, Cabletel and today Rivada Networks.





two firefighters who survived from a crew of 14 on that fateful day in September, 2001. On the day of the Twin Towers attack, Ganley saw the first TV footage seconds after the first collision, broadcast by CNBC into his office in County Galway. He called his wife at home a few kilometres away, who called her sister in Staten Island, New York City, who then called her firefighter husband, Ralph, at that moment returning from another emergency in Brooklyn. It took several additional minutes before Ralph and his crew heard that something was amiss via the emergency dispatcher, and turned their truck in the direction of Lower Manhattan and the ensuing chaos of that fateful day.

How was it, Ganley later asked himself, that a commercially driven TV broadcaster and a fistful of cell phones had beaten the emergency services to the chase? Rivada, which stands for "radio interoperable voice and data applications", was the result. Put simply, he has turned the old walkie-talkie into a sophisticated communications device suitable for rapid field deployment following disasters as well as everyday use.

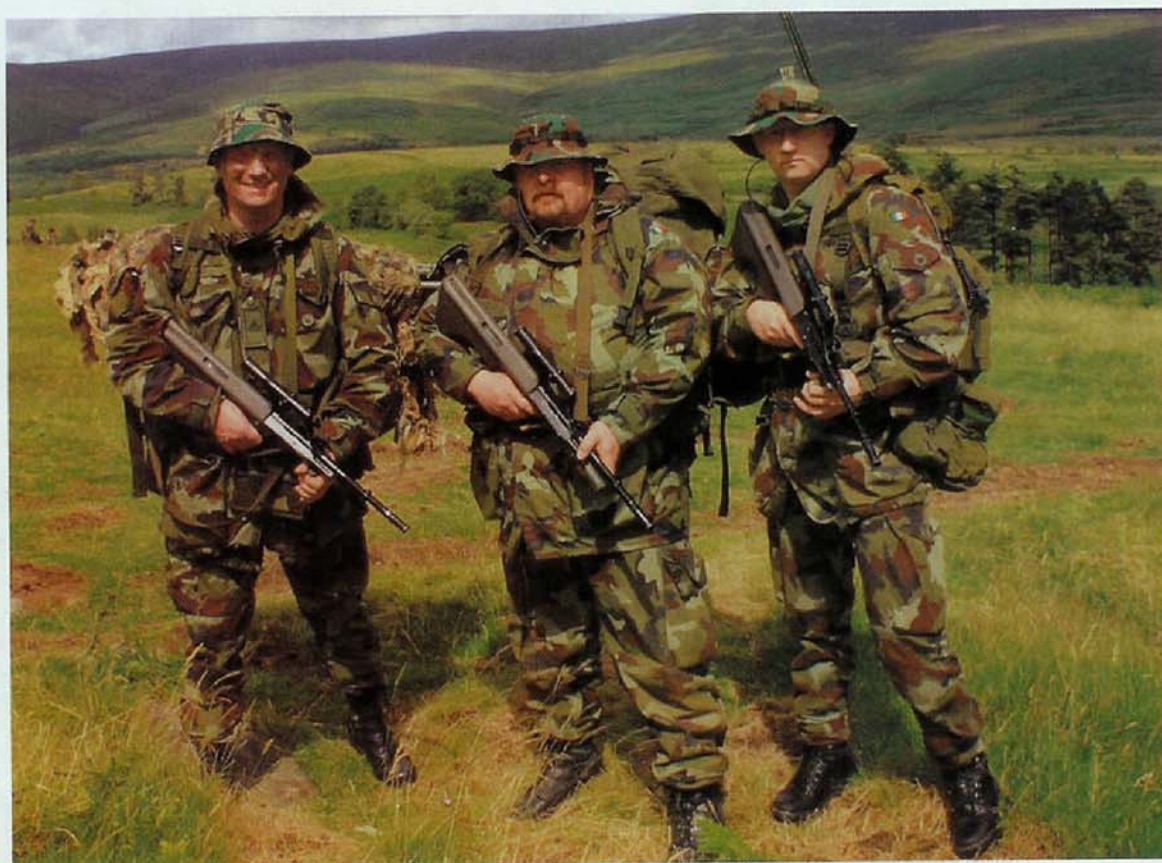
Late in 2001, Ganley drew together a management team from his previous telco ventures, and two years later Rivada had a sophisticated product and a ream of patents protecting the intellectual

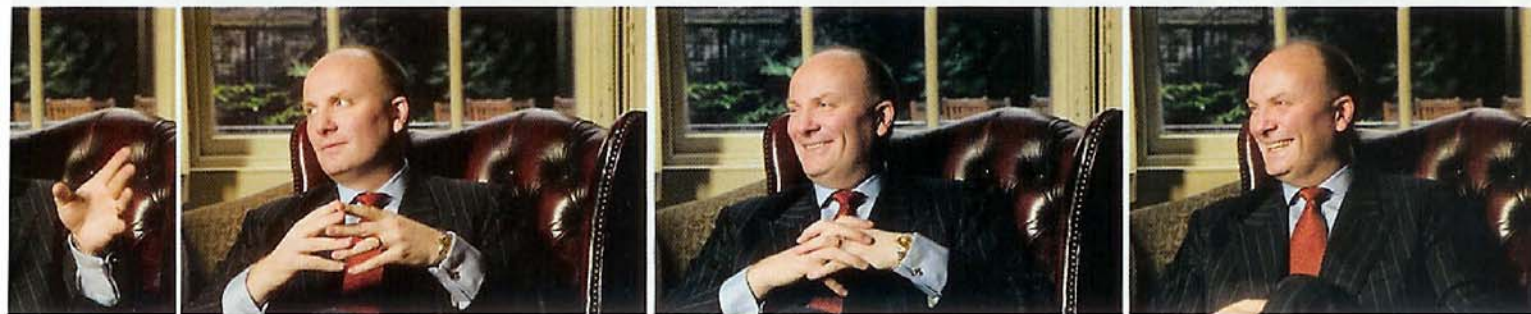
property. As he readily confesses, the Motorolas of the world stalk the horizon and are a competitive threat, yet they are also benign allies of a sort, providing off-the-shelf hardware that Ganley could never have developed under his own steam. "We're a hybrid of Vodafone and Lockheed Martin - a telco plus defence contractor," says Ganley.

A RIVADA HANDSET CAN STILL OPERATE WITH VARIOUS LEGACY systems while possessing many new capabilities, "turning what was a basic walkie-talkie capability into a powerful voice, data, video, position location, force tracking and intelligence gathering and distribution tool." And then there are base stations small enough to fit into the back of a Chevy Suburban or be flown to a disaster site by helicopter, allowing a fresh network to be installed within hours of a major natural disaster or terrorist attack with handsets given to different parties using the same, specialised frequency.

The intellectual property consists of what Ganley calls "the membrane around an amalgam of existing elements", the whole as opposed to the parts, which employed numerous experts and took some serious investment by Ganley, who owns 80% of the equity, the rest reserved for senior management.

Despite a tight schedule, Ganley is still a reservist with the Irish Army, going on manoeuvres last summer in County Wicklow, Ireland





Ganley invests heavily in pre-start-up research and diligence rather than trying to plug holes after the fact

Getting multiple public agencies to agree to a new generation of technology while tapping Federal funds? Impossible without 9/11, and almost impossible after it. But doable, especially with someone like Declan Ganley behind it. Ganley's strategy for Rivada results from what he calls his "well-established mantra of investing heavily on pre-start-up research and diligence of potential entrepreneurial opportunities rather than trying to plug holes and gaps after the fact". The first rule of becoming a billionaire rather than a millionaire, in other words: locate the next big idea and then bend the world to your will, creating the market conditions for take-off. Enemies scoff, cynics yawn and investors shrug their shoulders, then five years later you wipe the floor with them.

How Ganley ended up eating US army rations and living in a Louisiana trailer following Katrina is a fine story, but not as good as the hair-raisers that define his earlier career and explain his entrepreneurial philosophy. Ganley's family moved back from Hertfordshire, England, to the very rural village of Lisheenaheltilia, County Galway, in the early eighties when Ganley was 13, at a time when the Irish economy was in a terrible state. Even so, he rented a bank of turf, the traditional fuel of rural Ireland, cutting it himself and selling it at the local market - 90 trailer loads per summer, he reckons. "I used to work 18-hour days, but I would end up with a couple of grand over the summer, which was great in Ireland back then."

With his aversion to whiskey (Ganley is a life-long teetotaler) and traditional Catholic upbringing, Ganley nonetheless made an arrangement with his headmaster allowing him to walk to the local bank to place buy and sell orders on shares in the lunch hour, admitting that it was "trial and error but great fun". Balanced by his decision to join the part-time Reserve Irish Army Regiment, the Fifth Field Artillery, Ganley's Janus-faced disposition was already visible: work versus adventure and duty versus risk.

Ireland was suffering economically, however, so aged 18 Ganley followed in the footsteps of millions of migrants before him and left for London. Once there, he started work immediately as a steel fixer on a building site working long hours, supplemented by bar work at a rough Cricklewood pub and another in Brixton. So far, so ordinary, the story of any immigrant anywhere. And it was clearly a low point for Ganley, who admits to shedding tears of frustration at his failure to break into the bright lights of the City.

But then get this. He responded to a newspaper ad for an office boy at a marine insurance brokerage house, and by delivering the tea, charmed a partner into listening to Ganley's Big Idea. It was 1987.

The previous year Nasa's *Challenger* space shuttle had blown up, but Ganley had read in a German technology magazine that the Soviets had a good track record for satellite launches. Why not offer to insure western communication satellites launched on Soviet rockets?

The idea was madder than a box of monkeys, and all this during a Cold War that hadn't yet thawed. But it was the episode that launched Ganley even if it launched nothing else. He started by looking up "soviet" under "s" in the *Yellow Pages*, finding the trade delegator and arranging a meeting. Amazingly, he then arranged a trade delegation to Moscow early in 1988, aged 19, resulting in a contract to launch a satellite - except, of course, that the Americans stepped in and ended the party.

"It was my first trip to the US. I was met at JFK airport by a US Air Force Space Command general and a US Air Force Space Command colonel who asked: 'What the hell is going on here?'" He obviously assumed that the Russians would promptly swipe western satellites for their own use. The only alternative was that Ganley's charm had melted a hole in the Iron Curtain, but of course it hadn't. Russian openness to Ganley's satellite idea was Glasnost speaking, only the West didn't know how to respond. "I was so naive I didn't know what you couldn't do. I didn't care, I was having a good time," recalls Ganley.

A SEQUEL TO THIS VENTURE SHOWS THAT IF YOUR TIMING IS wrong, as Ganley's was in 1988/9, you either quit the arena and do something else - not Ganley's way - or tighten your grip until a new opportunity emerges. Ganley is brilliant at turning over stones until he finds gold, and on this occasion coordinated the stones by organising a conference at the Institute of Metals in London in 1990 called SOVMAT90, an exhibition of Soviet alloys, ceramics and other technologies, and out of it ended up exporting Siberian aluminium to the West via Latvia.

The metals business never acquired a name, and it was risky "but didn't require any start-up money." Why? Because it was a classic exploitation of a spread, the difference between the buying price and



Rivada Networks were called in to help emergency services communicate in the wake of Hurricane Katrina

the selling price of a commodity. Soviet aluminium, billed as low quality but actually higher, was being sold in roubles, then a collapsing currency. Then it was being shipped to the West via Latvia and sold in Rotterdam. Payment terms of 90 days meant that the spread grew as the rouble collapsed. In effect, Ganley was buying for \$30 a tonne and selling for \$300 a tonne, and because he never had to pay upfront there was no capital requirement. It was how some of the current Russian oligarchs made their money; Ganley was just a dabbler, but got himself started with a few hundred thousand euros net proceeds within a few months.

Having made friends in Latvia, the trans-shipment hub for the metal, Ganley supported the campaign for Latvian independence. He was rewarded when it duly came in 1991 with the post of foreign economic affairs adviser, "which I had no qualifications for". Initially charged with generating foreign currency revenue through oil export, Ganley instead looked at Latvia's vast forestry resources, and from there, with government backing, he built the largest privately held forestry company in the former Soviet Union, with over 6,000 employees. That was between 1991 and 1997, when Ganley sold his interests, called Kipelova Forestry Enterprises, to Renaissance Capital and a consortium of investors for a sum that he won't reveal. It was his first big win and gave him deep pockets for subsequent ventures.

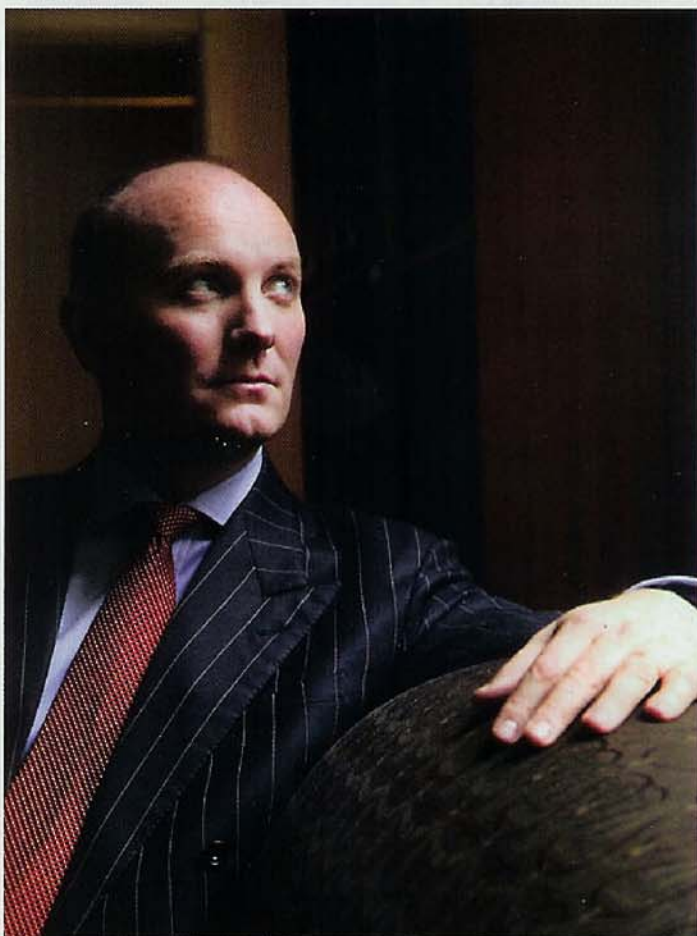
That was when Ganley returned to his long-term interest in telecommunications. He gathered a new management team around him in 1994 in order to bid for the second GSM licence in Ireland, which was finally awarded to a different consortium in very controversial circumstances, still the subject of an ongoing government investigation. It went for £5m (€7.3m) and was subsequently sold for £2.2bn to British Telecom a few years later, and would have made Ganley his first billion. Undeterred, he held on to consortium partner Comcast and started buying up radio spectrums in order to wirelessly deliver broadband content over "the last mile" in cities all over Europe.

This company he called Broadnet. At a time when many telco experts still thought "the last mile" would be covered by underground cables, Ganley believed that it could be done wirelessly. As in previous situations, he was ahead of the learning curve, except that this time he had Comcast behind him and Comcast had deep pockets. They proceeded to snap up bargain radio spectrums across 10 European countries and most of the leading European cities. The spending spree didn't end up with a massive broadband subscriber base and massive income, as Ganley had no doubt hoped. Instead, Comcast bought him out for €50m and he took the cash, hungry for a new opportunity.

His next move was to go further east in search of another telco killing, looked hard and saw the potential for the consolidation of cable operators in Bulgaria, a business he built between 1998 and 2002 and sold for approximately €18m.

A PORTRAIT EMERGES OF A MAN ALMOST CONSTANTLY SCANNING the horizon for the next big idea, or for undeveloped markets where a proven idea might fly but for "seemingly insurmountable short- and medium-term challenges", as he puts it. His most significant "other enterprise" is currently Capital Route, a major attempt to create a pan-European executive drive/chauffeur drive enterprise, consolidating a €40bn a year industry in Europe alone, and one in which recognised, cross-border operators are virtually non-existent and standards atrociously low.

That leaves Rivada, which looks like the successful sequel to Ganley's brush with the US military back in 1988. The Rivada case



A MOGUL MANUAL

THE 10 ENTREPRENEURIAL RULES OF DECLAN GANLEY

- 1 Invest heavily in pre-start-up research and diligence of potential entrepreneurial opportunities rather than trying to plug holes and gaps after the fact.
- 2 As an entrepreneur, attempt to surround yourself with a management team of people who are smarter than you are.
- 3 Making big money is the by-product of passion for something else. It is rarely the result of merely wanting to make money.
- 4 The laws of political astuteness and patronage: make friends in high places, and influence people; don't be afraid to tackle academics and politicians alike.
- 5 Make the market: if no one believes in your idea, organise a conference to construct the debate your product needs.
- 6 There is no limit to the value of lateral thinking in an entrepreneurial situation.
- 7 Don't forget who you are (or who you'd like to project yourself as). In this case Irish identity is Ganley's heartfelt USP and has helped him in the States.
- 8 Lead from the front, as Ganley did in New Orleans, and never forget that your team is watching.
- 9 It is possible to have several different businesses on the go at once but don't forget that you'll be working 24/7 to achieve your objectives, and some of them will fail.
- 10 Don't neglect your principles. Ganley is firmly of the belief that honour and integrity precede money making – spoken like a true military man with Catholic underpinnings.

BASHING BRUSSELS

GANLEY REGULARLY SPEAKS OUT AGAINST
"AN UNACCOUNTABLE BRUSSELS ELITE"

GANLEY RESEMBLES THOMAS PAINE, the French-American 18th-century revolutionary, proclaiming the will of the people over the loathsome tyranny of a corrupt monarchy.

Europe today is run by "an unaccountable Brussels elite" who no longer pay attention to their true constituency, the people. This does not mean that Ganley is a Eurosceptic in favour of a return to narrow nationalism. Rather, he supports a far more radical notion of Europe "coming together in the face of history or facing a dismal future". By this he means that Europe must quickly move beyond national politics into a genuinely pan-European entity with pan-European political representation and an elected president.

He sees national political party infrastructure as the ultimate "legacy system" and has already begun to quietly rally like-minded Europeans around a low-key, pan-European organisation called Libertas "that might morph into a powerfully funded pro-business, pro-free trade, pro-accountability, anti-corruption European political party". If you google Libertas, however, you get a high-class lesbian shopping site.

His message to the business community is to pay far greater attention to Brussels and to politically engage rather than merely moaning from the sidelines: "It's a little bit like someone who goes to watch a hurling match, brings his blanket and picnic basket and all of a sudden realises he is sitting in the middle of the pitch. You either get up and play or you get clobbered." (*Business and Finance*, 6 May, 2004)

GANLEY HAS ALSO made his views known at some length in other publications. He has described current European political arrangements as the ultimate "legacy system":

"All of these goings on [how the President of the European Council is selected rather than elected] in Europe point to a current flaw in our European system of democracy whose structures are failing us through a combination of self interest, incompatibility with the modern world and inability to adapt. These failing structures are the embodiment of 'old Europe'.

"Like the creaking analogue telephone systems of earlier decades, Europe's system of nationally structured political parties has now become a legacy system. You can tweak and push the system harder, you can give it a fresh coat of paint and add new parts, but what lies underneath is no longer capable of delivering the high performance that a new generation of Europeans need in this new century and millennium. The overhaul required may be considered by some to be radical. The old 'analogue' system must be left behind to wither away over time. European politics needs to go 'digital.'" (Draft for a letter, undated)

Ganley says the "Brussels elite" fails entrepreneurs:

"They are not risk-takers; they don't know what it is to take risks. Why as entrepreneurs would we ever expect them to do anything for us, why do they listen to people when they come in and say: 'What we need is national champions,' and they say: 'That's an interesting idea.' I mean, Christ! Europe is made up of grey men, three-pension people." (Interview with *CNBCEB*, November 2005)

study can be summarised in two lessons for would-be entrepreneurs: first, that to get the really big guys to sit up and take notice, by which we mean President Bush and his security advisers, make yourself utterly relevant to the biggest question of the day. Just as Ganley turned to metal importing as the Soviet Union cracked up, this time he turned to security in the immediate aftermath of 9/11.

The second lesson is the "how to" of "making yourself utterly relevant", which in this case meant getting giant people on your board. Think John Kelly, recently retired President of Bell Textron, the global defence powerhouse, and Admiral James Loy, former head of the US Coast Guard and Acting Secretary for Homeland Security, plus three-star Marine General Dennis McCarthy, Former Head of all US Marine Forces in the continental US.

Ganley adds, in case of doubt: "Now these guys aren't decorative board members. They're roll-up-your-sleeves, get-stuck-in; they're as executive as any non-exec ever got. They're very, very good, fantastic, hands-on men." That's partly how he was awarded his first big Rivada contract in 2004, to design, deploy and operate a communications system for US Naval Command.

Ganley was rewarded for supporting Latvian independence with the post of foreign economic affairs adviser

Not content with that, Ganley surveyed the US for weaknesses in the face of terrorism and generated a disaster scenario document that focused on the vulnerability of the New Orleans levee to terrorist attack. In an exact facsimile of the SOVMAT90 exhibition he had held 15 years before, Ganley then organised a high-powered conference, the Forum on Public Safety in Europe and North America, which he co-hosted with the University of Limerick.

Ganley's timing was breathtaking. The conference took place two weeks after the July 2005 terrorist bombings in London and just over a month before Hurricane Katrina hit the US Gulf Coast. Whereas elements of an emergency communications system were timetabled for US Gulf State implementation in 2006, the disaster Ganley had prophetically mooted hit suddenly and without the helping hand of terrorists. This was when Senator Landrieu summoned Ganley, and how he ended up eating MRE rations in a Baton Rouge trailer while handing out thousands of handsets to emergency personnel.

Ganley presented his business case to all 15 core EU states in 2005 and envisages an interoperable, cross-border system linking all services together. So far, his main prospect is the Irish government. Behind Ganley's vision, a simple lesson he learned amid the Irish Troubles of his teenage years, that "the single best resource that a terrorist has is not his weapon, or a mobile phone: it's a border... Borders are to terrorists what the fog bank was to 18th-century naval warfare: you want to get in that fog bank and disappear." Secure wireless networks that transcend national borders are his solution to that problem.

Last month, Rivada was on the verge of major new contracts with the US Department of Defense, worth potentially hundreds of millions of dollars, and Rivada was estimated to be worth €180m-€250m as a going concern. Ganley could be entering the lists of billionaires before his 40th birthday - yet he laughs it all off, in thrall to ideas more than he is to money, which let's face it, is only as interesting as the work it is put to. ■