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THE SUNDAY TIMES

'I must be careful: there is a smell to lobbying'

An MEP claims to earn more than £400,000 a year moonlighting for clients. He is one of three ready to take cash to help change EU laws

The Insight team

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The Jeffrey Archer lookalike was in jovial mood when he let his lunch companions in on his secret. If he were to be employed to change laws in the European parliament, he would have to take precautions to avoid suspicion.

"The problem is, a lobbyist is a lobbyist, yes," he said in a soft Austrian accent. "And a lobbyist has some special smell. It's true to be said I am myself something like that. So we have to be very careful."

He had every reason to take care. Ernst Strasser is a member of the European parliament who moonlights as a lobbyist. A former Austrian interior minister, he claims to be making half a million euros (£436,000) a year from private fee-paying clients on top of his MEP's salary.

At lunch with him in Brussels were two lobbyists from a British company who were about to hire him as their man in parliament. They were, in fact, undercover reporters.

Over the following months Strasser explained how he would pose as a concerned politician, when he was actually secretly lobbying for clients.

Earlier this month he used this tactic when he was hired by the undercover reporters to amend new banking laws. A change was made and Strasser's job was done. "This is very good," he said.

In an eight-month Sunday Times investigation, we found that Strasser was one of three MEPs who were prepared secretly to change legislation for money. The two other MEPs' amendments now appear on the parliament's books as the reporters had written them.

The cash for amendments scandal is set to spark one of the biggest crises in the parliament's 53 years. This weekend Diana Wallis, vice-president of the parliament and a Liberal Democrat MEP, will launch an official investigation.

Although, the parliament's rules are notoriously lax, they do say "members of parliament shall refrain from accepting any ... gift or benefit in the performance of their duties".

The European parliament has grown from a discussion forum to one of the most powerful

legislative chambers in the world. Split between bases in Brussels and Strasbourg, it scrutinises about 100 pieces of legislation each year.

Big business is taking an increasingly close interest, and the parliament has become a magnet for lobbyists. The number of accredited lobbyists has grown from 3,500 to 5,000 in the past five years.

Tomorrow SpinWatch, the transparency campaigners, will publish a report showing how reforms to safeguard consumers are being blocked by lobbyists in Brussels working for the banking industry.

The main role of an MEP is to amend legislation initiated by the European commission. On average a piece of legislation attracts 50 to 100 amendments, but a hedge fund directive last year amassed more than 1,600.

“Research shows that two-thirds of these came from the hedge fund industry or lobbyists working on their behalf,” said Olivier Hoedeman of the campaign group Corporate Europe Observatory.

Last summer two separate sources told this newspaper that lobbyists were suspected of going even further and paying MEPs to help change laws in the parliament. If this were so, it was not obvious in the parliament’s register of financial interests, which is treated with disdain by many MEPs.

Posing as a lobbying firm and later as a Russian investment company, the reporters contacted more than 60 MEPs asking if they would be interested in a paid role as an adviser. Many did not reply and others had their assistants issue a curt rejection to the proposal. However, 14 MEPs expressed an interest and met the reporters.

Among them were two British MEPs who seemed keen to work for the fake lobbying firm but became



ERNST STRASSER

AGE: 54
NATIONALITY: Austrian
GROUP: European People's party
BACKGROUND: Austrian internal affairs minister for four years until 2004. Manages own consulting company earning half a million euros a year

TOLD REPORTERS
'Of course I am a lobbyist and I am open to that'

ZORAN THALER

AGE: 49
NATIONALITY: Slovenian
GROUP: Progressive Alliance of Socialists and Democrats (includes British Labour party)
BACKGROUND: Slovenian foreign minister in the 1990s before moving into business and heading a phone company

TOLD REPORTERS
'There is no way that I disclose this'



ADRIAN SEVERIN

AGE: 56
NATIONALITY: Romanian
GROUP: Progressive Alliance of Socialists and Democrats (includes British Labour party)
BACKGROUND: Romanian deputy prime minister and foreign minister in the 1990s. A former United Nations' special rapporteur on human rights to Belarus

TOLD REPORTERS
'Just to let you know that the amendment desired by you has been tabled in due time'



suspicious, and discussions went no further. However, three of the MEPs all indicated they would be happy to help our fictional lobbying firm but became suspicious, and discussions went no further. However, three of the MEPs all indicated they would be happy to help our fictional lobbying company to amend laws. They then went on to do so.

The former Romanian deputy prime minister Adrian Severin had been quick to his feet in a parliamentary debate about censuring Russia for corruption and human rights abuses.

"We'd better continue the dialogue with Russia and stop listening to the assumptions and rumours spread by lobbyists," the MEP thundered.

Yet on that very day in mid-February Severin was working hard to amend a banking law for one of those supposedly untrustworthy lobbyists. His fee was €4,000 (£3,500) a day.

Severin, 56, is a powerful figure in the parliament. He is a vice-president of the Progressive Alliance of Socialists and Democrats, the second largest group with 186 MEPs. He was also in the running to be the first EU high representative for foreign policy before Britain's Baroness Ashton got the job.

The undercover reporters first met Severin in a dark corner of the members' bar overlooking the parliament's chamber in Strasbourg. They explained they wanted to hire an MEP for their advisory board, to help clients concerned about the impact of new legislation. If Severin took the job, he might be called upon to help change legislation. "I know what you need and I think I can provide you with what you need," he responded.

It was agreed he would be paid €100,000 (£87,300) to attend the advisory board six times a year. He could also claim a consultancy fee of €4,000 a day for the work he did within parliament.

The work would be registered in his financial declaration but Severin said he would disguise the true amount by only disclosing how much he was paid for one meeting. "The amount looks less because you don't tell them how many meetings you have per year," he said. All correspondence about the work would be through his personal email.

In early February, the reporters asked him to help change part of the Deposit Guarantee Schemes directive, to delay the payout to customers if a bank went bust.

Severin agreed to do the work. At a meeting in his office in Strasbourg he said the amendment would stand more chance of becoming law if he found an MEP "insider" on the relevant committees — legal affairs or economic and monetary affairs — to table it for him.

However, the deadline was tight and he offered to put it down himself as a last resort. "The least we could do is to table an amendment by myself. So this could be done," he said, adding later: "It's much better to get somebody else to do it and I hope that I could get somebody."

It proved difficult to find a socialist colleague to table the amendment because it was against his own group's policy. "[The group] are more inclined to protect the customer rather than the banker," he admitted.

Still, he was being paid and he found a way. On February 19 he emailed the reporters: "Just to let you know that the amendment desired by you has been tabled in due time by an EPP [European People's party] MEP."

The MEP was Sebastian Bodu, a vice-chairman of the legal affairs committee who is also its only Romanian. Severin said Bodu had been persuaded by the power of his argument.

Severin: Eventually he [Bodu] understood and he embraced the idea, he thinking that it is basically a correct thing, not doing it just because I asked him to do it.

Reporter: Did he understand that you were doing it on behalf of a client?

Severin: No. I didn't say anything.

Earlier this month Severin sent the reporters an invoice for "consulting services concerning the codification of the Directive 94/19/EC, Directive 2009/14/EC and the amendments thereto". The "amount due" was €12,000 (£10,500) for three days' work.

When confronted by this newspaper 11 days ago, he said he had checked with unnamed parliamentary officials and had been told it was acceptable to work for the fake lobbyists. "I didn't

do anything that was, let's say, illegal or against any normal behaviour we have here," he said.

Contrary to the account he gave to the undercover reporters, Severin claimed he only asked Bodu if he was aware of the problem. He was then "surprised to learn he was already tabling an amendment".



Bodu

Victims of bank collapses were protected by a bill (Johnny Green)

confirmed that Severin had spoken to him and "expressed his will", but said he already had it "in mind" to make the changes suggested.

By the time Severin had tabled the reporters' amendment, another MEP had already put down a second amendment written by the reporters.

On February 2, Zoran Thaler, a Slovenian MEP and former foreign minister, strode into the Conrad hotel in Brussels to dine with the reporters and a pretend Russian client. Thaler, 49, is a former head of a phone company who still dabbles in business as a partner in a €3m Slovenian restaurant and estate.

In a phone call the week before the dinner, he had confirmed his interest in joining the reporter's advisory board for €100,000 a year. However, he did not want anything on paper and asked for the money to be routed through a London firm to keep it secret. "There is no way that I disclose this," he said.

So at the hotel dinner an "oral agreement" was made with the reporters. Thaler was to act as their consultant in parliament looking after their clients' interests and changing legislation when necessary.

As the evening went on, he agreed to undertake his first project: tabling an amendment to the Investor Compensation Schemes (ICS) directive. Thaler was told that the Russian client wanted to reduce the amount of money that financial firms were liable to pay out as a result of the directive.

The reporters emailed the text of the amendment to Thaler the next day. He wrote back on February 7: "The amendment has been send [sic] in the procedure today; the issue is in the JURI [legal affairs] committee at this stage. Best, Zoran."

The amendment was just as the reporters had written it. Later the reporters met him in a champagne bar.

[Click here to see the amendment as it appeared European Parliament's official papers](#)

Reporter: Thank you for doing that piece of work for us. That was really useful and the client was really happy about it.

Thaler: Okay, so good start then.

When confronted, Thaler said he had known the undercover operation was a “joke” and had played along suspecting a CIA or MI6 plot. He said he tabled the amendment to keep the “game” going and was never going to accept payment.

Strasser, who is his party's leader in Europe, made clear in several meetings over a number of months that he was happy to table amendments or find others to put them down.

He even offered to speak for clients on the floor of parliament if it was required “for show”. Indeed, he said his dual role as a lobbyist and MEP “works very well”. However, he drew the line at accepting payment for amending laws in his own committees — foreign affairs and internal affairs.

None of his work for the reporters' company would be disclosed on the parliament's register as he intended to channel all payments through his Vienna-based company, Consulting, Coaching & Educating-GesmbH, which is declared.

Strasser said he was already working for clients who had issues with the European commission. Over breakfast in January, he told the story of how he had recently met Michel Barnier, the internal market and services commissioner, and lobbied for a client while pretending his interest was political.

Indeed, Strasser advised that it was often more effective to alter legislation as it was being framed in the commission before it arrived at the parliament. He said the reporters should get close to commission officials by paying for hospitality trips. “So that the commissioner sees how it works, you take the responsible guy in the commission for a weekend,” he said.

He had been working for the reporters' company since early December and was expecting his first €25,000 payment on March 5. Over lunch in a restaurant off the Place du Luxembourg in Brussels on February 3 the reporters asked him to amend the ICS directive for their client.

Reporter: If we were to send you the amendment ... if you could see what you could do?

Strasser: Yes, yes, yes. You send me the amendment and what your client wants to change. Yes.

The amendment was framed to give investment bank clients at least nine months' notice of their expulsion from the compensation scheme.

A delighted Strasser met the reporters for coffee earlier this month to boast that the proposed notice period for expulsion had actually been changed to 12 months. “We've got 12 in this draft, yes; we got 12 months. I think this is very good.”

He said the committee had come to a compromise which meant that only the first part of the reporters' amendment was accepted.

Strasser claimed he emailed the amendment to Pablo Zalba Bidegain, who oversees the ICS directive as its shadow rapporteur on the economic and monetary committee. He also sent it to Othmar Karas, an Austrian colleague who sits on the committee.

Strasser said he used Karas because he is vice-chairman of the EPP group, of which Zalba is a

member. "He is very influential to this Spanish guy," Strasser said.

He added: "The Austrian went with that [the amendment] to the Spanish and I too, yes." He told neither man he was working for a client. However, Zalba did not recall speaking to Strasser or Karas on the matter. Karas's spokesman would only say that he "decided not to table the respective amendment".

When confronted, Strasser admitted handing the amendment to "colleagues" but changed his story, saying that the decision to extend to 12 months had been made before his intervention. He claimed he had been playing the reporters along because he knew they were not a lobbying company and thought they might be a "secret service".

Although he had boasted on three separate occasions that he was a lobbyist, he now denies strongly that he is a "lobbyist" and said his business was a "merger and acquisition company".

The EU's long tentacles

The European Union's lawmakers produce about 100 pieces of legislation a year and they now reach almost every part of British life. The following are a few of the better-known laws.

Working time directive Stipulates a minimum of four weeks' holiday, a maximum weekly working time limit of 48 hours and a minimum rest period of 20 minutes in any shift of more than six hours.

Part-time workers' regulation Entitles people who work part-time to claim the same contractual rights as full-time workers when their work is broadly similar. This includes salary, holiday, sick pay and pensions.

Agency worker directive Changes that come into effect in October will give agency workers employed by the same business for 12 weeks the same rights, including salary, holiday leave and bonuses, as full-time staff.

Beaches EU laws set cleanliness guidelines on water quality at beaches to limit the amount of bacteria in the water where people can bathe.

Cheap internet The "local loop" network provision gave everyone in Europe cheaper internet access by increasing the number of companies able to provide access to the web.

Food Under EU law ingredients used in food products must be listed. Any GM ingredients must be clearly marked, as must colouring, preservatives, sweeteners and other chemical additives.

Disclosure rules ignored

The European parliament demands that MEPs declare all financial interests in a register that is maintained by six established members called quaestors who look after their finances.

All professional and other remunerated work has to be disclosed in the register, as well as money for political activities. The rules on financial interests add that MEPs "shall refrain from accepting any other gift or benefit in the performance of their duties".

The maximum penalty for failure to disclose is suspension of up to 10 days. A suspended MEP cannot claim day allowances but retains the right to vote.

In practice many MEPs disclose little of their activities. Of the three MEPs hired by The Sunday Times undercover reporters, Zoran Thaler and Ernst Strasser intended to declare nothing relating to the work, and Adrian Severin said he was going to register only the amount he received for one meeting a year, so his fee would look much lower than it was.

MEPs are already well paid. The basic salary before tax is £82,500 — £16,700 more than a

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Westminster MP. In addition an MEP receives £60,100 a year to run his or her office and buy equipment. They can claim a £266 day rate for living away from home which adds up to £47,880 if they attend 180 days over the year. So they can accrue an income of £190,480 over a year without having to produce a receipt.

These figures do not include business-class flights or first-class rail travel, which do require receipts, or staffing costs of up to £197,600 a year which are paid directly to assistants.

On top of this they are given free language courses, iPhones and even free skiing holidays for their children.

Their families can undergo “cosmetic” treatments paid for by the taxpayer through a medical expenses scheme.

Further reading:

[Insight: Euro MPs exposed in ‘cash-for-laws’ scandal](#)

[Click here to see the amendment as it appeared European Parliament’s official papers](#)