

The Savoy has long been regarded as a hotel where musicians and celebrities stay and play, politicians conspire, tycoons plot their deals and the Royal Family dance and frolic. It was where Noël Coward, George Bernard Shaw and HG Wells frequented the restaurant and the American Bar. Where Winston Churchill lunched with the Cabinet during the Second World War. Where the most glamorous and lavish ball was held to celebrate the coronation of Queen Elizabeth II in 1953. The alley behind the hotel was even used by Bob Dylan in 1965 to film the legendary video of his song 'Subterranean Homesick Blues'.

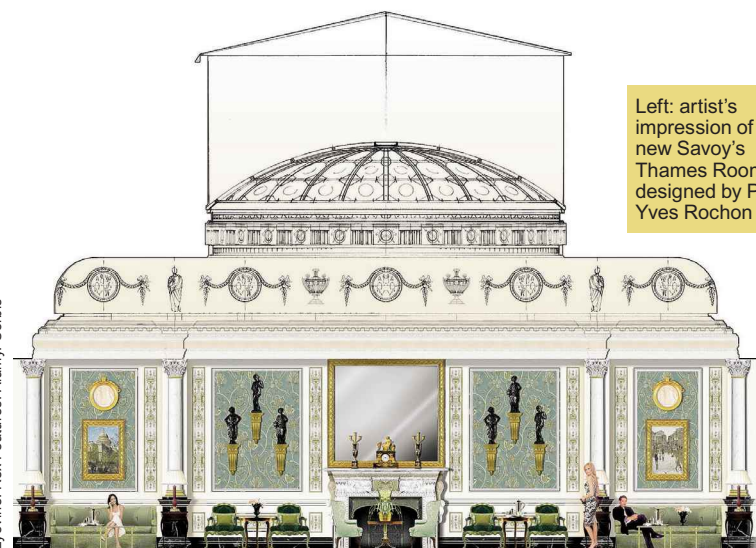
In more recent years the Savoy has been renowned as a power scene. In the Eighties the Savoy Grill was the favourite haunt for tycoons plotting audacious takeover deals and for Cabinet ministers to hold court. While its opulence had faded and its interior décor appeared tired, its reputation as the hotel for the ruling elite remained undiminished. But now the Savoy is in crisis: its Saudi owner, Prince Alwaleed Bin Talal, has been hit harder than most by the credit crunch and has put the trophy hotel up for sale. The Saudi prince is not even waiting until after the £100 million refurbishment that is due to be completed by the end of the year. He needs the cash now.

Once dubbed the 'Warren Buffett of the Middle East', the hyperactive, hyperacquisitive Prince Alwaleed bought the Savoy in January 2005 for £230 million. It was financed jointly by his company Kingdom Holding and Bank of Scotland Corporate, a division of HBOS. On the day they took ownership, they celebrated in the Savoy's famous American Bar with a new cocktail dubbed the 'Fairmount' after its Canadian investment advisors.

A small, wiry man with a fierce intelligence and relentless ambition, who sleeps barely five hours a day, Prince Alwaleed relishes publicity and regards the Savoy as a trophy asset. On 15 December 2007, he closed the hotel and authorised the £100 million refurbishment. The renovation is being overseen by Pierre-Yves Rochon, the interior designer who worked on a similar refurbishment for the prince at his other hotels, the George V in Paris and Hôtel Hermitage in Monte Carlo. The design aims to retain the Savoy's Edwardian origins mixed with a contemporary Art Deco style.

The redesign of the Gordon Ramsay restaurant is progressing, according to its interior designer Russell Sage. But the astonishing decline in Prince Alwaleed's wealth must place the hotel's refurbishment in doubt. His fortune has dropped from \$21 billion last year to \$13 billion this year. For most people that still makes him a very wealthy man. But the plummeting value of his investments has decimated his income, because he no longer receives those dividend cheques to meet debt obligations. His 3.9 per cent stake in Citigroup has tumbled from \$50 a share to just \$4. His investments in Songbird Estates (majority owner of Canary Wharf), Euro Disney and News →

Eyevine, Rex Features, Alamy, Corbis

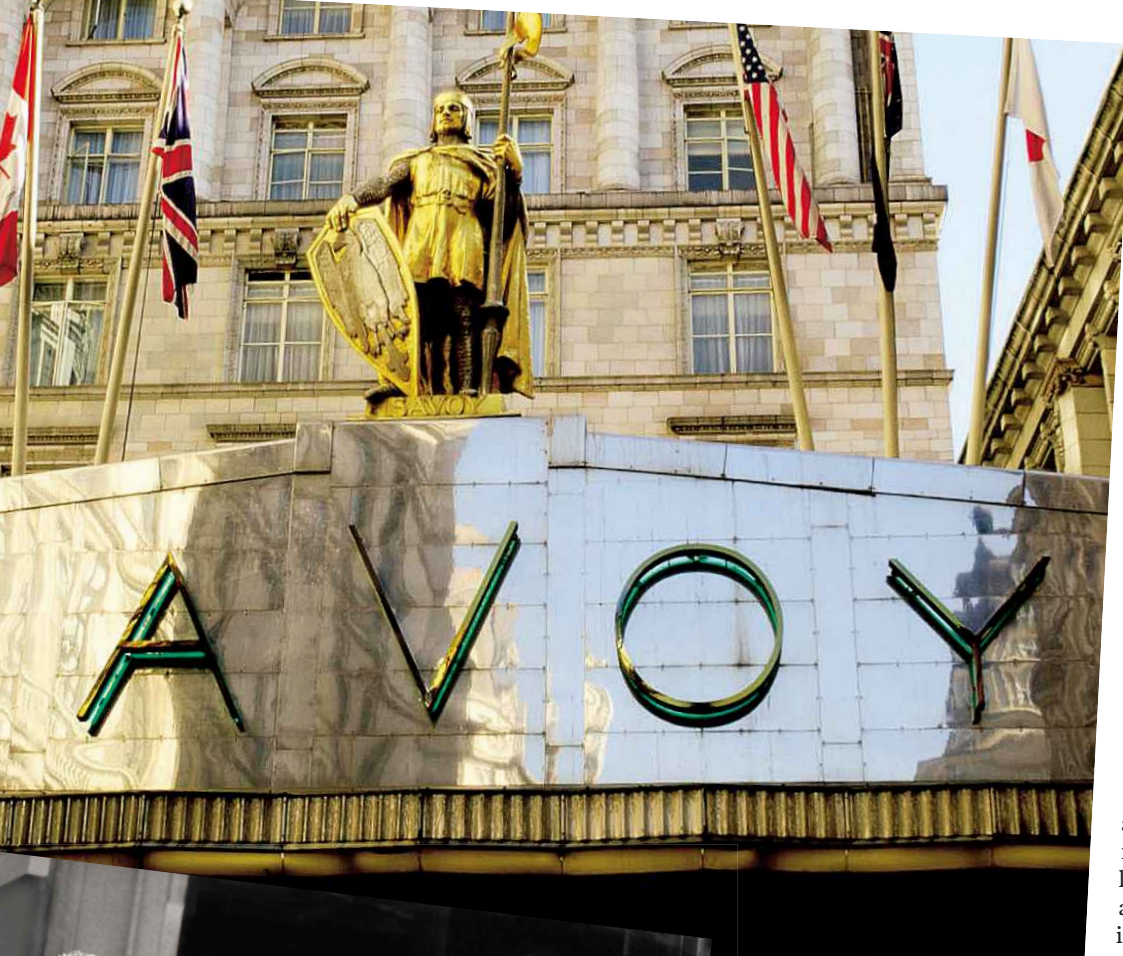


Left: artist's impression of the new Savoy's Thames Room as designed by Pierre-Yves Rochon



Prince Alwaleed at his hotel George V in Paris

Fire sale at the



Left: the Queen and Prince Philip at the Savoy, 1962. Right: Marilyn Monroe and Laurence Olivier at the Savoy, 1956



Corporation have declined. And his Kingdom Hotel Investments, listed on the London stock exchange, has lost nearly 70 per cent of its value in the past year.

To his credit, Prince Alwaleed acknowledges the crisis. 'Anyone who tells you he is immune is not telling the truth,' he said. Once heralded as a savvy buyer of solid stocks at bargain prices, he is now being forced to sell off \$1 billion of stocks, real estate and his hotels, including the prestigious Raffles in Singapore.

For the 52-year-old Saudi prince, this fire sale must be difficult to take. He has long been on a mission to become the world's richest man. An obsessive news junkie, he never tires of showing off the glittering trappings of his wealth to journalists and camera crews. He owns one of the world's most luxurious yachts, the former *Trump Princess*, which he bought for \$30 million. He then refurbished the 281ft vessel and renamed it *Kingdom 5KR*.

Prince Alwaleed's palace in Riyadh rivals the Saudi Royal Family's. It is adorned with 1,500 tonnes of Italian marble, silk carpets and gold taps. There are 420 rooms staffed by 124 servants, and indoor tennis courts and swimming pools – one with a stuffed zebra and elephant. He also owns what he calls a farm and resort on the edge of dusty Riyadh that is a riot of green lawns and palm trees. The resort has five artificial lakes and a mini-zoo. He owns a fleet of 300 cars and motorised caravans and until recently a Boeing 747 private jet.

A *Business Week* reporter once gave this eyewitness account: 'He seems proud of the sheer scale and quantity of everything, from the hi-tech video systems and the gold-plated taps on the sink in his own barber's shop to the private apartments of his 16-year-old son, Khaled. Outside the palace is parked the boy's \$250,000 Lamborghini Diablo... Lunch, served each day around 5pm to accommodate a man who regularly goes to bed at 4am, is unbelievably lavish. But an abstemious Alwaleed just picks at the dozens of delicacies, including baked pigeons and baby camels. He's on a strict, 1,300-calorie-a-day diet designed by his private doctor. "If there's one thing I hate, it's fat," says the prince, who is trim and athletic. He keeps himself fit by whacking tennis balls around with Romeo Rafon, an ex-player from the Philippines, who is now employed at the palace in Riyadh.

'There's little in the way of protocol at the table set for 20. Several of Alwaleed's Bedouin retainers – some 60 trusted men, many of

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Savoy

Prince Alwaleed of Saudi Arabia had all the essential trappings of extreme wealth: an Airbus, 300 cars, four wives and a string of luxury hotels. So what has caused him to put the Savoy up for sale? **Mark Hollingsworth** investigates

whom have spent their lives in the employ of Alwaleed or his father – joke with the prince as they tuck into their food. He clearly loves this sort of repartee, even though he can't resist breaking away to do business on the telephone beside his place.'

Last year Prince Alwaleed placed an order for the ultimate trophy asset of the international super-rich: he paid \$320 million for an A380 Airbus, the world's biggest private jet. Covered in gold leaf, this flying palace includes a marble-panelled dining room for 14, a bar with curtains to mimic the tents of the desert and a whirlpool bath. True to form, he plans to spend another \$176 million adapting the super-jumbo to include a sauna, a cinema and a bedroom that has been described as 'Lawrence of Arabia meets Star Wars'. But aviation sources say that the private jet could be the first casualty of Prince Alwaleed's financial problems and he may yet have to get by with his Boeing 747.

While the Saudi prince offloads his assets, he remains keen to cultivate the British establishment – he goes racing with the Royal Family and watches Prince Harry play polo. He also hobnobs with Harrods owner Mohamed Al Fayed and watches FA Cup finalists Everton play football – he is the club's largest shareholder. When Prince Charles married Camilla Parker Bowles, Alwaleed gave the bride a £1 million necklace with diamonds and 37 finely matched rubies, apparently Camilla's favourite stone.

Buying the Savoy hotel was consistent with his aspiration to join the ruling elite in London. For the Savoy has long been associated with upper-class opulence. In medieval times it was part of Savoy Manor and housed the Savoy Palace, which at the time of the Peasants' Revolt belonged to the much-hated John of Gaunt. In June 1381, rebels led by Wat Tyler and the radical priest John Ball marched on London and burned down the palace.

Over the centuries the site was beset by fires and only the stone walls survived. The property was vacant until 1881 when the opera producer Richard D'Oyly Carte built the Savoy Theatre on the site. Three years later D'Oyly Carte started work on an adjacent hotel, funded by the profits from his Gilbert and Sullivan productions. Like the theatre, the hotel was designed by Thomas Colcutt, who also designed Wigmore Hall. The hotel took five years to build and opened in August 1889.

In its early days the hotel lost money. But its fortunes changed when in 1890 D'Oyly Carte recruited the hotelier César Ritz and the legendary master chef Auguste Escoffier. The reopened Savoy hotel was an immediate and lasting success. Led by the Prince of Wales, it became the meeting place for London high society and converted London's elite to the concept of eating out. Ritz and Escoffier made London, as banker Otto Kahn put it, 'a place worth living in'.



The prince paid \$320 million for an A380 Airbus (above). Below: Raffles in Singapore is one of his hotels that is up for sale



The prince's shares in Citigroup (above left) have plummeted. Above right: with his fourth and current wife Princess Amira in St Tropez. Below: the prince's yacht *Kingdom 5KR*, formerly owned by Donald Trump



Vivien Leigh was first introduced to Laurence Olivier in the hotel lobby

In the early years, Savoy guests included Sarah Bernhardt and Dame Nellie Melba, for whom Escoffier created Melba toast when she was on a diet, and Pêche Melba when she was not. But then, in 1897, Escoffier and Ritz were fired from the Savoy. A legal dispute ensued in which the Ritz team were accused of fraud and the Savoy Company was accused of wrongful dismissal. The pair went on to found the Ritz hotel in Paris and the rival Carlton Hotel in London.

In the interwar years, the Savoy was redesigned in an Art Deco style and became a focus of the jazz movement. Another characteristic of this era was *The Savoy Cocktail Book*, published in 1930. Top jazz musicians from America came to play, and a hydraulic system was installed to raise the dancefloor and turn it into a stage for cabaret acts. Vivien Leigh was first introduced to her future husband Laurence Olivier in the hotel lobby. From America came Al Jolson, Errol Flynn and Katharine Hepburn. From France, Josephine Baker and Coco Chanel.

After the Second World War, the Savoy quickly regained its air of glamour and luxury.

Princess Elizabeth was first seen with Prince Philip of Greece in public at a Savoy reception. It was regarded as the hotel of the establishment: when Labour won the 1945 general election, the news was relayed to a shocked grande dame who was having lunch at the Savoy. 'Good God,' she replied. 'The country will never stand for it!'

In 1956 Marilyn Monroe gave her first British press conference at the hotel during filming of *The Prince and the Showgirl* with Laurence Olivier. By the Sixties the Savoy was the favourite for Hollywood movie stars and musicians, notably Elizabeth Taylor, Sophia Loren, Marlon Brando, Louis Armstrong and the Beatles. Over the years it has been renowned for its prestige, status, celebrity, wealth and influence – everything that Prince Alwaleed has had all his life.

The prince was born in Jeddah to Prince Talal Bin Abdul Aziz Al-Saud and Princess Mona El-Solh on 7 March 1957. His father was one of the 45 sons of Abdul Aziz Al-Saud, the founder of modern Saudi Arabia. His mother was daughter of the former Prime Minister of Lebanon. An outspoken figure, Prince Talal often criticised the Royal Family's autocratic style of ruling. He led a group of the King's younger sons, known as The Free Princes, in their efforts at political reform. In 1962 the group tried to oust King Saud in a failed coup. Prince Talal was sent into exile in Cairo and his fellow plotters were purged from their government positions.

His exile was brief. In 1964 King Saud abdicated and went into exile. The former Crown Prince, Faisal, was made king and Prince Talal returned to Saudi Arabia and offered him his loyalty. In return King Faisal gave him a large amount of land. 'Talal was free to make money,' says a former US ambassador to →

96.
A touch
too sweet



97.
Try Madagascan
vanilla



98.
More organic
cream



99.
Irresistibly
smooth



Saudi Arabia. 'But he was never really forgiven.'

The young Alwaleed spent his early years in Riyadh. His family were served by as many as 50 slaves until his father decided to free them when Alwaleed was five, along with his 32 concubines. After his parents divorced in the Sixties, Alwaleed lived in Lebanon with his mother. He went to school in Beirut, and in the mid-Seventies, moved to the United States and studied business administration at Menlo College in California.

At university he excelled. His academic advisor Carlos Lopez told *Business Week*: 'He was the hardest worker I have ever seen.' And his old professor James Good said: 'He was one of the best students I ever worked with.' But he was far from a bookish workaholic. He often entertained at lavish parties in special 'recreational buildings' that adjoined his home. No tapes or records: live bands. He also had a private Boeing 727 at his disposal.

While still a teenager, Alwaleed married his first cousin, Princess Dalal. They were divorced in 1995, and he has since remarried three times. He is currently married to a younger glamorous woman, Princess Amira Al-Taweel. The failure of his marriages is undoubtedly due to his manic, workaholic lifestyle. Like some tycoons, he has obsessive compulsive tendencies. 'I like things to be over-organised... and I get tired of seeing things that are not right,' he told his biographer. He communicates very directly and is always alert. He hates wasting time; every minute of the day is precious. 'He is an incredibly smart guy who has a photographic memory for detail,' said a business associate. 'He reads every report... and if you go into a meeting and do not know your stuff, you are dead.' Energetic and articulate, he is the sort of man who can sit through hours of meetings, tirelessly pressing his advisors with detailed and penetrating questions.

The prince is also addicted to news and has dozens of televisions in his offices and houses. When he travels the world in his private jet, his staff are equipped with the most modern technology to keep him informed of global developments. He watches CNN constantly and reads half-a-dozen Western newspapers in his car each day as he races between business meetings.

After his US education, Alwaleed returned to Saudi Arabia and in 1980 formed his own company which later became Kingdom Holding Company. By 1983, he claimed he had a \$450 million fortune, and in 1988 told *Forbes* he was worth \$1 billion. But how did he acquire such wealth so quickly?

The prince has a regular rags-to-riches tale: how his father gave him \$30,000 in cash and a house or 'shack' that he mortgaged to launch his

business. According to *The Economist*: 'The prince has declared that this money came entirely from his personal funds. He says he started out in 1979 with a loan of just \$30,000 from his father.'

But another, less romanticised, account is that Alwaleed used connections developed through both sides of his family to win large commissions as a deal broker, and used the substantial property holdings inherited from his father as collateral to buy into joint venture projects.

The first such deal was in 1982 when Prince Alwaleed landed an \$8 million contract to build a bachelors' club at a military academy near Riyadh. He was representing a small South Korean contractor. Four years later he made \$200 million as a representative of the US corporation Bechtel after it won the contract for the construction of the King Fahd Causeway linking Bahrain with mainland Saudi Arabia. This was secured after he and his mother approached his uncle, Prince Sultan, then the



He was served by as
many as 50 slaves
until his father
decided to free them

Prince Alwaleed at his desert retreat near Riyadh



Saudi Defence Minister, for a share of the royal business.

Prince Alwaleed invested the profits from his Saudi operations into financial products – derivatives and bonds – in Western markets. These were managed by the brokers EF Hutton through an account in London, a relationship that ended in 1987.

Prince Alwaleed's subsequent investments relied upon the enormous capital he had at his disposal being used to turn around failing companies. As *The Economist* put it in 1999: 'His chief advantage is the cash he has on tap. If a company is suffering from a funding crisis, the prince is one of the world's few private investors who can readily write a cheque for hundreds of millions of dollars.'

The deal that made the prince a billionaire was his investment in Citicorp in 1991. The banking giant had suffered huge losses on mortgage investments and needed recapitalising. At the end of 1990 Alwaleed bought 4.9 per cent of Citicorp's existing common shares for \$207 million – the most that he could without being legally obliged to declare his interest. In February 1991, as American troops were preparing for war with Iraq, he invested another \$590 million in Citibank, increasing his stake to 14.9 per cent.

The prince later sold off the bulk of his shares after the US regulators failed to authorise the transaction and made a profit of several hundred million dollars. He then

invested in Time Warner, Hewlett-Packard, Apple, News Corporation and Motorola. But many analysts have questioned whether Alwaleed could have amassed the funds he invested in Citibank and the other companies simply through Saudi real estate.

In 1999 *The Economist* considered the source of Alwaleed enormous wealth in depth. The magazine argued that the property market in Saudi Arabia was simply not strong enough to generate the level of returns claimed. It also argued whether it would have been possible to amass such sums as a dealer and broker, even in Saudi Arabia. The article concluded that either Alwaleed is exaggerating his income and assets, or he has an undeclared source of funds.

The Economist also questioned Alwaleed's judgement as an investor. With the exception of the Citigroup investment, Alwaleed has failed to make the level of returns that would normally be expected from the substantial funds at his disposal. Although the prince may think of himself as a Buffett-style value investor, he has made some spectacular mistakes. Between 1997 and 1999, he invested \$112 million in Planet Hollywood, only to see the restaurant chain file for bankruptcy a few months after his final cash injection. He still insists his \$345 million investment in Euro Disney will pay off (he owns 24 per cent of the notoriously underattended Paris theme park). But by far his biggest miscalculation came in 2000, when the prince caught hi-tech fever. He shovelled \$200 million into WorldCom, \$50 million into Priceline.com and millions more into other dotcoms just before the market collapsed.

Prince Alwaleed could yet be the biggest and most prominent victim of the global economic crisis and credit crunch. Analysts believe that his investments over the years may have left him heavily leveraged to the banks and that could be why he is being forced to sell so quickly. But what happens if there are no buyers for the Savoy?

The last much-trumpeted and hyped Saudi billionaire was the arms dealer Adnan Khashoggi. In 1987 he was billed as the world's richest man and he loved to show off his wealth. But the following year he was forced to file Chapter 11 for bankruptcy protection against his creditors. Only time will tell if that fate awaits Alwaleed. One thing is for sure: anyone interested in buying the Savoy hotel will get it at a good price. ■

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100.
Nearly
perfect



101.
Green & Black's
Creamy Milk



From over one hundred combinations of the finest organic ingredients, ethically sourced from growers we guarantee to pay a good price to, we've chosen the recipe we believe makes the smoothest, creamiest, most indulgent milk chocolate imaginable.

You'll only need to try one bar to know that it was well worth the effort.

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CREATED WITHOUT COMPROMISE