



The Poulson Affair

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THE POULSON Affair revealed a web of corrupt transactions which took place in Britain in the 1960s and 1970s and embraced dozens of councillors in numerous local authorities across the country as well as several MPs. The ensuing scandal exposed aspects of the conduct of public life which shocked and surprised many British citizens. This conduct had largely escaped the attention of both the police and the mainstream media. The Poulson Affair, if it did nothing else, helped to make claims of British assertions of superiority regarding corruption seem rather hollow.

The main figures in this drama were John Poulson, an unqualified architect from Pontefract, Yorkshire, and a key associate of his, T. Dan Smith, the leader of Newcastle City Council, and although many others were involved, these two were the ones who attracted the most public and media notoriety. This case is interesting partly because of the light it sheds on a particular set of relationships—the connections between public authorities and private contractors seeking public contracts and partly because it exposes some of the ‘democratic deficits’ in British government during this period. I have also chosen it partly because I had a very small role in publicising some aspects of the case for reform and this, in turn, sheds light on how organisations resist external criticism of corrupt practices.

Corruption often resists detection and exposure because those involved seek to keep their activities secret and because they usually try to avoid creating any obvious paper trail for investigators to follow. The Poulson case is remarkable in that not only were records kept of contacts with particular named individuals, including the amounts and frequency of the corrupt payments, but these records were not destroyed when Poulson’s business ran into terminal financial difficulties.

It is instructive to understand how the Poulson network of corruption operated. Poulson understood that corrupting strangers

is a high risk business. It reminds me that when, as a senior academic, I received some training in fund-raising, the consultant’s mantra was ‘before you can fund-raise, first you have to friend –raise’. This ugly neologism reveals a profound truth about the nature of corrupt networks. All successful sales people understand intuitively that ‘cold-calling’ is the least efficient method of selling. Rather, you need ‘leads’, ‘contacts’, and ‘friends’ so that the targets are already ‘warmed-up’ and predisposed to see the world as you see it and their involvement with you as something not only mutually beneficial but even legitimate.

Poulson’s path from unqualified architect starting a business with a £50 loan to creating the largest architectural practice in Europe was based on what he called ‘salesmanship’. He believed in the power of contacts and in cultivating potential clients through any means available, including freemasonry and local politicians. Starting in his home town of Pontefract, his work spread across Yorkshire and then he extended his networking to Teesside, County Durham and Tyneside.

He also believed in the ‘revolving-door’ strategy whereby he could recruit senior local government officials to jobs and consultancies with his companies. These individuals would, in turn, have excellent contacts and networks and could approach other officials on Poulson’s behalf. In addition to offering financial incentives, Poulson would offer lavish hospitality, trips in private planes, and generous donations to charities favoured by those whose support he was seeking. If an individual liked to gamble, a trip to the races could be arranged. If someone had a building or mortgage problem, John Poulson could be relied upon to find a solution.

Facing charges of corruption, Poulson would later argue that he was simply a very generous man who made a series of unsolicited gifts to a wide range of individuals and he had no thought or expectation of securing any reciprocal benefit for himself. If it could be demonstrated that his companies had been awarded

any contracts by individuals who had enjoyed his generosity, this would not be evidence of any corrupt relationship but rather that his companies were efficient, reliable and competitive on price and project completion. But what Poulson understood very well was that you have to 'friend-raise' before you can fund-raise. His generosity is better understood as a softening-up approach to those who would later be able to direct millions of pounds of business to his architectural practice.

Poulson diversified his business activities and created new companies partly for tax saving reasons and partly to enable him to offer a comprehensive service to prospective clients. His most significant links were with the major building company, Bovis, and through them with T Dan Smith, the leader of Newcastle Council. The plan was that by retaining Smith as a 'consultant', Poulson and Bovis would gain access to lucrative to various town centre redevelopment schemes.

Smith's role in Poulson's plan was to sell the full package of services Poulson and his companies could provide to councils around the country and, to achieve this, Smith would in return need to recruit other 'consultants' in different localities to be 'their man on the ground'. Smith established a public relations company and a number of councillors and others were offered positions. Once the model had been established, some councillors were quick to offer their services before being approached by Smith. By the early 1960s, T.Dan Smith had become a national figure and there were many who believed he would become a member of the next Labour Cabinet, possibly as Minister for Housing.

In the 1960s, the Poulson empire expanded further through the pursuit of international contracts. Clearly, local councillors were of no assistance in the international field so Poulson turned his attention to national politicians, MPs, and most notably, the former Conservative Chancellor, Reginald Maudling, who became chairman of one of Poulson's companies. But the winning of international contracts was more challenging and fraught with difficulties. Some of those they dealt with in the Middle East and elsewhere were past masters at extracting highly lucrative 'commission' and 'facilitation' payments without necessarily feeling constrained to keep their side of the 'bargain'.

The constant expansion and diversification of his companies were creating a growing problem which would ultimately bring down

Poulson and his chief associates. To gain new business, Poulson was setting up new enterprises; taking on new staff, recruiting new 'consultants', and incurring additional expenses to the extent of considerably driving up the cost base of his operations. He had over-reached himself and the front-end loading of the new costs left him short, critically short, of funds to meet his tax obligations. The Inland Revenue closed in and Poulson belatedly realised that he could not pay and decided to declare himself bankrupt in 1971.

The bankruptcy proceedings in Wakefield, which began in January, 1972, exposed the corruption that lay at the heart of Poulson's business dealings. The most striking feature of these proceedings was that Poulson had kept meticulous records of what payments had been made to which councillors, officials, civil servants and MPs and precisely when they occurred. The single largest beneficiary of Poulson's largesse was T.Dan Smith who, over several years, received £155,000 (about £2.5 million in today's prices).

The reporting of these extraordinary activities was sparse and the failure of the national news media to grasp their importance is remarkable. It was left to the skill of Muir Hunter Q.C., counsel for Poulson's creditors, and to some enterprising local journalists and also to the satirical magazine, *Private Eye*, to bring the detail of this corruption story to public attention.

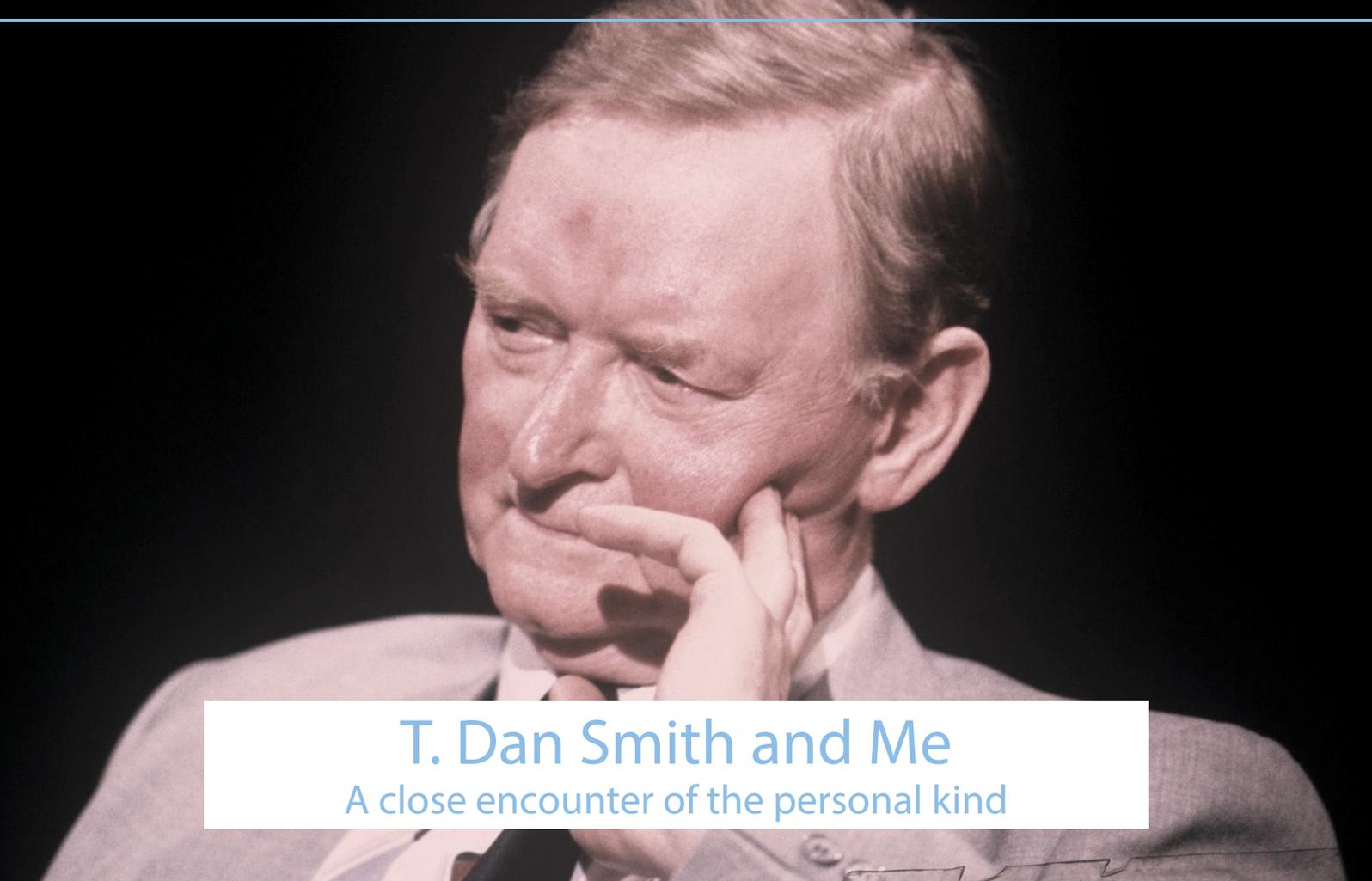
The bankruptcy papers were handed to the Director of Public Prosecutions and one prominent early casualty was Reginald Maudling, by now Home Secretary, who resigned while the investigations continued. The multiplicity of individuals who appeared to be criminally culpable-possibly over 300- posed considerable logistical and investigative challenges to the police and the first arrests were not made until June, 1973.

The prosecuting authorities-the Attorney-General, the Director of Public Prosecutions and the police considered that the only cases worth pursuing were those that seemed to offer the best chance of conviction for straightforward corruption charges rather than any other sorts of charges. They further agreed that some cases were either too old or too trivial to merit prosecution. In short, they decided to prosecute only the biggest and perhaps also the easiest cases in the hope that the other potential cases would somehow be dealt with by other authorities. The reality was that a large number of those who had been engaged in corrupt practices essentially 'got away with it'.

The trials of John Poulson and George Pottinger, a very senior civil servant in the Scottish Office, began in October, 1973, and both pleaded not guilty. Both were found guilty and sentenced to 5 years imprisonment though Pottinger's sentence was reduced by a year on appeal. The Durham County Council leader, Andrew Cunningham, was convicted in 1974 along with T.Dan Smith. Cunningham received a 5 year sentence which was reduced to 4 years on appeal. Cunningham's acceptance of 9 holidays and a 'non-existent' job for his wife were sufficient for the court to find him guilty but he protested, 'All this sort of business goes on. If I am corrupt, half the country is corrupt.'(Doig, p.141).

Smith's business affairs were more complicated in that he had set up public relations companies as well as his own construction company together with his original painting and decorating firm and had links with a range of builders including Cruden's. His construction company was later acquired by Poulson. Interestingly and perhaps paradoxically, Smith, as Poulson's chief lieutenant, received a heavier sentence, 6 years, than his principal, John Poulson.





T. Dan Smith and Me

A close encounter of the personal kind

As a footnote to the Poulson/T Dan Smith story, I would like to share my memories of my own brief encounter with T.Dan. He was a big man in all senses. He was clearly a man of drive, of vision, a man who got things done. On the way, he made enemies; he trampled opposition and his nicknames, 'the mouth of the Tyne' and 'one coat' Smith were not intended as compliments. I had written about corruption in the north-east in the 1970s in the press and briefly joined common cause with Eddie Milne, the then Labour MP for Blythe, who was leading a valiant crusade against the corruption evident in local government in the region. But I never met the 'big man', T.Dan Smith, until long after his fall from grace and his release from prison. Somewhat to my surprise, I found myself sharing a platform with him in Liverpool at an anti-corruption conference in the 1990s.

We had a brief chat about some of the issues facing local government and, in particular about the situation where unpaid councillors were responsible for awarding valuable construction projects and other contracts and I expressed a general sympathy for his analysis of the problems and of the temptations placed in front of people who were generally not financially comfortable.

Later, the television cameras began to roll, and T.Dan, by now as argued his case with eloquence and force. Imagine my horror, when he put his hand on my shoulder and told the audience, as a clinching argument, that 'his good friend, Professor Robert Williams of Durham University agreed with him'. He sat down to applause but I was imagining my hitherto successful career going down the pan as I would now be seen as a close associate of a convicted felon.

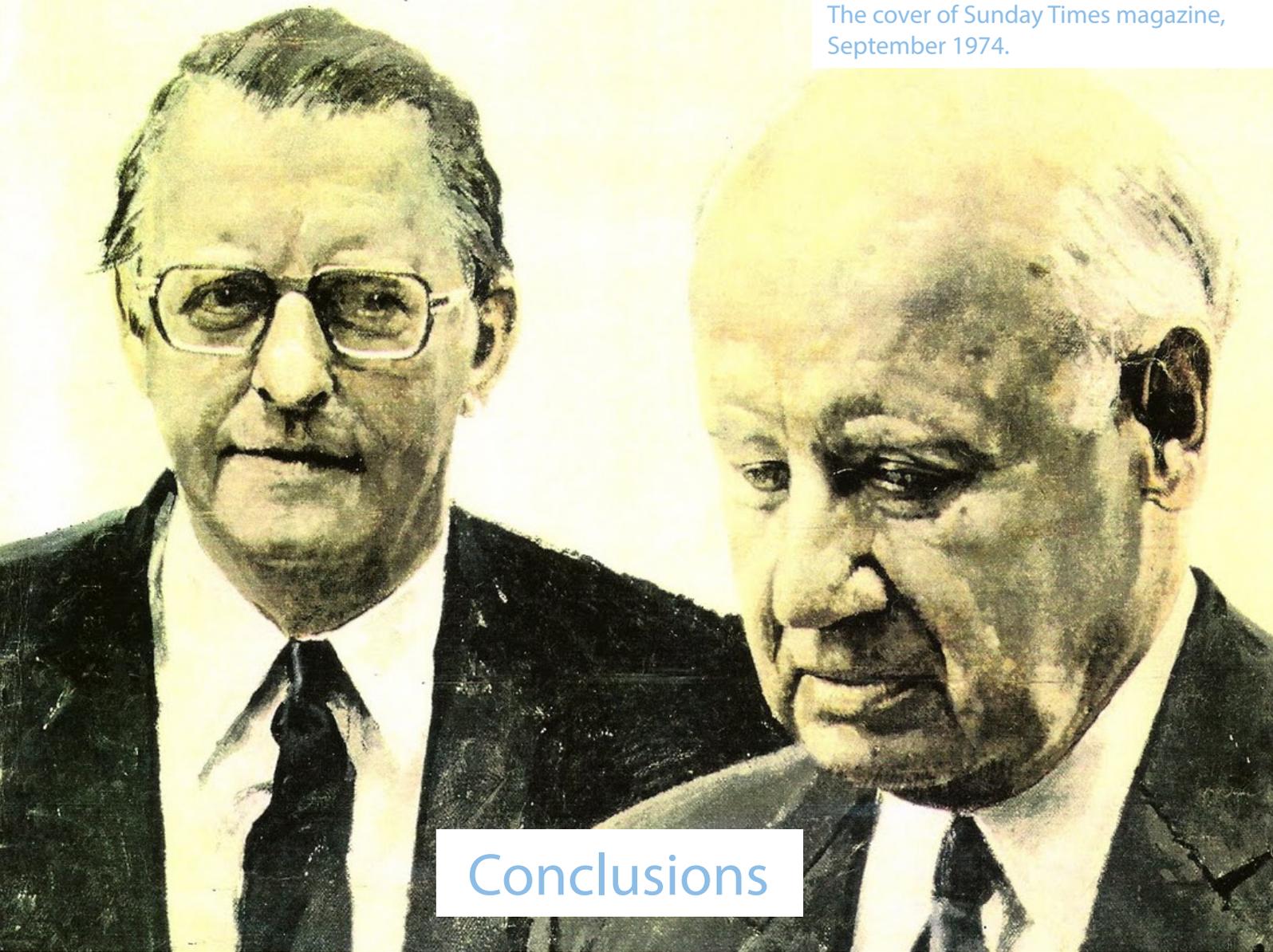
I think part of the point of this story is that T.Dan Smith never saw himself as a crook and he regretted bitterly his decision to plead guilty at his 1974 trial which he attributed to the fact that

he was recovering from a heart attack and so lacked the energy for the fight. He had, after all, successfully pleaded not guilty in the Wandsworth corruption trials a couple of years earlier and attributed the conviction of others in the trial to their inexplicable failure to declare their interests at the relevant meetings. In the Wandsworth trial, Smith asserted that he was affronted by the mere suggestion that he was corrupt and he called only one character witness, the formidable Dame Evelyn Sharp formerly of the Housing Ministry and the legendary first female Permanent Secretary in the civil service. Dame Evelyn testified as to Smith's integrity, apparently to persuasive effect.

The footnote to this footnote is that later that day, after the conference proceedings had closed, I was sharing a drink in the hotel bar with T.Dan Smith and another famous miscreant, John Stonehouse, the former Labour Minister who faked his own death. Stonehouse was then scratching a living from writing thrillers and I mentioned that I was also writing a thriller. Stonehouse asked me what the plot was. T.Dan intervened and told Stonehouse it was his round. While he went to the bar, T.Dan gripped my arm and whispered fervently in my ear, 'Tell him nothing, Bob, that man's a thief, he'd steal from his own grandmother!' Clearly, in T.Dan's eyes, there were degrees of wrongdoing and criminality and his were trivial compared to Stonehouse's.

T.Dan Smith may well have been 'guilty as charged' but it cannot be argued that he was solely or even primarily driven by self-interest in a material sense. After his release from prison, he lived modestly and certainly not in the lifestyle of someone who had gained serious wealth from corruption. He changed Newcastle and how it was perceived nationally. His drive, vision and energy are, in my opinion, still sorely missed in the region.

The cover of Sunday Times magazine, September 1974.



Conclusions

This sorry episode offers a number of points of interest in understanding how corruption grows and flourishes. It tells us quite a lot about the culture and practises of British local government in the 1960s. It tells us much about how 'the authorities' respond, or fail to respond, to allegations of corruption and their investigation. Very often, prosecutions are symbolic, highly selective and unrepresentative of the crimes committed.

If I might be allowed a further personal aside, when I raised questions about allegations of corruption in County Durham, several people told me, 'if you have any evidence, give it to the police'. Apart from the difficulties inherent in investigating corruption for someone with no investigative authority or powers, the then chairman of Durham Police Authority was the ubiquitous, Andrew Cunningham, who combined a range of union, elected and appointed roles in his one person and who was locally perceived as not a man to cross. It is possible that the Durham Constabulary would have investigated rigorously and fearlessly but it is also at least possible that they may have been a little reluctant to investigate their own boss.

In regions or areas where there is a strong sense of party identity and where one party has become accustomed to ruling without much in the way of an effective opposition, the prospects for a culture of corruption to take root are much stronger. Even worse,

the Poulson Affair demonstrates how loyalty to the party too often takes precedence over a commitment to integrity. I was a member of the Labour Party at this time and a number of people told me, quite angrily, that in calling for inquiries into suspected corruption, I was a 'traitor' giving aid and comfort to the enemies of the Labour Party.

The valiant anti-corruption efforts of Eddie Milne M.P. were rewarded with an orchestrated and successful campaign to 'deselect' him as the M.P. for Blythe. He stood successfully as an independent candidate in the first general election in 1974 but then lost to the Labour Party candidate in the second election of that year. These are murky waters to investigate but there is a strong suspicion that the ubiquitous Andrew Cunningham was behind Milne's disgraceful de-selection.

In the one-party state or region, allegations of corruption against powerful party figures rarely emanate from within the party. The consequence is that allegations coming from political opponents or enemies are treated as hostile and threatening and the default position of the ruling party is to close ranks and to deny allegations without serious consideration of their merits.