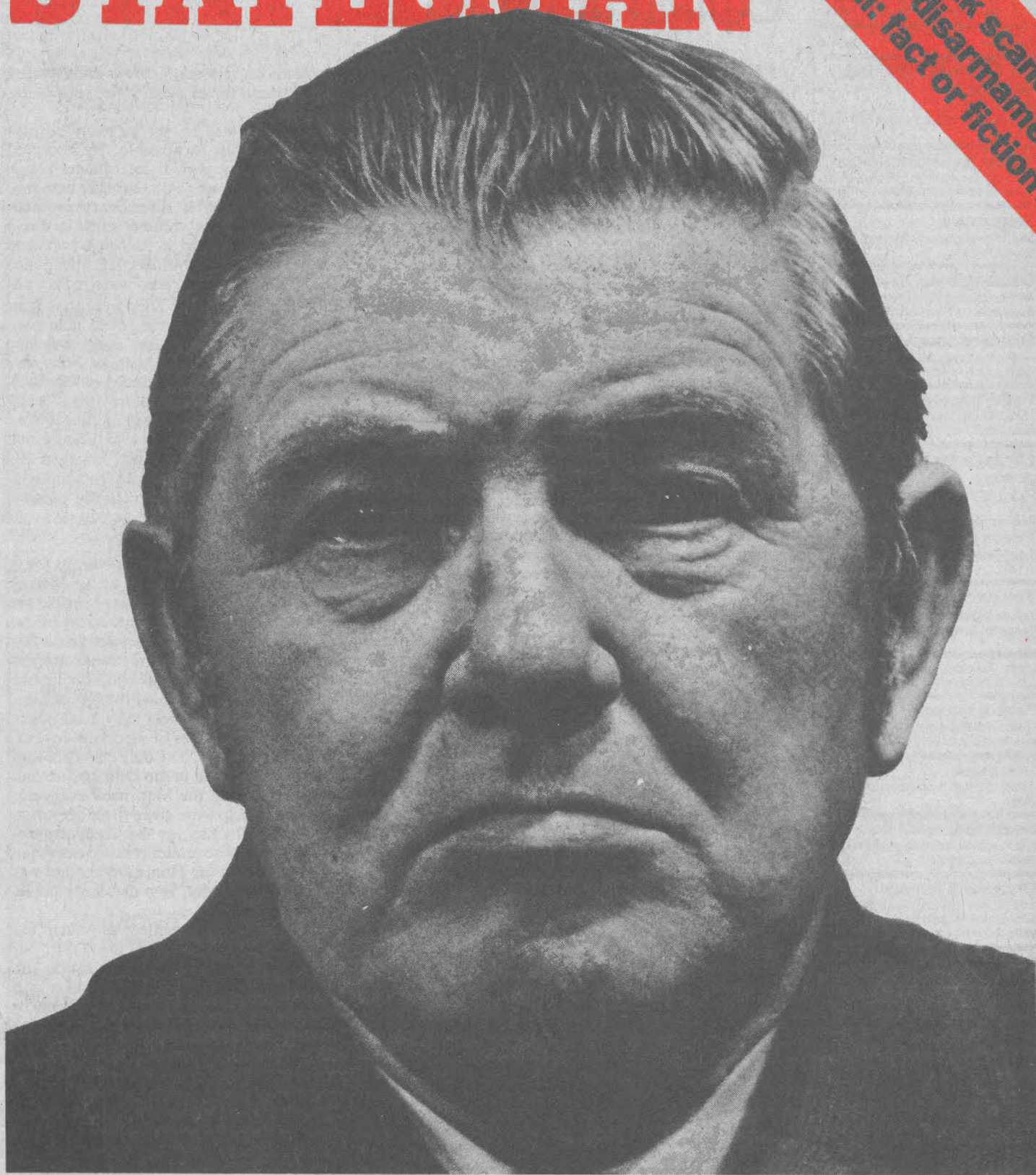


NEW STATESMAN

6 August 1982 60p IR91p US\$1.50 By Air

The Vatican bank scandal
Mary Kaldor on disarmament
The paranormal: fact or fiction?



MELLISH'S MAFIA

The real mafia man

Bob Mellish has retired from the Labour Party amid a blaze of accusations of 'mafia tactics' and 'hit lists' levelled at the London and Bermondsey Labour Parties. DUNCAN CAMPBELL reports on Mr Mellish's career.

HAD HE NOT RESIGNED from the Labour Party on Monday, Bob Mellish faced certain expulsion this Friday at the hands of West Lewisham Labour Party, where he lives. This was because of his campaign against official party candidates in the local government by-elections in Bermondsey this May. After a career of 36 years as MP for Rotherhithe and then Bermondsey, he claims that a local 'mafia' controls the London and Bermondsey Labour Parties. More truthfully, the party mafia was one he once controlled but which no longer responds to his wishes. Aggrieved, he is now bent on doing as much damage as he can.

With the aid of block votes from the Transport and General Workers' Union (where he started his career as a union office boy and clerk in 1929), and his own lobby groups and voting slates, Mellish held the chair of the London Labour Party for 21 years. In that job, he practised all the abuses which he now accuses Bermondsey Labour Party of adopting.

Never genuinely a socialist or a democrat, Mellish has over the years assiduously cultivated the image of a tough-talking golden-hearted dockland MP with his roots firmly amongst the Bermondsey dock workers. In fact he neither worked as a docker or ever lived in Bermondsey. From the more comfortable middle distance of Lewisham he was promoted to an organiser in the T&G docks branch. When the incumbent MP left Bermondsey for a job with the National Coal Board in 1946, the vacant seat was in the gift of his union, as by its block vote the union controlled the local Rotherhithe party (and provided a majority of its members). The same vote also kept him in the chair of the London (later, Greater London) Labour Party, together with a group of union appointees on the right of the party. It would be difficult to describe the combination of the well orchestrated, dominating union votes and Mellish's brusque, bullying authoritarianism as anything much less than 'mafia' tactics. The factions through which Mellish ran the London Labour Party only began to break up in the mid-1970s; when Mr Bert Fry, a T&G organiser who had arranged much of Mellish's support, retired.

Mellish's chief talent — his authoritarianism — was employed by Harold Wilson, who appointed him Chief Whip between 1969 and 1976. Richard Crossman, for whom he worked earlier as a parliamentary secretary, recalled him as domineering, and 'a bit crude, a bit slippery, and a bit

vulgar-minded, and very much the supporter of whoever is his boss at the moment'. Mellish was an eager placeman, and has wanted desperately to be a Cabinet Minister responsible for London and for housing. His political campaigning and personal platform has spanned a narrow field, from orthodox catholic politics and sympathy for the Iberian dictatorships to persistent racist attitudes to immigrants and appeals to free East Enders like gangster Charlie Richardson and 'Scarface' Parsons (a well known robber in the 1950s). He has been associated, to his embarrassment, with three corrupt businessmen — Oliver Cutts, a south London property developer; T. Dan Smith, the former Newcastle-based 'public relations' expert notorious from the Poulson and his own corruption trials; and Sir Eric Miller, chairman of the Peachey Property Corporation, who committed suicide.

From one of them — Oliver Cutts — Mellish accepted several gifts and favours to himself and his family, including £4,000 to assist him purchase a house in Catford, south London, in 1962. He then recommended Cutts for an honour, and Cutts got an MBE, of which he was later stripped after receiving a heavy jail sentence for criminal activities.

Mellish's principal achievement, when he held government office as parliamentary secretary to the Ministry of Housing, was to promote heavily the industrialised building of tower blocks and housing schemes, in place of earlier slums and older housing. The industrialised methods — then largely untested — have proved to be a disaster, and many such estates are now being pulled down after only 12 or 14 years. These tower blocks, Mellish now admits, were an 'appalling blunder'.

Last autumn (after Mellish declared that

he would not seek re-election) the Bermondsey Labour Party selected their secretary Peter Tatchell as the prospective candidate. Mellish effectively blackmailed Michael Foot into a public repudiation of Tatchell. Although the meeting was secret at the time, the particulars are now known. Mellish threatened that he would resign forthwith if Tatchell were endorsed as candidate by the Labour National Executive, and would then campaign against him. Foot eventually agreed to Mellish's demands leading to the enormous and damaging public row last November.

Two weeks ago, in another private meeting with Foot, Mellish issued the same threat. If Tatchell were adopted and endorsed the second time round, said Mellish, he would immediately apply for the Chiltern Hundreds (ie resign). He would then back another candidate, whose label would read 'the real Labour Party candidate'. Mellish's behaviour has, says a knowledgeable MP, been 'utter blackmail'.

Previously, Mellish had been able to bully Labour Party members at all levels into delivering what he wanted. This time — after backing other candidates against Labour — he had shot his bolt, and Foot said so. On previous occasions, Foot had been ready, despite present party policy, to offer Mellish a peerage to stop him kicking over the traces. But by July 1982, this was no longer on offer.

Last week, Mellish was negotiating with the SDP to see if, when Tatchell was endorsed as the Labour candidate, they would give Mellish's proposed independent candidate a clear run. Apparently they would. But the constituency is Liberal territory in the Alliance's carve-up, and the Liberals do not at present appear willing to strike such a deal.

Two local names have already been suggested as the Mellish candidate against Peter Tatchell in a future Bermondsey by-election. One is John O'Grady, the right-wing Southwark councillor. The other is Michael Ward (not the present GLC councillor of the same name), a former Labour MP for Peterborough, who lived in Bermondsey until 18 months ago. Between 1964 and 1970, Mr Ward was T. Dan Smith's representative in London, and was an employee and later a director of a Smith company, Fleet Press Services, which was convicted in 1970 of bribing a member of Wandsworth Borough Council.

Mellish himself has a secure future as the deputy chairman of the Docklands Urban Development Corporation, the planning and development authority of the new Tory 'enterprise zone' in dockland.

MELLISH HELD minor government posts under Attlee. He readily lent himself to a campaign by MI5 and Attlee to attack the 1949 dock strike as communist-inspired. Mellish was among four dockland MPs who passed details of alleged communist influence in the docks to MI5. Attlee

Labour Liaison '69

FOR A GO-AHEAD REGIONAL EXECUTIVE COMMITTEE !!

The Socialist Alliance of Party Activists, Co-operators and Trades Unionists recommends support for the following nominees for the Regional Executive Committee of the Greater London Regional Council of the Labour Party at the Conference to be held at Camden Town Hall on 22 and 23 February 1969

CHAIRMAN R. J. MELLISH M.P.

Part of the criticism of the Labour left by right wingers like Mellish has been that they organise 'slates' of candidates to vote for in elections, supporting some factional view. This document, circulated by right-wingers in advance of the 1969 Greater London Labour Party elections shows how the Mellish machine secretly operated. Under the somewhat ironic banner of the 'Socialist Alliance for a go-ahead regional executive', this slate of 20 names of very right-wing candidates was secretly circulated to sympathetic delegates. The two principal offices were to go (and did go) to Bob Mellish and to Bert Fry, who as a TGWU national official, orchestrated support for Mellish and his group from the TGWU, GMWU and NUPE — then all right wing. The slate did not cover union appointees to the Party's council since, as Fry now admits, 'we (he and Mellish) would get together with the trade unions and arrange that (ie, who was elected)'. Slates have more recently been used by both sides in elections, but the first left wing slate, for a 'Charter' group did not appear until six years later. Mellish has subsequently accused the left of inventing such tactics.



Oliver Cutts, (left) an unscrupulous south London property developer gave £4000 to Bob Mellish in 1962 to purchase an ample and spacious new home in Catford (see above). Although the money was later repaid, this and other gifts was followed by a recommendation by Mellish that Cutts should receive an MBE for his 'services to sport'.

had 30,000 copies of a speech Mellish made reprinted and circulated to dockers. Mellish had claimed to identify a 'communist plot to wreck Britain's economic structure'.

To Mellish's right-wing outlook were added an embarrassing measure of sympathy for the regimes of Franco and Salazar in Spain and Portugal. He accepted briefly the post of deputy chairman of an Anglo-Spanish parliamentary group in the 1950s. A trip to the Portuguese colony of Angola in 1964 produced an angry row with Bermondsey Trades Council, after he praised the dictatorship's regime there. 'I saw no sign of suppression,' he said. His parliamentary support for the catholic lobby brought him the reward, in 1959, of membership of the papal order of 'Knights of St Gregory'. He is also, according to close acquaintances, a member of the secret order of 'Knights of St Columba', which is the catholic equivalent of the freemasonry.

MELLISH'S FIRST MOVE in a business direction caused grave embarrassment to the Labour Party. In January 1962 he formed a company with Tory MP Paul Williams (later, a chairman of the Monday Club) — Personal Relations Ltd. They says would act as 'industrial peacemakers'. He seemed surprised by the opposition this provoked, but resigned from the venture after protests from the Sunderland Labour Party (where the Tory MP had his seat).

Later the same year, Mellish accepted the largesse of a south London businessman Oliver Cutts. Cutts had set out to make himself wealthy, and buy himself a knighthood. He hoped that Mellish would help him scale these social heights. Cutts

had declared himself a conscientious objector during the war, and run a coal business, instead of joining up. After the war, he made himself £40,000; and had received a conviction, in October 1945, for handling stolen anthracite. During the 1940s and 50s, he made hundreds of thousands of pounds by developing garages and other property in Deptford and Bermondsey. He was soon entertaining handsomely. He first met Mellish in 1953; thereafter he entertained him 'a couple of times a week at the Savoy', Cutts said later.

During 1962, Cutts paid £4,000 of the £7,000 cost of a new house for Mellish in Bromley Road, Catford. It was a substantial detached house, with large grounds. Cutts' money was in effect a gift — but later he demanded and got it back — his purpose in the gift (to get on the road to a knighthood) frustrated. A few years later, he bought a second house at Lancing Park, Lancing in Sussex, in which he spends an increasing part of his time.

Cutts also paid £280 in 1962 for the 21st birthday party of the MP's eldest son, Robert. When the quality of the catering displeased him, he destroyed the engine of the caterer's car. With the aid of the Mayfair solicitor, Michael Harkavy, Cutts set up an International Sports Trust the same year to run a house he had bought in Hampshire as a training centre for Olympic athletes. Whilst it was used by the International Athletes Club, they refurbished it and built a running track and tennis courts. These benefits went to Cutts, who closed the centre down in 1965 and sold it in 1967 for £62,500 — more than three times what he had paid for it.

The International Sports Trust which had presided over the affair included as its

trustees Cutts himself, Bob Mellish, Tory MP Sir Hamilton Kerr, and five athletes. Cutts, a sports enthusiast, saw these moves as part of his road to the top. He further tried to help the Mellish family by arranging a job with his solicitor's legal firm for the MP's third son, Michael, when he finished a law degree at Cambridge. The solicitor changed the name of his firm to Mellish and Harkavy of Mayfair — even though there was some time to go before Michael Mellish could join the firm, and then only as an articled clerk. When, at the end of 1962, Mellish recommended Cutts for an honour, Cutts was bitterly disappointed when this turned out to be only an MBE, and not a knighthood.

Cutts became the first person to be stripped of the honour in 1968, after he was convicted on a string of charges of malicious damage, perjury and conspiracy to pervert the course of justice. He had paid three men to give false evidence of his wife's adultery in a divorce case the previous year, and had burnt or destroyed the houses or cars of people who had crossed him in business. The law firm of Mellish and Harkavy was investigated at the same time by the Law Society, after the judge in the divorce proceedings said that the firm's conduct of the case had made him 'most uneasy'. In the end Michael Mellish subsequently never joined the firm even as an articled clerk. The friendship between Cutts and Mellish apparently ended after Cutts demanded repayment of his £4,000 when the MP had refused to give suitable evidence in Cutts' divorce case.

Another hospitable acquaintance — T. Dan Smith — was also to cause Mellish considerable embarrassment. From 1964 to 1967, Mellish was joint parliamentary secretary at the Ministry of Housing and Local Government. He was responsible for government policy towards London housing and new towns. He occasionally styled himself 'Minister of London Housing', after the job he really wanted. The Labour government wanted to get 500,000 houses a year built by 1970. T. Dan Smith wanted as many houses as possible to be designed by his partner John Poulson, or the Open System Building Company which they had founded to promote industrialised building methods. Not infrequently, the two objectives coincided.

During 1964 and 1965, Mellish repeatedly visited local authorities in London, haranguing them in order to boost the rate at which houses were being built. He was an avid protagonist of system-built blocks. This was also the period when Smith was at his most active; he had become chairman of the Northern Economic Planning Council, and through a network of 'public relations' companies was bribing and purchasing influence in many councils in the North East, London, and elsewhere.

Only those on the payroll knew this, however, and no evidence suggests that Bob Mellish joined the Smith payroll. But the two met at Smith's frequent luncheons or dinners at the Carlton Towers Hotel and at Labour Party functions. In 1967, for example, at the suggestion of Andy Cunningham, a Smith lieutenant and Durham councillor who was on Labour's national executive, Mellish joined the party's Local and Regional Government Advisory Com-

mittee. T. Dan Smith was on this committee together with his employee Michael Ward.

In 1973 Mellish's alleged involvement in two construction projects involving corruption – a housing estate in Doddington Road, Wandsworth, and an army camp at Catterick – was investigated by officials of the Department of the Environment, after the Prime Minister was questioned about an article in a left wing magazine, *Chartist*. The article had suggested that Mellish, Michael Ward and others had all assisted Smith and other corrupt public officials by approving contracts with them. A confidential minute of the DoE enquiry has been obtained by the *New Statesman*. It includes a report to the Department's Permanent Secretary that no evidence could be found of 'any attempt to involve ministers'. The Prime Minister (Heath) was told that that 'we have looked at the files, and there is no indication that anything improper occurred'.

Mellish was also apparently caught up in another Poulson contract, for the extraordinary Gozo hospital project in Malta. As Minister of Public Buildings and Works, he went on an official visit to the island in July 1968, to inspect the ministry's work and plans in the area. The Department of the Environment now refuse to say what the purpose of the visit was, but the timing is highly suggestive. The most important new project in Malta at the time was the Gozo hospital, which had not progressed an inch after the Queen laid a foundation stone in November 1967. Two days after Mellish returned to the UK, it was announced by the Ministry of Overseas Development (who had primary responsibility for works for other governments) that Britain would pay one hundred per cent of the £1.6 million cost of the hospital.

The Poulson and Smith scandal lasted through the early seventies. In 1976 it was claimed by Eddie Milne, the Blyth Labour MP who was later forced to restand as an Independent that Mellish had been one of those who resisted inquiries:

I consider that they (Ted Short and Mellish) had been the two main persons blocking my efforts to get some sort of examination into the Labour Party in the North East.

Throughout the period of the Poulson investigations, Mellish was Labour Chief Whip, having been moved out of the Ministry of Public Buildings and Works by Harold Wilson who had wanted a fierce whip on Labour MPs to get through the *In Place of Strife* proposals on industrial relations.

The reward for this effort, Mellish hoped, would be a title as grand as 'Lord London' or Lord Mellish of London. But Wilson left office too quickly.

In 1979, both Wilson and Mellish were identified in a police intelligence report as close friends of the late Sir Eric Miller, together with the late Reginald Maudling. The reports had been leaked to Miller by Police Chief Superintendent Groves, who was convicted of corruption in connection with Miller. The report, prepared by the Yard's C6 Commercial Criminal Intelligence Branch, characterised Miller as 'a very unpleasant person who would screw anyone for a buck'. □

ECONOMY

Taking it to the edge

The West Midlands County Council faces a massive task reviving their region's economy. JANE HOULTON reports on its first moves

LAST DECEMBER Paul Williams, managing director of Sage Aluminium Products, surveyed his trading forecasts for 1982: catastrophe was looming. The company, producing high pressure aluminium die castings, was overburdened with debt, and likely to lose new orders coming its way from its major customer, Ford Motor Company. Its ultimate owners, an investment company called Gael Securities, had borrowed money heavily against Sage's assets and, now themselves in financial trouble, had no capacity left to save a fundamentally sound and competitive business. Paul Williams knew that Sage would be in desperate trouble by July or August.

Last week, the company was saved, and with it 140 jobs. The new West Midlands Enterprise Board, brainchild of the Labour Council, announced its first large-scale investment. The WMEB will provide £450,000 of equity capital to help restructure the company. Sage's five managers and its employees will provide an additional £70,000. Financial institutions will play a considerable role – the Northern Bank Development Corporation will convert a £100,000 loan to equity; and Sage's banks will increase loan facilities and reschedule Sage's estimated £1 million debt.

This investment, the first major one by a local enterprise board, has a significance beyond the saving of 140 jobs. Sage isn't a lame duck, but it's an investment which will show no short-term returns and one in which, according to Norman Holmes, Chief Executive of the Board, 'conventional financial institutions would have shown little or no interest'.

The institutional investor taking a superficial view, would have noted that Sage was in the foundry business (in which there is substantial overcapacity in the United Kingdom), that it was selling into the automotive industry (notoriously hard hit by the recession), that the balance sheet was overburdened with debt (meaning that Sage needed urgent cash investment with little hope of dividends for a few years). In conventional terms, a lousy investment.

A more perceptive eye would have noted that Sage had a very strong market position; and that its problems stemmed from short-sighted financial management, not from any industrial weakness. Sage's balance sheet revealed that owners Gael Securities, now in liquidation, had built up £1 million of debts for £450,000 of equity. This meant that interest payments of close to £150,000 each year chewed up the money Sage badly needed to expand. New contracts from Ford for castings for the

new Ford Sierra model hung in the balance because Sage lacked working capital. Sage could not afford to convert an oil-fired boiler for its furnaces to gas, which would have cost £55,000 and saved £130-140,000 each year.

Sage is one of only two firms in the United Kingdom capable of supplying high pressure aluminium castings; it has modern, specialised plant. It has a very strong reputation with Ford and is one of Ford's two suppliers of high quality castings. Had Sage gone bust, Ford would have had to look overseas for another source of supply. And Sage has been increasing market share in a stagnant market – its order books show real growth of five per cent over the next few years.

IN RETURN for its 'patient' capital, the WMEB should get long-term growth and defensible employment – and a planning agreement. However, the 140 jobs saved at Sage seem a drop in the ocean compared with the 2,000 jobs that are being lost each month in the West Midlands. The County Council has set itself the ambitious goal of saving or creating 5,000 jobs annually, and although there's a great deal of activity, that target is far away.

Before the Sage investment, the Council had succeeded in creating 500 jobs, and 625 training places, since May 1981. Twenty-four jobs had been created at G. R. Smithsons of Wolverhampton with £50,000 investment from the WMEB. In a joint scheme with a private financial institution, ICFC, the Council is spending close to a quarter of a million pounds over five years to subsidise interest rates by five per cent; 181 jobs have so far resulted. Ten co-operatives (with 33 jobs) have been set up with £100,000 assistance; a further 20 to 30 co-ops (two of them large) are close to setting up.

Councillor Geoff Edge, Chairman of the WMEB and of the Council's Economic Development Committee, is cautious about expectations for job creation. To do this in the long term, the Council should be funding products development and assisting innovation. Realistically, Edge claims, the Council's work is now in saving good firms with skills.

The Enterprise Board's budget of £3.5 million will not go very far, if each investment like Sage takes close to half a million pounds to secure 140 jobs. But Geoff Edge sees the Council's role as catalyst, mobilising private capital. He talks a great deal about 'leverage'. 'For every £1 of rate money in Sage, the private sector's spending £2. On other projects, the private sector goes as high as £10.' As yet the Council is spending only rate money, though pension funds such as British Rail are expressing interest.

Sage's management has concluded agreements with the Enterprise Board on employment, training, health and safety, equal opportunity and trade union recognition. In addition, the Board exacted conditions on cost-saving, and the appointment of a new manager to strengthen marketing skills. Sage's workforce, who have been consulted on the deal, will be offered £20,000 worth of shares and a director on Sage's board when they return from holiday later this month. □