



PRIME MINISTER

COURTAULDS - COMPENSATION FOR MR MORRIS, EX NEB DEPUTY CHAIRMAN

*The person who is culpable is Mr Morris. People in his position must be presumed to know the consequences of their own actions. Like Mr. A. did not consider them, or disregarded them. Mr Hogg's complaint should be to Mr. A. not to us. ref*

Christopher Hogg, the Chairman of Courtaulds, recently came to see me about the compensation Courtaulds have had to pay Mr Richard Morris who was the then Deputy Chairman of the NEB and who resigned with the rest of the NEB Board last November. Mr Morris and Sir Leslie Murphy were the only full time members of the Board.

2 Mr Morris was appointed by my predecessor at a time when he was a full time member of the Courtaulds Board. The arrangements reached for his transfer to the NEB included leaving Mr Morris notionally on the Courtaulds' payroll in order to enable him to continue within the Courtaulds pension scheme, though this arrangement was due to terminate at the end of his contract with the NEB. Courtaulds believed therefore that he would not return to their service nor had they any appointment to which he might return.

3 Mr Morris' resignation from the NEB left Courtaulds with an outstanding liability to him since his contract had not yet expired - indeed had 2 years 5 months to run. Courtaulds were legally liable to pay compensation and have done so to the tune of £50,000. Mr Hogg came to see me because, while he recognises that the Government has no legal liability to Courtaulds, he believes, quite strongly, that there is a moral responsibility to the company and its shareholders, who were innocent bystanders and



have suffered a financial loss.

4 You may recall that there was some Parliamentary interest in the question of compensation for Sir Leslie Murphy and Mr Morris, and I understand that when you answered a Question on this subject (O.R Col 220 28.4.80) you minuted the papers that no compensation should be paid. We have stood on this position.

5 I have great respect for Mr Hogg and he put the company's case for recompense in a way which indicated his clear understanding of the principle that we cannot agree to compensation for someone who resigns from the public service voluntarily. He had earlier been to see Sir Ian Bancroft and so was in no doubt on the importance of this principle to us.

6 I gave him no reason to believe that we could breach this principle and he accepted this. Nevertheless, I do feel there is a distinction between our paying compensation to Mr Morris, and relieving the company from at least some part of the loss which they have suffered, largely because they entered into arrangements with our predecessors which were intended to facilitate the transfer of Mr Morris to a public appointment. There is no question of bad faith on anyone's part but I believe there is a case for making some payment to the company - I suggest £25,000 or 50% of their loss. I believe that if we do not pay the full amount we shall have preserved the essence of the principle and any payment should be made as an extra statutory recognition of the extraordinary loss the company has suffered.

/I ...



I recognise, however, that you will also want the advice of the Lord President since I know that the Civil Service Department have felt unable to agree to such a payment. I am therefore copying this minute to the Lord President.

KJ

6 K J  
October 1980

Department of Industry  
Ashdown House  
123 Victoria Street

Thursday 24 April 1980

(Answered by the Prime Minister on 24 April)

UNSTARRED Mr. Jock Bruce-Gardyne: To ask the Prime Minister,  
NO. 137 what consideration she has given to requests from former members of the National Enterprise Board, or their current employers, for compensation for loss of emoluments from public funds following their voluntary resignation from this Board; and what conclusions she has reached.

My right hon. Friend and hon. Friends have considered one such request; no payment has been authorised in respect of it. Another case is still under consideration.

| Must we not accede  
to this request. The person concerned  
resigned voluntarily  
not.

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BACKGROUND NOTE

Mr Bruce-Gardyne's question relates to the resignation, on 21 November last, of Sir Leslie Murphy and Mr Richard Morris from their posts as, respectively, Chairman and Deputy Chairman of the NEB. (There have been other resignations from the NEB - the rest of the Board in November last; Sir Michael Edwardes; Lord Ryder; Mr Alistair Frame; Mr Harry Urwin - but none of these has involved questions of compensation).

Lord Goodman wrote on 14 December last to the Permanent Secretary of the Department of Industry, seeking compensation for Sir Leslie Murphy. After exchanges at official level the Secretary of State wrote to the Minister of State, Civil Service Department, recommending modest compensation, but Mr Channon felt unable to agree. Lord Goodman has been told that this is the Government's conclusion, and has challenged it, but our impression is that Sir Leslie will not take it further.

Mr Morris's case is rather different. He has not himself sought compensation from the Department, but we considered the merits of his case superior to those of Sir Leslie Murphy, and (in parallel with pursuing Sir Leslie's case) invited the Civil Service Department to agree that compensation would be appropriate. Sir Ian Bancroft rejected this proposal but in the meanwhile Courtaulds (Mr Morris's former employers) paid him £55,000. The background to this is that Mr Morris was seconded from Courtaulds to the NEB for four years on the understanding (agreed by the Civil Service Department) that he could remain in Courtaulds' pension scheme and that during this period the NEB would pay the employers' pension contribution of £16,000 p.a. What was not known to us, however, was that Courtaulds were not prepared to re-employ Mr Morris when his secondment to the NEB was over. So when it suddenly ended, because of his resignation, Courtaulds found they were legally committed (by a contract which we had never seen) to compensate Mr Morris for the balance of the four years. (This payment was reported in the Press and is presumably reflected in the terms of Mr Bruce-Gardyne's question). Courtaulds have no legal claim on the Department to reimburse them, although the possibility of an ex gratia payment has not yet been ruled out.

In replying to the question there is a temptation to plead confidentiality, but the matter has already been reported in the Press and Mr Bruce-Gardyne has already put down one question about it which was unforthcoming (copy attached). The recommended draft reply (which has been agreed with the Civil Service Department) therefore goes a little further.

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COLUMN

690

INDUSTRY

National Enterprise Board

Mr. Bruce-Gardyne asked the Secretary of State for Industry what contractual provision for compensation payments in the event of voluntary resignation is made by the National Enterprise Board in respect of its present and former employees; and if he will ensure that no commitments are entered into by the National Enterprise Board as a charge on public funds in excess of any such contractual commitments.

COLUMN

691

Mr. Michael Marshall: Compensation payments for employees of the board are a matter for the board. Board members are not employees of the board; any compensation payments to them would be a matter for my right hon. Friends the Prime Minister and the Secretary of State.

# Ex-NEB executive receives £50,000

By Hazel Duffy, Industrial Correspondent

COMPENSATION for the two full-time members of the former Board of the National Enterprise Board, which resigned in protest at Government policy last November, has been sought and in one case has now been agreed.

Mr. Richard Morris, aged 54, formerly deputy director of the NEB, has settled for compensation of about £50,000 from Courtaulds, his former employers, but Sir Leslie Murphy, former chairman of the NEB is still seeking compensation.

Mr. Morris was on a four-year secondment from Courtaulds. After the NEB Board resignations he did not return to Courtaulds, apparently by mutual agreement between himself and his former employers. He was earning £35,000 a year, at the NEB and his contract was not due to expire until April, 1982.

Although the settlement is with Courtaulds, it is expected that the company will try to get some of the money reimbursed through the NEB. The actual amount of Mr. Morris's compensation will appear in the forthcoming report and accounts of the NEB. He is a part-time director of British Nuclear Fuels but has not had a full-time job since leaving the NEB.

Sir Leslie Murphy, former chairman, is still seeking compensation but in his case it is through the Industry Department, as he was appointed by the Secretary of State for Industry. He says he is not legally entitled to compensation, since he resigned from the Board. But he was told by Industry Department officials after his

resignation that the matter would be investigated.

Sir Leslie, who will be 65 this year, says he has made no personal representations to the Government about any payment. The matter is in the hands of a solicitor, but Sir Leslie denies that there is any dispute over the case. It would be "entirely at the discretion of the Department" to make a payment, says Sir Leslie, whose three-year contract was due to expire on July 31 this year.

He was earning nearly £42,000 a year when he was at the NEB, which would have been increased to £48,500 from the beginning of this month.

Sir Leslie and Mr. Morris were the only full-time members of the NEB Board. As part-time directors, the others received only token payment. The whole Board resigned over the Government's handling of the Rolls-Royce affair, which ended with Rolls-Royce being transferred back to the Industry Department.

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Handwritten initials: J  
WPB

10 DOWNING STREET

From the Private Secretary

20 October 1980

Dear Ian

Courtaulds: Compensation for Mr. Morris, ex-NEB Deputy  
Chairman

The Prime Minister has seen the Secretary of State for Industry's minute of 6 October, and the Lord President of the Council's minute of 13 October, about Mr. Morris.

The Prime Minister has noted that there is a discrepancy in the accounts of the background to the case offered by your Secretary of State and by the Lord President. The Lord President records that, when Morris was recruited, the Department of Industry were under the impression that he would eventually be returning to the company. Your Secretary of State notes that the continued contractual arrangement with Courtaulds was due to terminate at the end of his contract with the NEB, and that Courtaulds believed therefore that he would not return to their service. In the absence of agreement on the facts of the position at the time, the Prime Minister is left in some difficulty in being asked to make a ruling.

Mrs Thatcher has, however, commented that the person who is culpable is Mr. Morris. She believes firmly that people in his position must be presumed to know the consequences of their own actions. Either Mr. Morris did not consider them, or disregarded them. In her view, therefore, the Chairman of Courtaulds should be complaining to Mr. Morris and not to the Government. Against this background, the Prime Minister would be most reluctant to authorise any payment, even if it were confirmed that your Secretary of State's version of the original understanding is the accurate one.

I am sending a copy of this letter to Jim Buckley in the Lord President's Office.

Yours ever  
Mike Pattison

Ian Ellison, Esq.,  
Department of Industry

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Handwritten initials: HS





Civil Service Department  
Whitehall London SW1A 2AZ  
01-273 4400

From the Private Secretary

21 October 1980

Mike Pattison Esq  
Private Secretary to the Prime Minister  
10 Downing Street  
London SW1

*Prime Minister*

*I think this confirms  
that there can be no  
question of an ex-  
gratia payment to  
Morris. Agree?*

Dear Mike,

*Yes Mr.*

COURTAULDS - COMPENSATION FOR MR MORRIS, EX-NEB  
DEPUTY CHAIRMAN

We had a word about your note of 20 October to Ian Ellison.

*MA 22/x*

The statement in the Lord President's minute of 13 October that when Morris was recruited the Department of Industry were under the impression that he would eventually be returning to the company is based on information given to us in March of this year by the Department of Industry. It was after his recruitment that Morris told the Department that it had been agreed with Courtaulds that he would not be returning to their service. It was therefore Courtaulds and Morris who changed the original expectation and this they did without consulting the Department.

This clarification can I think only add emphasis to the Prime Minister's view which you set out in your minute.

I am sending a copy of this letter to Ian Ellison in the Secretary of State for Industry's Office.

*Yours sincerely,  
Jim Buckley.*

J BUCKLEY



10 DOWNING STREET

*From the Private Secretary*

23 October 1980

Thank you for your further letter of 21 October about the compensation issue in the case of Mr. Morris.

In the light of the additional information you have provided, the Prime Minister has confirmed her view that there can be no question of the Government making an ex gratia payment to Courtaulds in respect of Mr. Morris.

I am sending a copy of this letter to Ian Ellison (Department of Industry).

M. A. PATTISON

Jim Buckley, Esq.,  
Lord President's Office.

SN

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PS/ *Secretary of State for Industry*

27 October 1980

Mike Pattison Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON  
SW1

*✓ MP 25/10*

*Dear Mike*

COURTAULDS : COMPENSATION FOR MR MORRIS, EX-NEB DEPUTY  
CHAIRMAN

Thank you for your letter of 20 October reporting the Prime Minister's comments on my Secretary of State's minute of 6 October and the Lord President of the Council's minute of 13 October, about Mr Morris. I have also seen a copy of Jim Buckley's letter to you of 21 October.

2. The Prime Minister commented that there appeared to be a discrepancy in the account of the background to the case given in these two minutes. The accounts are in fact consistent. When Mr Morris was appointed to the NEB, the Department assumed that he would be returning to serve with Courtaulds at the end of his NEB service. However, it subsequently emerged that Courtaulds had come to an arrangement with Mr Morris that he should terminate his service with Courtaulds on the day his four year contract with the NEB expired. It is therefore true to say that Courtaulds did not believe he would return to their service.

3. I hope this sets out the background clearly. My Secretary of State accepts that this does not affect the merits of the case. He agrees reluctantly therefore that he should now write to the Chairman of Courtaulds confirming that since Mr Morris resigned voluntarily from public service there can be no question of compensation being paid.

4. I am sending a copy of this letter to Jim Buckley in the Lord President's Office.

*Yours ever*  
*Catherine Bell*  
CATHERINE BELL  
Private Secretary

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28 OCT 1980

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B



PRIME MINISTER

COURTAULDS - COMPENSATION FOR MR MORRIS, EX-NEB DEPUTY CHAIRMAN

I am afraid I see very strong objections to the proposal in Keith Joseph's minute of 6 October.

2. If a man chooses to resign from office he must accept the financial and other consequences. If he is in the public service, he cannot expect to be compensated for his losses from public funds. Your Parliamentary Answer of 13 May laid this down unequivocally. We took a firm line on it with Lord Goodman over Sir Leslie Murphy. It was relevant when Sir William Barlow resigned from the Post Office. It came up again only this week in the case of Sir Francis Tombs. There will be others in future. I am sure the principle is right and I would not wish to see it weakened.

3. The former Deputy Chairman of the NEB resigned voluntarily with his colleagues as a protest against Government policy. He has, however, escaped the full financial consequences by exploiting a private arrangement with Courtaulds, under which they felt legally bound to pay him £50,000. The Government was not a party to the arrangement. Indeed, when Morris was recruited, the Department of Industry were under the impression that he would eventually be returning to the company. Nor was the Department consulted before the compensation payment was made.

4. In effect, we are being asked to indemnify Courtaulds against the consequences of their independent decision not to reabsorb Mr Morris into the Company. We should be financing a payment over which neither we nor the NEB had any control and which was triggered off by a purely voluntary resignation. That would not be easy to defend in public.

5. There is a lively Parliamentary interest in the whole subject of compensation and in April the Press reported this particular case in accurate detail (cutting attached). I agree with Sir Ian Bancroft that it could be alleged - however unfairly - that a payment to Mr Morris had been "laundered" through Courtaulds. We could not deny that £25,000 of public money had found its way to him; and no simple public explanation could be offered. The fact is that the Government was in no way responsible for Morris's resignation or for Courtaulds' having to compensate him.

6. I recognise that Courtaulds were helpful at the time of Morris's appointment. And I can fully understand Keith Joseph's wish to assist the Company if possible. We do not want to lose their goodwill or that of other companies. But the principle at stake here is important and even an indirect and partial payment would be a bad precedent. I find it hard to accept that we have a moral obligation to Courtaulds, and I think we should say firmly that we cannot make this payment without undermining an important principle. I hope that Keith Joseph could put it to Christopher Hogg in this way, while making it clear that we shall not forget the help given by the Company in a very difficult situation.

7. I am sending a copy of this minute to Keith Joseph.

S.

SOAMES

13 October 1980

# EX-NEB executive receives £50,000

By Hazel Duffy,  
Industrial Correspondent

COMPENSATION for the two full-time members of the former Board of the National Enterprise Board, which resigned in protest at Government policy last November, has been sought and in one case has now been agreed.

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1. MR. WHITMORE ✓  
2. PRIME MINISTER

I agree that we should proceed as Mr. Falkner proposes. NEW 17X.

There is a row in progress about compensation for Mr. Morris, the ex-Deputy Chairman of NEB.

Keith Joseph (Flag A) believes that the Government should make an ex gratia payment to Courtaulds of 50 per cent of the compensation they have felt obliged to make to Morris, who remained on secondment when he went to NEB. Lord Soames (Flag B) argues both that this is wrong in principle and that it would leave room for allegations that a payment to Mr. Morris had been "laundered" through Courtaulds.

This comes to you for ruling in a most unsatisfactory form. There is a disagreement over the facts. Lord Soames believes that, when Morris was recruited, the Department of Industry were left with the impression that he would eventually be returning to the Company. Sir Keith Joseph records that the arrangements for his transfer to NEB included leaving him notionally on the Courtaulds' payroll in order to enable him to continue within the Courtaulds' pension scheme, though this arrangement was due to terminate at the end of his contract with the NEB. The problem that has now arisen is a consequence of the mass resignation of the NEB Board. Courtaulds have found it impossible to reabsorb Mr. Morris and they have, therefore, had to pay him substantial compensation for the remaining period of his contract, which he was in practice expected to serve out with NEB. The amount is £50,000. Sir Keith would like to meet £25,000 of this.

I do not believe that you can rule until there is agreement about the understandings at the time of his appointment. Even if it is established that Courtaulds had no expectation of Morris returning to them, I think that there is considerable substance in Lord Soames' objections to a payment which will in effect find its way to Mr. Morris.

/Should we ask



Should we ask the two Ministers to reach an agreed view of the facts of the original arrangement with Courtaulds, but make it clear that you will be most reluctant to authorise any payment?

MA

16 October 1980