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10 DOWNING STREET

From the Private Secretary

25 September 1981

Dear Terry.

As you know, the Prime Minister held a meeting on Wednesday, 23 September to discuss Merseyside and related matters. The following were present: the Home Secretary, the Secretaries of State for Scotland, Social Services, Industry, Transport, the Environment, Employment, the Lord Chancellor, the Chief Secretary, the Minister of State, Department of Education and Science (Dr. Rhodes Boyson), Sir Robert Armstrong, and Robin Ibbs. They had before them your Secretary of State's minute of 26 September, Sir Robert Armstrong's minute of 18 September, together with the memorandum enclosed with it, and the Lord Chancellor's minute of 11 September.

The Secretary of State for the Environment said that the general situation on Merseyside was appalling. The level of unemployment was devastating. Although it was 18% for Merseyside as a whole, it came closer to 30-50% in some inner areas. There was no sense of community, and nobody with overall responsibility for promoting action. The system of two-tier government contributed to this. Consequently, there was endless opportunity to let things drift. Central government was seen as an obstructing force because of all the double checking it carried out on the local authorities' plans. Industry had left for other cities, and those managers who remained generally lived in the suburbs. Many people, both black and white, saw no hope whatever of obtaining a job. The atmosphere was highly demoralising, and the whole situation politically unacceptable. There seemed no prospect of changing all this greatly in the future even on the more optimistic forecasts for the economy. Other conurbations had similar problems, albeit on a smaller scale.

Against this background, he proposed that, on a time limited basis, central government should establish a more forceful presence both on Merseyside and in certain other conurbations. If this were accepted, the Government must be able to deliver. There appeared to be three possible options. Firstly, a "great and good" figure could be appointed commissioner in each area; however, this would not reflect the realities of power, and he therefore did not favour it. Secondly, he himself could take responsibility for each area. However, this would put too much power and responsibility in his own hands at the expense of other Ministers; he felt it was also important that other Cabinet Ministers should become involved in the problems of the inner cities. He therefore favoured the third option - which was to appoint a Cabinet Minister to each area. In addition to himself, the Secretaries of State for Industry and Employment, and one or two others, might be appointed with special inner city

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CONFIDENTIAL

responsibilities. They would spend time in their respective cities, and would co-ordinate and give momentum to government action in them. He also proposed that there should be a co-ordinating team at the centre chaired by the Prime Minister. The purpose of this would be to keep colleagues in touch, and to resolve differences between them on the ground. These proposals would be, in the first instance, for one year only.

It would be essential, if the proposals were to have any impact, to devote substantial resources. Extra money was a necessary lubricant if there were to be any real results. But it would be a mistake simply to allocate to each Department with responsibilities in the conurbations a given extra percentage. Instead, the designated Ministers should have discretion within certain figures to spend as they saw fit. Only when they had assessed the situation on the ground would they be able to decide how to spend the money - whether on roads, housing, drainage etc. It was crucial that any extra money should be used flexibly. There were many projects, e.g. improved housing and rebuilding of the sewers on Merseyside, which would have to go ahead in any case; but such projects would be better selected and more effectively carried out if they were supervised more directly by central government.

The Lord Chancellor said that it was clear that the Government had to do something for Merseyside. But while it might be right to designate a Minister for Merseyside, there were considerable dangers in designating Ministers for other parts of the country. They would almost certainly want extra money. It was doubtful where this would come from, and they would soon find themselves quarreling amongst each other for resources. He thought it would be desirable for the Merseyside initiative to be regarded as a pilot project, to be followed up for the time being only by studies under Department of the Environment auspices in other areas. Other conurbations would not be excluded from special treatment, but they would have to wait until experience had been gained from Merseyside and until the necessary resources were available.

The Home Secretary said he agreed with the Lord Chancellor that it would be a mistake to designate Ministers to areas other than Merseyside. In addition to the reasons he had given, other Ministers would not have the time, and some of the areas that the Secretary of State for the Environment had in mind would not want Ministers designated to them. On the other hand, he recognised that there was a risk that some areas would demand special treatment as well. If action was confined to Merseyside, they would complain that Merseyside had only been selected because of the Toxteth riots. Nonetheless, he felt that this risk had to be accepted. As regards those matters for which he had responsibility as Home Secretary, he was convinced that relations between central government and the police authorities could only be handled by himself. Given their sensitivity, there was no possibility of their being handled by other Ministers. He was grateful to the Secretary of State for the Environment for not getting involved in police matters while he was on Merseyside, and he was sure his continued non-involvement would be for the best. As for other Home Office matters, he was quite ready for the Home Office to provide whatever help they could.

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CONFIDENTIAL

The Secretary of State for Industry said that, before reaching decisions on Merseyside, it was important to answer the question whether the Government intended to regenerate the area, or whether it intended to help a "managed run-down". There was little doubt that Merseyside was worse than nearly every other conurbation, and that if extra money was to be spent on the inner cities, it should be spent on Merseyside. But it was far from clear how it should be spent. There was a concentration of hopelessness on Merseyside, such that industries and resources generally tended to move away from it. If the Government decided to spend money on development projects, there was a risk that it would simply be throwing money away.

The Secretary of State for Transport said that any extra money for Merseyside would need to be carefully channelled. If it were to go through the metropolitan authority, there was a risk that it would be misused on extra transport subsidies. He also doubted whether extra spending on transport facilities, such as roads and freight liners, would be helpful. It was possible that the docks could be made viable if they were rationalised on a smaller scale; but based on past experience there was every prospect that they would be a continued drain on public funds.

In discussion, the following main points were made:

- i) It would be a mistake for the Government to give the impression that the problems of Merseyside had not been very largely self-inflicted. The Liverpool dockers had caused the docks to decline by their appalling record of strikes and overmanning; likewise, many companies had been forced to run-down their plants because of labour problems. Against this, it was argued that central government had made Merseyside's problems worse; for example, it had imposed charges on the Port of Liverpool that were tougher than on other ports. More generally, the decline of Merseyside was extremely complex, and went back a long time. A key problem was the lack of leadership.
- ii) The pressure for similar special treatment from other areas would not be as great as some imagined. For example, there was at present no such feeling in the West Midlands, nor in the North East. The problems of the North East were quite different from Merseyside. While there was some similarity in terms of industrial decline, the social problems were not nearly as bad. Furthermore, people in the North East on the whole would not want to be told what to do by a central government Minister. Against this, it was pointed out that Labour's Northern MPs had asked for a special Minister for the North. The Government had decided against this proposal because it had not been clear what such a Minister would do.
- iii) If there were to be no special government presence in other conurbations besides Merseyside, it would be difficult to retain the support of the 24 institutions which had offered to send representatives to the inner cities. They would not wish them all to be on Merseyside; yet they would not achieve anything significant in other parts of the country without tight control and direction from the centre.

CONFIDENTIAL

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iv) Given the scale and cost to the Exchequer of unemployment on Merseyside, it was unfortunate that nothing was being done to use the unemployed on Merseyside on public sector schemes, such as clearing up derelict land. It would be worth considering whether, as a condition for receiving unemployment benefit, the unemployed should be obliged to undertake such work. The level of social security benefits had also tended to push up wages on Merseyside beyond what could be justified by productivity, with the result that jobs had been lost. On the other hand, it was pointed out that social security benefits and their application were set nationally; and to require beneficiaries to work on clearing up derelict land would be deeply resented. There was in any case a Community Enterprise Programme on Merseyside; but this had run into difficulty because there were not people of sufficient quality to run it. It might be necessary to wind the CEP down; but if the right people could be found to run it, then more could certainly be done on projects of the kind mentioned.

v) The Secretary of State for Scotland said that the Scottish Office had plenty of experience with inner city problems in Glasgow. These were, on many counts, worse than on Merseyside. The Scottish Office were already able to co-ordinate Government action in the inner cities on the lines that the Secretary of State for the Environment was proposing for England. Their experience was that it was difficult to achieve results and they came only after much time and effort. He cautioned against emulating what the Scottish Office had done in Glasgow in the early 1970s - namely, giving money to a special inner city unit for disbursement. The Government had to keep a grip on the way any extra money was to be spent; otherwise local groups would quarrel over it and the money would be wasted. It would be sensible if any pilot project on Merseyside took into account the Glasgow experience.

vi) On the question raised by the Secretary of State for Industry, there was indeed an element of hopelessness in the Merseyside problem. If further analysis confirmed this, then it would be important for the Government to take it into account in planning. The local authorities would never do so. In that case, any extra money should probably go on social amelioration rather than on trying to regenerate industry.

vii) Against the view that the main initiative should be confined to Merseyside and that there should be no more than reconnaissance studies of other urban areas, the Secretary of State for the Environment said that he and his Ministers already had a fairly good idea of the problems of other areas through the inner city partnership programme. On the other hand, the majority of Ministers present felt that it would be best to move one step at a time, and that the main initiative should be confined to Merseyside.

viii) As regards organisation, it was generally felt that no new regional organisation was needed for Merseyside. Co-ordination of central government activities at the local level was already good, although special efforts should be made to ensure that education decisions affecting

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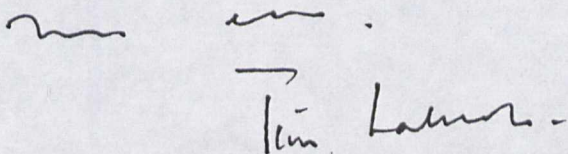
CONFIDENTIAL

the area were not taken without first consulting DOE. However, a taskforce or project team on the lines suggested in the Cabinet Office memorandum under Option B would be very helpful.

ix) The Chief Secretary said he accepted that the Secretary of State for the Environment would need some extra resources for Merseyside. But it would be a mistake to announce a particular figure until he, with the support of the project team, had come forward with specific project proposals. It was impossible to fix a sum in advance before seeing how the money might be spent. Against this, the Secretary of State said that he needed to have a rough idea of what might be spent before the project team began work. The majority of Ministers present, however, felt that this was not essential, and that it would be perfectly possible for work to begin without allocating a specific sum at this stage.

Summing up, the Prime Minister said that the majority of the group took the view that a senior Minister, the Secretary of State for the Environment, should be designated to Merseyside only, for one year and on an experimental basis. His job would be to co-ordinate and give new impetus to all central government activities affecting the area, although he should continue to leave police matters entirely to the Home Secretary. His co-ordinating role should relate principally to the activities of the Department of the Environment, Department of Industry, MSC and Department of Transport, but there should also be liaison with the Department of Education and Science and Department of Health and Social Security. He should be supported by a project team mainly drawn from departmental officials already working in the North West. No decision should be taken for the time being on how much extra expenditure should be allocated to Merseyside; a decision on this would only be possible after the Secretary of State had reported back with specific proposals. The Secretary of State should also, if he wished, initiate through his department reconnaissance studies of other conurbations with a view possibly to applying the Government's experience with Merseyside to those other areas in due course. The Cabinet Office, in consultation with the Secretary of State, should prepare a draft statement on the decisions that had been taken.

I am sending copies of this letter to John Halliday (Home Office), Godfrey Robson (Scottish Office), Don Brereton (Department of Health and Social Security), Ian Ellison (Department of Industry), Anthony Mayer (Department of Transport), Richard Dykes (Department of Employment), Michael Collon (Lord Chancellor's Office), Terry Mathews (Chief Secretary's Office), Peter Wilson (Department of Education and Science), David Wright (Cabinet Office) and Gerry Spence (CPRS).


Tim Lamm

David Edmonds, Esq.,
Department of the Environment.

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