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PRIME MINISTER

LIVERPOOL

Like you, I had the chance, before going off on holiday, of a short talk with Michael Heseltine about his forthcoming Merseyside report. This is obviously not the time for a reaction to the detail of what he will have to suggest. But there is one short point worth making now.

2. As you know, I have for some years had some sympathy with his idea of giving several Ministers the responsibility for individual regions. In the present context it may serve too as a useful reminder of the need to be careful not to over-commit scarce resources to Liverpool.

3. For reasons which we all understand, I fear that Merseyside is going to be much the hardest nut to crack. It will be hard to persuade prospective private sector investors to take the opposite view. Even so we do not want to find ourselves concentrating all the limited cash that may have to be made available into Liverpool and having nothing left for possibly more promising areas such as the West Midlands or, even, the North East. It would be even more regrettable if some of the brighter ideas for renewing economic activity were to be sown only on relatively stony ground on the banks of the Mersey. I cannot help feeling that the option of managed decline, which the CPRS rejected in its study of Merseyside, is one which we should not forget altogether. We must not expend all our resources in trying to make water flow uphill.

G.H.

// August 1981