

CONFIDENTIAL
CMO



10 DOWNING STREET

From the Private Secretary

8 February, 1984.

Liverpool

The Prime Minister has seen your Secretary of State's minute of 3 February, and the annexes attached to it. She feels that the Government should aim to stand back as long as possible. In contrast to what is said in paragraph 17, she feels there might well be circumstances in which the Government should stand aside right up to the breaking of a crisis. Whether it would be right to intervene earlier can only be judged nearer the time.

The Prime Minister agrees that the measures listed in paragraph 12 should be rejected as they would reward irresponsibility. Indeed, it may be part of the intention of the Liverpool City Council to draw the Government into providing additional resources. She also feels that it would be unwise to provide unattributable Press briefing, as there could be no guarantee that the source of such briefing would be protected.

The Prime Minister has noted the further work which officials will be undertaking. While recognising that officials need to be in a position to react quickly according to events, she doubts whether much is to be gained from formalising the existing arrangements for interdepartmental consultation; there could be some disadvantages, particularly if the existence of a group dealing with Liverpool became public.

The Prime Minister has seen Annex C on the consequences for financial markets of a breakdown of Liverpool City Council. In her view, the conclusions may be too sanguine, and she wonders whether they reflect the advice from the Treasury and the Bank of England.

The Prime Minister welcomes the contingency work being done on legislation to appoint Commissioners, though she agrees that this should be regarded very much as a last resort.

CONFIDENTIAL
CMO

// The

* See AT notes

R

The Prime Minister would be willing to call a meeting of Ministers, should developments accelerate and decisions be necessary on the Government line.

I am sending copies of this letter to Janet Lewis-Jones (Lord President's Office), Richard Mottram (Ministry of Defence), Callum McCarthy (Department of Trade and Industry), Elizabeth Hodgkinson (Department of Education and Science), Steve Godber (Department of Health and Social Security), John Gieve (Chief Secretary's Office, HM Treasury), Henry Steel (Law Officers' Department), and Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew Turnbull

Andrew Turnbull

John Ballard, Esq.,
Department of the Environment.