



10 DOWNING STREET

THE PRIME MINISTER

24 January 1983

Dear Dr. Clark

When we met on 7 December, you referred to the failure of South Tyneside Metropolitan Borough Council's application for an enterprise zone. You expressed your concern that the Government's decision on this application had been based on mistaken information.

I know that you have explained your concern in a letter to Michael Heseltine, and I have seen the reply which Tom King has now sent you. I think that this has clarified the issue. I can understand your disappointment at the decision that was taken, but I am satisfied that the applications for enterprise zones were considered on the basis of consistent and reliable information.

Yours sincerely
Margaret Thatcher

Dr. David Clark, M.P.

—

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2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/B/PSO/18616/82

Your ref:

19th
January 1983

Dear Willie *Wigney* *20/1*

ENTERPRISE ZONE APPLICATION BY SOUTH TYNESIDE MBC

On 8 December, you wrote to Mr Way (MAFF) about the meeting on 7 December between the Prime Minister and Dr David Clark, MP. You copied the letter to me, asking for a draft letter for the Prime Minister to send to Dr Clark on a point that he raised relating to enterprise zones.

The point had already been considered by my Secretary of State. When, on 15 November, Mr Heseltine announced the Government's decisions on additional enterprise zones in the House of Commons, Dr Clark voiced disappointment at the failure of South Tyneside MBC's application. He wrote to Mr Heseltine on 16 November, stressing what he regarded as the uniquely high unemployment in South Shields. On 2 December, Mr Heseltine replied, pointing out that the October TTWA unemployment rate for South Tyneside (19.3%), was lower than the equivalent figure (of 20.1%) for Middlesbrough, where an additional enterprise zone was announced. In his letter, Mr Heseltine also stressed that unemployment rates were only one factor considered in deciding on applications.

On 6 December, Dr Clark wrote again, claiming that Mr Heseltine's letter pointed to a confusion in the Government's mind between the TTWA of South Tyne and the local authority area of South Tyneside MBC, and seeking to reopen the case for an enterprise zone in his constituency. This was the point which he made to the Prime Minister on 7 December.

Mr King has now replied in some detail to this latest letter, I enclose a copy of his reply. In the circumstances, you may agree that the Prime Minister should write to Dr Clark simply referring to the correspondence with my Secretary of State. I also enclose a draft letter along these lines.

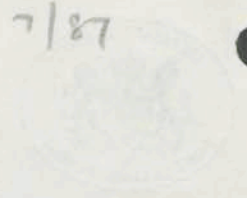
I am copying this letter and enclosures to David Saunders (Industry).

Yours sincerely,
Roger Bright

R BRIGHT
Private Secretary

Prime Minister: Mr. ... David Clark MP

7/87



DRAFT LETTER FROM PRIME MINISTER TO:

DR DAVID CLARK, MP

1. When we met on 7 December, you referred to the failure of South Tyneside Metropolitan Borough Council's application for an enterprise zone. You expressed your concern that the Government's decision on this application had been based on mistaken information.
2. I know that you have explained your concern in a letter to Michael Heseltine, and I have seen the reply which ^{Tom King} ~~he~~ has now sent you. I think that this has clarified the issue. I can understand your disappointment at the decision that was taken, but I am satisfied that ~~consideration of~~ the applications for enterprise zones ^{were considered} ~~was carried out~~ on the basis of consistent and reliable information.



2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/18581/82

Your ref:

David

ENTERPRISE ZONES

Thank you for your further letter, of 6 December to Michael Heseltine, about South Tyneside Metropolitan Borough Council's application for an enterprise zone.

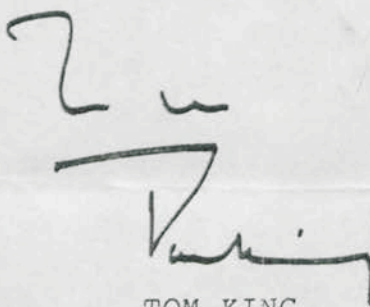
It is of course correct that the local authority area of South Tyneside is different from the South Tyne Travel to Work Area (TTWA). In considering all the applications received, however, it was to the relevant TTWA figures that we looked as a measure of an area's overall need for jobs. That is because, for labour market analysis, unemployment rates can be sensibly applied only to areas which - like TTWAs - are self-contained and include both the geographical source of labour supply (homes) and demand (work-places).

Unemployment rates for areas which are not self-contained, such as the ones which you quote in your letter, clearly provide pointers to an area's social problems, but they cannot measure an area's need for jobs. Such rates take no account of jobs accessible outside the area, or of people commuting in from elsewhere in the TTWA to take local jobs. An additional problem with sub-TTWA unemployment rates is that the basis for calculating them can vary from one authority to another, making genuine comparisons impossible. The Department of Employment unemployment rates are, of course, calculated on a totally consistent basis. It was for these reasons that we had regard to TTWA figures in considering the enterprise zone applications, and that, in Michael's letter of 2 December, he referred to TTWA figures in October of 20.1% for Middlesbrough and of 19.3% for South Tyneside.

I have gone into some details about unemployment rates because this is clearly a point of no little concern to you. I must repeat what Michael said in his previous letter, however, that the level of unemployment was not the only factor which we considered in deciding on the applications received. I would not deny that South Tyneside Metropolitan Borough Council's

application had some strong points, but on balance we felt that the application from Middlesbrough Borough Council made the best case for the additional zone which we proposed to establish in the Northern Region. There was no confusion, as you suggest, in reaching this view, and I see no grounds for reconsidering the decision.

I would only hope that you would accept that the measures which Michael outlined in his previous letter do show that, even without the designation of an enterprise zone, the government is acting on its recognition of the economic and social problems faced by South Tyneside.

A handwritten signature in black ink, appearing to read 'Tom King', written in a cursive style. The signature is positioned above the printed name 'TOM KING'.

TOM KING