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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

THURSDAY 26 MARCH 1987

at 10.00 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Viscount Whitelaw
Lord President of the Council

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon Douglas Hurd MP
Secretary of State for the Home Department

The Rt Hon Peter Walker MP
Secretary of State for Energy

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon John Biffen MP
Lord Privy Seal

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

The Rt Hon Norman Tebbit MP
Chancellor of the Duchy of Lancaster

The Rt Hon Tom King MP
Secretary of State for Northern Ireland

The Rt Hon Michael Jopling MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment

The Rt Hon Lord Young of Graffham
Secretary of State for Employment

The Rt Hon Kenneth Baker MP
Secretary of State for Education and Science

The Rt Hon John MacGregor MP
Chief Secretary, Treasury

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry

The Rt Hon John Moore MP
Secretary of State for Transport

ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

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SECRETARIAT

Sir Robert Armstrong
Mr D F Williamson (Items 3 and 4)
Mr C L G Mallaby (Items 3 and 4)
Mr A J Langdon (Items 1, 2 and 5)
Mr M J Eland (Items 1, 2 and 5)

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PARLIAMENTARY
AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

HOME AFFAIRS

Report in
the Name of
the Health
Education
Council

2. THE SECRETARY OF STATE FOR SOCIAL SERVICES said that events surrounding the publication of a report entitled "The Health Divide" in the name of the Health Education Council had attracted attention in the media. The report had been commissioned by the Director General of the Council, apparently without the knowledge of the Council itself. The first the Chairman of the Council had heard of the matter was on the day of publication, when he learnt that a press conference had been arranged on the Council's premises. The Chairman had then postponed the conference so that the Council could have an opportunity to see what was being put out under their aegis. There had been no contact with Ministers of his Department at any point. The report, which purported to bring up to date a report on social inequalities in health by Sir Douglas Black in 1980, propagated the theory that poverty and poor health were linked, and that the disparity between the health of the poorer and more prosperous sections of the community had widened since 1979, as had regional imbalances in the health of the community. The evidence cited by the report was currently being examined in detail by his Department, though the Government could certainly take credit for recognising the imbalance in health provision between the regions and for consistently following a long term plan to deal with that problem. Insofar as health problems were caused by poor nutrition, even the lowest incomes in this country were sufficient to support a good diet, provided that the money was spent wisely. Health education was, therefore, crucially important. The Government had already recognised, in the context of AIDS, the need to remodel the anomalous Health Education Council as a Health Education Authority that would be properly accountable to Parliament. The sound establishment of health education services in that way must remain the Government's prime objective, and it was important that the present episode should not be allowed to prejudice the successful transition to the new Authority, which was due to take place the following month.

Bail

THE HOME SECRETARY said that the trial of those accused of the murder of PC Blakelock in the Broadwater Farm riot in 1985 had concluded the previous week. One of those convicted, Winston Silcott, had at the time of the riot been on bail on a separate charge of murder, of which he had subsequently been convicted. There had been grave public unease at this revelation, and at the assertion of the judge who had granted bail to Silcott that the formulation of the Bail Act 1976 had left him no effective choice in the matter. The media continued to give the subject considerable attention: there were press reports that day that a person accused of the murder of a child had been granted bail. So far as the Silcott case was concerned, a judgment had to be made whether what had gone wrong was due to a fault in the law or to failure in applying it in

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this case. He was therefore pursuing urgent enquiries into the facts of the grant of bail to Silcott, and would then bring to the Home and Social Affairs Committee as soon as possible his general conclusions about the adequacy of the Bail Act.

THE PRIME MINISTER, summing up a short discussion, said that it was recognised that the number of untried prisoners remanded in custody had grown in recent years, but there might nevertheless be loopholes in the Bail Act, and there was bound to be public concern about bail when murder charges were involved. The Home Secretary should proceed as quickly as possible with his review of the subject, so that the Criminal Justice Bill could be used as a vehicle for amending the Bail Act, if it was concluded that a change in the law was required.

Trade

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the trade figures for February, to be published later that morning, would show the overall balance £376 million in surplus, with trade in manufactured goods approximately in balance. The three months average had swung from a deficit of nearly £700 million in September and November to a surplus of nearly £180 million in the three months from December 1986 to February 1987. Not too much weight must be placed on figures for a single month, but the latest figure appeared to be in line with forecasts given by the Chancellor of the Exchequer at the time of the Budget, and to discredit the gloomy prognostications being made by some of the Government's political opponents.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Chad

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Libyan forces in Northern Chad had suffered a series of defeats. Their forces, which were badly trained, had been routed in several engagements by the National Armed Forces of Chad loyal to the President, Mr Hussein Habré. The culmination had been the capture by the National Armed Forces of Chad of the Libyan-run air base of Ouadi Doum on 22 March. The Libyan forces had sustained heavy losses of personnel, equipment and logistic stocks. There was a good prospect that the National Armed Forces of Chad would drive Libyan forces from other parts of Northern Chad. The effects of these reverses was likely to be in the long run to weaken the repressive regime of Colonel Qadhafi in Libya. The Libyan armed forces would be demoralised by the defeats in Chad, and other countries in Africa might be deterred from looking to Libya for support.

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Lebanon

Previous

Reference:

CC(87) 9.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that he was keeping in close touch with all indications about the whereabouts of the Archbishop of Canterbury's special representative, Mr Terry Waite, who was still detained in Lebanon. The Foreign and Commonwealth Office was in constant contact with Lambeth Palace. There were continued rumours which tended unhelpfully to undermine the public impression that there would be no concessions to terrorists holding hostages. An extremist Shia group in Lebanon, which was holding a French journalist hostage, had claimed that it might secure a deal with France in return for the hostage's release. The Government had made its concern about concessions to terrorists known to the French Government. The latter had been denying more or less consistently that it would consider a deal. There was no confirmation of reports that Iran might have played a role in the detention of Mr Waite. Iran had denied reports that he was held in the Iranian Embassy in Beirut. The Speaker of the Iranian Parliament had implied that Iran would be willing to help regarding Mr Waite if the United Kingdom could help to secure the release of four Iranians held by the Phalangists in Lebanon. The United Kingdom could not help in this matter and the Foreign and Commonwealth Office and Lambeth Palace were trying to discourage this story. There were recurrent stories that Mr Waite had had contacts with the United States Central Intelligence Agency, or the National Security Council which Lambeth Palace was also seeking to discourage. He would continue to try by every worthwhile means to find out about Mr Waite's position and also to maintain the public impression that there would be no concessions to terrorists.

Nigeria

Previous

Reference:

CC(87) 7.4

THE FOREIGN AND COMMONWEALTH SECRETARY said that the situation concerning the issue of United Kingdom visas in Lagos was now returning to normal.

Republic of
Ireland

Previous

Reference:

CC(87) 9.3

THE FOREIGN AND COMMONWEALTH SECRETARY said that the choice of Mr Alan Dukes as leader of the Fine Gael party in the Republic of Ireland, in succession to Dr Garret FitzGerald, should prove to be a good one.

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that the new Taoiseach, Mr Charles Haughey, had changed his position on the Anglo-Irish Agreement. He had now said in the Dail that he recognised the Agreement to be a binding Agreement and an integral whole, that he would honour it, and that it could not be changed without the agreement of the British Government, which would not be forthcoming. This was a welcome change in Mr Haughey's position, which no doubt reflected views expressed to him by the United States Administration during his visit to Washington.

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The Cabinet -

1. Took note.

Shipping in
the Persian
Gulf

THE FOREIGN AND COMMONWEALTH SECRETARY said that there was increased anxiety about the safety of shipping in the Persian Gulf following the acquisition by Iran of Chinese Silkworm missiles, which would add somewhat to Iran's capability to attack shipping in the Gulf. Kuwait had sought help from the United States and the Soviet Union. The United States was providing the protection of the United States flag on Kuwaiti oil tankers. The United States reaction had largely but not entirely succeeded in pre-empting Soviet help in response to Kuwait's request. There were grounds for concern about the safety of British shipping; the Armilla patrol of the Royal Navy had recently been given some additional resources. He was seeking co-ordination of Western activity in protection of ships, so far as this was sensible. He was also working for concerted presentation by Western countries and the Gulf States of their determination in the face of Iran's attempts to harass shipping. An attempt was being made in the United Nations Security Council to arrange for the Western countries and the Gulf countries to support a resolution warning against attacks on shipping in the Gulf. There might be some people in the United States Administration who, following the Administration's difficulties concerning arms sales to Iran, would favour a strong reaction in the Gulf. There was therefore a case for urging caution in Washington.

In a short discussion, the importance of firm action to avert serious problems for shipping in the Gulf was stressed.

The Cabinet -

2. Invited the Foreign and Commonwealth Secretary to consider whether the United Kingdom should take any initiative, possibly after consultation with Saudi Arabia during the current State Visit of King Fahd, which would be designed to reduce the dangers of shipping and to have beneficial effects on the United Kingdom's relations with the Gulf countries.

Saudi Arabia

THE FOREIGN AND COMMONWEALTH SECRETARY said that the State Visit of King Fahd of Saudi Arabia was going well. Press reports that Saudi Arabia was acting as an intermediary for Syria, with a view to the resumption of diplomatic relations between the United Kingdom and Syria were untrue.

In discussion it was noted that although other members of the King's party had not pressed Saudi Arabia's case for offset arrangements in

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connection with the purchase of Tornado aircraft from the United Kingdom, the Minister of Industry and Electricity, Mr Abdulaziz al Zamil, had raised this matter in very strong terms with the Secretary of State for Trade and Industry that morning. The Secretary of State for Defence had recently sent to Saudi Arabia a draft Memorandum of Understanding on this matter, and the Saudi reaction was still awaited. But it was hard to be optimistic about that reaction. Saudi Arabia appeared to want a contractual commitment, if possible from the Government, on offset arrangements including British purchases of Saudi oil and on the establishment of joint venture companies in Saudi Arabia by British companies. The Government was responding actively to these demands, but was not in a position to direct British firms to enter into joint ventures in Saudi Arabia. It was important that the Government should show the Saudi Government that it was treating the matter seriously, actively and resourcefully, not least in order to avert any Saudi tendency to look to the United Kingdom's competitors for very large contracts in future.

The Cabinet -

3. Invited the Secretary of State for Trade and Industry, in consultation with the Secretary of State for Defence, to report to the Prime Minister on the Saudi proposals and the difficulties they presented, and the reactions which the Government had so far given, with recommendations on how the matter could be actively pursued.

Japan

Previous

Reference:

CC(87) 10.4

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the Japanese authorities had not yet taken final decisions regarding the attempt by Cable and Wireless plc to obtain a substantial share in a new international telecommunications operating company in Japan, but the omens were very bad. The matter might drag on for months. Meanwhile, there was strong feeling in the House of Commons about the way Cable and Wireless plc were being treated and an Early Day Motion had been tabled.

In discussion, it was noted that the Financial Services Act would contain provision for reciprocal action against Japan. But that Act was not yet in force and the date of its entry into force was due to be decided only after Easter. Otherwise, the scope for retaliatory action was not great, being largely confined to actions which the Government had earlier rejected, such as interference with the operations to and from the United Kingdom of Japan Airlines. One course which was for consideration was administrative delay in considering applications by Japanese financial institutions to establish a presence in the United Kingdom. As regards action by the European Community, it had initiated action under the General Agreement on Tariffs and Trade against Japanese discrimination against imports of alcoholic beverages from Community countries and was now considering action in respect of medical equipment and motor vehicles. It was for consideration whether the Prime Minister

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should send a letter to the Japanese Prime Minister, Mr Yasuhiro Nakasone, referring to the strong feelings in the House of Commons on the case of Cable and Wireless plc and asking for a reply to her recent letter on the subject.

The Cabinet -

4. Invited the Secretary of State for Trade and Industry to circulate urgently a full report, for discussion by the Cabinet at its next meeting on 2 April, on what was being done to put pressure on Japan in support of the interests of Cable and Wireless plc and what more could be done, with reference inter alia to the Financial Services Act; and on the action being taken on related matters by the European Community and the scope for British pressure for further such action.

5. Invited the Chancellor of the Exchequer to follow up with the Bank of England the possibility of administrative delay in the processing of applications by Japanese financial institutions to establish a presence in the United Kingdom.

COMMUNITY
AFFAIRS

Research and
Development

4. THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that the Community's framework programme for research and development had again been discussed at a long Research Council on 24-25 March. The majority of member states had been able to accept a programme involving total commitments over the five year period of about 5.6 billion ecu (about £3.9 billion). The French Prime Minister, Monsieur Chirac, had recently made a speech calling for increased expenditure on research and development and, in the light of this, the French had rallied to the majority. The United Kingdom and the Federal Republic of Germany had not agreed to the proposal, and the Belgian Presidency had asked for a definitive view by 2 April. The German Minister, Herr Riesenhuber, had strongly supported the United Kingdom throughout the Council. It was possible that, in the absence of agreement, the issue would come to the European Council in June.

In discussion the following points were made -

a. It was essential not to make commitments which might put at risk the ceiling on the Community's own resources. At the Chief Secretary, Treasury's recent meeting on the allocation of public expenditure baselines there had been agreement to stand on a programme of 4.2 billion ecu (about £2.95 billion). The Government's prime concern should be to foster British science.

b. Research and development was one of the areas from which the United Kingdom was a net beneficiary and the extent to which the British Government had been able to influence the shape of the programme had depended on maintaining as far as possible common ground with the French and Germans. There were other major issues

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in prospect, including budgetary discipline and the Fontainebleau abatement mechanism, on which it was important to maintain a close relationship with France and the Federal Republic of Germany.

Air Transport

THE SECRETARY OF STATE FOR TRANSPORT said that at the Transport Council on 23-24 March there had been a breakthrough on air fares. All member states now supported proposals for reduced fares. Those member states who had been insisting on specific restrictive, non-economic conditions for cheaper fares were no longer doing so. There remained other difficulties to be resolved, in particular on capacity, but a good aviation package now seemed much closer to agreement. There would be a further Council on 9 June in order to seek such an agreement. It would be important to maintain the pressure in the interim.

The Cabinet -

Took note.

LEGISLATIVE
PROGRAMME
1987-88

5. The Cabinet considered a memorandum by the Lord President of the Council (C(87) 4) outlining the recommendations of The Queen's Speeches and Future Legislation Committee for the legislative programme for the 1987-88 Session of Parliament.

The Cabinet -

1. Provisionally approved the legislative programme for 1987-88 set out at Annex A of C(87) 4, as the basis for work to be put in hand on the preparation of Bills.
2. Invited the Lord President of the Council to arrange for the Queen's Speeches and Future Legislation Committee to review developments bearing on the legislative programme for 1987-88 and to bring forward a paper for the Cabinet's consideration in June.
3. Invited the Secretary of State for the Environment to bring forward proposals on housing, and revised proposals on water privatisation, for consideration in the appropriate Committees of the Cabinet.
4. Invited the Secretary of State for Trade and Industry to bring forward for consideration in the appropriate Committee of the Cabinet his proposals for handling his approach to clearing arrangements in financial markets, together with any other matters related to the City for which he saw a pressing need for legislation.

Cabinet Office

26 March 1987

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MOST CONFIDENTIAL RECORD
TO
CC(87) 12th Conclusions

LEGISLATIVE
PROGRAMME
1987-88

The Cabinet considered a memorandum by the Lord President of the Council (C(87) 4) outlining the recommendations of The Queen's Speeches and Future Legislation Committee (QL) for the legislative programme for the 1987-88 Session of Parliament.

THE LORD PRESIDENT OF THE COUNCIL said that, in considering the legislative programme for the 1987-88 Session, QL had had to allow for various options in the timing of the General Election. Although there were clearly a number of possibilities, it was possible for legislative planning purposes to work on the basis of two options only. The first option assumed no Election in 1987 and a short final Session of the present Parliament. The second assumed an Election in 1987 to be followed by the first Session of a new Parliament. That Session would be a long one if an Election were held early, but as some of the extra time would be devoted to re-introduced Bills that had been lost at the dissolution, QL did not believe that special planning was needed for that eventuality. There was clearly a lead time in the preparation of legislation, and decisions needed to be taken now on the selection of Bills on which work should be put in hand so as to place the Government in the best position to face either option. It was not practicable, or indeed politically sensible, to envisage two totally separate programmes. QL had therefore considered that the best approach was to draw up a politically robust programme of Bills for a full (first) Session from which a small selection could be made to provide a suitable programme for a short (final) Session. The list of recommended Bills was included at Annex A to his memorandum: this programme should not be regarded as final. It was an extremely heavy one, both in terms of the size of the Bills and their political substance. Any additions that proved necessary would have to be accommodated by deletions of corresponding weight.

There were two Bills to which QL had given particular thought. The first concerned housing, where QL had concluded that there was a need for a major Bill in the next Session, although the precise terms in which it would be cast were still the subject of policy consideration. The second concerned water privatisation. QL had accepted the need in the first Session of a new Parliament for a Water Powers and Metering Bill which would pave the way for the main privatisation Bill by clarifying areas of doubt about the powers of the water authorities. They did not, however, consider it wise also to include the main privatisation Bill in that Session. There were a number of practical and political reasons for this view. First, it would be a fourth major Bill for Environment Ministers to have to steer through in that Session: although that could doubtless be done if it was absolutely essential, it was nevertheless a very heavy burden for any one Department to have to bear. Secondly, it would be risky in terms of Parliamentary management to attempt a paving Bill and a main Bill in a single Session; previous experience of such devices had not been happy. Thirdly, the Secretary



of State for the Environment was now radically revising his proposals in a way which many colleagues found attractive but which meant that the resulting Bill could not be ready before January 1988 at the earliest. QL had had serious doubts whether it was sensible to introduce a major and contentious piece of legislation this late, particularly in a programme of great political weight. He sought the approval of the Cabinet for these and QL's other recommendations. He also sought their agreement to apply stricter criteria for the award of advance drafting authority in the future and that the main Water Bill should be first choice for the award of such authority for the 1988-89 Session. If the Cabinet agreed, the second choice might be remitted for QL to make in the light of the Cabinet's discussion. Finally, he was grateful to the Secretary of State for Trade and Industry for his fuller explanation of why his Financial Markets (Clearing Arrangements) Bill was needed, but he still thought it undesirable to give it a place until it was clearer how long the measure would need to be and its timetable for preparation had been mapped out.

In discussion the following main points were made -

a. It was essential to proceed with the Housing Bill in the first Session of a new Parliament if it was to be implemented successfully. Policy on the various strands of the Bill needed to be finalised as a matter of urgency if it was to be ready on time.

b. The policy changes that the Secretary of State for the Environment was proposing for water privatisation were radical and complex. While they would meet many of the criticisms made of the original proposals they would attract different criticisms for new quarters. The plans needed to be carefully thought through, with further public consultation, and a January 1988 date of introduction for the Bill might well prove optimistic. This would be a serious enough matter for the business managers in any event, but would be all the more difficult given the fact that the main Bill would need to be preceded by a paving Bill and carried forward in a Session of unusual weight and controversy. While timetable Motions could undoubtedly be used to secure a satisfactory timetable in the House of Commons, this would be at the expense of transferring the problem to the House of Lords. Moreover it was not certain that much advantage would be obtained by proceeding with the main Bill in the first, rather than second, Session of the new Parliament, given the advice the Secretary of State for the Environment had received that flotation could not take place until nine months after Royal Assent to the paving Bill.

c. Against this, it was argued that a delay in water privatisation would cause a significant gap in the privatisation programme which would seriously damage its momentum. In effect it would mean that there would be no major privatisation between 1987 and 1990. That would be a considerable political set-back. The new proposals the Secretary of State for the Environment was now contemplating should remove much of the resistance to the Bill amongst the Government's own supporters and assist its passage.



This suggested that, notwithstanding all the problems that had been identified, the balance of advantage lay with pressing ahead with the main Water Privatisation Bill in the first Session of the new Parliament.

d. The Alleviation of Human Infertility Bill dealt with moral issues on which the opinions of Members of Parliament reflected the divisions in the population at large. Even though it was proposed to allow free votes on the most sensitive points, within the framework of a Government Bill, the legislation would prove deeply divisive. There was a strong argument for deferring it to a later Session of the new Parliament, where it would not conflict with the Bills of mainstream political priority with which the Government would be pressing ahead in the first Session.

e. There were, on the other hand, arguments that pointed to dealing with the Alleviation of Human Infertility Bill as soon as possible in the new Parliament. Postponement of the Bill might make it harder, rather than easier, to manage its divisive qualities. The situation on the ground was changing quickly, and the need for proper regulation was becoming ever more apparent. If the Government did not act itself, there was every risk of another Private Member's Bill that would cause exceptional problems. The issue would fester until there was proper legislation, and the Government should seize the initiative.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet had agreed that Bills on the Abolition of Domestic Rates, Housing and Education were measures of prime political importance that should definitely be taken in the first Session of the new Parliament. The Secretary of State for the Environment would shortly be bringing forward his proposals on housing to the appropriate Cabinet Committee. Further policy proposals were also being brought forward by the Secretary of State for the Environment on the privatisation of the water industry. Important arguments had been advanced in discussion both for pressing ahead with the main water privatisation measure in the first Session of the new Parliament and for tackling the matter in two stages, with the paving Bill in the first Session and the main privatisation measure in the second: these questions of phasing could not be finally resolved until the forthcoming reconsideration of policy had been completed in the light of the Secretary of State for the Environment's proposals. A difficult judgment would also be required on the timing of the Alleviation of Human Infertility Bill, on which discussion had exposed strong arguments pulling in both directions.

The final balance of the programme that would be needed, and the considerations bearing on the more difficult measures, would become clearer later in the year, and final decisions need not be taken now. The programme proposed in Annex A to C(87) 4 was provisionally agreed as the basis on which work on the preparation of Bills should be put in hand and in June the Cabinet should resume their consideration of the programme, on the basis of a further review by QL. In the meantime, the Secretary of State for the Environment should as soon as possible bring



forward his proposals on housing and his revised policy proposals on water privatisation for consideration in the appropriate Cabinet Committees. Similarly, the Secretary of State for Trade and Industry should bring forward for collective consideration his proposals for approaching clearing arrangements in financial markets, together with any other matters relating to the City for which he discerned a clear need for early legislation.

The Cabinet -

1. Provisionally approved the legislative programme for 1987-88 set out at Annex A of C(87) 4, as the basis for work to be put in hand on the preparation of Bills.
2. Invited the Lord President of the Council to arrange for The Queen's Speeches and Future Legislation Committee to review developments bearing on the legislative programme for 1987-88 and to bring forward a paper for the Cabinet's consideration in June.
3. Invited the Secretary of State for the Environment to bring forward proposals on housing, and revised proposals on water privatisation, for consideration in the appropriate Committees of the Cabinet.
4. Invited the Secretary of State for Trade and Industry to bring forward for consideration in the appropriate Committee of the Cabinet his proposals for handling his approach to clearing arrangements in financial markets, together with any other matters related to the City for which he saw a pressing need for legislation.

Cabinet Office

27 March 1987