

MR TURNBULL

10 June 1985

BL/HONDA

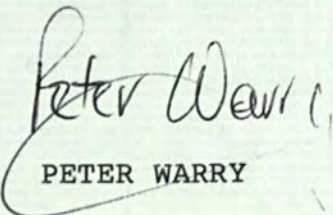
Kume's letter can either be interpreted as meaning 'No, we don't want to sell you engines but would prefer not to say so bluntly', or alternatively, 'Yes, we would like to sell you engines but Musgrove has made clear his opposition and we cannot afford to upset him'.

If they really don't want to sell the engines, then it is odd that the Deputy General Manager of Honda should be quoted in today's Times (copy attached), saying that they would like to supply engines but Austin Rover had not sought such an arrangement. One explanation is that just as Honda interpreted last week's FT article as a statement of the Government's position over the heads of Austin Rover, likewise they are using the same media to give a more accurate statement of their own intentions.

The Prime Minister could either:

1. accept the Honda letter as meaning 'No' and let Austin Rover proceed with manufacturing their own engines or
2. offer to see, together with Norman Tebbit, the senior Honda representative who is coming over this week.

It would however be undesirable for the Prime Minister to seek a meeting with the Honda representative only after Norman Tebbit and DTI officials had seen him.

  
PETER WARRY