

PRIME MINISTER

Mr. Tebbit is coming to see you at 1545 pm to discuss BL/Honda. The latter have replied saying

- no to collaboration
- no to ARG manufacture under licence
- probably no to supply from Swindon (though without saying so categorically)

Mr. Tebbit will argue that the buying in option has been fully explored and found not to be feasible; and that it will be damaging to the proposed collaboration to go on arguing.

You have the following options

- i) To accept the Secretary of State's advice
- ii) To ask him to explore further why Honda have replied in the way they have
- iii) To ask to see a senior representative from Honda yourself

If you do follow (ii) and still more so (iii), you should be aware of the damage this will do to your relationship with Mr. Tebbit. He will react strongly to any suggestion that you need to double check on his account of the discussions with Honda.

When Mr. Tebbit has gone, could you look at the draft letter to the Spectator. This has been shown to the Law Officers' Department and Sir Robert Armstrong. The aim is to ask the Spectator to do something they cannot reasonably refuse, ie print the letter of denial, rather than ask for a retraction which can only be secured by legal action which we do not want to take.

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Press Statement by Honda

With reference to the article headed "Honda deal in assembly at Cowley" Honda Motor Company wishes to categorically deny the report which appeared in the Times dated 10th June in which the following statement appeared:-

" It was also made clear that Honda were prepared to supply Austin Rover with engines for a Metro replacement in a few years."

This statement was not made to any member of the Press by any member of the Honda Motor Company and is untrue. While Honda are not prepared to discuss details of confidential commercial discussions with Austin Rover on this or any other subject, Honda wish to make it clear that they consider such engines to be fundamentally part of the identity of their company.

While Honda have been prepared to consider a range of collaborative activities with Austin Rover these specifically exclude collaboration on small engines.

An announcement regarding further collaboration between Honda and Austin Rover will be issued jointly by the two companies in the near future. This will cover a number of areas of joint activity but in view of Honda's position on engine collaboration this will be specifically excluded.

End

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Proposals for a general teaching council, similar to the General Medical Council, which would have powers to set a code of practice, strike teachers off and set entry qualifications, are being discussed by teacher organizations to improve standards and enhance the profession's status Page 4

**Canadian in Telegraph deal**

An unnamed Canadian industrialist is poised to sign a £10 million agreement to give him a 13 per cent equity stake in the Daily Telegraph which hopes to raise a total of £110 million.

**Flannery picked**

Mr Martin Flannery, MP, aged 67, has been reselected as Labour candidate for Sheffield Hillsborough, easily beating off a challenge from a fellow left-winger, Mr Clive Betts, aged 35, Sheffield City Council housing chairman.

**NUR warning**

A fresh trial of strength between British Rail and the railway unions was predicted yesterday by Mr Jimmy Knapp, general secretary of the NUR Page 2

**Hindley fight**

Myra Hindley, the moors murderer, is to take her claim for release from jail to the European Court of Human Rights in Strasbourg. Page 2

**Secret dialogue**

Britain and Albania are holding secret talks to resolve a 39-year-old wrangle over seized gold bullion and destroyed Royal Navy warships Page 6

**Gujarat inquiry**

Gujarat's Chief Minister has ordered a judicial inquiry into inter-caste violence which has killed 160 people in three months. Eight people were burnt to death and six killed by police in the state yesterday.

**England beaten**

England lost the second successive match of their Mexican tour last night, when they were beaten 1-0 by the host nation. Page 17

**Leader page, 11**

Letters: On welfare review, from Ms S. McKechnie; Stansted airport, from Mr W. C. Woodruff, and others

Leading articles: Famine; Hungarian elections; Alcoholics Anonymous

**Obituary, page 14**

Dr Reginald Lightwood, Mr David Rokeah

**Features, pages 8-10**

Enforced calm in Tehran; Long and short of a naval conflict; England's lost reputation; Bruce Springsteen; Palumbo, on to the next plan

**Classified, pages 19-21**

Secretarial and educational appointments

**Honda deal to assemble at Cowley**

From Edward Townsend Tokyo

A broad-based extension of the collaboration deal between BL's Austin Rover and Honda of Japan will be announced within the next few weeks. It is almost certain to include assembly of Honda cars at Cowley, Oxfordshire.

The new deal, which will continue at least until the end of the decade, involves a significant package of measures including continuing joint development of new cars and exchange of technology. Engine development is specifically excluded.

The most likely car to be assembled at Cowley is the Civic, Honda's Metro-sized small car and its best seller in Europe. Senior executives of Honda confirmed in Tokyo that the deal had been approved in principle by the British Government.

Mr Kiyoshi Ikemi, deputy general manager of Honda's planning office, said: "We hope to be able to reach a broad agreement within a month, if not sooner."

It was also made clear that Honda was prepared to supply Austin Rover with engines for a Metro replacement in a few years, but Mr Ikemi said that Austin Rover had not sought such an arrangement.

An engine deal is believed to be favoured by the government as a way of cutting £250 million from BL's proposed £1.8 billion investment plan in the run-up to privatization. But that is being resisted by BL. It is feared that by buying engines elsewhere, the company's engineering capabilities could be undermined.

Mr Ikemi said he was "reasonably optimistic" about assembling Civics at Cowley for sale in Europe. It is a car similar to the Rover 200 series which the companies are producing jointly. Mr Ikemi said, it would be classed as British.

The tie-up with BL, regarded by Honda as its sole European collaborative car venture, will, however, not involve the Japanese in acquiring an equity stake in BL.

**Date of reshuffle set, says Thatcher**

By Julian Haviland, Political Editor

The Prime Minister said yesterday that she did not know which ministers would be involved in the Cabinet reshuffle she plans to make in the approaching parliamentary recess, nor how extensive the changes would be.

"I do not know when I will do it. I will do it when I think it is most appropriate," Mrs Margaret Thatcher added.

She chided newspapers for writing about the expected changes, saying that some of what had been written was very wounding to those concerned. She said that she never made government reshuffles when Parliament was sitting.

"It is not fair to people to have to go into the House the next day, perhaps if they have lost a job or if they change a job and are not familiar with the detail of their new work."

The *Times* reported last Wednesday that an extensive reconstruction of the Cabinet was expected soon and that some sources had expected details to be announced during the Whitsun parliamentary recess which ended a week ago.

In the course of an interview, on TV-am with Mr David Frost, Mrs Thatcher was asked what had been the Government's mistakes so far. She replied: "I think it would have been better had we been able to hold public expenditure down more than we have, but against the background of recession and

the speed of change we were able to do so."

It had also been her aim to further to reduce the budget. "You are much more likely to get an enterprising British people see a much closer relationship between the two things and what they have in their pocket."

She added that while the tax burden would be lower in the next election than in the 1979 Conservative election, and 1979 would depend on the economy, and not world growth rates.

Mrs Thatcher denied she felt embattled because of Government's decline in opinion polls, the council election defeat and revolts in the party.

The Prime Minister, of her belief in freedom of currency markets, discredited patriotic sensitivity to the value of sterling.

Recalling the most serious sterling's recent crisis described how she heard the report, on January 13, that Government did not care the pound going down for goodness, I was up like a flash at the telephone, that they had just better to those people who do television news and tell us what they did care."

The level of the pound against the dollar may be enormous. "It is part of a fundamental part of private enterprise life." Belgrano clash,

**Six Ethiopian stowaways seek asylum in Ulster**

Six Ethiopian stowaways have arrived in Londonderry on board the Cyprus-registered ship MV Elise Shulte, and are asking for political asylum.

The six have been allowed to remain on board the vessel, as Mr John Hume, the Social Democratic and Labour Party leader, is expected to take up their case with the government.

A Home Office spokesman said the men had secretly boarded the ship when it was in port in northern Ethiopia. The crew discovered them, after they had set sail, hidden in stores and a ventilation duct and wearing only trouser slippers.

A written report on the request to be granted asylum due to arrive in London and will immediately be considered by the Home Office. The group were interviewed by immigration officers after the vessel arrived in Londonderry on Saturday night.

The men were refused asylum when the ship docked at Port Said and Cyprus.

**Right-wing fans 'fraternized'**

By Ian Murray

English and Italian soccer supporters wearing badges of extreme right wing groups were seen fraternizing and drinking together in Brussels cafes before the riot at the Heysel stadium 10 days ago, in which 38 people died.



Ministers of the EEC met at the lakeside resort, over the weekend. The Foreign Secretary told them of British shame and shock at what happened and he was assuaged by the meeting that there was widespread appreciation of the swift response by the British Government to the tragedy.