

B&W

AIRBUS

Project AIRBUS was initiated at B&W in February, 1988 to provide research and development relative to alternative delivery systems. This project was begun in response to RJR's anticipated launch of Premier in 1988.

Research on AIRBUS was subsequently terminated in March, 1989 after review by B&W and BAT management. The objectives of this first phase of research were met over the course of the one year effort, a wide range of technological, marketing, and consumer concepts were investigated and critical areas for further research were identified. A summary report of progress, technology, consumer research, legal, and regulatory issues was issued to the Group at that time. (The Summary of this report is attached.)

In general, the RJR patent situation may prevent development of similar articles. Attempts to use the Ellis technology of BAT were unsuccessful in producing the desired characteristics. It was recognized that additional fundamental research was required in key areas such as elution, heat management, aerosols, and nicotine/ flavor.

Simultaneously, RJR recognized the product attribute and taste problems associated with Premier and withdrew the product from test market. RJR was also facing significant potential of regulatory attack. Rumors persist that RJR continues to devote substantial R&D efforts to fix the problems of Premier.

Recognizing the need for continued product research, the Group initiated Project NOVA in mid-1989 to continue investigations of fundamental knowledge needed for future alternative product designs.

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Brown & Williamson has conducted market research in the United States which supports the continued consumer interest in products which address consumer and social concerns. Alternative product designs which can deliver in these critical areas will provide significant future market opportunity. And, the more closely these designs can resemble current products in looks, feel, smoking mechanics, taste, and odor, the more acceptable they will be to the consumer.

RJR has withdrawn Premier from the market. Their test market failure revealed significant product deficiencies in taste, aroma, and smoking mechanics. This withdrawal confirms the need for more conventional products to address consumer needs. But, the concept enveloped by Premier remains viable for the long term though we must recognize that significant additional research is needed.

For BAT to move forward, a two-pronged approach is recommended. At Brown & Williamson, research efforts on AIRBUS will be terminated and the resources will be directed into more evolutionary product designs which meet these consumer needs. These efforts will capitalize on the Greendot research as well as move forward on complimentary technologies such as genetically-engineered tobaccos. As a second front, fundamental studies recognized as critical to the success of AIRBUS products will be pursued at Southampton. Areas identified for these basic studies would include elution, aerosol generation, CO oxidation, and materials development. Suggested funding for this fundamental work is at a \$1 million level with no prototype being constructed until this basic research provides further direction.

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