SECRET

Recommendations for organisation of BATCo R&D

A decision has been taken by the TSRT to terminate the Group-funded Fundamental research programme at FRC (with the exception of a small set of regulatory projects). The focus of the group's R&D activity will now be orientated to short term product superiority; B&W with BATCF will become centres of excellence on "blended cigarettes" and BATCo will major on "Virginia" product superiority. This note considers the course of action that needs to be followed by BATCo to implement these changes.

Role of BATCo R&D

Following the brief given to the blended team, whilst the bulk of R&D activities should concentrate on the two-year time-frame, some effort should be given to longer term projects (up to 4-year) to ensure competitiveness.In addition to its own need for patenting and library facilities, BATCo continues to have a Group role in coordinating Smoking & Health research and in Additives/related regulatory issues. With this in mind the broad spread of activities to be encompassed in BATCo's facilities should be:

1. Product Development
   - (a) Brand development
   - (b) Support to OpCos
   - (c) Sensory Testing
   - (d) Smoke Quality Research

2. Process Development (inc. sample manufacture,customs,tobacco stores)

3 Analysis/Testing

4. Environmental Projects
   - (a) Packaging
   - (b) Sidestream reduction

5. Regulatory Projects**
   - (a) Additives Guidance
   - (b) Biological Testing

6. Smoking and Health
   - (a) Development of policy
   - (b) Management of contracts

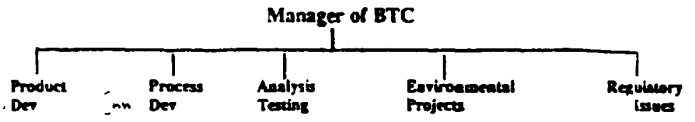
7. Technical Administration
   (a) Programme/project planning
   (b) Budgetary control
   (c) External committees (TAC, Coresta, ISO etc)
   (d) Q-T-P coordination
   (e) Patent policy management
   (f) Library/information

** Steered and funded by CAC companies (inc BATCo)

Organisation

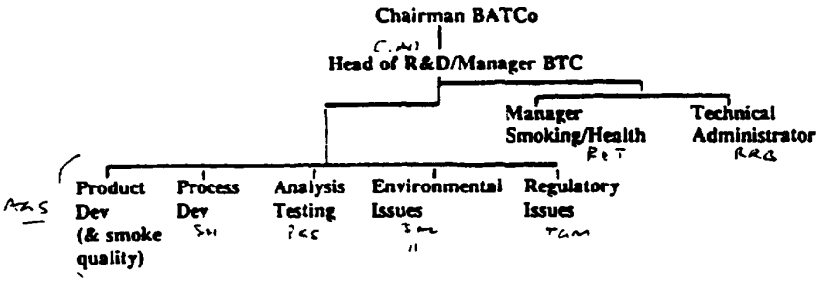
There is no benefit in retaining the distinction between BTC and FRC given the above role and outline programme for BATCo's needs. It is therefore proposed that the FRC is phased out and the existing rather small BTC be expanded to meet these needs. Furthermore, every effort should be made to integrate the new projects into the existing BTC activities. The future emphasis must be on Applied Research or Development and any attempts to pursue fundamental studies beyond their strict point of application must be avoided - this will be easier if staff are in functional groups but work in a matrix manner on projects in one establishment. This has implications (see later) for the new R&D building now being planned on the Southampton site.

The proposed structure for the new BTC is:



In terms of management of the Centre it is recommended that this function is integrated with that of Head of R&D for BATCo. The job is based in Southampton but one office for R&D should be retained in Staines since the manager and many of the staff will be frequent visitors to Millbank. The appointment of a Technical Administrator of the Centre (planning, information services, patents,QTP coordination) is recommended. The Smoking & Health function (R.E.Thornton/L.Rudge) is currently located at Millbank but need not be in future if the Head of R&D is located in Southampton: in that case the S&H function should also transfer to Southampton When R.E.Thornton retires (August 1993), depending upon who is appointed, the Head of BTC should takeover the responsibility for S&H strategy with L.Rudge monitoring literature and managing external contracts.

The proposed structure for managing R&D within BATCo is therefore:



Although the number of sections reporting to the Head looks high it should be recognised that the linkage between Product development and Marketing is very strong in terms of project definition and monitoring and, at least for the first year, direct involvement in this side can be relatively low.

Staffing requirements

The proposed establishment for the new BTC is 110.6, which although high in relation to the former 64, includes an establishment for Patents (4 including secretary) and Corporate R&D (4 including secretary) which hitherto had been treated separately. The true increase emanating from the break-up of FRC is 32.6 (plus 10 who remain on the approved regulatory projects to be funded by CACs).

	Establishment (as at 30.11.91)	New Establishment	Transfers/ Leavers	*Near Ret.*
BTC	64	60	4	*1*
Patents	4	4		
Corp R&D	7	4	3	*1*
FRC	48.6	42.6	6	*2*
	123.6	110.6	13	*4*
Total after Near Rets.		**106.6**	113.6	

The BTC also depends on 6 temporary staff to meet its programme and this requirement will not change. Currently the two Centres use an additional 12 staff from MSD and Administration in order to function and this may be expected to continue.

The detailed distribution of personnel in the new BTC is shown in Appendix I.

Space Requirements

It is recommended that we work to an overall objective of housing all future BATCo R&D staff in the new building which is planned for the north-east corner of the Southampton site. To date planning permission has been granted for a three storey laboratory/office block attached to a development hall. This is based on providing space for PSU (Technical Services, PP&D and Leaf) and for the original BTC. In view of the proposed changes in R&D an extension has been designed, the purpose of which is to house the additional staff for the BTC, the Personnel and Administrative services staff (18.4), Patents (4), and Corporate R&D staff (4). On planning grounds we are advised that this extension can only be on two floors. This extension (Phase 2) occupies 1375m^2 and is shown in Appendix IIa in blue. Appendices IIb - IId show the location of the various departments in Phase 1 and 2.

At the request of Mr N Davis a scheme for a potential Phase 3 extension to accommodate other unspecified activities has been drawn up. At this stage the brief was to establish how many extra staff could be accommodated in Phase 3, bearing in mind the restriction imposed by the Planning Authorities on numbers of staff in relation to car-parking spaces. Given the availability of the GKN site, the total number of car-parking spaces is 251. For Phases 2 and 3, a total number of 82 spaces are available and we estimate Phase 2 as taking 47: thus 35 spaces remain for Phase 3 and this equates to 700m^2 of office accommodation. If accommodation is needed for this number of staff, it is proposed that Phase 3 is constructed as shown in Appendix IIa in red, which amounts to 780m^2. In the event that only half of this space is required for Mr Davis's plans, opportunity should be taken to house the Library and Information Centre, which according to current plans remains adjacent to the former PSU building (but which is transferring to BATUKE) on the ground floor of Phase 3. We would then have all BATCo activities centred in this one building.

Cost Implications

(a) Capital

The following is a summary of the capital costs associated with the move of all of the proposed BATCo activities on the Southampton site to the new building (in view of the preliminary nature of discussions with architects etc., on the proposed extensions, this information must be seen as purely an estimate):

Original project costs(Phase 1)		£6.90m.
Revised project costs(Phase 1)		£9.16m.
Phase 2 extension	£2.00m.	
Total Phase 1&2		£11.16m.
Phase 3 extension	£0.91m.	
Total Phase 1,2&3		£13.07m.

These costs do not include any costs due to introducing Staines style fitments and furniture into the new building.

(b) Revenue

With the difference in research activity implied in the foregoing and with the added complexity of changing buildings, it is misleading to project revenue costs for the new BTC without involvement of the Accounting function. This has not so far been done.

Implementation Plan

In terms of implementation the activities referred to above can be divided into those relating to changes in research projects and those which refer to physical relocation. Apart from the need to specify precisely the design and layout of the proposed extensions to the new building such that firm budgetting and then planning application can be made, there is no pressure on locational issues. (There is no urgency to vacate the current FRC building which in addition to the FRC staff, houses Personnel/Adminstration, Patents and part of Corporate R&D and according to current plans the existing BTC building will not be vacated until December 1992).

As a priority a decision needs to be made on the Head of R&D in order that he can have an input in the very short term on the proposed organisation that reports to him.

The redirection of current FRC staff to the new BATCo oriented projects allowing for a satisfactory conclusion to their current projects will take three months. During that period detailed discussions will be needed between BATCo Marketing, Head of R&D and several of the Departmental Heads from the BTC in order to clarify precisely the projects to be undertaken in the area of Smoking Quality and Environmental Issues.

The target date for announcing the above changes should ideally be before 21 - 30 January 1992 since QTP seminars will be held off-site during that period.

Appendix I

Staff

1. **Product Development inc Sensory Testing** 12

(a) Brand Development
(b) Support to OpCos
(c) Sensory Testing

AG Stephenson, C R Jenkins, B C Harding,
C C Greig, D Pickett, D J Dittrich, R T Fiebelkorn,
P D Case, N Warren, D Moody,
W D Irwin, C T Lawson.

(d) Smoke Quality Research 12

M Dixon, R O'Reilly, P Whitehead, C J Shepherd,
T A Whitton, M Clarke, R L Prowse, C F Hewett,
S Stotesbury, R G Hook (R) J.Mihelic, N.Thorne

2. **Process Development inc. sample manufacture** 23

S Hemsley, S Pilai, P Biddlescombe, R Fraser,
D Phippard, A May, W D Lewis, P Tudgey,
S Kimber, R G Knight, S Renshaw, M Jones, S Long
G Degnan, C Draper, A Tearle, G Willoughby,
G Burnage, T Hill, R Matthews, C Kitcher, N Boham,
D B Naylor (R)

3. **Analysis/Testing** 33

P K Shillabeer, K Brayshaw, S Woodford, G K Day,
C C Batt, C Troke, A Hickman*, B Christie, P Mifsud
(C Wakeford), S Coburn, P A Bishop, W C Collings
(M Farmer), S Havercroft, D Reay, H Bavington, D Long
K Reading (J Woodman), U C Raines, D Nicholson,
V Ireland, P Biggs, A J Burden, H M Backshell,
L Clark, L Marshall, L Guy, M Dowle, A Manson, T Allen,
L Eade, M.C.Coleman, I G Anderson, J.Beyan*

4. **Environmental Projects** - 6
(a) Packaging

J A Luke, I S Hughes, I.R.Harris

(b) Sidestream reduction

K McAdam, M A J Bevan, P White.

5. **Regulatory Projects**** 7
(a) Additives Guidance

T G Mitchell (R), G Smith, M G Painter

(b) Biological Testing

E D Massey, A E Godfrey, K Kalirai, S E Jarvis

6. **Smoking & Health** 2
(a) Development of policy
(b) Management of contracts

R E Thornton (R), L Rudge

7. **Technical Administration** 1

R R Baker

(a) Programme/project planning
(b) Budgetary control
(c) External committees (TAC, Coresta, ISO etc)
(d) Q-T-P coordination
(e) Patent policy management ~~3~~ (3)

K McLean, M J Ward, M R Clarke

(f) Library/information 3.6

V Rice, A J Morgan, S Reading, B Wilkins

(g) Secretarial 7

B C Hanford, J A James, M Merritt, P A Roberts,
F C Lake, B Montana, A Grist

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8.	**Head of BTC**	1
	A N Other	
	Total	**110.6**

Transfers/leavers:
R A Crellin, P C Bevan, G A Few, D P Robinson, J.Reynard

Retirements:
R G Hook, D B Naylor, T G Mitchell, P Kinnard,
H F Dymond, A L Heard, R E Thornton (7)

R&Drecs/alhwork/
16.12.91

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