

**MANUFACTURING DISASTER RECOVERY  
& CAPACITY PLANNING UPDATE**

3(ii)

A best practice manual for Disaster Planning has been completed and circulated. The manual compiles best practice within the group regarding prevention, mitigation and recovery planning. Brown & Williamson, BATCF, BATCO, ITL and Souza Cruz are now updating their plans to this agreed standard.

As a subcomponent of Disaster Planning, the group is also addressing the issue of emergency contingency sourcing. To facilitate this and provide a database to review strategic capacity planning and sourcing issues, the group has updated five-year sales forecasts and capacity plans. Forecasts for all companies combined increase by 15% over the five-year plan with king size box requirements projected to grow by 50%. Reserve capacities appear adequate for all companies and average about 29% for the plan period. An executive summary of the draft report is attached.

A comparison of this study with a similar one done in May 1991 is also included in the report. Basically sales volumes for 1994 are down about 10% from levels anticipated in 1991 but box sales are up more than forecast by 25%. The complete report, which is much more comprehensive and details data by individual company, is currently being circulated to participating companies for comment. The final report will be issued in late December as scheduled.

As a part of this capacity plan, the group has also compiled, for the first time, an estimate of emergency reserve capacity that could be used by the group for disaster recovery. Emergency reserve capacity consists of normal reserve plus heroic actions of taking facilities to full 7-day operation (where feasible) for brief periods of time. The table below summarizes emergency capacity by key style.

1994 COMPANY EMERGENCY CAPACITY (B)

STYLE	B&W	SOUZA CRUZ	BATUKE	BATCF	HONG KONG	SINGAPORE	ITL	BATCO A&B*	TOTAL SURPLUS
KING SIZE SOFT CUP	17.1	22.8	-0-	11.3	2.9	3.8	-0-	4.9	62.8
KING SIZE BOX	16.0	23.3	44.1	19.7	0.2	3.7	1.8	11.9	119.6
SUPER LONG SOFT CUP	18.8	1.7	-0-	-0-	4.2	-0-	-0-	1.5	26.2
SUPER LONG BOX	1.4	-0-	1.6	3.7	-0-	0.1	0.1	0.2	7.1
TOTAL = 215.7									

\*BATCO A&B includes: A: Argentina, Chile, Cyprus, Indonesia, Malaysia  
B: Belgium, Finland, Spain, Switzerland

As can be seen by the table, there is a significant amount of emergency capacity available within the group. However, due to differences in pack specifications, import restrictions and packaging legal copy requirements, there are significant logistical problems to be addressed by the group to effectively tap this potential. As additional flexibility, Brown & Williamson has contacted R. J. Reynolds to examine their interest in a reciprocal agreement in the U.S. BATCO is also considering a similar competitive contact in the UK.

Plans are in place for the group to meet in Brazil this February to finalize contingency sourcing plans and report back to the TSG by late March as scheduled.

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