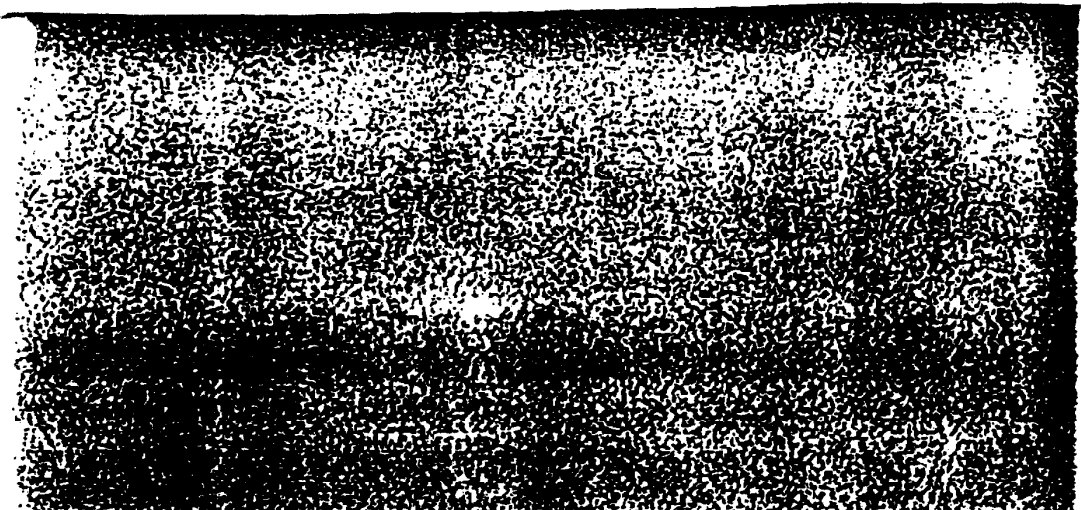


4. On Smoking Issues, Mr. Bramley reported that the summary compendium would be completed in November and it is hoped to be able to launch it by the end of the year.
5. Following on from this, it is hoped to be able to complete and launch a more detailed compendium, which will be directed at the scientific community, in March 1989.
6. It was noted that the major public conference on low-risk epidemiology, covering a range of other subjects as well as Tobacco, was still scheduled to be held in Germany in March 1989. Philip Morris were organising their own conference in February but this would be limited to Tobacco. It was unfortunate that the two conferences were being held so close together and Mr. Bramley was monitoring the situation to ensure that any possible adverse effects were minimised.
7. The Chairman emphasised the importance of maintaining pressure on Smoking Issues. He believed that the two compendiums would be useful in this respect and stressed the need to have them translated into German, Spanish and Portuguese.

It was suggested that while maintaining pressure at the national level, particular emphasis should be given to organising representations at municipal level, using local people as much as possible.

8. It was noted that work sponsored by the Tobacco industry in the USA on Environmental Tobacco Smoke (ETS) was being funded jointly by Philip Morris and R.J. Reynolds rather than by the Tobacco Institute. Brown & Williamson had put money into privately funded projects at the University of Kentucky and was active in promoting work on 'sick-buildings' to research the degree to which radon and air conditioning systems were important contributors to environmental health hazards.
9. Mr. Herter reported that BATCF had organised a conference on ETS jointly with the Austrian Tobacco monopoly. They were also co-operating with wholesalers in ensuring that the industry position was represented effectively to government both at local and national level.
10. Mr. Saboia reported that Souza Cruz were also active in this respect in Brazil where there was a trend towards more restrictive legislation (e.g. regarding ETS in non-ventilated enclosed spaces).



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11. Mr. Heard reviewed Research and Development. Total Group expenditure on Tobacco-related R&D was £30 million. The majority of this was managed and funded locally but there was a co-ordinated programme of Group Strategic R&D accounting for around 10% of total expenditure. Total expenditure in 1988 had been budgetted at £3.3 million split as follows:-

(a) Smoking Issues Research (External)	£0.3 million
(b) Fundamental Research (mainly BATUK&E)	£2.0 million
(c) Project Greendot (BATUK&E)	£0.5 million
(d) Project Airbus (Brown & Williamson)	£0.5 million

12. Smoking Issues Research comprises a group of projects by medical and other scientific departments of universities, by hospitals and by other reputable institutions identified and agreed with CAC companies. The cost of these projects is split equally between the CAC companies, excluding Brazil. It was noted that the same system of funding would be retained in 1989 but that the overall level of expenditure would be increased by 10%. This was a lower level than the original proposal, which had been for an increase of 25%.

13. It was noted that the Fundamental Research programme divides into projects responding to regulatory issues (such as Environmental Tobacco Smoke) and those aimed at improvement of product quality. Important elements of this work are projects to reduce specific products from smoking to defined levels, projects to measure the degree to which certain chemicals persist in enclosed environments and the development of in-vitro tests applicable to tobacco products. Consideration is given to publishing work wherever this is judged to have scientific merit. Product developments include a fire-safe cigarette and flavour developments in Souza Cruz. It was noted that a 15% increase in expenditure on fundamental research to £2.3 million was proposed for 1989.

14. Project Greendot has the specific aim of developing a cigarette with very low tar content but normal nicotine delivery. The aim is to move from a current 10:1 to a 2:1 Tar/Nicotine ratio over a five year programme of development which will include modifications both to the Tobacco and to the design of the cigarette itself. It was agreed that in view of the importance of this project, efforts should be made to accelerate the development programme. The proposed level of expenditure in 1989 is £0.75 million, which is a 50% increase on 1988.

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15. Project Airbus is a more radical approach to develop a product which has some similarities to the recently launched RJR Premier, but which relies on an alternative system based on developments of Ellis and Hughes, patented by BAT.
16. It was noted that RJR had now launched Premier in two States in the USA. While it was too early to be able to gauge the response of the market, the initially unattractive taste and aroma and the technical problems associated with the difficulties in lighting the product, the variations in length and a shelf life limited to five months were all identified as significant problems that would need to be overcome. It was also noted that even the status of Premier as a fire-safe product depended on a narrow technical definition of the test applied and was critically dependent on the orientation of the product when tested.
17. In addition, there is the more fundamental and still unresolved question as to whether the product will be classified as a drug delivery system rather than a cigarette and thereby fall under the jurisdiction of the FDA.
18. Despite the uncertainties about Premier, it was agreed that this was a significant development in which there was a high level of public interest and which could not be ignored. It was also noted that although Philip Morris had not made any public statements on the RJR development, they were thought to have developed a similar product which they were holding in reserve for a possible launch as a competitor to Premier.
19. With the exception of Switzerland, where new regulations would effectively preclude the launch of this type of product, most countries were adopting a similar attitude to that in the US in taking at least a neutral stance. No restrictions were expected on sales of the product in Brazil and in Germany, the authorities were generally supportive of a development which was seen as being positive on public health grounds. However, it was still thought that if there was a decision in the US that the product should be classified as a drug delivery system, attitudes would be reversed worldwide and RJR themselves have said that if the product were to be placed under the jurisdiction of the FDA, it would be withdrawn.
20. It was agreed that pending clarification of the regulatory situation and further evaluation of the impact in the market of the RJR product, the development of Airbus should continue.
21. It was noted that since the design of the product involves some combustion of the Tobacco, it has a greater claim than Premier to be classified as a genuine cigarette. However, it might still encounter the same difficulties as Premier if this was classified as a drug delivery system.
22. It was also noted that there were still technical difficulties to be overcome and it had not yet been possible to develop a prototype of a satisfactory Airbus product. The current aim was to complete this phase of the project by March 1989.
23. It was noted that it was proposed to increase the expenditure on the project from £0.5 million in 1988 to £3.88 million in 1989. However, in view of the uncertainties both about Airbus and about Premier, it was agreed that before going beyond the prototype stage, the project should be reviewed again in the light of the progress achieved in the project itself and in relation to the situation with regard to the RJR product. It was agreed that this review should be held in March 1989.

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24. It was suggested that the expenditure on the Fundamental Research, on Greendot and on Airbus should be funded on a similar formula to that applied in 1988 giving allocations as follows:-

<u>£m</u>	<u>1988</u>	<u>1989</u>
BATCo.	0.75	1.73
Brown & Williamson	0.90	2.08
BATCF	0.57	1.32
ITL	0.57	1.32
Amatil	<u>0.21</u>	<u>0.48</u>
TOTAL	<u>3.00</u>	<u>6.93(a)</u>

Note (a) £3.38 million of the additional expenditure is accounted for by Airbus and is subject to a favourable review of that project in March 1989.

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