



201801693

CAC #74 M

CAC VIII

SUMMARY OF ISSUES FOR DISCUSSION

201801694

CAC VIII

SUMMARY OF ISSUES FOR DISCUSSION

TUESDAY 27TH SEPTEMBER 1983

- C - SMOKING ISSUES - MR. E.A.A. BRUELL
8.45 - 10.45
- D - TOBACCO - KEY ISSUES/
IMPLICATIONS - MR. E.A.A. BRUELL
11.30 - 13.00
- E - PUBLIC AFFAIRS ISSUES - MR. P.J. RICKETTS
14.00 - 16.15

WEDNESDAY 28TH SEPTEMBER 1983

- F - PERSONNEL ISSUES - MR. G.L. DENNIS
8.45

THURSDAY 29TH SEPTEMBER 1983

- J - NON-TOBACCO
MANUFACTURING OPTIONS - MR. E.J. WORLIDGE
8.45 - 10.45
- K - OPPORTUNITIES IN
SERVICES - MR. B.P. GARRAWAY
11.00 - 13.00

201801695

TUESDAY 27TH SEPTEMBER 1983

C - SMOKING ISSUES - MR. E.A.A. BRUELL

Key Issues

1. Does the recent epidemiological evidence offer any comfort to the Tobacco Industry? (Dr. Thornton will introduce this subject).

2. Are Governments increasing taxation on tobacco products and most specifically cigarettes purely to enhance revenue or is there a deliberate unstated intention related to Smoking and Health pressures to shrink both the size and the profitability of the business through fiscal measures. If the former is the case then what advice is being given, or should be given, to Governments by the Tobacco Industry and/or BAT on the subject of enhancing revenue without damaging the tobacco business.

201801696

TUESDAY 27TH SEPTEMBER 1983

D - TOBACCO KEY ISSUES AND IMPLICATIONS - MR. E.A.A. BRUELL

A. Key Factors Affecting Growth and Profitability of the Industry

1. Smoking and Health)
2. Social Acceptability) Discussed in previous session
3. Taxation)
4. Industry reaction to lower growth:
 - Pricing
 - Product
 - Advertising and Promotion

B. Key Industrial, Commercial and Operational Issues for BAT

1. Innovation
2. Productivity
 - Product costs
 - Asset Utilisation
 - Investment Levels
 - Administrative Overheads
3. Rationalisation of production facilities:
 - Political considerations
 - Industrial relations
4. Exploitation of growth opportunities:
 - Market share
 - Export markets
 - Monopoly markets
 - Other forms of tobacco usage
5. Maintenance of U.K. income:
 - Pressures to reduce investment
 - Non-dividend income
 - U.K. earnings

C. Key Geographical Issues for BAT

1. Europe
 - no growth - pricing
 - market share/maximising profitability
2. Latin America
 - potential growth, but severe inflation and devaluation
3. Africa
 - illiquidity - importance of exports
 - future of South Africa
4. Asia
 - maintenance of market share
 - kreteks
 - future of Hong Kong
 - significance of India
5. North America - market share.

201801697

TUESDAY 27TH SEPTEMBER 1983

E - PUBLIC AFFAIRS ISSUES - MR. P.J. RICKETTS

This session will seek the views of delegates about the extent to which public affairs and external problems should influence our business strategy. The focus will be on issues related to the size and scope of the B.A.T Industries Group with particular reference to public attitudes towards multinational enterprises. Delegates will be asked to participate from the perspective of their own businesses but to draw conclusions relevant to the strategic development of the Group as a whole.

Pascal Ricketts, who is leading the session, has drawn up the following outline listing a selection of questions for discussion:-

1. TRENDS AND THREATS - THE PUBLIC AFFAIRS CONTEXT

- (a) What are the main trends of social change affecting public attitudes to private enterprise?
- (b) Do we believe in our own legitimacy and show publicly that we understand the need to adapt to social change?
- (c) Can we identify some of the real threats to our "freedom to operate"?

2. SOME STRATEGIC CONSIDERATIONS - THE BAT INDUSTRIES CONTEXT

- (a) Which of the threats (identified above) are likely to cause the greatest local difficulties? Which are likely to cause the greatest international difficulties for BAT Industries as a Group?
- (b) Why do multinational businesses have special problems? What determines the attitude of Governments to foreign investment?
- (c) Does size alone magnify the problem of public issues for large enterprises? Are there special doubts about conglomerates? If so, why?

3. IMPLICATIONS FOR BAT INDUSTRIES

- (a) Does the sum of all these pressures and problems make a real difference to our future plans?
- (b) Should they make us less multinationally-minded, or more so? What kind of businesses are going to flourish in the complex and often hostile international environment of tomorrow?
- (c) How should we manage public affairs issues? Could we do more from the centre to organise ourselves better to influence some of these issues? Where are the "pressure points" that we should be influencing and what are the techniques that we should be employing?

201801698

WEDNESDAY 28TH SEPTEMBER 1983

F - PERSONNEL ISSUES - MR. G.L. DENNIS

The Chairman has expressed that in our U.K.-based Operating Groups at least there was a "dearth of striking talent clearly destined for the top". Gerald Dennis would like to use this forum to explore the position worldwide.

Our stated aim is "To have better management at all levels than our competitors". To determine how we are progressing towards this objective the following issues will be considered:-

- The quality and quantity of our high potential intake.
- Our retention rates of the same.
- The efficacy of our recruitment, selection and potential assessment processes.
- What is done to develop and reward these "high-flyers".
- The contribution the C.E.O. can make.

201801699

THURSDAY 29TH SEPTEMBER 1983

J - NON-TOBACCO MANUFACTURING OPTIONS - MR. E.J. WORLIDGE

THE CASE FOR INVESTMENT IN MANUFACTURING

1. Background

The traditional manufacturing sector is declining in the advanced industrial countries but will clearly not disappear. In developing countries, manufacturing is likely to be a high growth sector.

BAT has long experience and substantial investment in manufacturing particularly in the tobacco and paper industries. In the post war period BAT's manufacturing base has extended into a variety of activities including food processing, packaging and printing, cosmetics, plastics extrusion, vinyl coverings and carpets, tile, bathroom fittings.

Additionally,

- (a) Manufacturing skills and technology are transferable within the Group.
- (b) Manufacturing activities fit well with most existing BAT operations, especially in developing countries.
- (c) The scale of manufacturing investment is generally adjustable to the market size.

2. The Criteria for Judging Attractive Manufacturing Activities to be Established by B.A.T Industries

- (a) Sizeable businesses in leadership positions in growth markets/market segments;
- (b) Consistent profits, good cash flow, not too cyclical, not highly capital intensive;
- (c) Potential for expansion by transferring technology and skills to other product and market areas;
- (d) Synergy with existing BAT Group activities.

3. Review of Existing Activities

- (a) What BAT manufacturing industries have long term futures?

- Carbonless Paper
- Plastics Extrusion

What others?

- Tobacco?
- Packaging?
- Food Processing?

Short case studies will be used to highlight key features in Carbonless Paper, 2-piece cans and moulded car parts.

201801700

- (b) What are our skills and strengths?
4. Opportunities for Extension into New Products and Processes
- (a) Review of Project team work and other current B.A.T Industries studies, e.g. Plastics conversion working party.
- (b) Current developments in Operating Groups including opportunities in case study industries (3(a)).
- (c) What is our attitude to high technology?
- (d) What manufacturing industries in which BAT does not operate provide good growth opportunities
- a) in developed countries?
- b) in developing countries?
- and how do our skills relate to these?
- (e) Should we have a strategy to identify and invest in a core industry in a key country and then actively encourage other companies to invest in a similar industry? How many industries should we consider?
- (f) What is the most appropriate organisational structure for BAT Industries in order to develop new manufacturing activities successfully?

201801701

THURSDAY 29TH SEPTEMBER 1983

K - OPPORTUNITIES IN SERVICES - MR. B.P. GARRAWAY

- 1. What evidence of service industry opportunities
 - (a) Developed countries
 - (i) Fast growth
 - (ii) Increased Leisure
 - (iii) Growth of disposable income and discretionary capital
 - (b) Developing countries
 - (i) As for mature markets for newly industrialised countries but at lower level of development
 - (ii) Selective opportunities based on local factors - e.g. Tourism.

2. Summary of Service Industries

Catering	Publishing
Consumer Services	Transport
Industrial Services	Vehicle Distribution
Retail & Wholesale	Engineering Services
Distribution	Financial Services
Property & Real Estate	Health Care
Leisure	
Construction, Civil	
Engineering & Plant	
Contracting	

3. Existing BAT Group and Associates interests in Services

- (a) Retailing - in UK, USA, Canada and Germany
- (b) Insurance - in UK
- (c) Paper Merchanting
- (d) Agricultural services

4. Criteria

- (a) Substantial and free-standing
- (b) Management Capability
- (c) Prospects for Group co-operation
- (d) Application of Group skills, assets and strengths
- (e) Capability for growth, sector leadership, stability
- (f) Consistent with achievement of Group Objectives, making significant contribution to Group in medium and longer term.
- (g) Consideration of concentration on one activity and/or choosing activity appropriate to companies and/or regions.

201801702

8.

6. Discuss Opportunities

- (a) For major companies and countries
- (b) For Group.

201801703

BAT Industries document for Province of British Columbia 22 April 1999