

To: Mr. P. Sheehy

CAC VIII

You asked for a summary of the main points agreed at CAC VIII. These were as follows:

1. Although the Tobacco industry is facing difficult times, positive action could ensure good profitability and cash flow. Pressure points were:
 - (a) The epidemiological evidence on smoking and health which was less favourable to the industry than many people believed.
 - (b) Taxation.
 - (c) Innovation.
 - (d) Promotional expenditure.
2. There was general agreement that the Group needed to be reshaped over the next 2-3 years and that this brought with it a need:
 - (a) To obtain maximum cash flow
 - from asset productivity
 - from divestment, both of poor performers and of profitable businesses not directly relevant to agreed strategies.
 - (b) To select the main lines to follow
 - General consensus on Services and particularly on Financial Services.
 - Interest in Agribusiness in Brazil and general interest in possible applications of Biotechnology (e.g. in Australia).
 - There was also some interest in Health Care but although this seems likely to be a large sector, it was not clear how the Group could participate in this.
 - Other manufacturing options were also considered. It was not felt that there were opportunities for building any substantial new activities based on manufacturing.
3. In the discussions of Public Affairs issues it was agreed that the Group should take a more positive attitude on the benefits of Private Enterprise and the positive features of Multinationals. It should also take a firm stand against attempts by Governments and by supra-national organisations to threaten operating freedom.

Further consideration will be given to ways in which these efforts should be co-ordinated from the Centre.
4. On Personnel Issues, it was agreed that Chief Executives had a vital role in ensuring that both recruitment and development policies led to a better supply of top quality managers within the Group.

Rs.

R. Salter

RS/DJA
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