

DRAFT - for approval

(It is intended that this note should be issued with the note from Dr Binns which you approved recently.)

Dear ()

TOBACCO RESEARCH & DEVELOPMENT IN BAT

In late April this year you will have received notification of several important changes in the future Group strategy for tobacco-related R&D. The main elements of the new strategy are:

- (1) Fundamental research is no longer to be concentrated at Southampton (GR&DC) but is being decentralised using the increasing skills of the CAC laboratories (USA, Germany, Canada, Brazil and Australia).
- (2) In parallel with this move, GR&DC is being restructured in readiness for its transfer to BAT(UK&E) which should take effect in early 1986: currently staff and space allocation changes are being made in readiness for this step.
- (3) In its new role, the former GR&DC will be re-named BAT(UK&E) R&D Laboratory. In future it will put considerable emphasis on practical support to BAT(UK&E) and BATCo operations as outlined in the accompanying note by Richard Binns, the Laboratory Manager.

My new role at Millbank, reporting to the Chairman, is to co-ordinate the worldwide R&D activities of the tobacco companies. These responsibilities include:

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- (1) Creation and subsequently co-ordination of a Group R&D Programme based on projects of Group relevance which are to be carried out in the five CAC Laboratories and the BAT(UK&E) Laboratory. (I am aiming to have the first version of an integrated programme by the end of this year.)
- 2. Certain projects, although managed from the individual research centres, will use external resources where these offer special expertise. The co-ordination of the major projects of this type will be a key function.
- 3. On behalf of BATCo I will also be responsible for ensuring that its medium to short term R&D needs are met (principally but not exclusively through the BAT(UK&E) R&D Laboratory).

It is already clear, based on discussions with a few General Managers, that there are points which need to be clarified. Firstly, there is no sense of a withdrawal from R&D. Across the Group and including external contracts, we do not foresee any reduction in the expenditure on research.

Secondly, the Group Research Programme will certainly contain many applied R&D projects directed towards improving market share or profitability through innovation or cost (production) but will also have major fundamental research projects aimed at greater understanding of the science which underpins our business.

I hope these points go some way to clarifying the future role and organisation of R&D in the Group. If you have questions I will be pleased to clarify further.

Yours sincerely

A L Heard

(Note for Mr Bruell: This was originally intended for BATCo GM's. Should it include the CAC's?)

Yes
 Send it to the S.M.s of the CAC
 To know how to inform them as to the
 and to Mr. G. G. Heard
 etc.

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