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Tobacco Strategy Review Team

SECRET

The seventh meeting of the team set up to review the strategies for the Group's Tobacco activities was held on 22nd October 1986.

Present: Mr. P. Sheehy, Mr. B.P. Garraway, Mr. E.A.A. Bruell, Mr. P.J. Ricketts, Mr. D.L. Slobom, Dr. R. Salter (Secretary).

Mr. A.L. Heard was in attendance for items 1-8.

Mr. G.L. Dennis was unable to attend.

1. The minutes of the meeting held on 24th April were agreed.
2. It was noted that further investigation of the opportunity to buy tobacco from the US stockpile had led to the conclusion that this would not show significant advantages to BAT and the opportunity had not been pursued.
3. Mr. Heard presented a paper on the funding of R&D. It was noted that the majority of the R&D effort (costing around £30m) was funded by the company in which the work was done. There was a free interchange of the information arising from this work through a common database and it had been decided that it would be inefficient to try to make charges between companies for this information.

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However, there was about £2m of work in Southampton and £0.55m of work in Souza Cruz which was classified as fundamental research of a type which was essential but which was not carried out in the other R&D departments.

*Mr. Heard -
Please bill this
to appropriate*

It was agreed that the cost of the work in Souza Cruz should be carried in that company but that the £2m of expenditure in Southampton should be covered by the other companies. It was agreed that a reasonable allocation would be £0.5m each to be paid by BATCo. and BATUS, £0.4m each from BATIG and Imasco but only £0.2m from Amatil (taking into account the relatively low volumes of cigarette sales in Amatil).

It was agreed that BATCo. should negotiate payments on this basis for 1987.

It was also agreed that BATCo. should check back with the Strategy Team in future years, to agree both the level of expenditure on fundamental work and also the allocation of the charges.

4. It was agreed that the current level of R&D effort was generally adequate to meet the requirements of the Tobacco activity.

Mr. Heard

However, it was suggested that Souza Cruz might give further consideration to the possibility of commissioning work with NPI on the application of biotechnology to developing specific characteristics in tobacco.

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