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Note for Mr B D Bramley

The Management of Regulatory Issues, including Advertising and Promotion

1. Regulatory Issues

For the purpose of this note regulatory issues are defined as:

(a) Technical issues that can directly affect the product:

Additives  
Cigarette testing procedures  
Ceilings for the deliveries of individual smoke components

and

(b) Broader issues:

Advertising Restrictions  
Packaging (principally health warnings)  
Use of tobacco trade marks in other products  
Product liability  
Smoking restrictions i.e. public places, workplace.

2. Objective

To monitor proposed or actual new legislation arising from US and European Regulatory Bodies, and to ensure that the Group's views are taken into account during the framing of new regulations.

3. (i) Who are the Principal Regulatory Bodies (acting as agents of Government)?

The following are examples of a long list world-wide:

US Dept. of Health and Human Services.  
EEC.  
UK Independent Scientific Committee.  
Norwegian Medical Board.  
Finnish Medical Board.  
New Zealand Toxic Substances Board  
Government departments in Germany.  
Various organizations in other European Countries.  
Arab Health League  
Gulf Ministers Health Conference

4. (ii) Subsidiary Regulatory Bodies

Again the following are examples:

Government (or Government approved) testing laboratories.  
Standards Institutes.  
International Standards Organizations (ISO).  
CIRESTA (delegated role from ISO in respect of cigarette testing).  
Saudi Arabia Standards Organization  
Gulf Standards Organisation

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5. What are the current Monitoring Systems?

(a) Actual legislation

This is generally carried out by the industry jointly chiefly through organizations such as of CECCM and National Manufacturers Associations (NMA) and individually through political advisers, external lawyers etc. This area is well covered and documented e.g. Smoking Issues Status Book produced and updated by INFOTAB. In the USA the BAT Group does not belong to the NMA (the TI) so that it conducts its own information gathering activities.

(b) Proposed legislation

Monitoring proposed legislation clearly depends on establishing contacts with politicians, civil servants and government advisers. This is carried out both at industry and company level. However, BAT contacts need to be strengthened (discussed later). Obviously the ease of monitoring proposed new legislation varies from country to country depending on the government's stance on smoking and health issues but there is generally advance warning of impending legislation and opportunity to respond, with the possible exception of Middle East countries such as Saudi Arabia. In the UK formal advance warning is given in the reports of the Independent Scientific Committee: informal systems operate in Germany and in the EEC draft legislation can be identified at an appropriate stage in the Commission/Parliament/Council circuit. In the USA the "Kennedy" bill to regulate the industry has been circulated as a draft and in New Zealand the report of the Toxic Substances Board preceded the start of the legislative process.

6. How are the Group's views on proposed new regulations currently expressed?

(i) Where the industry has a unanimous view  
(i.e. Industry views coincide with BAT)

Generally they are put over with vigour by NMAs or CECCM and have had some effect on modifying proposed legislation e.g. in the UK, Germany, Denmark and New Zealand. There is an implication that BAT must be a member of such organizations.

As yet, there has been a lack of success, however, in significantly influencing the EEC in Brussels.

(ii) Where the industry does not have an unanimous view

For obvious reasons the industry tends not to have unanimous views on issues where commercial advantage may result from a particular regulatory decision e.g. inclusion of channel ventilated cigarettes within or without a standard smoking regime.

BAT necessarily use such connections with politicians, civil servants and government advisers as are available. Generally such activities have been conducted by BAT with reasonable success, the most notable examples being the issue of BARCLAY and regulatory approval for the use of additives, for example in the U.K.

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However, the BAT Group do not have sufficient contacts in all markets (notably in the EEC) and better coordination is needed across companies and departments. This is discussed later.

7. Recommendations for managing issues of Group Strategic Importance

Historically issues have developed in particular countries at different times. The tendency has been for the local company to develop a view, perhaps cross checking with other BAT companies. Problems have arisen where there is inconsistency in companies approaches in different markets or where a truly international strategy is required to meet international problems.

It is thus recommended that:

Responsibility for identifying issues should lie with a nominated individual in each tobacco operating company (including BATCo).

This person collects information about proposed changes and coordinates views from his own R&D, Public Affairs, Legal and Marketing personnel.

He would then be responsible in the case of a BATCo company for informing a designated individual or individuals within Millbank. In the case of a CAC company for liaising with the other CAC companies.

Those strategies having international implication or Group strategic importance will be presented for review by Messrs. Bramley, Herter, Mercier and Pritchard and a unified Group strategy is determined, subject to TSRT approval. The TSRT will resolve any problems arising from different local strategies.

The agreed position will be presented to the individual CAC companies.

In order to ensure more effective monitoring and lobbying it is also recommended that companies:

- i. Continue to use CECCOM and NMAs and all other sources to obtain information.
- ii. Maintain membership of CORESTA, focussing our activities with perhaps fewer, more senior people representing the BAT Group.
- iii. Maintain and strengthen dialogue with standards organizations and other influential bodies.
- iv. Identify additional third parties who are formal or informal Government advisers and who are sympathetic to the BAT view. (These third parties are both to obtain information for the BAT Group and to put over the BAT Group view to Regulatory bodies).
- v. Specifically to identify potential third party support in EEC countries.

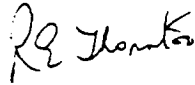
Recommendations for action by BATCo

- i. Within BATCo implement recommendations in section 7 above.

Specifically:-

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- ii. BATCo companies to establish contact with politicians, civil servants and government advisers on Regulatory Issues within a policy framework established by BATCo.
- iii. Designated individual or individuals within Millbank to maintain contact (direct or delegated) with nominated key personnel in BATCo companies and CAC companies.
- iv. RET/ALH to advise the PDGG and senior management of impending legislation and its importance to BATCo (and the BAT Group if appropriate).
- v. In order to improve the capability of Group Companies in handling these issues it is intended to circulate them at appropriate intervals a review of current regulatory issues, and related BAT Group policy guidelines.



Dr R E Thornton

RET/LEW  
16th May 1990

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