

PRIVATE & CONFIDENTIAL

TOBACCO DIVISION BOARD OF MANAGEMENT

Minutes of Meeting held on Tuesday 10th July 1973.

Present: Mr. P. Macadam (Chairman)
Mr. K.E. Haines
Mr. J.T. Husbands
Mr. C.H. Stewart Lockhart
Mr. A.D. McCormick
Mr. P. Sheehy
Mr. T.A.H. Slack
Mr. E.J. Symons

In Attendance: Mr. B.G. Pearson (Secretary)

7/1 REPORTS

It was agreed that members of this Board will inform the Secretary when they intend to report on trips or to invite a visiting No. 1 to report. The Secretary will then inform other B.A.T. Board members in advance.

(All members)

7/2 BRAZIL

Mr. Macadam reported that, together with Messrs. Husbands and ~~Chinnock~~ Rigby, he had visited Nickersons, seed developers, in Lincolnshire. Souza Cruz are under pressure from the government to assist in increasing food production. Mr. Macadam favours promotion of arable agriculture although Mr. Rigby favours meat production. In the end, improved arable agriculture might assist meat production. Mr. Nickerson will visit Brazil shortly and will report back. Any development would be a P.R. gesture to the government and, if successful, may later be extended to other countries.

7/3 CANADA

Mr. Macadam reported that ITPL will close the cigar factory at Montreal and transfer production to the main Montreal plant, thus saving about 360 people and \$7 million annually. Later the Quebec factory may similarly be closed. The Food Division is doing well and improving and the profits prospects are excellent. All other activities are also growing and doing well. Imasco needs one more principal diversified activity and a team is being set up to consider this.

Mr. Slack queried whether a Canadian could not be employed at Millbank. Mr. Macadam enumerated some of the difficulties but agreed that it was worth considering.

(Mr. Macadam Mr. Slack)

7/4 ORGANISATION CHARTS

The proposed revised Sheet 5 was approved and it was agreed that the Secretary should circulate it.

(Mr. Pearson -)

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7/5 MILLBANK COMMITTEES

Mr. Haines' note of 28th June will be considered at the next meeting.

7/6 RESPONSIBILITIES OF TOBACCO DIVISION

- (1) Various changes were agreed to the Secretary's draft. The current version is attached to these minutes. The final version will require CPC approval.
- (2) Mr. Calvert's note of 6th July will be considered at the next meeting.

7/7 U.K. OPERATIONS

Mr. Short's note of 27th June was considered and the following points were made:-

- (1) the aim of 5% of the U.K. cigarette market in 5 years was too high;
- (2) the aim of 15% return on capital employed by year 5 should be 25% before tax;
- (3) Mr. Symons would like clarification of the work to be carried out by Management Services;
- (4) Mr. E.A.B. Tims (or B. Rowles) must work under the aegis of Mr. A. Dale;
- (5) the investigating team should ideally include the man who will be in charge of the U.K. operation but his selection partly depends on the team's recommendations and the decisions taken. It was noted that the team does not at present include anyone who has been in charge of an operating company.

It was agreed to accept the note as a basis for an urgent study of the U.K. market, to prepare production and marketing plans other than those involving Imperial, and to collect all the necessary facts and prepare recommendations on which decisions can be made.

(Mr. Short Mr. Slack
 Mr. Symons
 Mr. Douglas)

7/8 FINANCIAL CONTROLS

Consideration was given to minute 6/7 of 3rd July and the Secretary's subsequent note.

It was agreed that:-

- (1) the following figures will apply as limits of territorial directors' authority for capital projects until capital expenditure budgets are approved, and after that time as their limits in cases of necessary expenditure beyond the budgets:-

B. & W.)	
Germany)	£1,000,000
Brazil)	

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Mexico)	
Nigeria)	
South Africa)	
Argentine)	
Hongkong)	
India)	
Malaysia)	
Pakistan)	
Indonesia)	£200,000
Vietnam)	
Kenya)	
Switzerland)	
Cigar Group, Europe)	
Benelux)	
I.E.D.)	
Chile)	
Venezuela)	
Export Leaf)	
All others)	£100,000

- (2) Such expenditure above these limits must be approved by this Board up to £2 million.
- (3) Such expenditure above £2 million will be referred by this Board to the CPC.
- (4) These figures will need CPC approval.

7/9 CIGARETTE ISSUE - PERSONNEL DEPARTMENT

Reference: Mr. Rawlinson's note of 3rd July.

It was agreed that the 650 cigarettes weekly previously received by Mr. Brolly should now be received by Mr. D.S. Dunbar for distribution at his discretion to members of Personnel Department who do not receive a weekly allowance of cigarettes.

(Mr. Rawlinson Mr. Dunbar)
Mr. Bowra)

7/10 BRAZIL TOBACCO DIVISION BOARD

Mr. Legat's note of 3rd July was rejected and Mr. Husbands will submit a new note for the next meeting.

(Mr. Husbands -)

7/11 BIO-DEGRADABLE FILTERS

Reference: Minute 15 of the New Products Committee dated 14th June 1973.

It was noted that pressure will be maintained on suppliers through R. & D. to develop filters which are bio-degradable at a faster rate, but Associated Companies should also press their suppliers similarly.

(All members Dr. Green
Mr. Liddle)

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7/12 IMASCO BOARD

Reference: Mr. Macadam's note of 6th July.

It was noted that Mr. John H. Coleman had been appointed a non-executive director of Imasco and it was agreed to recommend to the CPC that this appointment be approved.

(CPC -)

7/13 PAKISTAN - Akora Khattack Project

Reference: Mr. Spurgeon's note of 9th July.

It was agreed to establish a factory at Akora Khattak at a total cost of £388,000 and that, subject to Exchange Control approval, BAT should "gift" PTC machinery up to £90,000 to be repaid as soon as possible by increased dividends and leaf selling commission. It was also agreed that the other shareholders (Tobacco Investments and Carreras) should be requested to bear their due proportion of the cost.

(Mr. McCormick Mr. Spurgeon)

7/14 CAPITAL PROJECTS - Proforma

Mr. Symons will draw up a proforma of information to be supplied to this Board when seeking approval of capital projects.

(Mr. Symons -)

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