

PRIVATE & CONFIDENTIAL

TOBACCO DIVISION BOARD OF MANAGEMENT

Minutes of Meeting held on Tuesday 17th 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)

8/1. Allowances in U.K. for visitors from India, Pakistan and Ceylon.

It was agreed to accept the recommendation of the Personnel Committee that the allowances set out in Mr. Elliot's note of 10th July, as amended by the Committee, be approved.

Mr. McCormick will however consider whether the fact that the Chairmen of India, Pakistan and Ceylon receive the same amount of Travelling Allowance is equitable in view of the sizes of the companies concerned.

(Mr. McCormick Mr. Elliot  
Mr. Dunbar  
Mr. Pateman  
Mr. Timpson )

8/2. Committees at Millbank

Reference: Mr. Haines' note of 28th June.

It was agreed that the existing committees should continue functioning as at present except that:-

- (1) The Scientific Developments Committee will probably be reconstructed before the end of the year.

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- (2) The General Management Planning Committee will in future be comprised of all members of the Tobacco Division Board with Messrs. Rawlinson (or Dunbar) and Hancock invited to attend. Meetings will normally be quarterly on the fourth Tuesday of the month following the end of a calendar quarter, the next four meetings being 24th July 1973, 23rd October 1973, 22nd January 1974 and 23rd April 1974. On those days the sequence of meeting will be: 1st (10.30 a.m.) - General Management Planning Meeting; 2nd - Tobacco Board weekly meeting; 3rd - QPR meeting.

(Mr. Rawlinson - )  
(Mr. Hancock  
(Mr. Dunbar

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(3) The Marketing Executive Committee will continue as at present but:-

- (a) Mr. Slack will give further consideration to the name and constitution of the Committee.
- (b) Mr. Slack is having a report prepared which will, inter alia, consider overlapping functions between the Committee, I.E.D. and central Marketing Services.

(Mr. Slack - )

(4) The Tindley Committee has already been disbanded and its functions, so far as tobacco matters are concerned, transferred to the Tobacco Division Personnel Committee (Messrs. Macadam, Symons, Dunbar and Morini with Mr. Pearson as Secretary).

( - - )

8/3 Marketing Services

It was agreed that:-

(1) Central Marketing Services must take swifter action on new international brands and, in return, associated companies must be prepared to accept stronger direction from central Marketing Services.

*follow more closely the advice of* →

( - - )

(2) To keep Tobacco Board members in the picture on the progress of our own and competition main international brands, Mr. Slack will arrange for a presentation by Messrs. Short and Brown at 2.30 p.m. on Tuesday 7th August and thereafter a quarterly review by Mr. Short.

(Mr. Slack Mr. Short  
Mr. Brown )

8/4 Tobacco Reconstitution

It was agreed to confirm the policy towards reconstitution processes set out in Dr. Green's note of 2nd July, in particular that tobacco reconstitution is an area which involves Group technical policy and that any competitive processes should be examined in conjunction with G.R. & D.E.

(Dr. Green - )

8/5 Biological Testing of Brands

Consideration was given to Dr. Green's note of 10th July enquiring whether biological testing should be carried out on branded cigarettes.

The opinion was generally favourable but the question was raised as to whether some of the information could not be obtained from Imperial or published by the Hunter Committee.

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Dr. Green is asked to discuss the subject with Mr. Macadam who will raise it again at a later meeting.

(Dr. Green - )

8/6. South Africa - Willards Foods

Reference: Mr. Dawson's note of 11th July.

It was agreed:-

- (1) to increase the authorised and issued capital to R.2,000,000 and R.1,700,000 respectively;
- (2) to a rights issue of 1,500,000 A and B Ordinary Shares of R.1.00 each, effective 1st October 1973; and
- (3) to deal with the minority interest in any one of the ways set out in the note.

(Mr. Sheehy Mr. Dawson )

8/7. T.R.C. and F.A.C.

It was noted that the CPC had agreed the following representatives:-

TRC - Council - Messrs. Macadam and McCormick  
Executive Committee - Mr. Hargrove and Dr. Green.

TAC - Messrs. Macadam, Stewart Lockhart and Hargrove.

It was agreed that these changes would be put into effect after 1st October 1973.

It was noted that the CPC had made no decision regarding representation on the Molins Board.

8/8. Imperial Group

Mr. Macadam reported on the last meeting with Imperial. Virtually all outstanding matters had now been agreed except for the duty free sea and air stores business on which there is at present a deadlock. It is hoped to sign an agreement and make an announcement shortly on all matters except the duty free trade.

8/9. U.K. Trade

Mr. Slack reported that:-

- (1) Gallahers and Rothmans had agreed that we could use Retail Audit for market research in U.K.
- (2) Gallahers were advertising and making right of user sales on our behalf of our B & H Luxury Blend, largely to pre-empt a similarly packed Imperial brand. It was agreed that Mr. Slack should make a report at each meeting of the progress of the B & H Luxury Brand wrapping materials.

(Mr. Slack - )

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8/10. B. & W.

Mr. Slack reported that Mr. Crouch (Export Manager of B. & W.) had retired from B. & W. for personal reasons with effect from 12th July 1973.

8/11. Vokes

Mr. Haines reported that Vokes had been taken over by Thomas Tillings which had decided that Vokes should discontinue manufacture of tobacco machinery. We make comparatively small purchases from them and the situation is not serious.

8/12. Bomb Precautions

Mr. Haines reported that the Home Office have now recommended the best material to prevent glass splintering but that it would cost approximately £80 to treat one trial window in the restaurant. It was agreed that, in the Tobacco Board's opinion, no action should be taken.

(Mr. Haines - )

8/13. Jordan

Mr. Stewart Lockhart reported that we had received £44,000 from Jordan. This represents the balance realised from the sale of the assets after liquidating the bank overdraft.

8/14. Yardley

Mr. Stewart Lockhart drew attention to the poor Yardley Grand Prix advertisement in the Daily Express of 16th July compared with a similar Players advertisement in the same paper.

8/15. Mexico

Mr. Symons mentioned Stockwell had telephoned that morning to report that at long last he had met with the Minister of Patrimonio (Flores de la Pena) who had verbally confirmed 55% Mexican shareholding and called a further meeting for July 18th. This meeting will probably be the last opportunity to reach agreement leading to the necessary change to the excise subsidy terms. Stockwell required shareholder's consent today to all the shares necessary to reduce the BAT/TST holding to 45% to be put into a trust for sale, the trustees being Somex (a government finance house) and Banco Nacional (a non-government bank); and an indication of the maximum deferment of remittance of sale proceeds the shareholder would authorise him to accept. It was agreed to recommend to the CPC that the remittance be deferred by no more than 3 - 5 years.

Mr. Symons also reported that Empresas La Moderna were approaching agreement with Kidder Peabody Incorporated of New York to raise a US \$30 million 20 year loan privately from U.S. institutions at a rate of interest not exceeding 9½%. The loan is intended primarily to replace bridging finance from Morgan Guaranty Trust and to purchase El Aguila shares. This was agreed for recommendation to the CPC.

(Mr. Symons - )

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