

PRIVATE & CONFIDENTIAL

TOBACCO DIVISION BOARD OF MANAGEMENT

Minutes of Meeting held on Tuesday, 7th August 1973.

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

In Attendance: Mr. P.J. Ricketts (Acting Secretary)

Absent: Mr. J.T. Husbands
Mr. T.A.H. Slack
Mr. E.J. Symons

Also attended for the first item:

Mr. G. Rawlinson

11/1 Marketing Services - International Brands

A team from Marketing Services made a presentation on plans for our main international brands including the proposed strategy and the priorities as they stand at the moment. Mr. Short introduced the presentation with some comments on organisation a copy of which is attached to these Minutes.

11/2 Rothmans International - Tobacco Taxation

Reference: Minute 10/13 of 31st July.

Mr. Stewart Lockhart reported that Mr. Kriel, Marketing Director of Rothmans International (based in Monaco) and Mr. ~~Bloom from their German company~~ had visited to discuss harmonisation of tobacco taxation in the E.E.C. They complimented BAT on taking the initiative in organising a common front by the private enterprise industry and agreed ^{to make representations to the Benelux governments in favour of high specific element in tobacco taxation which was a reversal of their previous position.} Mr. Blake is going to Monaco this week to assist with preparation of the case.

11/3 BAT/Imperial Discussions

Mr. Macadam reported that settlement had almost been reached on the outstanding matter of the duty-free trade within Europe, with Imperial agreeing to grant BAT the right to handle the trade so long as it remained duty-free. Imperial will probably seek to restrict this to the 13 Imperial brands currently handled by I.E.D. but BAT will press for the right in respect of all Imperial brands which are to be transferred back although we will accept Imperial's right to handle new brands launched under their traditional House names. Traditional Houses will also be agreed.

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11/4 Responsibilities of Tobacco Division

Reference: Minute 10/19 of 31st July.

It was agreed to issue an edited version of the finally approved document to No. 1's overseas and Heads of Departments and Finance Advisers within Millbank.

(Secretary -)

11/5 International Brands - CHARLTON

Reference: Minute 10/18 of 31st July.

Mr. Macadam reported that I.E.D. had agreed to adopt CHARLTON in place of HIBERNIA in I.E.D. markets. Mr. Liddle attended the meeting to report on the board situation and confirmed that board for 20 million CHARLTON was already at Mardons and a further delivery sufficient for 70 million CHARLTON is due at the end of November. Small quantities of board sufficient for 40 million cigarettes could be obtained at short notice to fill any gap between the 20 million and 70 million referred to above. It was agreed that the CHARLTON programme should be reviewed by Messrs. Macadam, Doran and Short and Purchasing Department advised of I.E.D.'s precise requirements by the end of this week.

(Mr. Macadam Mr. Slack
Mr. Short
Mr. Doran
Mr. Brown)

11/6 Filters - Longer Plugs

Reference: Mr. Doran's note of 20th July.

The arguments in favour of longer plugs were noted and it was agreed that there would be advantages in adopting longer plugs for all international markets. It was suggested that I.E.D.'s conversion programme was too slow and it was agreed that Mr. Haines would investigate and report back on the various alternative means of speeding up the machinery conversion timetable.

(Mr. Haines Mr. Doran)

11/7 Transfer of Technology

Reference: Scientific Developments Committee Minute 19/3 of 30th July.

The recommendation that Co-ordinators should handle the negotiation of royalty payment by associated companies on new processes and products developed by R. & D. was approved. It was agreed, however, that R. & D. should indicate which processes and products involve a real technological development in which cases Co-ordinators should not, in general, agree to any transfer without payment of royalties.

(Dr. Green All Co-ordinators)

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11/8 PRT-71 Project - Brazil

Reference: Minute 10/1 of 31st July.

It was agreed that Mr. Haines should organise a team (including pertinent experts from Millbank and Wiggins Teape) to make a preliminary project study on the feasibility of installing a PRT plant in Brazil. Mr. E.J. Rigby will be in Millbank at the end of August and can then be consulted.

(Mr. Haines Mr. Tindley
 Mr. Bowra
 Dr. Green)

11/9 Leaf Development

Reference: Minute 10/2 of 31st July.

It was agreed that Territorial Directors should alert No. 1's overseas to the anticipated long-term world shortage of good quality leaf so that opportunities for leaf development can be investigated.

(All Members -)

11/10 Tobacco Taxation - U.K. Drawback Rates

Reference: Mr. Blake's note of 2nd August.

It was agreed to accept the TAC proposal not to collect drawback in respect of the Common Customs Tariff (the 'new ad valorem element') to be applied under E.E.C. arrangements from 1st January 1974. This accords with Customs advice and has been agreed with the rest of the U.K. industry in order to protect AOC profits (BAT - £4.5 million or more per annum) until full harmonisation within the E.E.C. scheduled for 1st January 1978 and to avoid undermining the U.K.'s position in the specific -v- ad valorem argument in the harmonisation negotiations.

(Mr. Stewart Lockhart
 Mr. Doran
 Mr. Blake)

11/11 Allowances in U.K. for visitors from India, Pakistan and Sri Lanka

Reference: Minute 8/1 of 17th July and Mr. McCormick's note of 26th July.

It was agreed to make no changes in the Sterling Travelling Allowances previously agreed.

(Mr. McCormick -)

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11/12 BANGLADESH No. 1.

Reference: Mr. McCormick's note of 26th July.

It was agreed to select Mr. F.F. Hogan as successor to Mr. H.H.V. Spreadbury as No. 1 in Bangladesh on the understanding that the appointment would be for not less than 3 years but that in the event of unforeseen circumstances his present post of Production Adviser in Millbank would remain available to him.

It was noted that Mr. Cargegie-Brown at present Production Director in Malaya could be released to replace Mr. Hogan as Production Adviser in Millbank.

(Mr. McCormick Mr. Haines
Mr. Sheehy
Mr. Dunbar)

11/13 Marketing Executive Committee

Reference: Mr. Slack's note of 30th July.

It was agreed to defer consideration of the future operation of the M.E.C. until a decision has been taken on whether a Tobacco Board Marketing Committee (comprising the Marketing and Territorial Directors under the Chairmanship of Mr. Macadam) should be established.

(Mr. Macadam Mr. Slack)

11/14 Indonesia - Capitalisation

Reference: T.A.D.'s note of 2nd August.

The proposal that P.T. British-American Tobacco Manufacturers (Indonesia) should capitalise all reserves at 30th September 1971 to increase the paid up share capital from Rp 115 to Rp 1,700,000 was approved subject to Bank of England and H.M. Treasury consents.

(Mr. Sheehy Mr. McClelland
T.A.D.)

11/15 Pakistan - Senior Executive Appointments

Reference: Mr. McCormick's note of 3rd August.

The proposed appointment of Riaz Mahmood as General Manager Marketing of Pakistan Tobacco Company was noted.

(Mr. McCormick Secretary)

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11/16 Imasco Board

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

It was noted that Imasco propose to approach Mr. Jean-Luc Pepin and Mr. Purdy Crawford for appointment as non-executive directors of Imasco and that the CPC was already aware of the proposal.

11/17 Malaya - Management and Computer Services Sendirian Berhad

Reference: T.A.D.'s note of 2nd August.

It was agreed to recommend to the CPC that Malaya Tobacco Company should continue negotiations with Inchcape Berhad to sell 43.4% from its 90% interest in MACS under a scheme whereby MTC will have to write off part of its losses in this investment in order to obtain a partner to assist in restoring MACS to profitability.

(CPC -)

11/18 Indonesia - Leaf Development Company

Reference: T.A.D.'s note of 2nd August.

It was agreed to recommend to the CPC the proposal of B.A.T. (Indonesia) that a new company be formed with an initial capital not exceeding £100,000 to cover leaf development work in the three islands off the main island of Java as a joint venture with local partners (such as development banks) to the extent of 40% initially. Bank of England and H.M.Treasury consents will be required when details of the project have been settled.

(CPC -)

11/19 U.S.A. - Major Project (Export Leaf Tobacco Ltd.)

Reference: T.A.D.'s note of 3rd August.

It was agreed to recommend to the CPC the proposal of ELT that a new plant and leaf storage facilities should be constructed in Wilson, N.C. at an estimated project cost of U.S. \$11.6 million (£4.64 million) to replace the two existing plants at Wilson and the Richmond plant. Finance Department calculate that ELT will have sufficient funds to finance this project (the cost of which is estimated will be recovered within a 6 year payback period including receipts of approximately \$2 million on disposal of redundant properties) subject to increased borrowing requirements particularly at the peak of the leaf buying season.

(CPC -)

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11/20 Tanzania - Negotiations with N.D.C.

Reference: Mr. Sheehy's note of 3rd August.

It was agreed to recommend to the CPC that we again respond to the N.D.C.'s latest approach to re-negotiate the Managing Agency Agreement by offering to sell our remaining 40% interest in B.A.T. Tanzania Ltd. to the Government on a similar to basis to that established for the sale of the original 60% interest.

(CPC -)

11/21 Venezuela - Agreement with R.J. Reynolds

Reference: Mr. Purdon's note of 24th July.

It was agreed to recommend to the CPC the proposal that Bigott should enter into an agreement with R.J. Reynolds International for the manufacture of WINSTON under licence in Venezuela.

(CPC -)

11/22 Chairman of the Meeting

The senior BAT Director present will take the Chair of Tobacco Division Board of Management Meetings in the absence of Mr. Macadam which will be Mr. Slack or in his absence Mr. Husbands or in his absence Mr. McCormick.

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