

T.S.R.T. AGENDA, ITEM 10(A) - SEPT. 6TH MEETING

IMPERIAL TOBACCO LIMITED - CANADA

MANUFACTURING

Basically, our philosophy is to utilize available technology and work with suppliers to further its application or potential in our environment. We get involved into in-house design as a last resort.

Our policy in manufacturing production equipment is to duplicate and standardize our selection across our production floors.

This philosophy and set of policies have served us well in our very successful facilities/products rationalization programs as well as proven to be a good support in the improvement/maintenance of our quality, manufacturing unit cost edge over the opposition and our improved market share over the past several years.

In carrying out this philosophy, we have enlisted the participation and contribution of our work force through training and sharing of information. We also have been heavily involved with our machinery suppliers i.e. Slide and Shell Packs almost unique to Canada.

We compare favourably if one uses the yardstick of:

- Quality
- Output per manhour
- Flexibility
- Unit cost

Obviously, volume favours us in lowering unit cost.

Over the next three to five years, we plan the total replacement of our GLT facilities in Aylmer and Lamina line in Guelph with the latest available technology. Once completed, we will have substantially improved process control, higher overall tobacco yield and much improved quality which will surpass the competition.

Our efforts, over the years, in the secondary sector, making and packing, coupled with our replacement program of GLT facilities in Aylmer and Lamina line in Guelph should give us a technological edge over the competition.

Equally important, in our opinion, and stated above is the application and management of this hardware on our production floors. This is where we believe we differentiate ourselves from the competition in the gathering, analyzing and sharing of information with the employees.

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As you know, we have always viewed our People Asset as our greatest asset and our key strategic advantage. Hence, people management through training, sharing of information etc. is the key to our success and our ability to respond to marketing needs in the marketplace.

In summary, we believe, once our replacement program completed, that we have a definite technological and people management advantages over the competition.

With suppliers: for example, Gravure printing for packaging:

- Better quality
- Lower costs.

MARKETING

There are two specific examples of information technology application here at ITL that may be relevant to this conference. The first is the use of P.C.'s at the field level to provide information about the total retail environment, to function as a management tool for the territory representative and the development plans for further enhancements of this tool.

The second is the use of a computerized inventory management tool currently being tested in the Mid-West region.

TOBACCO

In regard to leaf processing improvements, presently we are planning studies in our Aylmer facility on different leaf threshing methods for particle-size improvements, the outcome of which will impact on the planned Aylmer processing facility upgrade. However, at the present time there is nothing specifically identified from this area.

In regards to the DEER process, we are now further validating the use of increased tobacco level - DEER product (i.e. 81% vs 75%) into Imperial's major blends with no blend reformulation required when the DEER product is used as a replacement for PCL. There are no apparent subjective differences of DEER relative to replacement of PCL, with the exception of some marginal subjective improvement. We anticipate that our DEER processing facility with 2 - 150 kg/hr extruders will be commissioned and ready for production purposes in one year's time.


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GENERAL

We also make extensive use of computer hardware and software in areas such as consumer research, inventory management and customer service levels, Accounting, Production Planning, etc. In these areas, especially consumer research, we are definitely substantially ahead of our competitors.

JLM:pt
August 29, 1991



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