

TECHNICAL PROJECTS REQUIRING R&D INPUT

You will be aware that over the last 18 months the research and development policy within BAT has been substantially revised. The laboratories in Southampton, now under the management of BATUKE, continue to carry out some long-term research projects, but there is now a much greater concentration of effort on the practical application of existing know-how and the provision of technical support to BATCo Operating Companies.

During 1986 considerable efforts have been made to contact Operating Companies to discuss ways in which they may interact more positively with the Research and Development Centre. In the past this has been done on a largely informal basis and the extent to which we have provided help has started to grow since our re-organisation. Already the R&D Centre has started to form strong links with some of the Operating Companies which previously have had little direct support. We believe that there is a considerable market within BAT companies for the wide range of expertise that now exists within the R&D Centre.

With the support of the BATCo Board we are now attempting to improve the effectiveness of R&D and its links with Operating Companies by formalising the liaison which we have with them. This is in response to an agreement which exists between BATCo and the R&D Centre, an extract of which reads as follows :

"The programme will include research projects for BATCo's Operating Companies. BATUKE will be responsible for obtaining from BATCo's Operating Companies details of all research projects required by those companies during the following year and will prepare an estimate of the costs of each project. The decision as to whether any such project is to be included in the research programme will be made by BATCo."

The essence of this is that we wish to develop a programme for the R&D Centre which responds to the needs of Operating Companies, whether this is in marketing, production, or any other functional area of their business.

I would like to propose that, for the future planning cycle, companies specifically include in their presentation details of technical projects which they wish to pursue during the coming year and for which R&D input will be necessary. In this way we will be able to ensure that the expertise in Southampton is directed at projects which will be relevant for either individual companies or to groups of companies which may have a common problem. Thus we would be more certain to include applied research and development work of which companies will be able to take advantage.

The second suggestion is that each company should nominate a person to be responsible for liaison with his own colleagues to prepare specific projects which will be included in the proposals contained in the Company Plan. Ideally this person should have a suitable technical background to form an effective contact between your company and the R&D Centre. This person would have direct responsibility for ensuring that the co-operation is made as effective as possible.

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At this stage, discussions are being held with BATCo over the question of funding this specific support for Operating Companies. Essentially, the requirement is that all Operating Companies should meet the specific costs and expenses incurred on their behalf. The reality is that this is not always possible, due to Foreign Exchange Control restrictions and Government regulations within the countries in which some companies operate. Consequently, we see our role as being the provider of an essential service only and, to this end, we will advise companies of the estimate of the costs of the specific projects which you require to be undertaken. These costs can form part of your usual budgetary process and, for those companies suffering restrictions on remittances, the basis for discussions with your Territorial Team as to the priority of the information need versus the requirement that BATCo becomes responsible for funding the cost/expenses on your behalf.

R&D policy has been changed with a view to sharpening the focus of the work carried out in Southampton for the benefit of BATCo companies. Our changed programme and the expertise which we have retained as a result of the reorganisation reflect this. All the staff in the Centre are looking forward to greater involvement and fruitful, practical co-operation with Operating Companies throughout the Group.

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