

EU Contingency – Question & Answers

General

1. When will we know for certain?

Certainty is never easy when dealing with the European Union. However, we still expect that the Council of Health Ministers will try to deal with this Directive before the end of the year. The French Presidency of the EU is eager to see it concluded during their term of office.

We should have a clearer idea of the full implications of the Directive soon after the Council's deliberations.

It is our intention that whatever the outcome of the Parliament or the Council of Health Ministers we will take some time to take stock of the situation and then report back to you, probably in January.

2. What will happen to other EU facilities ie Germany, Holland

3. How will the effects be mitigated?

4. When will we be consulted?

5. What terms will apply?

6. Will volunteers be sought?

7. Where will the volume go?

There will be time enough to take stock and look at the implications the Directive is finalised.

There are a whole host of *what if* questions people will have in their minds. We understand this, but the important thing we need to do is focus on the job in hand.

We need to try and prevent the export ban going through; while continuing to ensure that we keep our own operations in good competitive shape.

That has been working successfully for the past few months. We have to ensure that all the speculation about this Directive does not take our eye off the ball when it comes to running our business.

8. Why can't the end markets accept the restrictions? After all it's within BAT's control.

Demand in the end markets is not driven by our marketing people, it is driven by our customers. Putting the yield restrictions in place is not within BAT's control, although we can try to influence and are doing so. Our products are already at the lighter end of market demand in most countries, and we offer light variants of our main brands for our customers. They can then choose which they wish to buy.

9. Why doesn't BAT move the lights volume to the UK?

Faced with the current raft of restrictions that would be brought in by the Directive it is hard to make a case for transferring any such volumes here. That is one of the reasons we are so keen to see these onerous regulations removed.

10. Is the EU directive a convenient excuse for rationalisation and closure?

No. We are fighting the Directive, not encouraging it or trying to hide behind it. We are competing in a tough global market place. We are open about that, but we can do without the added restrictions of an ill-thought Directive which only advantage our main competitor.

Whatever the future holds, our attempts to develop this business should not be hampered by unreasonable bureaucracy and political correctness.

11. When will we know more?

The key dates are in December January, but we will try to keep everyone informed as the Directive goes through the Parliamentary process.

12. What support will be made available now and after the decision has been made?

13. If it's us can we transfer elsewhere e.g. where the volume is being transferred?

None of these issues will be looked at in detail until after we know what is in the final Directive.

14. Will the unions be consulted across the UK?

We are already working right alongside the Unions to fight this, and we would expect that close co-operation to continue – whatever the outcome.

15. Is the volume going to a new factory overseas?

I think we are all aware that localisation of production is one of the issues we will have to face in the future. However it is one I am sure we can deal with, as long as we are not hampered by legislation that discriminates against us and prevents us being able to retain and attract new sources of business.

16. How will the company recruit and retain key skills in this climate?

It is an important issue and we are aware of that. We are thinking about it. We are continuing to attract high class candidates, and everything should be clearer within the next couple of months.

17. What is the position of local MEPs and MPs?

General the Conservatives are pro the campaign, the Liberals seem willing to listen – but sometimes hard to convince; and the Labour members (with a few notable exceptions, such as John Cummings MP (Peterlee), Stephen Hughes (NE MEP) and Glyn Ford (MEP), are staying close to the party line. That is why the UK Government (and Alan Milburn/John Denham in particular) are such important targets.

The UK Government remains behind this Directive. The Department of Health supports the position on 2003 and the manufacturing restrictions. They are going to prove hard to shift. But the campaign goes on and we need to maintain pressure by writing to the key MPs we have identified, writing to the media and lobbying Parliament.

18. Does the amount of investment/ ownership of the site change our chances?

The Directive as it stands poses a threat to the whole of our operations in the UK, irrespective of ownership and investment. But all of this will be looked at once the Directive is finalised.

19. It is always the factory that gets hit. What is happening in R&D & Supply Chain?

We will look at the implications for everyone, once the Directive is finalised.

Today, and in the week's ahead, the objective is to have it finalised more in our favour.

20. What impact on DIET operations?

The answer is as above. But it is clear that less than 20% of UK DIET output is supplied to UK Operations' factories and that there is a greater dependence upon other BAT business and third party companies.

21. What happens to integration with European SC?

As 19.

R&D (D&T SR and OTS)

22. What does this mean for us?

As 19. But it is clear that there will be a need for R&D work on the back of this Directive as proposed at the moment, and there has been no let up in the development of the new R&D building at Southampton. We have set out to maintain business as usual while the Directive is being debated. We will see where we are once the process is complete.

Others (Accounting Services, ATC, ECOE)

23. What does this mean for us?

As 19.