

Note to Mr. A.L. Heard

R.J. Reynolds - New Product

From a Public Affairs point of view a number of points occur to us:

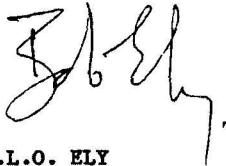
1. Our own response to any request for information from the press should be, we suggest "This is a competitive product about which we have no information. We are therefore in no position to comment." If we are further pressed about any research or development work that we may be doing ourselves, we believe we should maintain our position that "we have no comment to make."
2. Reynolds statements. The following points arise:
 - a. A number of words is used which we believe are better left for comment by R&D. Such words include "smoke", "elimination of compounds" etc. They are presumably attempts to describe in layman's language matters which are complex technically but the result may well be misleading.
 - b. Any launch of such a product is likely immediately to raise the question from opponents "So this means that you admit that products which burn tobacco directly are unhealthy". Reynolds have tried to cover this point and two statements are mentioned below:
 - i. "Compounds that are often associated with the S&H controversy .." The word associated is ambiguous and unqualified; not helpful from an Industry point of view.
 - ii. "To a point we don't agree with the allegations about the Industry". (See radio transcript). Again ambiguous and unhelpful - to what point do they agree or not agree.
3. Practical Consequences
 - a. We do not believe their hope that the "cigarette" will be allowed to be used where smoking is prohibited since by their own admission there is "smoke" when it is first lit.
 - b. Opponents of smoking will certainly question both the so-called "safety" and the technical details of the product and are likely to reject it as an acceptable alternative to the standard cigarette. Press cuttings already reflect such attitudes.
 - c. It is difficult to judge how reliable any share price reaction may be particularly if, for instance, the US Surgeon General were to make any comment. It is likely that this would reflect not only on RJR shares but also on the Industry as a whole.
 - d. RJR say they will refer tests to scientists before launching the product. Who will be the scientists and to what extent can RJR be bound by their observations? This could have product liability implications.

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- e. The various tests referred to will not be readily understood by the public and may therefore lead to unnecessary apprehension.

4. Further Possible Action

- a. We should consider preparing a series of comments on various aspects of this and related products for use in the future should the necessity arise.
- b. We may need to prepare information for our operating companies about this development. The topic was raised by delegates to Chelwood MDP 68 on 15th September.



R.L.O. ELY

RLOE/CT
16th September 1987

c.c. Miss A. Johnson,
Mr. P. Bingham.

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