

## AFRICA

An **additional selection** of quotes from key tobacco industry documents suggesting that BAT have been intricately involved in smuggled tobacco markets across Africa as well as Asia and South America. These documents have been found among millions of pages in the BAT document depository, established after litigation in the USA, and describe the nature of the smuggled markets as well as the relationship between BAT and their African distribution agent SOREPEX.

Once again, we have chosen documents that we think speak for themselves, however all the documents raise questions, which we have **put to BAT clearly and consistently**. Despite the seriousness of the issue (or perhaps because of it) BAT has been **unwilling to answer any of these specific questions**.

<p>Quote 1 pdf of full document File:FJ3201 Box:US145 Bates: 301773703</p>	<p>Memo from J.L Green to A.D.G. Pereria. 1<sup>st</sup> November 1991 Copied to N.G. Brookes and S.M. Osborne. [Everyone mentioned above were BAT employees at the time. Sir Patrick Sheehy was the company Chairman] "4. When the issue of Unit II was discussed where BATUKE wish to appoint a domestic importer enabling us the provide cover for advertising and GT business, Sir Patrick felt that it was perfectly acceptable for BAT Cameroon to recommend a domestic importer for BHS. I therefore recommend that BAT Cameroon be urged to accept Gerconal's recommendation of a domestic importer so that we can start to improve our position in the Cameroon."</p>
<p>Quote 2 pdf of full document File:FJ3201 Box:US145 Bates: 301773703a-5</p>	<p>Undated Notes Unit II "FIXED ASSUMPTIONS 1. The political situation in the Cameroons will remain unstable throughout 1992 and then settle down</p> <ul style="list-style-type: none"> <li>a. The economy will show no improvement over the next 5 years</li> <li>b. GT movements to this end market will remain a priority throughout the period.</li> </ul> <p>...</p> <p>7. Distribution routes will remain flexible</p> <p><b>SCENARIO ONE: No official imports</b> <u>Variable Assumptions</u></p> <ul style="list-style-type: none"> <li>1. The import of BHSF legally is not an available option.</li> </ul> <p>...</p> <ul style="list-style-type: none"> <li>3. BHSF while maintaining a good image is price inaccessible due to the economic crisis</li> <li>4. The Direct route is relatively unstable.</li> </ul> <p><u>Distribution Strategy</u></p> <ul style="list-style-type: none"> <li>1. Maintain direct route (glassware) via Bodimex ensuring greater accesibility (sic) to consumer</li> <li>2. Reconsider terms and conditions to SODISA to ensure maintenance of alternative route</li> </ul> <p>...</p> <ul style="list-style-type: none"> <li>4. 10's will continue to be shipped and flown to both Bangui and N'djamena as market circumstances dictate. However their period should be re-assessed vis business year and a system of over-invoicing implemented which will be returned at year end if target volume is achieved</li> </ul> <p><b>SCENARIO TWO: Legal imports is feasible (sic)</b> <u>Variable Assumptions</u></p> <p>...</p> <ul style="list-style-type: none"> <li>3. GT Shipments will remain the mainstay of our activity</li> <li>4. The Malabo distribution channel will have to be</li> </ul>

	<p>maintained DISTRIBUTION STRATEGY</p> <ol style="list-style-type: none"> <li>1. Maintain a minimum cover level of BHSF via legal imports...</li> <li>2. Maintain BODIMEX shipments</li> <li>3. Reconsider shipping terms for SODISA</li> </ol>
<p>Quote 3 <a href="#">pdf of full document</a> File:FJ3201 Box:US145 Bates: 301773712</p>	<p>Restricted memo: 23<sup>rd</sup> April 1991 J.L. Green to A.D.G. Pereira Copied to K.D. Marriott and B.R.R Johnston [All BAT employees] "...Neither of these customers of GERCONAL has the facility to redeploy and of his activity in Benin should the routes change and therefore it is in our interests to assist them and motivate them in order to keep the northern routes open."</p>
<p>Quote 4 <a href="#">pdf of full document</a> File:FJ3201 Box:US145 Bates: 301773722</p>	<p>Undated UNIT II 'Market Background' Document "Unit II comprises sales to Malabo for which the end market is Cameroon. It also incorporates sales to Chad and CAR (Central African Republic) for which the final end market is generally Sudan. Most of the volume is sold to Malabo and all shipments are taken by GERCONAL [distribution group under SOREPEX] FOB [Free on Board - shipping term] ... from Tabaknatie. ...in South Cameroon, B&amp;H enjoys a dominant position largely due to the distribution network established by GERCONAL . The Cameroon market itself has been subject to a slow but steady decline in total volume since 1986...with the imported segment falling from 13.8% to 13% over the same period... BHSF [Benson &amp; Hedges] has 80% share of imports which it has dominated for several years and enjoys country-wide distribution...The Unit II market produced a valuable contribution and it is intended to continue investment in order to protect it from further erosion...there are no legal imports... Pricing varies throughout the country and is largely related to the risks to which supply routes are subjected...There have been no controls on imports at retail level but road controls and customs activity inhibit the free movement of wholesale stocks...Distribution of imports rests in the hands of a few key people and steps have been taken to prevent competitors from using the same resources."</p>
<p>Quote 5 <a href="#">pdf of full document</a> File:FJ1263 Box:GU2982 Bates: 301626935</p>	<p>Note on SOREPEX Meeting — Paris 28<sup>th</sup> June 1988. Present: R. Howe (BAT), J.M. Ticehurst (BAT), R. Bongard (SOREPEX), M. Chevaly (SOREPEX). "MC (Chevaly) expressed concern at Bollore's possible action against his activities. It was agreed that he was in an exposed position and in future JMT (Ticehurst) should not travel with him in Cameroon. One of the main functions of SOREPEX was to allow BAT to keep at arm's length from transit customers — particularly in Cameroon."</p>
<p>Quote 6 <a href="#">pdf of full document</a> File:FJ1263 Box:GU2982 Bates: 301626956</p>	<p>Letter To Marcel Binst [SOREPEX] from R.Howe [BAT]. 28<sup>th</sup> April 1988. "The purpose of this letter is to record the agreements we made over the three days and set out the basis which will govern the relationship between SOREPEX NV and BAT from 1<sup>st</sup> January 1989 and which we hope will take us into the '90s. ...BAT has "staffed up" in West Africa to the point where there is duplication of efforts between SOREPEX and BAT (UK &amp; E). Our objective now is to preserve the "façade" that</p>

	<p>SOREPEX represents between us and the sensitive markets of Togo, Benin, Niger (Unit I) and Equatorial Africa (Unit II), but at the same time, enable the BAT field force to take over the management of this important business."</p>
<p>Quote 7  <a href="#">pdf of full document</a>  File:FJ1263  Box:GU2982  Bates:  301627109</p>	<p>Minutes of SOREPEX meeting 3/6/87, Cannes  "Present: R. Howe, BAT  D. Yellowlees, BAT  R. Cameron, BAT  J. Moffat, BAT  L. Previati, BAT  M. Binst, SOREPEX  R. Bongard, SOREPEX  M. Chevaly, SOREPEX  A. Costi, SOREPEX</p> <p style="text-align: center;">P. Hestin, SOREPEX  W. Binst, SOREPEX  R. Bongard, SOREPEX</p> <p>...Cameroon:  Improved quality in local manufacture, a diminished total cigarette market and reduced consumer spending power has all worked against the transit business. To ensure continued trade and to preserve enthusiasm for the BHSF business, SOREPEX requested a minor adjustment to ... price to bring the phase II price in line with the Unit price... Normal delivery of product... is by air freight. A new route by sea is 5500 cfa/case cheaper and SOREPEX will do one trial shipment."</p>
<p>Quote 8  <a href="#">pdf of full document</a>  File:FJ1263  Box:GU2982  Bates:  301627209</p>	<p>SOREPEX Meeting  Woking — 1<sup>st</sup> February 1985  Present:  M. Binst (SOREPEX)  R. Bongard (SOREPEX)  M. Chevaly (SOREPEX)  P. Hestin (SOREPEX)  R. Fouque (SOREPEX)  W. Binst (SOREPEX)  J.L.W.Carter (BAT)  R. Howe (BAT)  J.F.Bone (BAT)  G. Leach (BAT)  R.M.Girling (BAT)  "Sierra Leone ...In the three weeks, Bah (SOREPEX distribution agent) had sold 300 of the 420 cases. Next SEFK will be sent (via) Conakry, instead of via Dakar (where two borders had to be crossed). Transit Conakry/Freetown would be by lorry...(estimate 1/2 containers monthly, ie 600 cases SEFK for Sierra Leone.) Later they want BHSF, which would be stuffed in same container, but documents/cases, would have to be marked 'in transit'."</p>

<p>Quote 9  <a href="#">pdf of full document</a>  File:FJ1263  Box:GU2982  Bates:  301626822</p>	<p>Hand written memo from S Marshall to Fred Combes. Copied to Marriott, Ticehurst and Green (all BAT). Dated 10/7/90.  "1. <u>Domestic</u>  a) <u>Nigeria</u> Obviously it is practically impossible to develop a pure GT brand, thus a home base is necessary. It would therefore seem logical to import legally some quantity, allowing also for an advertising campaign to take place.  ... ..  3. <u>Duty Free</u> ... the best Duty Free point for a launch is the Niger Basin... although duty free sales in Benin are not technically allowed, where there's a will there's a way.</p>
<p>Quote 10  <a href="#">pdf of full document</a>  File:FJ1263  Box:GU2982  Bates:  301626844</p>	<p><u>UNIT I Visit May 14-26 1990.</u>  "...Phillip Morris International wish to propose an industry presentation to the Nigerian Government for a specific import duty to replace ad valorem rate.  The objective would be to legalise 'profitable' imports thus providing the Nigerian Government with revenue currently lost by the proliferation of G.T. (General trade - appears to mean smuggled)"</p>
<p>Quote 11  <a href="#">pdf of full document</a>  File:FJ1263  Box:GU2982  Bates:  301626846</p>	<p><u>Unit I Visit Notes May 1990.</u>  J.M.Ticehurst (BAT)  "TOGO:  ...  10. Transit... to Nigeria via Lome port or border land routes through Benin may offer possibilities with 11% duty and statistics tax only payable, but opportunities via Cotonou port "in transit" with only 3.12% tax levels would seem more advantageous — see below.  ...  BENIN:  ...  1. Small scale transit demand also exists and is supplied by three wholesalers in the main Cotonou market — both B&amp;H and to a lesser extent SEFK, are requested.  2. The opportunity referred to above for stock "in transit" via Cotonou ... would entail GERCONAL invoices market (sic) "In Transit"    The route would need to be tied up from customers across the border. A clear objective for GERCONAL."</p>
<p>Quote 12  <a href="#">pdf of full document</a>  File:FJ1263  Box:GU2932  Bates:  301627037</p>	<p><u>SOREPEX MEETING</u>  Woking — 1/7/87  Present for BATUKE:  R.Howe, D.B.Yellowlees, G.Arabin-Jones  Present for SOREPEX:  M.Binst, R.Bongard, W.Binst, R.Bongard  "Niger: Discussion was held concerning direct imports to Nigeria through Mr Adji...(who) would disguise the cigarette importations by calling the shipment something else, e.g. matches.  ... ..  Cameroon: In August there will be a shipment by sea. If this shipment goes smoothly then future shipments will energy by sea for cost saving purposes.  Zone II and Others: ...a particular customer... has opened two new routes to Sudan:    i. From Chad: N'Jamena to Abeche and Adre (Sudan Border)</p>

	<p>ii. From RCA: Bangui to Biarc (Sudanese Borders)</p> <p>It is anticipated that 800 cases of BHSF will go via these routes in July.</p>
<p>Quote 13 pdf of full document (translated from French originals) File: FJ3201 Bates: 301773741</p>	<p>1/2/89 Sorepex Anstalt: Chevaly (SOREPEX) to Ticehurst (BAT) and Bongard (SOREPEX) Sales departing from Malabo to North Cameroun and Chad. Via three transporters: Sodisa, Mouchili and Bogno. M&amp;B both receiving rebates : "It's the rebate from BAT that was the decisive element for M&amp;B, who will both receive: Mouchili: 3.000 FCFA per carton Bogno: 2.000 FCFA per carton NB: Sodisa has not been informed — and I don't want her to be — about these rebates</p> <ul style="list-style-type: none"> <li>• M &amp; B are reciprocally ignoring the fact that each other is getting a rebate.</li> </ul> <p>Practicalities</p> <ol style="list-style-type: none"> <li>1. For the first time, Bogno will buy 300 cartons: this is the capacity of his truck, taking into account the other merchandise which will 'hide' the cigarettes</li> <li>2. Each time, I will ask M &amp; B to sign a document testifying that the cigarettes have really been exported from the North. I will countersign this document which will enable BAT to pay them - via Sorepex — the rebate</li> </ol> <p>I will be present either at the departure of the truck from Douala or at its arrival at Garoua. The first trip is set for February 15<sup>th</sup>."</p>
<p>Quote 14 pdf of full document (translated from French originals) File No: FJ3201 Bates no. 301773762</p>	<p>5/12/88 Chevaly (SOREPEX) to Bongard (SOREPEX), Ticehurst (BAT), Binst (SOREPEX) Transit to Sudan Salem Affair At the start of November, Salem representatives proposed to some Chadiens to sell BHSF and RKS at the Niger-Chad border at 78.000FCFA, and Marlboro at 68.000 FCFA: amongst these Chadiens were 3 people with whom I already work: Cumar Goudja, Barkai Maide and Ahmat Guedi. The Chadiens realized that they could import Rothmans via Niger, though until now those cigarettes came from Nigeria via Cameroon, imported by petty smugglers. Why Rothmans? Because it is the market leader in Chad... The Chadiens questioned my role in BAT - not only had I failed to prevent the Salem offer, but it was they who had to tell me about it. Conclusion: this affair has been badly dealt with and may have negative consequences for us, whilst profiting Rothman.</p>
<p>Quote 15 pdf of full document (translated from French</p>	<p>31/9/88 Chevaly (SOREPEX) to Ticehurst (BAT)&amp; Bongard (SOREPEX) Malabo Domestic Market, September 1988 I think that BAT should choose Soubeirou as its importer. If so, the strategy should be as follows:</p> <ol style="list-style-type: none"> <li>1. The price to S. must be at most 100.000FCFA per</li> </ol>

<p>originals) File No: FJ3201 Bates No: 301773770</p>	<p>carton to enable him to sell at 120.000, a price which will enable him to make all the pirate imports disappear: from Nigerian source (BHSF from unit and from NTC), and in Las Palmas (BHSF from duty free and Spain).</p> <ol style="list-style-type: none"> <li>2. Benson brand must have an official presence, so a first batch must pay all the taxes: this will impose a max. price of 55.000 FCFA/ carton CAF Malabo; can BAT consent to this price for the <i>first</i> batch of 200 cartons? It is important that these cigarettes <i>are not</i> marked 'sold in UDEAC'.</li> <li>3. Then BAT can boost its CAF price to 65.000 FCFA/ carton, but will have to make an invoice of 35.000 FCFA to enable Soubeirou to pay just a 'reasonable' tariff to the customs.</li> <li>4. Soubeirou thinks he can get about 15 million FCFA in November by selling a first batch of 200 cartons which can be exported in December...</li> </ol>
<p>Quote 16 <b>pdf of full document (translated from French originals)</b> File No: FJ3201 Bates No: 301773781</p>	<p>9/5/88 <i>Chevaly (SOREPEX) to Bongard(SOREPEX), Howe(BAT) and Binst (SOREPEX)</i> Transit to Sudan - May 1988 Cameroon: Situation, May 1988 ...Competition from Rothmans BHSF's market domination is threatened in the North (and in Chad) by Rothmans KS: these arrive from Niger (via Nigeria) and are sold for 92-95.000FCFA per carton. They are getting through thanks to the same small-time smugglers who import BHSF from Nigeria and they are using the same networks, but they seem to have more interests and advantages in bringing RKS that BHSF: RKS are sold in the Maiduguri region at 1.400 nairas, while BHSF are 1.450 nairas... We are therefore struggling with RKS in Zone II (and to a lesser extent against BHSF from Unit), because our higher prices don't allow us to compete. I am still hoping to bring cigarettes from Malabo into North Cameroon, but it is difficult because I have to convince 3 intermediaries (Sodisa Malabo, Mouchili and the Garoua client) and I have offered them nothing but a reduction in their profit margins! So to counter this RKS growth, which is slowly moving towards South Cameroon, I would ask that the prices of BHSF 20s for Zone 2 be reduced... This reduction will enable me to 1) make an expedition to Ndjamenas to see Mrs. Cheddei 2) set up the Malabo-South Cameroon- North Cameroon route... Mouchili will continue to develop JPS in Cameroon... Richard Brown, from BAT Abidjan — went to Bangui in February with a proposal for 'Sold In UDEAC' Bensons; I did not know about this project, or even about the existence of this bloke...I only hope that the price and payment conditions he proposed are not different from my own, because we have to deal with Chad dealers who are much more powerful than either of us, and who are very used to setting up competition between their suppliers... What is BAT's objective in RCA, Chad and Guinea? Is it compatible with what I am doing there and in Cameroon? ...Chad and Guinea are contraband markets and the distinction between the domestic and transit markets does not exist; in these 2 countries, Benson is at present well distributed and occupies its correct position (even if the situation's not perfect — in Chad with the growing menace of Rothmans KS and at Malabo with the incident of the BHSF piques from 2 beninois dealers). I don't think that selling 'Sold in UDEAC' Bensons in these 2 countries will really improve the brand's presence there. These 3 countries are vitally important in providing for Cameroon (and Sudan). The fact that they all share the</p>

	<p>same Union of Customs Officers doesn't make it any easier to transit cigarettes from one country to its neighbour: don't forget that UDEAC certainly is not Benin, and even less so is it Niger. For transit operations, I use, and so do my clients, ambiguous wording or simple arrangements with customs, often involving backhanders (in Chad and Malabo), and all this under the watchful and fastidious eye of the Bollore group, who allow these transit operations to take place as long as I do not launch any open or official attack on their own domestic markets in Chad and RCA. Therefore, I ask BAT to weigh carefully the pros and cons of setting up an official market for Bensons in these 3 countries. If in spite of everything the strategic objectives of BAT make this absolutely necessary, I hope that Richard Brown will coordinate his actions with mine, because it is truly revealing to think that in these countries there are 2 distinct markets- domestic and transit — and that we could be working in these countries with 2 organisations which ignore each other, or worse, which could become competitors...</p>
<p>Quote 17 pdf of full document (translated from French original) File No: FJ 3201 Bates No: 301773794</p>	<p>25/3/88 <i>Chevaly (SOREPEX) to Bongard (SOREPEX), Howe(BAT) and Binst (SOREPEX)</i> Transit to Sudan, March 1988 Re. Sodisa: I asked Daher to create a second sales circuit, parallel to his customary route, and to negotiate directly with the Sudanese who sell their gum Arabic in Bangui (bypassing Ousta as intermediary). This will enable him to crack the monopoly of the Birao dealers, whilst keeping them on his side (by paying them commission and selling them small quantities of cigarettes) because these people are indispensable in negotiating border crossings; Daher will use this new circuit to sell 300 cartons which we will send him at the end of March. I am pessimistic about the development of transit to Sudan, because we are trapped between 2 prices... Taking account of the costs in Chad and RCA as well as getting to Sudan, the remaining margins don't leave leeway to create an important transit route; we are therefore limited to a small circuit which will only interest the border regions, served by petty dealers who can only cope with small quantities</p>
<p>Quote 18 pdf of full document (translated from French original) File No: FJ3201 Bates No: 301773797</p>	<p>19/12/87 <i>Chevaly (SOREPEX) to Bongard (SOREPEX), Howe(BAT) and Binst (SOREPEX)</i> Transit to Sudan, December 1987 In Chad, there are two possibilities for transit:</p> <ul style="list-style-type: none"> <li>• transit with a licence authorizing currency transfer, but this licence is expensive...</li> <li>• transit without a licence, and illegal currency transfer</li> </ul> <p>...Local representatives of Job-Bollore Group are very watchful of our transit business, and at the slightest irregularity intervene with customs and the finance minister to slow down or suspend our activities.</p>

	In Chad, too...all commerce...is 'racketted' by anyone who has official authority (or a Kalashnikov): so Guedi had to pay 10 million FCFA to the Abeche Prefect in October.
Quote 19 <b>pdf of full document</b> (translated from French original) File No: FJ1263 Bates No: 301627192	3/11/86 Philip Hestin to Dick Howe (BAT), Miss Caroline Kirkham, Mrs Previati, Roland Bongard (SOREPEX) Unit Results October 1986: Togo:...BHSF and SEFK are now arriving from Benin in small quantities, but the Ghana border is hermetically closed for the moment (due to political events in Togo) Benin: We are expecting 150 Gladstone by plane this week. We sending 3x840 BHSF at the end of November for the 3 importers who have not yet received their lots. The Nigeria border is under heavy surveillance at the moment to stop cocoa smuggling (cigarettes sales take place by the carton).
Quote 20 <b>pdf of full document</b> File No: FJ3201 Bates No: 301773735	MALABO VISIT NOTES: Feb 14 <sup>th</sup> -15 <sup>th</sup> 1989 J.M Ticehurst (BAT) and M. Chevaly (Sorepex) "4 CABRERA Visited Juan Cabrera who has been established in Malabo over 20 years. Has various customers for cigarettes and alcohol (J&B etc) which he ships down from Las Palmas. Admitted that his container of B&H (420 cases) was bought in various places — the last consignment principally from Gibraltar. Possibly 207 c/s had been 'exported' ie to Cameroon, although falsified documents indicated Nigerian importers. (Sodisa followed the same documentation procedure are exports to Cameroon are not allowed by customs.) Cabrera has offices in Antwerp and Las Palmas and wished to buy direct from BAT... (but he) was amicably informed that: a) BAT could not sell direct as importer/agency arrangements precluded this. b) The prices he would have to pay on the 'spot' market would not be competitive. c) By importing he was putting himself and the "official" BAT distribution chain at risk. 5 E H SOUBEROU Souberou is anxious to import B&H direct. In order to do this 'legally' and ensure competitiveness (sic), he requires a special 'promotional price' ... 6 FREIGHT Since the dam construction in Malabo, which has necessitated regular DELMAS shipments, is nearly completed, other shipping lines with regular routes to Malabo need to be found."

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3<sup>rd</sup> July 2000

Dear Mr. Clarke

**Re: *BAT and cigarette smuggling***

I write to respond, belatedly, to [your letter of 14<sup>th</sup> March](#) complaining about your treatment by *The Guardian* and ASH. I am sorry, but I think you have only yourself to blame if you came out and prematurely sounded the 'all-clear' for BAT without pausing to view the evidence in full. In a [letter faxed to your office on 31<sup>st</sup> January](#), we notified you of [a large volume of evidence relating to BAT's involvement in smuggling](#), and invited you to view this on our web site. It would have been a simple matter for BAT to provide this evidence to you in whatever form you would have liked.

You are wrong, therefore, to say of the period immediately before you wrote [your article in \*The Guardian\* on 3<sup>rd</sup> February](#) in response to the Guardian's [coverage on 31<sup>st</sup> January](#): "*The only reference to the documents which were then before me were the references in the article, which did not in every case allow the original source of the short quotation to be identified.*" A more prudent man would have waited before offering himself as a 'human shield' for BAT's conduct and wayward executives. Especially as the allegations concern activities in [Asia](#) and [Latin America](#) in the early 1990s, which are matters that you could have only the most fleeting grasp of.

BAT itself has now adopted a more considered approach by engaging two law firms Cravath, Swaine & More, and Allen & Overy to look at a BAT's business practices and whether it did (and continues to) move beyond knowledge of smuggling and engage in controlling actions - as the documents clearly suggest. This is difficult for you, as these are problems you have already very publicly proclaimed do not exist.

Thankfully, it seems increasingly likely that we will not have to rely only on internal investigations by BAT-appointed lawyers and its Audit Committee. Mr. Rupert Pennant-Rea disclosed at the AGM that Cravath, Swaine & More had been engaged to defend BAT in potential RICO (racketeering) actions. This did not suggest to me that the inquiry would be an open-minded pursuit of the truth, but that it would be purely defensive - a whitewash.

For this reason I was pleased to read the [Financial Times](#) and [The Times](#) on 15<sup>th</sup> June that the Secretary State for Trade and Industry has decided to instigate a DTI investigation into these allegations - as recommended by the Health Select Committee. I await the Government's official response to the Committee with anticipation. I do hope that Mr. Byers does see a role for the Government in investigating and exposing rogue corporate behaviour. As he said in his [speech to the WTO](#) in Seattle last November:

**"If it were true that globalisation was about the unregulated power of cynical multinational corporations coercing Governments and playing off one country against another - then I would be the first to call a halt."**

I think this very aptly describes BAT's attitude to globalisation, and I hope that Mr. Byers is true to his word and acts to put a stop to BAT's rogue conduct. I have written to the Secretary of State rehearsing the case for a DTI investigation, and I enclose [my letter to Mr. Byers](#) for your information.

Turning to the specific allegations, colleagues have advised me that we may have been overly optimistic in confronting you with *too much evidence* and that it would be better to press you to answer a small number of specific allegations. The rationale being that if you cannot adequately explain five documents; there is no need to ask you to explain 500. So may I invite you to offer alternative explanations to the following five statements drawn from our evidence as set out below?

## 1. *Building market share in Argentina*

One of the most revealing documents implicates some of the most senior BAT executives in development of marketing strategy based on smuggling. Here is an extract:

[Memo: 18/5/93<sup>\[1\]</sup>](#)

Keith Dunt to Ulrich Herter, Barry Bramley [Chairman BAT Co], Pilbeam, Castro

"SUBJECT: DNP BRAZIL - ARGENTINA

I am advised by Souza Cruz that the BAT Industries Chairman has endorsed the approach that the Brazilian Operating Group increase its share of the Argentinean market via DNP."

Our interpretation of this memo is that Dunt was notifying Herter and others that the BAT Industries Chairman, Patrick Sheehy, was authorising the Brazilian BAT subsidiary to orchestrate smuggling of BAT brands into Argentina to increase market share. It indicates a deliberate intention to win market share by acting to ensure that BAT's brands were smuggled. I think this goes well beyond simply knowing of (and deploring) the smuggling activities of others.

**I would be grateful if you could offer an alternative interpretation of this memo that is consistent with the position you offered to *The Guardian*. I asked about this at the AGM but Mr. Dunt was protected from answering the question by Mr. Broughton's intervention.**

## 2. *"Active and effective management" of smuggling business*

BAT sees *active* management of the smuggling business as a priority. What does 'active' mean in this context?

[BATCo Global Five-year Plan 1994-1998<sup>\[2\]</sup>](#)

In 1993, it is estimated that nearly 6% of the total world cigarette sales of 5.4 trillion were DNP sales. Eastern Europe and the Asia-Pacific region (c85bln each) accounted for the majority of this volume. Though Western Europe (c50bln) was also significant. In relation to total market sales, DNP volumes are largest in Eastern Europe (c13%) and Africa/ M. East (c12%), but are also significant in Latin America (c9%) and Western Europe (c7%). A key issue for BAT is to ensure that the Group's system-wide objectives and performance are given the necessary priority through the active and effective management of such business."

Our interpretation of this marketing plan is that BAT regarded the markets for smuggled products (DNP) as part of its overall business objectives around the entire globe. The plan also makes the 'active and effective management' of the smuggled markets a priority and key issue. Again this is far from simply having knowledge; it represents a much more serious ambition and engagement in illegal activity. How else can you describe 'active and effective management'? We think that this means understanding, manipulating and ultimately controlling the smuggled markets - through trusted intermediaries whose business is well understood and supported by BAT.

**I would be grateful if you could provide some alternative explanation of these statements in the BAT Global marketing plan.**

## 3. *Collusion with Philip Morris - manipulating the smuggled market*

One of the most damning documents is a note of a meeting between senior BAT and Philip Morris executives with responsibility for Latin America. I recommend you read this in its entirety - it is most revealing. The document shows extensive cartel behaviour in seeking market share agreements, price fixing and attempts to limit market support expenditures. Most relevant to our disagreement, it shows that BAT (with Philip Morris) can determine the price in the smuggled and legal market independently. The only way that this is possible is if they know which wholesalers are selling to smugglers and can vary the price specifically for them.

[FILE NOTE: marked "Secret" 05/08/92<sup>\[3\]</sup>](#)

"MEETING WITH PHILIP MORRIS REPRESENTATIVES

At Pennyhill Park, Bagshot

...

BATCo suggested an aggressive price increase to be negotiated at a local level for DNP to be implemented if

possible by the end of August.

...

Following action on DNP PMI suggested we should pursue a DP price increase. PMI wanted linkage between the DNP increase. This was not supported by us.

**Do you deny that BAT and Philip Morris have colluded in price fixing, share agreements and other cartel behaviour in Latin America? Do you think that the ability to control prices in the legal and illegal markets independently (albeit in collusion with Philip Morris) indicates a level of control over the illegal market that is acceptable?**

#### **4. Launching products on the smuggled market**

The following document again show a high degree of control over the smuggled market so that BAT's marketing planners treat it as just another channel.

[Columbia Trip notes<sup>\[4\]</sup>](#)

File Note, 9 March 1994, Mark Waterfield: "Colombia Trip Notes, 23/24 1994."

"Kent Super Lights ... DNP product should be launched two weeks after the DP product has been launched."

"Lucky Strike ... withdraw from the DNP market the 20's and 10's versions."

My reading of this is that BAT can decide exactly when and where to have its products smuggled by supplying the wholesalers and feeding products into the transit routes that the company knows supply the smugglers. This quote (and many others) shows that BAT treats smuggling as a regular marketing channel in which it can control price and availability of its products.

**Do you agree that the ability to determine precisely the launch date on legal and illegal markets suggests that BAT knows exactly who is doing the smuggling and that BAT is using these wholesalers as its agents in illegal markets?**

#### **5. Umbrella operations**

It is quite clear from the documents that BAT has used a small legal operation as cover for advertising aimed at stimulating sales in the illegal market - so-called 'umbrella operations'. The document below shows BAT's furtive discussion of the real nature of its business.

[Internal document from Andrew O'Regan to ADG Pereira dated 7.12.93<sup>\[5\]</sup>](#)

Trip Notes - India 29 Nov to 2 Dec 93

...

The "Available in Duty Free" cover for extensive media coverage needs to be very carefully used, as it can easily become antagonistic and will draw attention to the source of market supply, which we would rather did not come under scrutiny. Legitimate imports through various hotel groups is defensible and provides another source of "cover" for our brand building plans, and a promotional platform.

**Do you believe that BAT does not operate under 'umbrella operations', and that we have somehow misunderstood documents? Or do you think umbrella operations are a normal and acceptable business practice?**


I look forward to a genuine attempt to explain away these documents - and there are many more in a similar vein - without recourse to your usual argument that these are selective and just a few documents from millions. The fact is that they are real documents and they describe the words and deeds of very senior BAT executives. It hardly matters that there are several million documents in Guildford dealing with other subjects, if there are several hundred that reveal BAT's *modus operandi* in illegal markets.

I look forward to receiving your reply and any explanation you can offer that differs from my interpretation of the five points raised above in bold. Images of the original documents (and comprehensive evidence) are of course available on the ASH web site at [www.ash.org.uk/smuggling/](http://www.ash.org.uk/smuggling/) but please do contact us if you would like us to send the documents in hard copy.

I am sure others will be interested in your response, so I will circulate this letter and any reply from you setting

out your position in response.

Yours sincerely

 Clive Bates

Clive Bates  
Director

Enc: [Letter to Rt Hon Stephen Byers MP 3<sup>rd</sup> July 2000](#)

Internet links for the five documents referred to above are as follows:

[1] [www.ash.org.uk/smuggling/500028732.pdf](http://www.ash.org.uk/smuggling/500028732.pdf)

[2] [www.ash.org.uk/smuggling/048.pdf](http://www.ash.org.uk/smuggling/048.pdf)

[3] [www.ash.org.uk/smuggling/220.pdf](http://www.ash.org.uk/smuggling/220.pdf)

[4] [www.ash.org.uk/smuggling/503891624.pdf](http://www.ash.org.uk/smuggling/503891624.pdf)

[5] [www.ash.org.uk/smuggling/050-052-053-054-055-056.pdf](http://www.ash.org.uk/smuggling/050-052-053-054-055-056.pdf)





BRITISH-AMERICAN TOBACCO COMPANY LIMITED

TO: U HERTER  
A M DE CASTRO  
B D BRAMLEY  
P H PILBEAM

FROM: KEITH S DUNT

DATE: 18 May 1993

SUBJECT: DNP BRAZIL - ARGENTINA



This note is to ask you to clarify the position of BAT Industries in the above business.

I am advised by Souza Cruz that the BAT Industries Chairman has endorsed the approach that the Brazilian Operating Group increase its share of the Argentinean market via DNP. As the Director entrusted with responsibility for the management of Nobleza-Piccardo I need to advise you of the likely volume effect on N-P of this decision and of course the financial impact.

First quarter volumes shipped by S.C. to Paraguay (all brands) increased by 77% in 1993, up from 424mn to 748mn, with well over 50% being Ritz Slims and Ritz KS/SC. Of these tax free exports to Paraguay it is agreed by both S.C. and N-P that, at best estimate, approximately 80% enter the Argentinean Market and that a further 80% of this cannibalises N-P rather than competition - this latter number can be regarded as conservative given N-P's now 91% share of the National Full Flavour segment. Ritz price is between 30c and 35c on the border versus Derby \$1.17 (effectively \$1.20) guaranteeing take up. All up YTD end-April S.O.M for Argentina is 47.1% for BAT Industries - 43.9% via N-P.

Hence, part of the share loss and profit decline now forecast by Nobleza-Piccardo is not only a result of natural up-trading to Marlboro (given a full two years with no price increases), but also the increasing volume being "pumped" through the northern border.

A separate update paper on Nobleza's marketing and other initiatives is programmed for the BEC in mid-June.

500028732

I note below the Souza Cruz export numbers for the last five years:

DNP : Low price segment- Argentina

<u>Mn Cigarettes</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Souza Cruz	72	120	160	600	1300
PMI	36	60	329	275	400
RJR	-	-	-	-	20
Paraguay	-	-	-	25	200
	<u>108</u>	<u>180</u>	<u>489</u>	<u>1150</u>	<u>1920</u>
S.C. share of low price DNP segment	67%	67%	33%	67%	68%
Segment share of total Argentina market	0.3%	0.5%	1.5%	2.5%	4.7%

(These figures are based upon data supplied by Souza Cruz in November 1992 so do not reflect any final 1992 adjustments: equally we understand there is no certain data for competition volume.)

Contraband represents 55% of North East (Posadas Branch) volumes and has, at latest report, a 72% share in the City of Posadas. A financial side effect is the additional commission payments being required in the North East to sustain any kind of effective distribution system, and to ensure the continued market presence of DERBY and JOCKEY CLUB.

Given the trend of Souza Cruz volumes, which led this market in four out of the last five years, it has been suggested by the undersigned that a reduced level of exports be tested for a minimum 3 month period so that the brand equity value loss of DERBY and JOCKEY CLUB is verified and, more immediately, the impact on group profitability can be truly assessed.

This was within the context of the TSG Minute (ref. No. 20 of 3rd September 1992) noted below:-

"Argentina : Mr. Bramley reported a problem with Ritz undercutting Derby in Argentina. It was agreed that the policy of brands not being exported into domestic markets without prior consultation with the regional and local management on pricing, brands, and competitive implications, would be reinforced."

It has not been possible to agree the strategy of testing a reduced DNP volume flow.

Additionally now Tabacalera Boqueron (Paraguay) is perpetrating counterfeit upon which Souza-Cruz is acting.


500028733

As previously noted the first quarter 1993 has recorded significant increases in the volume of DNP imports into Argentina. Assuming that these additional volumes over and above the 1992 level (which were up over 100% on 1991) cannibalise DERBY and JOCKEY CLUB equally, the further lost contribution to the Group will be around \$3mn in 1993. Further the combined brand equities of DERBY and JOCKEY CLUB will fall by up to \$10mn, with Nobleza's 1993 trading profit lower by over \$5mn.

This note is to advise you on the impact the increased DNP volume will have on the results of your Argentinean subsidiary.

  
Keith S Dunt

500028734

 House of Commons

14th March, 2000

Dear Mr. Bates,

Thank you very much for sending me a copy of your letter to Rupert Pennant Rea as Chairman of the British American Tobacco Audit Committee and for sending me a copy of the CD-ROM. I can assure you that the Audit Committee of the BAT Board, of which I am a member, does take its responsibilities seriously and will continue to do so. We certainly intend to comply with the Turnbull guidance on internal control as soon as possible, and in full.

I do resent the latest line which you and the Guardian are taking that my denial in the Guardian was not an adequate reply to the allegations and documents that I had then been alerted to. The Guardian wanted me to reply straightaway and it was despite their pressure that I took two days to do so. The only reference to the documents which were then before me were the references in the article, which did not in every case allow the original source of the short quotation to be identified. I made enquiries of those involved on the basis of the allegations in the original Guardian reports. It seemed to me that the Guardian and the investigative journalist concerned had failed to provide sufficient substantive evidence for there to be a case to answer.

Your letter and the Guardian are now trying to allege that my Guardian article was in response to many other documents which I had not had time to see before I reached the Select Committee. In my opinion, having participated in the oral evidence session, I was at least as well prepared as you and Mr. Duncan Campbell.

Yours sincerely,

 K.Clark

Mr. Clive Bates,  
Director,  
Action on Smoking amp; Health,  
102 Clifon Street,  
LONDON EC2A 4HW



From: The Rt. Hon. Kenneth Clarke, QC, MP



HOUSE OF COMMONS

LONDON SW1A 0AA

11th July, 2000

Dear Mr. Bates,

Thank you very much for your letter of 3<sup>rd</sup> July. As I have previously explained, I regard my article in the Guardian on 3<sup>rd</sup> February as a full response to the Guardian's coverage of the allegations against British American Tobacco on 31<sup>st</sup> January. You repeat that you sent a fax to my office on 31<sup>st</sup> January, notifying me of a large volume of evidence which you invited me to view on your web site. I am afraid that I am inclined to regard that, sent on the day when the Guardian article appeared, as an attempt to delay any prompt reply to the Guardian article. I believe that my article in the Guardian answered the Guardian's case and I stand by it.

Rupert Pennant-Rae explained at the Annual General Meeting of British American Tobacco, when you were present, the steps which the company has now decided to take to have an investigation by independent and respected lawyers of the subject. He explained the basis upon which that investigation is to proceed and we have made it clear that we take the subject seriously, and the company will take any action necessary to make sure, if any problems are revealed, that we comply with our own high standards of corporate behaviour and the laws of every country where we trade.

I have nothing to add to Rupert Pennant-Rae's statement. I do not think that correspondence between us about extracts from individual documents would be a very helpful process alongside the rather more sensible way of proceeding that we have proposed.

Yours sincerely,

LC4

Mr. Clive Bates,  
ASH,  
102 Clifton Street,  
LONDON EC2A 4HW



2.74

Unit 2

Fixed Assumptions

1. The political situation in the Cameroons will remain unstable throughout 1992 and then settle down
2. The economy will show no improvement over the next 5 years
3. GT movements to this end market will remain a priority throughout the period.
4. Accessibility direct to the consumer will remain difficult
5. Our knowledge of the other markets and their potential is unknown
6. The pack overprint is unacceptable to the cameroonian consumer and local manufacture would create image problems
7. Distribution routes will remain flexible
8. BHSF has achieved its core market

301773703A

Scenario 1: No Official imports

Variable Assumptions

1. The import of BHSF legally is not an available option.
2. Direct advertising in the Cameroons remains difficult.
3. BHSF while maintaining a good image is price inaccessible due to the economic crisis
4. The direct route is relatively unstable.

Distribution Strategy

1. Maintain direct route (glassware) via Bodimex ensuring greater accessibility to consumer
2. Reconsider terms and conditions to SODISA to ensure maintenance of alternative route
3. Ensure pricing accessibility
4. 10's will continue to be shipped and flown to both Bangui and N'djamena as market circumstances dictate. However their period should be re-assessed vis business year and a system of over-invoicing implemented which will be returned at year end if target volume is achieved

Promotional Strategy

1. Reconsider spend on Africa N° 1 reducing to £100,000 for 1992 and onwards.
2. None or few catalogue items to Cameroons or to other UDEAC markets until potential for Batuke brands in the region has been assessed

Spend: Selling 0 (n.b. selling expenses attributable to the Unit 1 expat)

Promotional: Radio £100,000 ( Africa N°1)  
Merch £5,000

Volumes: see attached

301773704

Scenario Two: Legal imports is feasible

Variable Assumptions

1. Either bundle overprint is acceptable or pack markings are not required
2. Advertising can take place within the limits of the Cameroonian code of conduct
- 3 GT shipments will remain the mainstay of our activity
4. The Malabo distribution channel will have to be maintained

Distribution Strategy

1. Maintain a minimum cover level of BHSF via legal imports ca. 1 20' TC every 10 weeks
2. Maintain Bodinex shipments
3. Reconsider shipping terms for SODISA
4. Ensure pricing accessibility
5. 10's as above

Promotional Strategy

Investment in local ATL (Radio; Posters; Press)

£300,000

Selling: As above

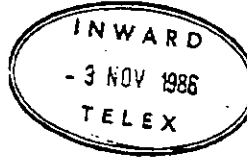
Merch cost: £50,000

Volumes see attached.

301773705

859101 BATUKE G

5044SOTAB CTNOU



5044SOTAB CTNOU A BATUKE 051859101+

NO 86/325 DU 03/11/86

5

~~ATTENTION: DICK HOWE~~

MRS PREVIATI

MISS CAROLINE KIRKHAM

COPIE: ROLAND BONGARD.

RESULTATS UNIT OCTOBRE 1986:

1) TOGO:

	VENTES	STOCKS
BHSF:	0	0
SEFK:	125	125
JPS:	2	0
LUCKY:	3	5
GLADSTONE:	0	0

TOTAL:	130	30
--------	-----	----

BHSF ET SEFK ARRIVENT MAINTENANT DU BENIN EN PETITES QUANTITES. MAIS FRONTIERE GHANNA HERMETIQUEMENT CLOSE POUR LE MOMENT (SUITE EVENEMENTS POLITIQUES AU TOGO)

2) BENIN:

SOTAB + 4 IMPORTATEURS.

	VENTES (DCNT SOTAB)	STOCKS (DCNT SOTAB)
BHSF	2.826 ( 1.847 )	6.555 ( 4.175 )
SEFK:	155 ( 155 )	908 ( 908 )

301627192

↑A

BHSF:	2.826	( 1.847 )	6.555	( 4.175 )
SEFK:	158	( 158 )	908	( 908 )
JPS:	0	1	1	1
KENT:	0	0	0	( 59 AVARIES)
LUCKY:	1	1	57	57
GLADSTONE:	27	27	9	9

-----

TOTAL: 3.012 ( 2.034 ) 7.530 ( 5.150 )

-----

NOUS ATTENDONS 150 GLADSTONE PAR AVION CETTE SEMAINE.

NOUS EMBARQUERONS FIN NOVEMBRE 3 X 840 BHSF POUR LES 3 IMPORTATEURS  
QUI N'ONT PAS ENCORE RECU LEUR LOT.

FRONTIERE NIGERIA TRES SURVEILLEE ACTUELLEMENT POUR EMPECHER LES SORT  
IES SORTIES DE CACAO ( LES VENTES DE CIGARETTES SE FONT PAR CARTOU-  
CHES).

3) NIGER:

===== VENTES OCTOBRE: 13.652 CTONS BHSF.

STOCKS MARADI FIN OCTOBRE: 22.108 CTONS (TOTALITE YOLANDE DU 16/9  
ET THERESE DU 29/9) Y COMPRIS

-----  
7.560 CTONS NON ENCORE RECUS)

ENGAGEMENTS:                    STOCKS FIN OCTOBRE: 22.108  
                                  VERONIQUE DU 8/10:     23.520  
                                  YOLANDE DU 31/10:    17.640

-----  
TOTAL:                    = 63.268 CTONS BHSF

POUR ALLER JUSQU'AU 25/12 ( ARRIVEE A MARADI DU BATEAU SUIVANT, LE  
VERONIQUE DU 23/11). C'EST SUFFISANT. CE SERAIT UNE ERREUR D'  
ENGORGER D'AVANTAGE LE MARCHÉ ( ET UN RISQUE).

CREDOS COUVERTS A CE JOUR: 18.480 CTONS

NAIRA:

----- 68 CFA A MARADI

301627193

B↑

↑B

STOCKS MARADI FIN OCTOBRE: 22.108 CTONS (TOTALITE YCLANDE DU 16/9  
ET THERESE DU 29/9) Y COMPRIS  
-----  
7.560 CTONS NON ENCORE RECUS)

ENGAGEMENTS:                    STOCKS FIN OCTOBRE: 22.108  
                                  VERONIQUE DU 8/10:     23.520  
                                  YOLANDE DU 31/10:    17.640  
                                  -----  
TOTAL:                         = 63.268 CTONS BHSF

POUR ALLER JUSQU'AU 25/12 ( ARRIVEE A MARADI DU BATEAU SUIVANT, LE  
VERONIQUE DU 23/11). C'EST SUFFISANT. CE SERAIT UNE ERREUR D'  
ENGORGER DAVANTAGE LE MARCHE ( ET UN RISQUE).

CREDOCS OUVERTS A CE JOUR: 18.660 CTONS

NAIRA:

----- 68 CFA A MARADI

RECTIFICATIF:

===== TOGO. STOCKS SEFK. LIRE 25 (ET PAS 125)

JE DIS BIEN: 25  
-----

67 CFA A COTONOU.

AMICALEMENTS PHILIP HESTIN

5044SOTAB CTNCU

301627194



2.74

Unit 2

Fixed Assumptions

1. The political situation in the Cameroons will remain unstable throughout 1992 and then settle down
2. The economy will show no improvement over the next 5 years
3. GT movements to this end market will remain a priority throughout the period.
4. Accessibility direct to the consumer will remain difficult
5. Our knowledge of the other markets and their potential is unknown
6. The pack overprint is unacceptable to the cameroonian consumer and local manufacture would create image problems
7. Distribution routes will remain flexible
8. BHSF has achieved its core market

301773703A

Scenario 1: No Official imports

Variable Assumptions

1. The import of BHSF legally is not an available option.
2. Direct advertising in the Cameroons remains difficult.
3. BHSF while maintaining a good image is price inaccessible due to the economic crisis
4. The direct route is relatively unstable.

Distribution Strategy

1. Maintain direct route (glassware) via Bodimex ensuring greater accessibility to consumer
2. Reconsider terms and conditions to SODISA to ensure maintenance of alternative route
3. Ensure pricing accessibility
4. 10's will continue to be shipped and flown to both Bangui and N'djamena as market circumstances dictate. However their period should be re-assessed vis business year and a system of over-invoicing implemented which will be returned at year end if target volume is achieved

Promotional Strategy

1. Reconsider spend on Africa N° 1 reducing to £100,000 for 1992 and onwards.
2. None or few catalogue items to Cameroons or to other UDEAC markets until potential for Batuke brands in the region has been assessed

Spend: Selling 0 (n.b. selling expenses attributable to the Unit 1 expat)

Promotional: Radio £100,000 ( Africa N°1)  
Merch £5,000

Volumes: see attached

301773704

Scenario Two: Legal imports is feasible

Variable Assumptions

1. Either bundle overprint is acceptable or pack markings are not required
2. Advertising can take place within the limits of the Cameroonian code of conduct
- 3 GT shipments will remain the mainstay of our activity
4. The Malabo distribution channel will have to be maintained

Distribution Strategy

1. Maintain a minimum cover level of BHSP via legal imports ca. 1 20' TC every 10 weeks
2. Maintain Bodimex shipments
3. Reconsider shipping terms for SODISA
4. Ensure pricing accessibility
5. 10's as above

Promotional Strategy

Investment in local ATL (Radio; Posters; Press)

£300,000

Selling: As above

Merch cost: £50,000

Volumes see attached.

301773705



# RESTRICTED

- 3 -

## RCDs

	<u>Per case</u>
1. Forextra (Salem)	Scale starting at FFr 52.000
2. Anar Taleb	FFr 30
3. Issoufou Guizo	FFr 60 up to 22,360 cases, thereafter FFr 80
4. Gonda Garki	FFr 40 up to 14,620 cases, thereafter FFr 50
5. Abdelkrim	FFr 30
6. Niger Stores (El Amine)	FFr 30 up to 3,440 cases, thereafter FFr 40
7. Tondi	£2.50 up to 12,900 cases, thereafter £4.00
8. Ben Batna	FFr 20

1st April 1991

301773713

# RESTRICTED



## B.A.T (U.K. and Export) Limited

Export House Woking Surrey GU21 1YB England

Telephone 0483 757555  
Telex 859101 BATUKE G  
Fax 0483 756100  
Telegraphic Address EXPORT WOKING

### TELEFAX

FROM: FRANCINE

DATE: 7.11.90

TO: MICHEL CHEVALY

NO. OF PAGES: 2  
(including header)

Michel,

Please refer to  
attached which is  
self-explanatory -

Francine

301773719





JMT

Peter  
C

4.15 UNIT II

4.15.1 MARKET BACKGROUND

Unit II comprises sales to Malabo for which the end market is Cameroon. It also incorporates sales to Chad and CAR for which the final end market is generally Sudan. Most of the volume - 80/90% - is sold to Malabo and all shipments are taken by Gerconal FOB from Tabakmatie.

Sales progress is clearly influenced predominantly by the Cameroon market which also receives imports from Niger via Nigeria in the north of Cameroon. Main brands in the North include BHSF, ROTHMANS, ST MORITZ, MARLBORO and, to a lesser extent, cheaper brands of Nigerian manufacture.

However, in South Cameroon, B&H enjoys a dominant position largely due to the distribution network established by Gerconal.

The Cameroon market itself has been subject to a slow but steady decline in total volume since 1986. 1988 volume of 3.7 bn declined to 3.4 bn in 1989 with the imported segment falling from 13.8% to 13% over the same period. This decline is largely due to economic weakness.

Retail price reductions of leading local brands are likely to increase total market volume and have led to brand switching and down-trading to the detriment of imports.

US blended brands are negligible and MARLBORO has made no headway in this market where local manufacture has ceased.

BHSF has 80% share of imports which it has dominated for several years and enjoys country-wide distribution. With improved quality of local manufacture and introduction of new low-price brands by the two manufacturers, BASTOS and SITABAC, little growth can be expected for imports.

There has been a significant growth in the menthol segment which has increased from 9% in 1988 to 14% in 1989 and, led by the rapid success of SITABAC's DELTA MENTHOL, has reached over 20% market share in 1990 to date.

The Unit II market produces a valuable contribution and it is intended to continue investment in order to protect it from further erosion.

As there are no legal imports - which have been rejected in the past due to legal clausings on packs - no local media is used. However a major campaign on the Africa No 1 Radio programmes transmitted from Gabon is funded from Unit II resources.

This station has a high audience in Cameroon and is used by all major competitors including local manufacturers.

Pricing varies throughout the country and is largely related to the risks to which supply routes are subjected.

301773722

Despite the normal preponderance of stick sales, B&H is more often sold by the packet.

Trade margins also vary from north to south but in the south retailers can expect 30% which exceeds margins available for local brands.

There have been no controls on imports at retail level but road controls and customs activity inhibit the free movement of wholesale stocks.

No legislation is anticipated on warning clauses and manufacturers generally respect a self-imposed advertising code.

Distribution of imports rests in the hands of a few key people and steps have been taken to prevent competitors from using the same resources.

#### 4.15.2 BATUKE'S CURRENT POSITION

BHSF is in full and healthy distribution and a small demand for JPS and BHSM has been supplied to Douala.

Volume to South Cameroon has currently fallen from 15 mn to less than 10 mn per month largely due to growth of low-price local brands as purchasing power has diminished. In the North sales have been adversely affected both by the growth of RRS following the introduction of B&H with the MIE lap-print which has suffered from initial rejection, and the continued presence of NTC stock.

The MIE lap-print is presently suffering from rejection in the South also.

B&H has enjoyed a premier position in this market for several years and a high quality image. It is smoked by a broad cross-section of consumers.

#### 4.15.3 COMPETITOR ANALYSIS

TEI have made successive attempts to establish PETER STUYVESANT, CRAVEN A, ROTHMANS KS and INTERNATIONAL and ST MORITZ in this market with relatively little success. No investment has been made since withdrawing their salesforce three years ago apart from international media.

However, it is undoubtedly their intention to attempt a re-entry, encouraged by a growth in ST MORITZ, and it is highly likely that they will make approaches to SITABAC with a view to local manufacture.

#### 4.15.4 OBJECTIVES AND STRATEGIES

Our main objective is to recover profitability with an increase to NNC of £1 mn p.a. throughout the period by maintaining BHSF market leadership as the main imported brand in Cameroon.

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	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Total volume	113	153	162	174	185	195
NNC E'mns	0.53	0.97	1.01	1.02	0.99	0.98

Volume through Malabo has dropped from 5% to 3% of total market in 1990. With steady growth this will recover to over 4% by the end of the plan period.

Volume increases are to be achieved for BHSF in Chad and some recovery is sought in sales of BHSF 10's to Sudan with aggressive pricing policies.

The small existing demand for BHSM in Cameroon will continue to be exploited.

Export prices to Malabo are marginally more profitable than those to Unit I but any increases - planned for 1992 - must follow those in Unit I.

Prices for Chad, to allow for legal imports, have been cut to 90 FFr FOB for 20's and 100 FFr FOB for 10's. All stocks to Chad are airfreighted.

Media support will be concentrated on Africa No 1 Radio for which a budget of £264,000 is planned. It is intended to undertake consumer research in Cameroon to ensure more precise focus of the creative content.

A merchandising budget for the area of £46,000 is also required for trade incentives in Cameroon and POS activity in Chad. Carrier bags will need to be included in Unit II stock as in Unit I 10's cases.

#### 4.15.5 NEW BRANDS

##### PROJECT FLICKER

This will be introduced through Malabo to compete with ST MORITZ, as in Unit I, generating volume of 2 mn in 1991, growing to 10 mn in 1995..

Media support is envisaged in 1993 to support sales in Francophone markets when progress can justify investment for more rapid growth.

Trade incentives will be used to launch the product.

301773724

RB pointed out that price to Chad was not the complete answer to the RKS problem. Supplies would continue via Niger/Nigeria because of the margins available through exchange rates.

JM wished to investigate possibilities of supply to domestic markets of both Chad and RCA during his and MC's July visit. (Subsequently agreed with RH that B&F 10s price cuts should also be considered if volume could be increased.)

5. RB asked if the intended meeting in September with BATLKE could be held between 30th August and 2nd September. Costi would be in France and RB intended to take his own holiday from 5th September.

RH would advise.

J M TICEMURST  
5th July 1988

301626936



## B.A.T (U.K. and Export) Limited

Export House Woking Surrey GU21 1YB England

Telephone: Woking (04862) 76111  
Telegraphic Address: Export Woking  
Telex: 27384/5 or 859101

28th April 1988

M Marcel Binst  
Villa "Magali"  
732 Boulevard des Nymphes  
Parc des Issambres  
Les Issambres 83.380  
VAR  
France

Dear Marcel

I would like to thank you and Roland for such an enjoyable and productive three days spent in Cannes in March.

The purpose of this letter is to record the agreements we made over the three days and set out the basis which will govern the relationship between Sorepex NV and BAT from 1st January 1989 and which we hope will take us into the '90s.

Before I proceed to outline these arrangements, I would like to say how pleased we are to reach an agreement which enables the name Sorepex to continue to work in the development of BAT business. We note with great pleasure your comments, and those of Roland, that, although both of you will take a less direct role in the future, your wisdom and counsel will be available to us over the next few years.

### 1. The Principle

BAT has "staffed up" in West Africa to the point where there is duplication of effort between Sorepex and BAT (UK & E). Our objective now is to preserve the "facade" that Sorepex represents between us and the sensitive markets of Togo, Benin, Niger (Unit I) and Equatorial Africa (Unit II) but, at the same time, enable the BAT field force to take over the management of this important business.

2. The New Sorepex

The new Sorepex will retain the functions of a buying house, and will continue to employ the two field agents, Costi and Chevaly. Between now and 1st January 1989, BAT will gradually assume the management in the field of these two gentlemen. It is envisaged that you and Roland will by then be freed from the day to day responsibility, and the administration of the new Sorepex passed on to your heirs. You and Roland offered to be available for advice and counsel beyond January 1989; we note this agreement with pleasure.

3. The Markets

Unless there is an unforeseen change - for which we must always be prepared in a business of this nature - the markets for which Sorepex will act as a buying house will be Togo, Benin, Niger (Unit I) and Equatorial Africa (Unit II).

An important consideration is that BAT will feel free to ask Sorepex to ship goods to other markets from time to time as and when the need arises.

4. (a) Financial Details

From 1st January 1989 BAT will allow a 3% commission to the new Sorepex upon its orders on the FOB and Insurance and Freight value of the shipments to the markets specified above. Cigarettes shipped to markets other than those above will carry a commission of 2% of FOB. Payment conditions will be unchanged except that shipments to Niger will be invoiced and paid under the same system as currently applies to all other sales to Sorepex.

(b) Staffing

The Sorepex field agents will continue to be employed according to their existing contracts and their commissions and expenses will be funded by Sorepex out of the 3% buying commission payable under 4(a) above. BAT shall have no liability for any payment in respect of the two field agents. Sorepex will not make any change to the agents' status or location without BAT's prior approval and Sorepex undertakes to employ one field agent for each of Unit I and Unit II, who meets with BAT's approval should, for whatever reason, Messrs Chevaly and/or Costi leave the employment of Sorepex.

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- (c) Freight. We will continue as we have over the last twelve months - to set and review freight rates jointly. Whilst it would be appropriate for Sorepex to continue to purchase freight, BAT's shipping experts will continue to take an active interest in the negotiation of freight contracts. It is not envisaged that Sorepex should benefit from rebates on freight.
5. (a) I hope this reflects your understanding of the revised arrangements. Prior to 1st January 1989 current arrangements will continue to apply.
- (b) These revised arrangements shall be renewed annually but may be terminated by either party at any time on six months prior written notice to the other. Any amendments to the terms and conditions in this letter will only come into force after both parties have agreed in writing. Sorepex agrees that in the event of termination for whatever reason it shall have no claim against BAT other than for commissions accrued due under clause 4(a) of this letter.
- (c) Sorepex agrees that it will keep confidential and not disclose at any time to any third party any of the business affairs of BAT or its associated companies, of which it has become aware during its association with BAT nor will it by its actions or omissions bring BAT's name into disrepute.

I look forward to receiving your confirmation in due course. In the meantime, warmest personal regards to you and Roland.

Yours sincerely

R HOWE

AGREED AND ACCEPTED ON BEHALF OF SOREPEX NV

.....  
MARCEL BINST

.....  
ROLAND BONGARD

Date:.....

Date:.....

301626958

1987 VOLUME UPDATE

Revised volumes were agreed for the rest of 1987.

DBY/S'pex

REVISED VOLUMES

<u>UNIT I</u>		<u>1987</u>	<u>UNIT II</u>	<u>1987</u>
TOGO	BHSF	26	CAMEROONS (Brand) BHSF 20s JPS	212 1
	SEPK	20		
	JPS	1		
BENIN	BHSF	42	TOTAL	215
	SEPK	18		
	PGL	2		
	JPS	1		
NIGER	BHSF	2395	CAR BHSF 10s	18
			CHAD BHSF 10s	30
		<hr/>		<hr/>
		2535		261
			<u>UNIT III</u>	<u>1987</u>
			GUINEA CONAKRY: SEPK	37
			BHSF	11
				<hr/>
				48

MERCHANDISING

Any publicity materials for Guinea Conakry should be shipped separately direct to Bah using CIAF and not in the cigarette containers.

Togo and Benin publicity materials should be shipped direct to Alpbahie and Jeurissen respectively.

DBY/va  
12/6/87



301627113

MEETING WITH SOREPEX

WORKING - 1ST FEBRUARY 1985

Present:

M Binst	J L W Carter
R Bongard	R Howe
P Hestin	J F Bone
M Chevaly	G Leach
R Fouque	R M Girling
W Binst	

1. Market Reports

Unic - Togo - Nothing to say except attempting to have President rescind new tax of CFA 5,000 per case.

There is a slight interest in Ghana - but not for the immediate future.

Benin - lorry thieves shot 2 police, so borders are currently closed - probably only for a fortnight.

Niger - Nigerian border controls of both lorries and warehouses have caused dealers to flee to Maradi. It could take some time before things settle down again. Current exchange rate: N.I. = CFA 110/115.

2. Forward Estimates

In view of the above situation:

Feb: was to be 40,600 c/s - now say less 10% = 35,000 c/s  
Mar: now only one sailing - was to be 41,300 c/s: now, difficult to say, maybe 31,000 c/s.

N.B. The above represents ALL brands ALL zones.

First quarter thus:	Jan (act)	407.2	
	Feb	350	MM
	Mar	310	MM
		<hr/>	
		1067.2	MM

Zone 2 - Cameroons. Reemsta began local manufacture end December. They spent FF 10 million on factory and 1.5 million on advertising and must succeed. They will endeavour to halt contrabrand, i.e. B&H. Nothing shipped for 2 months as importers/traders feel they are being got at. Tchoumbe had 1,000 c/s seized by Customs' police. MC doesn't yet know whether he was fined/goods returned etc.

Therefore, direct imports are unlikely and entry via RCA is being tried. In February SODISA will try selling 300 c/s to L. de Mangoua via Bangui.

301627207

SODISA is interested in Equatorial Guinea with Daher. There is an 80 or 90% chance of getting something off the ground. On 15th December they established a company which has applied for permission to import in transit into Malabo. Transit tax would be 6% C.I.F. (pas mal!)

RB says SNCDV offer thro' B/L to Malabo via Libreville - airfreight Lib/Malabo. He says they load containers into Hercules aircraft!

M.C. needs B&H 10's for Sudan, where there is still a demand for same. Was told that until our direct negotiations are finalised, we have agreed not to supply. He/they can have 20's pack. Hope to re-discuss end March. For reasons given, allow 3/400 c/s monthly to Bangui only.

Zaire 2.47 = \$1. Ishani is worried about the increasing exchange rate, but RB says he must take 2/300 c/s monthly.

Uganda. First shipment was sold immediately, but payment for same was only received end January. Future payments will be guaranteed by Citibank against L/Cs opened in Kampala. Next shipment (February) will comprise 600 c/s SEFK, plus 240 c/s BHSF.

Zone 3 A.T.C. say Guinea market is 3,200 c/s monthly. This thought an overestimate. Gladstone did 4,000 c/s in approx one year - CIF Dakar FF80.00 ?

Retail prices:

Sili	60	SEFK	110
Gauloise's	70	EH10	60
Gladstone	85	EH20	120
Jubilee	100	Marlboro	125

Guinea's only daily had, at Christmas and New Year, a centre page spread in black and blue for Gladstone. All editions have 4-5 cigarette adverts. Can we advertise ?

SEFK (March '84 manufacture) which arrived Dakar late November, arrived Guinea mid-December. 'Duty' was 3/4000 Sili, which will probably go up. So Marlboro now ship direct to Conakry, where port 'duty' is 7,000 Sili.

Alla Sene is unwell. He will be in Paris until 8th February having tests, etc. He along runs Unimes. He does not allow his brother, Ibrahim, to make decisions. He has made one - to let 2 containers go to Mali, to people he doesn't know. Would probably end up in Cotonou. A.S. told him to make it one container only - Unimes to issue an 'acquit a caution'; refundable when stamped by Mali customs.

301627208

Sierra Leone Last October, Unimes sold 420 c/s to S. Leone (which arrived at Alpha Bah 27/28 December because Guinea <sup>border</sup> was closed - at Marlboro's request. A.S. paid to have it reopened). M.C. arrived 3 weeks later. They were on the market at the same price as local manufacture. (L. 4.0 per pack). Market hadn't noticed difference between local and imported. In the 3 weeks, Bah had sold 300 out of the 420 c/s. Next SEFK will be sent CIF Conakry, instead of via Dakar (where 2 borders had to be crossed). Transit Conakry/Freetown would be by lorry. Amadou Bah (Bobo) is willing to take it up and AS is willing to discuss joint venture with him. Will do so in Dakar 9th Feb. (Estimate 1/2 conts. monthly, i.e. 600 c/s SEFK for S.L.). Later they want BHSF, which would be stuffed in same container, but documents, cases, would have to be marked 'in transit'.

BAT  
Paper outers for BHSF 10s definitely not B&F style, even for S. Leone. Gladstone has similar wrapping but they have promised to change it. We, too, will look into it.

### 3. Pricing

It was agreed that a price increase of around 10% could be envisaged (see earlier Minute Cannes 11.12.84) around middle of this year. After some discussion, it was agreed that the cost price to the hadjis in Maradi should rise from current 75,000 cfa per case to 82,000 cfa per case, being an increase to them of 9.3%.

Working backwards from the Maradi case price gives an increase in our free carrier Antwerp price from currently 111.67 FF to 123 FF (this will take effect from Invoice No. 69 which is likely to be issued in June 1985).

All the other Sorexex business will follow pro rata and simultaneously, with the following exceptions:

1. SEFK  
No increase for the time being. To be rediscussed in April.
2. Phase III  
No change for six months. To be rediscussed in April.
3. B&H 10's  
These will move from carrier Antwerp for Togo and Benin from current 121.14 FF to 125 FF, thus retaining 2% premium over 20's.

BAT informed Sorexex that, with effect from Invoice No. 69, all invoicing will be done in FF. *que stupide!*

The price increases agreed here will, subject to unforeseen changes in the market place, remain valid for 1 year; discussion on 1985 prices will take place at the end of 1985.

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- 4. Transfer of Goods  
J F Bone to draw up letter for Sorepex signature.
- 5. JPS sans marquage. 50 c/s a.s.a.p.  
SEFX 2 containers March manufacture.

R M Girling  
18.2.85

also compared same 4/2  
copy by A.C.

301627210

At: F. Conter ←  
c.c. K. Mariot  
J. Titchmarsh  
J. Green

Date: 10.7.90.

14.

Ref: Gladstone launch Unit 1

From: S. Marzou

Fred,

As per our telephone conversation, herewith ideas about launch of GKS into Unit one - Domestic Duty Free Retailing Customers Border activities.

### 1. Domestic

a) Nigeria Obviously it is practically impossible to develop a pure GKS brand, thus a home base is necessary. It would therefore seem logical to import 'legally' some quantity, allowing also for an advertising campaign to take place.

### b) Other Domestic

- Benin: This would be the obvious choice due to its proximity to Nigeria. Duty free sales do not really exist, and 'transit' of goods to Nigeria must be fully duty paid. Anyway, that's the principle though product does go over - mainly RUS and St. Maritz which is easier to find clients for. Therefore to watch your pre-determined stock price ex duty free Niger Basin, a subsidy may have to be given to the brand to ensure parity and a two-tiered attack (à la St. Maritz) ✓.

- Togo: No great benefit as a domestic duty paid transit brand to Nigeria when available at a subsidised price on the Benin's

301626822

market.

### 2. Duty Free

I have already touched on this in 'Domestic'. The best duty free point for a launch is the Niger basin (Mozambique is the current selling hot spot). It is also possible in Benin once a

- a) Sufficient demand has been generated to attract clients
- b) An existing 'free' is in place doing our drive brands and sales can be followed.

Though duty free sales in Benin are not technically allowed, where there's a will, there's a way.

A third country in Togo could be used as duty free sales are more simple though more expensive and making more difficult than in Niger or Benin.

### 3. Pricing

Discussed in 1 and 2. Above Ex Niger the most active duty free points only should be chosen. Refer to Costi.

### 4. Customers

In this instance I should opt for one of our existing clients who currently generates quite a bit of RKS activity. The twin sales - It sounds a little shaky ground, but we could consider underwriting some element of client credit risk so that RKS are ~~more~~ our sales followed with credit risks to facilitate entry in to the market.

Contd...

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As regards the clients themselves, somebody like Ben Betna or Anu Teles seems a good choice. Though again A. Costi would be your best reference point as he knows individual client attitudes and volumes so much better. <sup>NO</sup> <sup>YES</sup>  
Issamun Amro also interested.

### 5. Bank activities.

I assume by this that you mean 'opening' and shift in activity. The most active point is still the Niger Basin though rather Benue-Nigeria, along with improved political relations, would appear to be becoming that much easier than a couple of years ago.

### 6. Final/Other elements.

- Initial reports from Dantkpa (Benue) market indicate that there is an element of polarisation in purchase habits i.e. Premium segments and cheap brands. The futures and fixed-line would appear to have not a great deal of demand/forward remaining. <sup>after.</sup>

- If you're going to spend a lot of money for goodness sake do some work about attitudes and best means of launching (vis-à-vis publicity).

• Long term project. But if Pica-silly

is all falling off what should be done?

↳ it therefore better to use LOB cheap?

- Jim

✓  
Circ: JLG  
BRRJ  
AC  
MC  
KM }  
SM } P. 1

UNIT I VISIT

May 14-26, 1990 - JMT/AC

Checklist

TOGO:

1. Samex to be stopped from flooding local market with cut-price SEFK. JLG informed.
2. Akpabie will explore transit opportunities via Lome port to Nigeria - but doubt if he is the ideal person to use (either Samex or, better, Gerconal via P. Lavaud - see under Benin).
3. Check if Samex B&H intended for CDI visible in Nigeria. (None found by JMT/AC).
4. Steven Marshall encouraged to ship up to 400 c/s into B.F. short term in view of current production problems there causing stock shortages (Simon Bateman informed).
5. Port figures from SM at variance with TEI exchange figures. JMT to speak with Shane Neary for possible "true" exchanges of figures.
6. Further contact to be established with small cargo ship owner who intends shipping down the coast (possibility of use as "mother ship" for pirogues).

BENIN:

1. Pierre Lavaud - contact provided by S. Marshall - offered possibility of shipments "in transit" to be supplied ex-shipping agents warehouse direct to piroguiers ("Managers" network) attracting only 3.12% transit duty. Similar practice possible ex-Lome. Gerconal to follow this up.

GENERAL:

1. Documents via Tabaknatie. Paris banks, Niamey banks to port of Otonou to effect clearance of goods persistently arrive anything up to 2 weeks after arrival of ships. Action required to simplify this. This also applies to Domestic market shipments..JMT/BRRJ/DP
2. Various comments on POS items, bar sets, etc. should be voiced at area Conference.
3. Pro-formas urgently required for merchandise items to be shipped to Niger - D. Pike has in hand.

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NIGERIA:

1. Meeting with H. Schedel and A. Northcott of ITC:

- a) Schedel wishes to have meeting early June with major exporters and ENTAG to agree pricing strategies for Guinea.
- b) PMI wish to propose an industry presentation to the Nigerian Government for a specific import duty to replace ad valorem rate.

The objective would be to legalise "profitable" imports thus providing the Nigerian Government with revenue currently lost by the proliferation of G.T. At the same time it could limit the scope of further articles in the international press on the lines of the Sunday Times Insight feature.

A specific tax could limit the "cheap end of the market" brands by establishing higher retail prices but allow international brands to maintain their current position.

JMT to advise NTC (M. Frye informed). Agree a BATUKE view with JLG.

ITC made a similar proposition to NTC two years ago but NTC were not interested. If Northcott makes a similar presentation to NTC, BATUKE should be fully informed.

2. Meeting to be held with BSB Dorland re monitoring of media campaign, relations Chellaram/Insight, and payments and commissions.

Poster sites to be advised to Chellaram. Poster designs to be better adapted in "motorway" conditions as current treatment lacks instantaneous impact required on fast freeway sites.

- 3. P.O.S. items to be organised for Chellaram.
- 4. DF1 and DF2 administration to be agreed with Chellaram - London office.
- 5. Clear objectives and report formats to be defined for Costi together with agreed job description.....JMT

*JMT*

J M TICEBURST  
5th June 1990

JMT/UnitI/1/fb

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F  
Distribution:

JLG  
FC  
BRRJ  
SM  
AC  
MC

NOTES ON VISIT TO UNIT I

May 1990

J M Ticehurst

TOGO:

1. Market dominated by Fine at R.P. of 200 CFA. International brands at 250 CFA account for less than 40% of market - dominated by Rothmans KS.
2. Our brands have little if any local franchise but transit exists - SEFK to Ghana, B&H to Burkina and through Ghana to C.D.I.
3. Samex building dominant position and using price-cutting methods supported by Minister of Commerce who has received complaints from "old fashioned" import agents: SGGG, CFAO, etc.. UAC is not involved in cigarette business.
4. Akpabie, having been "told not to exploit" transit opportunities to Nigeria (by Sorepex? - R. Howe) has been content to do nothing and is largely inactive. "Could explore" possibilities in Duty Free stocks ex this port which is clearly Samex's future intention.
5. There is some doubt as to whether Samex genuinely transit all goods to CDI and Ghana, and they have recently flooded the local market with SEFK intended for Ghana. This puts S.M. into delicate position vis-à-vis Akpabie and it should stop. (JLG informed).
6. With present problems and stock shortage in Burkina Faso, S.M. was advised to encourage transit from STT's stockholding to prevent market drying out.
7. Local Franchise can scarcely justify present sales force of six who are selling in over 50% of current 2 mns per month own volume. Distribution in Lome is, however, good. Large investment and/or price cut will be required to re-build local market demand. S.M. has little faith in Gladstone, although it is true that support for the brand has been absent.
8. Transit to Ghana is encouraged by large margins available to Ghanaians who shift transit cigarettes into P.T.C. packs (the reverse of practice in Nigeria). S.M. will be visiting Ghana on May 20th.
9. Shipment figures through part of TEI brands in first quarter - 192 mn transit and 35 mn domestic - are at variance with figures supplied from Aylesbury of 120 mn. This may be accounted for by Samex using Togo short term as route for Niger as opposed to Cotonou..... JMI/S. Neary
10. Transit DIF to Nigeria via Lome port or border land routes through Benin may offer possibilities with 11% duty and statistics tax only payable, but opportunities via Cotonou port "in transit" with only 3.12% tax levels would seem more advantageous - see below.

301626846

BENIN

1. Market dominated by RKS which has replaced Marlboro as leading brand - partly assisted by an unfortunate Pop Concert Sponsorship of Marlboro in 1988 and starting from the complete devaluation of B&H in 1987 when 160 mn out-of-condition B&H was released on to the market at a cut price having remained in stock for over 13 months.

RKS spent heavily on promotion and P.O.S. and has benefitted accordingly.

2. J. Walkden is proving co-operative at this moment. Ahwansou is virtually bust, and Akpabie is prepared to create a company to give legal standing to the BAT sales force as required.
3. Market was out of stock during visit, but a small demand for B&H still exists although it has suffered from constant stock shortages.
4. Small scale transit demand also exists and is supplied by three wholesalers in the main Cotonou market - both B&H and to a lesser extent SEFK, are requested.
5. The opportunity referred to above for stock "in transit" via Cotonou has been identified by S.M. This would entail Gerconal invoices market "In Transit" and a 3.12% tax only would be incurred.

The route would need to be tied up from customers across the border. A clear objective for Gerconal.....JMT/MC

GENERAL:

1. Documentation problems persist arising from the long-winded paper chase that takes place.

B.O.L.'s from Tabakmatie to BAT to banks to Cotonou (in the case of Domestic Orders) and from Tabakmatie to Paris banks to Niger Banks to the Cotonou forwarding agents in the case of Niger stock result in documents arriving in Cotonou up to three weeks after the goods have landed.

This process needs re-examination and simplification.

Action.....JMT/DP/MC/AC

2. P.O.S. material has already met with criticism and in particular "sets" of bar material would benefit from unified design and in particular we are suffering from sub-standard beach umbrellas which require re-reinforcing locally before they can be used..JMT/SF
3. No pro-formas have yet been received for Niger carrier bags or lighters.....JMT/SF

J M TICEHURST  
5th June 1990

JMT/Unit I 3 ff

301626847

MEETING WITH SOREPEX - WOKING, 1/7/87

PRESENT FOR BATURE: R. HOWE  
D.B. YELLOWLEES  
G. ARAEIN-JONES

PRESENT FOR SOREPEX: M. BINST  
R. BONGARD  
W. BINST  
R. BONGARD

NIGER

ACTION

With the end of Ramadan, 25,000 cases were sold in June. July and August shipments should come to approximately 50,000 cases. Pirate cases (white) have appeared in Niger. Hestin is to find out the product code details to trace origin.

PH

Discussion was held concerning direct imports to Nigeria through Mr. Adji who would buy on FOB or CIF. He would disguise the cigarette importations by calling the shipment something else, e.g. matches.

BATURE  
decision  
requ.

BEHIN

To date sales from SOTAB for the month was 505 cases BHSF. There were 521 cases of BHSF remaining in stock. It was anticipated that all stocks would be sold by end August. M.C. Ahouansou has been approached by P. Hestin to succeed SOTAB as distributor. He has new premises with a modern shop and warehouse facility. An initial trial period will be given to him. He has also stated that he is interested in purchasing the SOTAB buildings. Another importer will also be found to avoid speculation. In time it is possible a third distributor will be appointed.

S'PEX  
BATURE

A discussion was held concerning the future of Leon - should he take over as the supervisor or just a salesman. Decision not yet taken on this subject.

S'PEX  
BATURE

PGI - R. Bongard was not pleased that BAT implied that SOREPEX was responsible for the failure of the brand. Currently there are 180 cases in SOTAB - the price for these has been dropped from 52,200 CFA to 49,000 CFA resulting in 5 cases being sold. The situation will be reviewed in two months' time and SOREPEX will also see if there is any way of moving the remaining 1060 cases in Tabalmarie.

S'PEX

301627037

TOGO

Shipment on 11/7 for 2 containers - one with SE555, one with 405 BHSF, 10 JPS, 5 SE555. It was estimated that 200 cases of SE555 were sold in June to Ghana due to a lack of RPKS stock locally.

GUINEA CONAKRY

It was confirmed that there is no problem sending BHSF, LSF or SE555 via Freetown. With this route SOPEPEX do not need to go through Grillet. Discussion was held concerning Grillet and Mamaïou Bah's involvement in this market and was left that there would be a meeting arranged on the 23/7 in France with all parties concerned: BATUKE's main problem with Grillet was the additional costs he entails in such a competitive market. R. Bongard emphasised how important it was to ensure that old and new stocks are not mixed in the market and that it would be better to clean the market totally and start afresh. (The rainy season has started and current stock will age quickly.)

CAMEROON

In August there will be a shipment by sea. If this shipment goes smoothly then future shipments will be by sea for cost saving purposes. (5500 CFA per case saving.) S'PEX

500 cases of BHSF 10's and 250 cases of BHSF 20's will be sent through N. Cameroon to Chad to take advantage of the price reduction to 116 FF/mille. The price reduction has made a good impression on SOPEPEX customers.

ZONE II - OTHERS

The sales of BHSF 10's is linked to the purchase of 'Gomme d'Arabie' by a particular customer. This customer has opened two new routes to Sudan:

- (i) From Chad: N'Jamena to Abeche and Adre (Sudan border).
- (ii) From RCA: Bangui to Biarc (Sudan border). It is anticipated that 800 cases of BHSF 10's will go via these routes in July.

DEZ/va  
9/7/67

301627038

**SOREPEX ANSTALT**

R. CHEVALY

SOREPEX  
Le 1 février 1960

RH
MIF
JYM

J.M.

*Cameroun Tchad Tchad*

Monsieur J. TICENURST  
copie R. BONGARD

Cameroun: ventes dans le Nord Cameroun et Tchad au départ de Malabo

Les premières expéditions maritimes sur Malabo viennent enfin de faire aboutir le projet de vente dans le Nord Cameroun et le Tchad par la filière Sodisa Malabo-Mouchili-Pogno, les 3 parties ayant accepté- après de longues discussions- les prix de vente que je leur suggérais de pratiquer:

Prix de vente Sodisa: 75.000 FCFA départ Malabo  
 Mouchili: 85.000 " " Douala  
 Bogno: 98.000 " " Garoua

En fait, c'est la ristourne de € 10 consentie par la BAT qui a été l'élément décisif pour Mouchili et Bogno, qui recevront chacun:

Mouchili: 3.000 FCFA par carton  
 Bogno 2.000 " "

M.E. - Sodisa n'est pas informée- et je ne veux pas qu'elle le soit- de ces ristournes,

- Mouchili et Bogno ignorent réciproquement que l'autre va percevoir une ristourne.

Modalités pratiques

1. Dans un premier temps, Bogno achètera par lot de 300 cartons: c'est la capacité de son camion, compte tenu des autres marchandises qui "cacheront" les cigarettes.
2. A chaque affaire, je demanderai à Mouchili et Bogno de signer un document attestant que les cigarettes ont bien été expédiées dans le Nord. Je contresignerai ce document qui permettra à la EAT de leur payer- via la Sorepex- la ristourne.
3. Je ferai en sorte- tout au moins dans un premier temps- d'être présent soit au départ du camion de Douala, soit à son arrivée à Garoua. La

301773741

# SOREPEX ANSTALT

première affaire est prévue vers le 15 février.

M. CHEVALY



301773742

H. CHEVALY

Délégué SUPREX Zone II

Le 5 décembre 1988

M. R. BONGARD  
copie J. TICEHURST  
M. BINST

*haut*  
*Supex Z II*  
*file*  
*Jan*

TRANSIT VERS LE SOUDAN/ NOVEMBRE 1988

Situation économique/financière

La situation économique du Soudan a encore empiré au cours de l'année 88: sécheresse, inondations, guerres civiles font que ce pays est actuellement ruiné.

La livre soudanaise s'est effondrée en 4 mois:

valeur d'une livre soudanaise: mars 88	38FCFA
mai	35
juillet	33,50
novembre	26

et le Soudan vient maintenant d'adppter le système du double marché des changes qui "officialise" le marché noir:

- change pour importations lere nécessité: \$=4,5 LS
- change marché libre \$=11,5 LS

Situation commerciale

Cet effondrement de la livre est une catastrophe pour Guedi au Td ad et Ousta en R.C.A.; ainsi Guedi qui a échangé vendu en mai/juin son dernier lot de cigarettes, n'a fini de changer ses livres soudanaises qu'en novembre. De même pour les importateurs au Soudan, le prix des cigarettes en livres soudanaises a augmenté de près de 50% en 8 mois. On peut cependant esperer maintenant que l'instauration du double marché des changes va permettre à nos clients de se débarasser plus rapidement de leurs livres soudanaises.

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D'autre part j'ai eu confirmation en discutant avec des soudanais, que le fumeur soudanais -contrairement à ce qui se passe dans les autres pays africains- préfère les BHSF marquées en arabe, et estime que les nôtres (appelées "absara" c'est-à-dire chauves, sans doute parceque sans inscriptions arabes) sont trop "fortes".

#### irévisions d'expédition en décembre

- R.C.A. 500 cartons dans la mesure où la route Bangui-Birao ouvre effectivement en décembre.

- Tchad 600 cartons. Cette expédition se fera directement à Ahmat Guédi, mais aux conditions suivantes:

- paiement à Monaco en FF non convertibles
- L.T.A.: au nom de Ahmat Mahamat Ndjamena pour compte Cusman Chintir BF 525 El Geneina
- facture: une sous facturation à FF 800, inscription "marchandises en transit pour El Geneina".
- marquage des cartons: "HA-TRANSIT".

Mais depuis mon passage au Tchad le 18/11, Guédi n'a toujours pas réalisé cette opération. Il est possible, comme il me le dit au téléphone, qu'il n'arrive pas à se mettre d'accord avec le Directeur des douanes. Mais je pense en fait qu'il hésite à faire cette opération car il a été troublé par les offres, qui lui ont été faites début novembre par Salem, de vente à la frontière Niger-Tchad, et je crois "qu'il nous laisse venir" et qu'il attend d'y voir plus clair dans cette affaire de double fournisseur (Salem et nous-mêmes).

#### Affaire Salem

Début novembre, des démarcheurs de Salem ont proposé aux Tchadiens de leur vendre à la frontière Niger-Tchad des BHSF et RKS à 78.000 FCFA et des Marlboro à 66.000 FCFA; parmi ces Tchadiens, 3 personnes avec qui je travaille déjà: Cumar Goudja, Burkai maïdé, et Ahmat Guédi.

Ce que les Tchadiens ont retenu de cette offre est que désormais ils pourront importer eux-mêmes par le Niger des Rothmans, alors que jusqu'à présent ces cigarettes viennent du Nigeria via le Cameroun importées par de petits contrebandiers; pourquoi les Rothmans? Parceque cette marque est devenue la marque leader au Tchad et qu'elle est la plus demandée par les consommateurs.

D'autre part, ces tchadiens se posent des questions sur mon rôle

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dans l'organisation BAT: non seulement je ne les ai pas prévenu de cette offre de Salex, mais ce sont eux qui m'ont appris son existence.

Conclusion: cette affaire a été très mal menée et risque de se retourner contre nous en profitant surtout à Rothman, alors que l'idée de départ était bonne, mais qu'elle a été très mal présentée aux Tchadiens.

M.CHEVALY  
W

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M.CHEVALY

Délégué Sorepex Zone II

Le 31 septembre 1988

Monsieur J.TICEHURST  
copie R.BONGARD

*J*  
*Scripteur*  
*ju*  
MALABO MARCHÉ DOMESTIQUE. SEPTEMBRE 1988

Situation des marques sur le marché et prix détail

Trésor 150 Cette marque est maintenant la première  
Minty 150

Pratiquement pas de marques de Sitabac, quelques rares marques de Las Palmas, et aucune marque du groupe Bollaré;

BHSF 300, venant du Unit via le Nigéria, ou directement de Cotonou, age DDPC/GCEV/AANE/ et SSLE (novembre 87, attention à l'age des cigarettes à Cotonou).

Marlboro 300  
Winston 300  
Dunhill 350

Quelques BHSF de NTC

Beaucoup de BHSF de duty free, marques YOLE et YUMO, (une cartouche a été envoyée à Woking), importées par un Espagnol, Juan Cabrera, société CORISCC, et expédiées de Las Palmas par S.A. SUMIKO, facturation en pesetas représentant un prix CFA de 39.000 CIF Malabo; quantités importées: un ou deux conteneurs.

Beaucoup de BHSF fabriquées en Espagne (une cartouche envoyée à Woking) importées par un libano-espagnol, SANTIAGO, "Commercial Santy"

J'avais téléphoné à ce monsieur à Las Palmas, et nous avons rendez-vous à Malabo le 28/9, mais ce jour-là, il était à Bata; il n'avait donc pas très envie de me voir.

Politique d'importation de la BAT

Le choix d'un importateur est à faire entre Soubeirou et les libano-espagnols.

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Soubeirou. Forces: est le spécialiste des cigarettes à Malabo, et fait déjà du bon travail avec l'importation et la distribution des marques SEAC

. Est donc déjà connu de la BAT et semble disposé à être fidèle à la BAT

. est le chef de la communauté bénincise de Malabo, ce qui est important, car tous les commerçants du marché étant bénincis, il a une grande influence sur la distribution

Faiblesses: petite surface financière; il ne pourra financer que 200 cartons en novembre

. n'est pas installé à Bata mais va le faire en octobre

Les libano-espagnols. Forces: Possèdent le financement

. ont déjà fait leurs preuves à l'importation de cigarettes par mer

. sont installés à Bata

Faiblesses: ne sont pas spécialistes de cigarettes, et importent des cigarettes parmi beaucoup d'autres choses.

. importent toutes les marques (Marlboro, Winston, Dunhill)

. n'ont pas de réseau de distribution à Malabo

Je pense que la BAT devrait choisir Soubeirou comme importateur, et dans ce cas, la politique pourrait être la suivante (voir annexe I):

1. Le prix de revient de Soubeirou doit être au maximum de 100.000 FCFA le carton pour lui permettre de vendre à 120.000, soit 2.400 la cartouche, prix qui doit lui permettre de faire disparaître toutes les importations pirates: en provenance du Nigéria (BHSF du Unit et de NTC), et en provenance de Las Palmas (BHSF de duty free et espagnole).

2. La marque Benson doit avoir une présence officielle, donc un premier lot doit nécessairement payer toutes les taxes: cela impose un prix maximum de 55.000 FCFA/carton CAF Malabo; la BAT peut-elle consentir ce prix pour une première affaire de 200 cartons? Il faut noter que ces cigarettes ne devront pas être marquées vente en UDEAC. Voir annexe I colonne 3.

3. Par la suite, la BAT peut augmenter son prix CAF jusqu'à environ

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65.000 FCFA/carton, mais devra fournir une facture à ~~Malabo~~ 35.000 FCFA pour permettre à Soubeirou de ne payer qu'un tarif "raisonnable" à la douane; (Soubeirou s'arrangeant pour transférer réellement 65.000 FCFA) Voir annexe I colonne 4.

4. Soubeirou pense pouvoir réunir une quinzaine de millions FCFA en novembre pour réaliser une première affaire de 200 cartons qui pourraient être expédiés en décembre.

M.CHEVALY



P.S. J'ai eu l'information à Libreville et à Malabo que le groupe Bolloré envisagerait l'installation d'une usine à Bata.

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Annexe I

Structures de prix actuelles et futures

	Soubeirou ex Cotonou	Santiago et Corisco	Scubeirou 1ere affaire	Soubeirou affaires suiv.
Prix CAF	95.000 (1)	(2)	55.000	65.000
Douane et frais	<u>35.000</u>		<u>45.000 (3)</u>	<u>35.000 (5)</u>
Prix de revient	130.000		100.000	100.000
Marge	10.000		20.000	20.000
Prix vente demi-gros soit la cartouche	140.000 2.800	130.000 2.600	120.000 2.400 (4)	120.000 2.400 (4)

- (1) Prix départ Cotonou plus transport avion
- (2) Il faut connaitre le prix hors taxe des BHSF de Las Palmas et des IDF
- (3) Mode de calcul annexe II
- (4) C'est le prix de vente maximum qui permettra de contrer toutes les importations pirates (ex Nigeria de NTC, ex IDF et ex Las Palmas).
- (5) Scubeirou pourra payer ce montant à la douane si nous lui fournissons une facture CAF d'un montant de 35.000 FCFA.

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Annexe II

Calcul des droits, taxes, et frais (en FCFA par carton)

Prix CAF	<u>55.000</u>
Droits de douane 49,4% sur CAF	27.170
Droits entrée 1.360 F par kilo net	13.600 (1)
TC: 8% sur CAF+DD+DE	<u>3.262</u>
sous total	44.032
Frais de transfert: 1%	550
Taxe Ministère Comm.: 0,6% sur CAF	330
Acconage: 60.000 F/conteneur	300
Taxe du port et transit: 20.000F	<u>100</u>
Total	<u>45.312</u>

(1) La douane de Malabo "estime" qu'il y a 10 kg de tabac net par carton

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M.CHEVALY

Délégué SCREPEX Zone II

Le : mai 1988

Monsieur A. LONGARI

copie R. HOWE

M. BINST

TRANSIT VERS LE SOUDAN: MAI 1988

Deux éléments nouveaux depuis mars:

1. La baisse de la livre soudanaise:

Valeur d'une livre soudanaise en mars 88: 38 FCFA  
mai 88: 35 FCFA

Malgré cette baisse de près de 10% en 2 mois, nos clients ont maintenu leur prix de vente à 2.500 LS le carton (soit 101.500 FCFA au lieu de 110.200 en mars).

2. Le ralentissement des affaires de gomme arabique:

- au Tchad ces affaires sont même complètement arrêtées depuis 2 mois, les soudanais ne venant plus vendre leur gomme au Tchad pour y avoir été trop souvent et trop fortement "rackettés" par les tchadiens.

- en R.C.A. en raison de la diminution du prix de la gomme (suite à la chute des cours mondiaux); de plus, à Bangui, les soudanais qui ont vendu leur gomme préfèrent maintenant acheter avec leurs Francs CFA du café et du bois plutôt que des cigarettes: leur marge bénéficiaire sera un peu moins forte mais ils n'auront aucun problème pour passer la frontière et circuler au Soudan avec du café et du bois, alors que les cigarettes Benson sont toujours autant "pourchassées".

Conséquences:

1. Les affaires de cigarettes restent limitées à un petit commerce de part et d'autre de la frontière,
2. Nos clients doivent vendre en livre soudanaise et prendre eux-mêmes le risque de change; ils ne peuvent donc nous passer de nouvelles commandes que lorsqu'ils ont réussi à changer leurs livres soudanaises en FCFA ce qui est forcément long en raison de l'étroitesse des marchés de change.

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Prochaines expéditions:

1. En R.C.A.:

- Gimpex a fini de vendre début mai les 600 cartons que nous lui avons expédiés le 16 janvier et s'est rendu compte que les affaires de cigarettes vers le Soudan étaient à la fois beaucoup plus difficiles et beaucoup moins rentables qu'il l'imaginait; il ne veut pas tout au moins pour le moment - faire un nouvel essai.

- Daher va commander 300 cartons mi-mai et 300 cartons début juin (soit juste avant la coupure de la route Bangui-Birao).

2. Au Tchad:

Les 600 cartons de Natal que nous avons expédiés le 5 avril sont arrivés à la frontière le 23 avril et devraient être vendus d'ici la mi-juin.

Nous allons avoir en juin:

- . une nouvelle commande de 600 cartons de Natal
- . et j'espère la première commande de Mme Cheddi de 300 cartons (panachage paquets de 20 et de 10), dans la mesure où je vais pouvoir obtenir le transfert de son argent hors de la zone Franc à un tarif inférieur à 5%.

CAMEROUN: SITUATION MAI 1966

LE MARCHÉ

La bataille continue dans le créneau des cigarettes vendues 250 FCFA le paquet: Delta, Redd Club légère et Export, et Gold Leaf; Gold Leaf semble avoir du mal à démarrer: à mon avis cette marque souffre de sa contradiction entre son image de marque internationale qu'essaie de lui donner le marketing de Bastos, et la réalité qui est celle d'une marque "made in Cameroun by Bastos".

Mais actuellement au Cameroun, le meilleur argument de vente est le prix - et cet argument va devenir de plus en plus décisif dans les mois à venir car le Cameroun va maintenant accentuer sa politique de rigueur économique, ce qui va entraîner encore une chute du pouvoir d'achat. Et dans ce contexte, Trésor à 200 FCFA est bien placé et va continuer à prendre des parts de marché à toutes les autres marques.

A 300 FCFA le paquet, une nouvelle marque, Fine, est apparue

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en avril; elle est fabriquée par Sitabac sous licence SEITA.

Il est évident que tous ces lancements de nouvelles marques depuis quelques mois se font au détriment des marques vendues à des prix identiques, mais aussi en partie au détriment de BHSF dont certains consommateurs, par goût de la nouveauté et surtout pour des raisons de pouvoir d'achat, peuvent être tentés d'essayer ces marques nouvelles et meilleur marché.

Dans le créneau 400-500 FCFA, BHSF continue de dominer, avec une distribution parfaite (présence dans tous les points de vente), et environ 10% du marché. Maïs:

#### CONCURRENCE ROTHMANS

Cette domination de BHSF est menacée dans le Nord Cameroun (et au Tchad) par Rothmans KS: ces Rothmans arrivent du Niger (via le Nigeria) et sont vendues entre 92 et 95.000 FCFA le carton. Elles pénètrent grâce aux mêmes petits contrebandiers qui importent les BHSF du Nigeria et ils utilisent les mêmes filières, mais ils semblent avoir apparemment plus d'intérêt et d'avantages à faire venir les RKS que les BHSF: les RKS sont vendues dans la région de Maiduguri à 1.400 nairas (contre 1.450 pour les BHSF), ce qui correspond (avec un naira à 52 FCFA) à 72.800 FCFA pour les RKS et 75.400 FCFA pour les BHSF.

Nous sommes donc démunis dans la Zone II pour lutter contre ces RKS (et également -mais c'est moins grave- contre les BHSF du Unit) car nos prix de 77.050 FCFA CIF N'djamena avion et 75.750 et 69.000 CIF Malabo avion et bateau ne nous permettent pas de lutter. J'espère toujours pouvoir faire monter les cigarettes de Malabo jusque dans le Nord Cameroun, mais c'est difficile car il faut convaincre 3 intermédiaires (Sodisa Malabo, Mouchili, et le client de Garoua) alors que je n'ai à leur offrir qu'une diminution de leurs marges actuelles!

Aussi pour contrer cette progression de Rothmans KS au Tchad et dans le Nord Cameroun, progression qui va s'étendre peu à peu en direction du Sud Cameroun, je demande que les prix CIF des BHSF en paquets de 20 pour la Zone II soient diminués, et je suggère une diminution de 5.000 FCFA par carton;

Cette diminution ne permettra:

1. De faire des expéditions sur N'djamena à l'axe Chaddei,
2. De mettre en route le circuit Malabo-Sud Cameroun-Nord Cameroun.

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## PROCHAINES EXPÉDITIONS

La prochaine expédition sur Malabo de 2.200 cartons aura lieu début juin et comprendra les 40 cartons de JPS qui n'ont pas pu être chargés sur l'avion de fin avril: il va y avoir une rupture de stock de JPS d'un mois et demi dont vont profiter tous les outsiders: boutique hors taxe de l'aéroport, shipchandlers etc... C'est dommage car Mouchili commençait à bien prendre en main la distribution des JPS et cela précisément au moment où -au Cameroun- toutes les Dunhill que l'on trouve sont piquées. Mais malgré ce contretemps, Mouchili va continuer à développer JPS au Cameroun.

## MARCHÉS DOMESTIQUES UDEAC

Richard Brown -de la BAT Abidjan- est passé en février à Bangui pour proposer des Benson "vente en UDEAC"; je ne connaissais pas alors les projets, ni même l'existence, de ce garçon, et lorsqu'en mars, lors de mon passage en R.C.A j'ai appris cela, j'ai mis en garde, de bonne foi, tous les commerçants qu'il avait contactés: "Méfiez-vous, cet homme est un escroc car la BAT n'a pas d'agent qui puissent vous vendre des Benson "vente en UDEAC"..."

Je crois qu'un peu plus de coordination et de transmission de l'information entre la BAT et moi-même n'aurait fait de mal à personne.

Le même incident s'est renouvelé en avril au Tchad, mais, ayant appris entre temps l'existence et le rôle de Richard, j'ai pu rassurer après coup les tchadiens sur le bien-fondé de la politique de la BAT; et j'ai fait également la même chose à Malabo.

J'espère simplement que les prix et les conditions de paiement qu'il a proposés - s'il a fait effectivement des propositions chiffrées- ne sont pas différents <sup>ceux</sup> de celles que je propose moi-même, car nous devons nous méfier des commerçants tchadiens qui sont beaucoup plus forts que lui -et que moi- et qui sont très habiles pour faire jouer une concurrence éventuelle entre des fournisseurs; et surtout les affaires ne sont pas faciles dans ces pays, et nous n'avons pas besoin de nous créer à nous-mêmes des difficultés supplémentaires.

Mais il ne s'agit là que d'incidents temporaires; le fond du

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problème est plus grave:

Quel est l'objectif de la BAT sur les marchés domestiques des trois pays suivants: R.C.A., Tchad et Guinée Equatoriale? et la réalisation de cet objectif est-elle compatible avec les actions que je mène dans ces trois pays, et à travers ces trois pays, au Cameroun?

A ma connaissance, ces marchés domestiques représentent:

- R.C.A.: 60.000 cartons/an, mais essentiellement de cigarettes brunes et de bas de gamme,
- Tchad: 70.000 cartons/an essentiellement de bas de gamme,
- Guinée Equatoriale: chiffre inconnu, mais je rappelle que toute l'île de Bioko où se trouve Malabo a environ 40.000 (quarante mille) habitants avec le pouvoir d'achat sans doute le plus faible de toute l'Afrique, et que tout cela ne doit pas constituer un marché potentiel bien important pour les Benson.

De plus le Tchad et la Guinée Equatoriale sont des marchés de contrebande et la distinction entre marché domestique et transit n'existe pas; enfin dans ces deux pays, la marque Benson est actuellement bien distribuée et occupe une position correcte (même si cette situation n'est pas parfaite: au Tchad avec la menace croissante de Rothmans KS, et à Malabo avec l'incident des BHSF piquées chez les deux commerçants béninois). Je ne crois pas que le fait de vendre des BHSF "vente en UDEAC" dans ces deux pays va y améliorer de beaucoup la présence de cette marque.

Parallèlement à cela, il se trouve que ces trois pays, R.C.A., Tchad et Guinée Equatoriale, sont d'une importance vitale pour approvisionner le Cameroun (et accessoirement le Soudan), et que du fait que ces trois pays et le Cameroun appartiennent à la même Union Douanière, rien n'y est fait -bien au contraire- pour faciliter les opérations de transit de cigarettes d'un pays vers le pays voisin: ne pas oublier que l'UDEAC, ce n'est ni le Bénin, et encore moins le Niger. J'utilise, et mes clients utilisent, pour ces opérations de transit, des textes ambigus ou de simples arrangements ponctuels avec la douane moyennant souvent des backchiches (au Tchad et à Malabo), et tout cela sous le regard très attentif et soupçonneux des sociétés du groupe Bolloré qui laissent faire ces opérations de transit dans la mesure où je n'attaque<sup>pas</sup> officiellement et de façon ouverte leurs propres marchés domestiques du Tchad et de R.C.A.

Je demande donc à la BAT de bien peser les avantages et les inconvénients de vouloir introduire officiellement et en force la

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marque Benson dans ces trois pays. Si malgré tout, les impératifs stratégiques de la BAT lui imposent de le faire, je souhaite que Richard Brown coordonne ses actions avec les miennes, car c'est une vue de l'esprit de croire que dans ces pays il y a deux marchés distincts -le domestique et le transit- et que l'on peut travailler dans ces pays avec deux organisations qui s'ignorent, ou pire, qui se feront peut-être concurrence.

M.CHEVALY

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M. CHEVALY  
Délégué SCREPEY Zone II

Le 25 Mars 1988

*J. J.*

Monsieur R. BONGARD

copie R. HOWE

M. BINST

*M.*

TRANSIT VERS LE SOUDAN. MARS 1988

Structures de prix (en FCFA par carton, puis livre soudanaise)

	<u>via Ndjamena</u>	<u>via Bangui</u>
CAF FF	1.565	1.650
FCFA	78.250	61.500
Transfert hors Zone Franc 5%	3.910	
Taxe R.C.A.		5.600
Transport vers frontière Soudan (1)	12.000	6.000
Prix revient rendu frontière	94.160	95.100
Marge Natal/Daher (2)	15.840	<u>14.900</u>
soit	16,8%	15,7%
Prix de vente Natal/Daher	110.000	110.000
soit en livre soud. (3)	2.900	2.900
Marge des passeurs et distrib.	1.100	1.100
soit	38%	38%
Prix de vente au Soudan (4)	4.000	4.000

- (1) Transport routier et frais de route
- (2) En fait marge partagée avec leurs clients Guedi et Ousta
- (3) En mars 88: 1 livre soud. = 38FCFA
- (4) Prix actuellement pratiqués à Nyaka et El Fasher pour les BH 10'S officielles "vente au Soudan" importées via Khartoum.

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En fait ces structures sont théoriques car la réalité est beaucoup plus complexe:

- Au Tchad, Natal est obligé de "négocier" et avec les services officiels des douanes -car le transit tel qu'il est pratiqué n'est pas prévu par les textes douaniers-, et avec l'armée tchadienne qui occupe l'axe Ndjamena-frontière, chacun prélevant sa dîme.

- En R.C.A. , Daher doit travailler en grande partie avec les El Hadj qui tiennent et monopolisent tout le commerce à Birao, et notamment avec Gusta à qui il verse une commission.

Tout cela constitue à la fois des blocages qui freinent, et souvent arrêtent nos affaires, et des frais qui augmentent considérablement les prix rendus frontières du Soudan.

Pour remédier à cela:

1. Au Tchad, Natal veut créer une société de distribution de cigarettes pour le marché domestique et la réexportation, où seraient actionnaires tous ceux qui pensent avoir leur mot à dire dans les affaires de cigarettes au Tchad, à savoir:

- lui-même et son associé Tchadien, Ali Abbas Seitchy,
- les 2 ou 3 plus importants "anciens combattants" de Hisssein Habré maintenant reconvertis dans les affaires,
- et surtout la société locale du groupe Bolloré, la M.C.T.
- de plus Natal envisage même d'y adjoindre ses fournisseurs, c'est -à-dire Rothmans et nous-mêmes.

Ce projet est irréaliste, car on ne peut pas marier la chèvre et le chou, et il est pour nous inutile et néfaste:

- inutile pour la distribution sur le marché domestique, où la marque EHSF est actuellement bien représentée, et doit avoir environ 15 à 20% du marché;
- néfaste pour le transit, car la marque EHSF serait utilisée comme locomotive par Rothmans et M.C.T. pour faire passer leurs propres marques au Soudan.

Le blocage subsiste donc au Tchad et il est en fait constitué par un problème de marge bénéficiaire: les 17% de marge que Natal partage avec ses clients Guedi, Barkaï et Goudja, ne sont pas assez attrayants compte tenu des difficultés qu'ils rencontrent pour amener les cigarettes jusqu'à la frontière; et s'ils augmentent cette marge (ce qu'ils font très souvent), ce sont les passeurs et distributeurs soudanais qui doi-

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vent diminuer la leur.

## 2. En R.C.A.

La diversification de clients que nous avons tentée en janvier a été un échec: Gimpex a importé 600 cartons le 18/1; par suite de difficultés avec la douane centrafricaine, ces 600 cartons ne sont arrivés à Birac que le 21/2 ! et depuis cette date les employés de Gimpex ont multiplié les erreurs par manque de discrétion: tous les soudanais -et notamment douaniers et policiers- savent qu'ils ont ces 600 cartons et les attendent. Résultat: à ce jour ils n'ont vendu qu'une dizaine de cartons. Et surtout ces gens ne sont en fait que des acheteurs de gomme arabique et espèrent utiliser nos cigarettes pour attirer les vendeurs de gomme: comme ils n'ont pas encore pu acheter un seul kilo de gomme, leurs affaires sont bien mal engagées.

Concernant Sodisa, j'ai demandé à Daher de créer un deuxième circuit de vente, parallèle à son circuit habituel, et de négocier directement -sans passer par l'intermédiaire de son client traditionnel Custa- avec les soudanais qui viennent vendre leur gomme à Bangui: cela doit lui permettre de briser le monopole des commerçants de Birac, tout en les conservant dans son camp (en leur payant une commission et en leur vendant de petites quantités de cigarettes) car ces gens sont indispensables pour négocier le passage de la frontière; Daher va vendre par ce nouveau circuit 300 cartons que nous allons lui expédier fin mars.

*Are they? Or are the distributors pulling the wool over his eyes?*

Je reste pessimiste concernant l'évolution de ces affaires de transit vers le Soudan car nous sommes "coincés" entre 2 chiffres, et c'est là le fond du problème:

- notre prix CAF Ndjamea et Bangui qui est de 75.250 et 81.500 FCFA
- et le prix de vente au Soudan des EHSF "vente au Soudan" importées via Khartoum au cours des 3 derniers mois: ce prix est de 4.000 livres, soit au taux de change actuel 152.000 FCFA.

Compte tenu des frais tant au Tchad et R.C.A. qu'au passage de la frontière et au Soudan même, les marges qui subsistent ne permettent pas de créer un circuit de transit important; nous sommes donc limités à un petit circuit qui n'intéresse que les zones frontalières, fait par des commerçants demi-grossistes qui ne peuvent acheter et écouler que par petites quantités.

official street retail price {sud 5,- } according to John Chavis 6.4.88  
actual - " " {sud 6/6.5 } PTO.

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In dernier point: la BAT ayant arrêté ses livraisons directes au Soudan dispose peut-être de stocks de BE 10'S avec les marques "vente au Soudan". Au cas où les livraisons directes ne reprendraient pas à bref délai, peut-on envisager que ces stocks soient commercialisés via le Tchad et la R.C.A.?

M.CHEVALY

NB. Official price structure for "Vente au Soudan"  
£Sud p. ph.

Dist → w/s	479.5
w/s → Retailer	482.5
Retailer Margin	17.5
<u>RRP</u>	500.0 or 5,- per pack (10's).

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M. CHEVALY

Délégué COREPON Zone II

Le 15 décembre 1987

*M. F.*  
*M. F.*  
*M. F.*  
*Plan II*

Monsieur R. BONGARD

copie R. HOWE ✓

M. EINST

TRANSIT VERS LE SOUDAN. DECEMBRE 1987

Nos affaires vers le Soudan via le Tchad et la R.C.A. sont freinées par 3 facteurs (sans tenir compte du problème général posé par la politique de prix de la BAT dans cette région et en Afrique de l'Est: voir rapports du 20/5/87 et du 8/4/87).

1. Problèmes politico-militaires

a) C'est actuellement le cas un problème très vif entre le Tchad et le Soudan: des éléments de l'armée libyenne sont stationnés au Soudan et effectuent de temps en temps des raids au Tchad; le dernier raid a eu lieu début décembre à Goz Beida en territoire tchadien, au sud de l'axe Abéché-Adré-El Geneina par où passent les cigarettes (et a donc coupé cet axe arrêtant pour quelques temps tout trafic commercial).

b) C'est de temps en temps le cas entre la R.C.A. et le Soudan, mais il s'agit là davantage de phénomènes de banditisme, de luttes entre des tribus, qui se traduisent par des pillages ou des rançonnages de véhicules et de commerçants, ce qui, épisodiquement, suspend les mouvements commerciaux.

2) Problèmes commerciaux au Soudan

J'ai la conviction qu'il y a un blocage commercial au Soudan: toutes les cigarettes aboutissent et transitent par:

- El Fasher, en venant du Tchad,
- Nyala, en venant de R.C.A.,

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et dans ces 2 villes le commerce des cigarettes est entre les mains de 2 familles uniquement, même si le passage de la frontière se fait grâce à un grand nombre de petits commerçants et contrebandiers; Conséquences: spéculation et pénurie artificielle pour faire monter les prix; ainsi, un carton vendu à 3.500 livres soudanaises immédiatement après le passage de la frontière, se retrouve à 4.500 LS à El Fasher et Nyala, soit environ 200 Kms plus loin. Or Khartoum est encore à plus de 1.500 Kms de là, et il est peu réaliste d'espérer approvisionner, dans ces conditions, la région de Khartoum.

Pour modifier ces conditions, j'ai demandé à Daher et à Guédi d'intervenir au Soudan même pour essayer de court-circuiter les villes de El Fasher et Nyala en négociant soit avec des commerçants d'autres villes, (ce que fera Guédi), soit avec l'armée Soudanaise (ce que fera Daher et son associé Soudanais Custa).

### 3. Problèmes commerciaux au Tchad et R.C.A.

Les principaux problèmes sont les suivants:

a); Rien n'est fait, dans ces deux pays, pour favoriser le transit vers les pays voisins.

Ainsi en R.C.A. deux procédés de transit sont admis:

- par D 15 (régime de transit international) mais qui exige:
  - . que le destinataire inscrit sur notre LTA et notre facture soit un commerçant ou société non-centrafricain, donc soudanais,
  - . que le paiement ne soit pas effectué au départ de R.C.A., ce qui nécessite donc un transfert illégal de devises.
- par D 25 (importation en R.C.A. puis réexportation): domiciliation de l'importateur en R.C.A. et délivrance d'une licence autorisant le transfert des devises; inconvénients: une taxe de 5.600 FCFA par carton.

Au Tchad, deux possibilités également:

- transit avec une licence autorisant le transfert de devises, mais coût de cette licence: 15.000 FCFA par carton qui doivent être payés lors de la délivrance de la licence; dans ces conditions le prix des cigarettes n'est plus compétitif.
- transit sans licence, imposant donc un transfert illégal de devises.

De plus, dans ces deux pays, les représentants locaux du Groupe Job-Eclairé sont très attentifs à nos affaires de transit, et, à la

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moindre irrégularité, interviennent auprès des douanes et du ministère des finances pour freiner ou faire suspendre ces affaires.

Enfin, au Tchad même, en raison des habitudes prises dans ce pays en guerre depuis 6 ans, tout commerce qui engendre des mouvements de marchandises et d'argent importants -cas des cigarettes- est "racketté" par tout ce qui possède une autorité officielle (ou une Kalashniko): ainsi Guédi vient de "payer" en octobre 10 millions FCFA au Préfet d'Abéché.

b); La chute régulière de la Livre Soudanaise par rapport au FCFA renchérit constamment le prix de nos cigarettes exprimé en LS:

décembre 85: 1 LS = 90 à 100 FCFA  
DÉCEMBRE 87: 1 LS = 45 FCFA

c); Jusqu'à ce jour, nous n'avions que deux clients:

- au Tchad, Natal et ses associés tchadiens Ali Abbas et Guédi, etc cela en raison d'une exclusivité que nous lui avions accordée en 1981.
- en R.C.A., Sodisa (Daher) et son associé soudanais Gusta, exclusivité de fait, due à une absence de demande de la part d'autres commerçants à cause du très faible volume de ces affaires de cigarettes.

Mais depuis cette année, les choses ont changé:

- au Tchad, Natal vient d'apporter une nouvelle fois la preuve qu'il ne mérite pas d'être notre agent exclusif: augmentation de son prix de vente sans notre accord, non-répercussion dans ce prix de vente d'une diminution des tarifs de fret aérien, et surtout Natal est de plus en plus l'agent à la fois de Rothman et de Sitabac. De plus, à chacun de mes passages au Tchad, la pression politique sur moi est de plus en plus forte de la part des tchadiens qui ne comprennent pas cette exclusivité accordée à Natal.

- au Soudan -et en raison notamment de la chute de la Livre soudanaise- les exportateurs de gomme arabique sont de plus en plus tentés d'écouler frauduleusement leur gomme sur la zone CFA; ce fait a complètement modifié les données du commerce frontalier dans cette zone, surtout entre le Soudan et la R.C.A., car pour la première fois un commerce de troc de grande envergure (gomme contre cigarettes) est possible.

#### 4. Décisions prises

En raison de ces éléments nouveaux, nous avons pris les décisions suivantes:

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a). Au Tchad: fin de l'exclusivité de Natal.

Concrètement, nous avons dès maintenant un client certain, Madame Chedai (proche du Président Habré), et un client quasi certain, Guédi (actuel client de Natal). Mais avec l'un et l'autre il y a des problèmes:

- de trésorerie: leurs commandes se feront par petites quantités (300 cartons),

- et surtout ce transfert de devises hors du Tchad et de la zone Franc: nous allons les aider à résoudre ce problème par l'intermédiaire d'une organisation bancaire de Monaco en qui nous avons confiance.

b). En R.C.A.: choix de 2 nouveaux clients très différents mais qui se complètent et qui vont réveiller notre client Sodisa:

. Société Nouvelle Moura et Gouveia: c'est un commerce "traditionnel" donc pas assez dynamique, mais qui a l'avantage d'être permanent et régulier.

. société GIMPEX; ce sont des acheteurs de gomme qui veulent utiliser les cigarettes pour accroître leurs affaires de gomme: dynamisme, agressivité commerciale, et connaissance du terrain et des affaires de troc certains, mais commerce épisodique et qui ne fonctionnera que dans la mesure où les affaires de gommes marcheront.

x

Ce choix de nouveaux clients doit dynamiser nos affaires, mais présente 2 inconvénients:

- comme cela portera toujours sur un volume assez restreint, il risque d'y avoir des "morts" parmi nos clients, et déjà Sodisa Bangui parle d'abandonner; mais ce n'est sans doute qu'une manœuvre d'intimidation.

- et surtout je ne pourrai plus contrôler parfaitement la destination finale des cigarettes: nous risquons donc de retrouver des BHSF 10's sur les marchés domestiques du Tchad et R.C.A., donc problèmes avec les sociétés locales Job-Elloré et les douanes, et surtout de retrouver ces cigarettes sur le marché camerounais.

##### 5. Prévisions

Il n'est malheureusement pas possible de faire des prévisions de vente car trop d'éléments ne dépendent pas de nous:

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- réactions de Natal et de Dahar: vont-ils jouer à fond le jeu de la concurrence ou au contraire essayer de boycotter nos affaires, et au pire de nous créer des difficultés?

- blocages strictement soudanais -donc indépendants de nous: livraisons éventuelles de la EAT en Afrique de l'Est à un prix meilleur que le notre, blocages politiques et commerciaux au Soudan, niveau de la Livre soudanaïse)

- et surtout, l'essentiel de nos ventes va dépendre de la campagne de gomme arabique au Soudan et du cours mondial de la gomme: or malheureusement ce cours a fortement chuté depuis un an et est actuellement à la limite de la rentabilité pour des gommes qui doivent faire le trajet Soudan-Tchad/R.C.A- (avec passage d'une frontière)-Europe, au départ des 2 pays parmi les plus enclavés d'Afrique avec des délais d'acheminement très longs et des taux de fret très lourds.

M. CHEVALY

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*Super 2<sup>nd</sup> File*

VISIT TO MALABO - FEBRUARY 14 - 15 1989

J. M. RICHURST AND M. CHEVALY

*Int. ...  
Why not appear  
Cabrera? (He  
Seem more dynamic?  
He  
per A. E.H.S.  
but  
Jan?*

1 GENERAL MARKET POSITION

Visited the central market and the very few hawker tables encountered (6):

Tresor, B&H, Minty, Marlboro in full distribution. Market also stocked with Red Club, Dunhill Int and selection of Canary Island brands - Rumbo, Coronas etc. Rothmans appeared to be out of stock.

2 Prices at retail level:	20's	200's
B&H	350	3000
	275	2400
DIS	250	2500
Marlboro	300+	3000
Tresor	175 - 200	1500
Minty F	150	1300
Red Club	150	1300

- 3 B&H codes: FCOA - 6323 (Mar 1988)  
FFOA - 6305 (Mar 1988)  
GCPV - 6118 (Aug 1987)  
YUMO - 6083 (Dec 1987)

Quantities most available were YUMO imported in September 1988 by Sr Juan Cabrera. He was also probably responsible for the GCPV which appeared on the market at the same time as the YUMO stock as previously reported by Chevaly.

Apart from Cabrera's stock B&H arrives from Cotonou (Soubrou) and even Nigeria itself. Supplies do not go from Malabo to Nigeria as the price is simply not competitive.

Probably the cheap Dunhill also came from Cabrera as he has imported a variety of international brands in small quantities.

4 CABRERA

Visited Juan Cabrera who has been established in Malabo over 20 years. Has various customers for cigarettes and alcohol (J&B etc) which he ships down from Las Palmas. Admitted that his container of B&H (420 cases) was bought in various places - the last consignment principally from Gibraltar. Possibly 207 c/s had been 'exported' ie to Cameroon, although falsified documents indicated Nigerian importers. (Sodisa

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follow the same documentation procedure as exports to Cameroon are not allowed by customs.)

Cabrera has offices in Antwerp and Las Palmas and wished to buy direct from BAT. He was now selling his stock on the domestic market (he has obviously been doing so for over 4 months) at 100.000 CFA and claimed to have only 16 c/s left.

There were seen - all YUNO - although some markings had been removed. The 6083 codes remained and cases indicated casing dates first week January 1988.

Cigarettes were still in good condition and Cabrera was amicably informed that:

- a BAT could not sell direct as importer/agency arrangements precluded this.
- b The prices he would have to pay on the 'spot' market would not be competitive.
- c By importing he was putting himself and the 'official' BAT distribution chain at risk.

He appeared to accept these arguments, but there is little we can do to prevent him continuing his efforts apart from ensuring no leakages from elsewhere (particularly from Dubai). At the same time it is quite possible that he still has up to 100 cases hidden in entrepot fictif.

5 E H SOUBEROU

Souberou is anxious to import B&H direct. In order to do this 'legally' and ensure competitiveness, he requires a special 'promotional price' of 30.000 CFA per case CIF. (60 FR.frs.)

He would then be able to reimburse his supplier 20.000 CFA per case 'offshore'. ie in non-convertible CFA.

Taxes on the invoice price are:	30.000 CIF
DD @ 43%	12.900
S.P. Tax @ 1700/kg	16.320
Add 10% to ST	1.632
	-----
PTTC	60.852

Local clearing costs of approximately 10.000 per case would enable him to sell at 100.000 CFA thus competing with Cabrera and achieving a retail price of 275 CFA. (NB Bastos wish to sell JPGL at 250).

This proposition is to be put to Sorepex (RB indicated to MC by telephone that Sorepex would not wish to entertain such a proposition.

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In which case either Chevaly could undertake the remit of non-convertible CFA or BAT would have to invoice at a net 30.000 CIF - based on 200 cases in one container this could result in a net FOB price of 55 FFrs per mille! It should be possible to invoice direct at a higher price and avoid the non-convertible CFA complication. Chevaly will propose 40 - 45000 and advise.

At all events this arrangement should only continue for a maximum of six months to enable Souberou to become a credible sole importer, (unless the Dunhill franchise at 250 develops).

#### 6 FREIGHT

Since the dam construction in Malabo, which has necessitated regular Delmas shipments, is nearly completed, other shipping lines with regular routes to Malabo need to be found.

One avenue for exploration is shipment from Las Palmas - MC is to follow this up next week (w/c February 20).

#### 7 TERMS

MC was informed by RB that BAT credit terms were payment against documents - and that after June this would probably revert to cash with order. This is at variance with credit terms allowed by BAT of 70 days from date of invoice. Payment against documents means effectively 25 - 30 days only from date of shipment. RH was asked to clarify this position with RB.

#### 9 BASTOS BRANDS

As noted these are well distributed, and Tresor appears to be the leading brand in the market. Total sales (from June) 1988 amounted to 9.6 mn Minty and 6.45 mn Tresor.

Sales are now divided nearly equally between the two brands at approximately 1.25 mn per month each, and EHS expressed some concern that Minty sales were less buoyant than before. He had imported 10 cases of Red Club in November, but had still only sold half of them - there seems little natural demand. Kanga is anxious to try 5 cases of PGL in the next shipment - late March.

Significantly EHS is now sending 50% of his imports to BATA where he intends to buy a vehicle (with BASTOS assistance?).

Five advertising panels for Tresor are being installed in Bioko.

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ACTION LIST - MALABO

- 1 Establish CIF price of B&H for EHS and agree invoicing via Sorepex, BAT or others. (Net 40.000 CIF ex BAT to be proposed to EHS by MC) - MC/JMT.
- 2 Investigate alternative shipping lines to Delmas - MC  
(? do goods have to be 'nationalised' in Canary Is to benefit from Spanish ships' concessions? - JMT)
- 3 Ensure merch materials sent to Tabaknatie for inclusion in EHS' first container shipment. JMT ✓
- 4 Depending on availability of B&H stock and POP material and shipping dates, and whether more Yumo stock appears on market, EHS to be advised to obtain stock from Cotonou until first 200 cases can arrive from Europe. MC/JMT

Copies to: R Howe  
M P Fenn  
L Previati  
J Y Moffat  
M Chevely  
J M Ticehurst (File)

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