


 Greg Riehl

08/02/99 08:30 AM

To: Michael Flaherty/Louisville/US/BAT@BAT  
cc: Teresa Riggs/Louisville/US/BAT@BAT, Sherry Chesnut/Louisville/US/BAT@BAT, Jeffrey Fortwengler/Louisville/US/BAT@BAT  
Subject: Re: Preliminary Domestic 2000 product standards 

FYI, Misty SIP substitution variance built into 2000 is very small at .0082/M spread across all styles (\$42,000 annualized). It may not be worth adjusting out of prelim standards. GPC is .0673/M spread across all styles or \$1,288,000 annualized. For Kool, we included .0273/M or \$381,000 annualized.

Michael Flaherty



Michael Flaherty  
07/30/99 04:43 PM

To: Teresa Riggs/Louisville/US/BAT@BAT, Sherry Chesnut/Louisville/US/BAT@BAT, Jeffrey Fortwengler/Louisville/US/BAT@BAT  
cc: Greg Riehl/Louisville/US/BAT@BAT  
Subject: Preliminary Domestic 2000 product standards

Guys,

Looks like VMC may be higher than anticipated. We also have to straighten out Carlton RC & Tins as I am sure there will be volume in 2000 for these styles. Greg included "SIP" in the substitution variance which is a good thing but, for 2000, Misty really should be zero as we will not discount it & GPC should be minimal as we go to all buydowns.

Jeff,

Can you put these rates in the 2000 model and calculate what the impact is?

Thanks,  
Mike

----- Forwarded by Michael Flaherty/Louisville/US/BAT on 07/30/99 04:40 PM -----

 Greg Riehl

07/30/99 01:43 PM

To: Jeffrey Fortwengler/Louisville/US/BAT@BAT  
cc: Michael Flaherty/Louisville/US/BAT@BAT, Bill Nestmann/Louisville/US/BAT@BAT, Yuwen Dai/Louisville/US/BAT@BAT, Rick Olgine/Louisville/US/BAT@BAT  
Subject: Preliminary Domestic 2000 product standards

The attached file (Summary worksheet) contains average VMC by family as you requested as well as individual style code level detail. We have provided rates for every style which you provide sales estimates for. However, we noted no volume for 4 Carlton RC styles or Kool or L/S tins. We have incorporated the SIP substitution variance into wrapping rates for Kool, GPC and Misty based analysis provided by Donna Reddington. In 1999 and previous, this was charged to promotions budget. We spread the substitution across all styles for the families affected.

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We have analyzed the rate difference for these prelim 2000 rates compared to 99 budget rates (current financial standards). The following is the dollar impact by component:

Leaf brands)	+0.5 mn (2% inflation assumption offset by blend consolidation for several non priority brands)
Casing brands)	-1.5 mn (waste improvement assumption and major price decrease on Licorice used in all brands)
Wrapping	+3.0 mn (New Carlton packaging rolling into 2000 rates otherwise it would have been flat)
Filter	-0.8 mn ( Waste improvement and flat pricing )
Labor	+3.4 mn (additional strike prevention and wage concession to amortize in 2000)
Process Conv OH)	<u>+7.6 mn</u> (rate move from 1.12 to 1.26 driven by lower volume and slightly lower process OH)

VMC Impact +12.2 mn

FET increase of \$5 is incorporated, freight rates are up .09/m vs 99 as less pounds per truck are shipped from CDC to Public warehouses driven by lower sales and higher selling prices. AG settlement figure is from analysis prepared by Mike earlier this year. Other costs are stamping allowance on 120 mm products of .32/m vs .40 in 99 and GPC royalty rate of .47/m vs .39 due to lower sales volume against a sliding scale royalty rate schedule. Kim Gaddie provided these figures.

If you need additional information, please advise.



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