

# *Bakery, Confectionery and Tobacco Workers International Union*

10401 CONNECTICUT AVENUE, KENSINGTON, MARYLAND 20895-3961  
TELEPHONE (301) 933-8600 FAX (301) 946-8452

FRANK HURT  
INTERNATIONAL PRESIDENT

May 13, 1993

The President  
The White House  
Washington, DC 20500

Dear Mr. President:

The 125,000 members of the Bakery, Confectionery and Tobacco Workers International Union (BC&T) worked hard for you during last year's race. They enthusiastically supported your candidacy because you offered a vision for fairness for middle America and reconstruction.

The BC&T's members in such states as Georgia, Kentucky, North Carolina and Virginia -- where our support for you was strong -- are leaders in their political communities. For example, in Kentucky, the state AFL-CIO President is an officer of our union.

BC&T members continue to support the new direction in which you are guiding this country. During the 1980s, the BC&T worked closely with organizations like Citizens for Tax Justice to oppose the huge tax cuts granted to the wealthiest Americans while everybody else saw their incomes stagnate and their taxes rise. We believe your economic plan is a significant effort to move us away from the irresponsible, supply-side tax policies of the Reagan-Bush years that placed an enormous burden on the backs of American workers.

The BC&T shares your belief that national health care reform is critically important. However, we are convinced that reform can and should be achieved without sacrificing jobs, economic growth or tax fairness.

I am writing to you today on behalf of those workers who may be forced out of their jobs if the federal excise tax on tobacco is increased to provide revenue for health care reform.

Reform must be based on these principles: it must guarantee access to basic health care for all Americans; it must place strict cost controls on insurance companies and health care providers; and it must be financed in a broad-based and progressive manner. A health care reform program that meets these criteria will enjoy the support of working Americans.

Because the future of our jobs and our union is at stake, we are asking you to reconsider the proposal for a tobacco tax and begin to examine health care financing options that are guided by these principles. Last week, tobacco industry workers from throughout the South visited their Members of Congress to make a similar request, and to personally explain the devastating impact an increase in the tobacco tax would have on their jobs and communities.



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Financing health care reform with a "monster" tobacco tax is a bad idea for three very important reasons. One, a big increase in the federal tobacco excise tax will cost thousands of BC&T workers and others their jobs without providing a reliable revenue source for health care reform; two, excise taxes are extremely unfair to working people; and three, before raising taxes for health care, we should concentrate on reducing the exorbitant administrative costs of the current system.

According to a recent Price-Waterhouse study, a two-dollar a pack increase in the federal tobacco tax would put an estimated 700,000 Americans out of work. Many BC&T members working in tobacco plants across the southern United States will be among those who lose their jobs. At a time when our nation is fighting its way out of a recession, we cannot afford to threaten a multi-billion dollar, world-class industry that has created high-paying jobs and provided health care benefits to thousands of Americans.

You've probably heard these numbers before and your advisors may even have told you to ignore them. Driving down cigarette consumption is a greater good, they argue. The problem is that most people who make these arguments don't really understand the tobacco industry. Let me share some insights with you.

During the 1980s anti-tobacco activists drove up cigarette prices at the federal and state level, assuming that cigarette companies would not cut prices. They were wrong.

In response to rising taxes, smuggling of cigarettes between states expanded. The tobacco companies introduced sharply discounted brands that have captured an increasing share of the market. To maintain their margins, the companies turned to cheap foreign tobacco. The next step, if a hefty tax is put on cigarettes, is to move production jobs out of the United States.

Representatives of our union recently returned from a meeting of world tobacco production workers where they learned of the dramatic expansion of manufacturing capacity of U.S.-owned tobacco companies in Central and Eastern Europe and the third world -- where workers earn a fraction of the wages of Western workers. Philip Morris is already Mexico's second biggest cigarette producer, and the number one company licenses RJR brands.

Smuggling from East to West is eroding employment and revenues in Europe. And when Canada attempted to limit smuggling by taxing exports, the companies began to move machinery south.

Skyrocketing cigarette taxes could very well result in the loss of U.S. jobs, the loss of export markets and a dramatic rise in legal and illegal imports. Tens of millions of Americans will continue to smoke, but the livelihoods of our members will be destroyed.

Excise taxes are also bad tax policy. History has shown that when excise taxes are increased, the money they generate decreases over time. Our national health care plan is too important to the lives of our children and grandchildren to be based on such unreliable financing.

Moreover, excise taxes are unfair to working people because they are required to pay a higher percentage of their income in such taxes than the very rich. (Of course, it's argued, people can quit... but then there goes the revenue!)

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You made an important step towards fairness with your economic plan, but a regressive excise tax increase would be like taking one step forward and two steps back. According to a recent analysis by Citizens for Tax Justice, a \$35 billion increase in the federal excise tax on tobacco would turn a .1% decrease in taxes for the very poor as a result of your economic plan into a 3.2% increase. Even a doubling of the current 24 cents a pack tax would significantly undermine the progressivity of your plan.

Your health care task force has met with representatives of most of the industries likely to be affected by health care reform. They also met with members of Congress from tobacco-producing states and press reports indicate that the position of tobacco farmers is under consideration. But, tens of thousands of world-class manufacturing workers and their families also depend on the tobacco industry and their voice has not been heard. I hope you will consider their futures and the future of their communities.

I know that you believe in giving American workers a fighting chance as they struggle to bring their families out of this recession. I hope you will consider the livelihoods of thousands of tobacco industry workers as you continue to develop your program for health care reform.

I would be pleased to meet with you or one of your representatives to discuss this further.

Sincerely,



Frank Hurt  
International President

FH/CJJ:kfw

bcc: Secretary-Treasurer Gene McDonald  
Executive Vice President David B. Durkee  
Industry Vice President Bobby Curtis  
International Representative T.J. Warren  
International Representative Bill Daunhauer  
International Representative Barry Baker  
Director of Public Relations Carolyn Jacobson  
Director of Research Ray Scannell  
Director of Education Walter Pearson  
John Jarvis, The Jarvis Company  
Jim Savarese, Ogilvy Adams & Rinehart

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