

TOWNSEND & COMPANY

 1717 J STREET
 SUITE B
 SACRAMENTO
 CALIFORNIA 95814
 916-444-5701
 TELECOMEX 444-0382

MEMORANDUM

TO: Jim Cherry
FROM: David Townsend
DATE: November 22, 1988
RE: CAUTI Final Report

I would appreciate your reviewing this document, which is a brief summary of our reflections on the campaign. Our final report will consist of this document as well as individual reports from each of the chief consultants and an analysis of the vote statewide.

We would appreciate your feedback by 11:00 a.m. PST, Tuesday, November 29. Should you have any modifications or questions, please contact me or Jose Hermocillo.

We hope to mail out the final report on Thursday, December 1.

BAY AREA OFFICE
 708 N. 1ST STREET
 SUITE ONE
 SAN JOSE
 CALIFORNIA 95110
 408-377-0888
 TELECOMEX 408-377-0888

TOWNSEND & COMPANY
 RECEIVED

87700432

DRAFTOverview of Analysis of Election Result

Though disappointing, the election result on Prop. 99 -- 57.8 (Y) vs. 42.2 (N) -- was not an entirely unexpected one. Consistent with our tracking polling (up until we reworded the poll question in the last week), the final tally reflected the fact that we were unable to capture enough anti-smoking voters to pull support for the measure below 50 percent (even though we did move the electorate 37 points).

What were the major obstacles facing the tobacco industry in this campaign? Which ones could not be overcome?

1. One obstacle we attempted to overcome at the outset was the visceral negative reaction to the "tobacco industry." We made serious attempts to recruit leaders from the business community, government or law enforcement to serve as media spokespersons for the "No on 99" campaign.

That we could not enlist leaders from these fields, "white hat" organizations or popular celebrities to speak out strongly against Proposition 99, put us at a serious disadvantage.

State lawmakers virtually abandoned this industry. Only Assemblymen Dick Floyd, Bill Baker and Nolan Frizzelle and Senator Quentin Kopp did anything to help in this effort.

Throughout the campaign, Californians Against Unfair Tax Increases (CAUTI) had to use paid, professional spokespersons (Raimundo, Heath, Heffernan, Belshe') to make its case with the media. Without any significant allied support, CAUTI spokesperson had to square off against two organizations perceived as "white hats," the American Lung Association and Cancer Society, as well as the Coalition for a Healthy California (CHC), which was also seen as a "good guy organization."

2. Another major obstacle was the political press corps itself. As early as December 1987, when Jeff Raimundo began contacting major newspaper reporters about the Cigarette and Tobacco Tax Initiative, it became quite evident to him that newspaper reporters had strong anti-tobacco biases.

87700433

Page Two

DRAFT

That CAUTI could not recruit prominent non-tobacco spokespersons only made it more difficult to present its side of the story to the press and other media outlets. The CHC took every available opportunity to point out that CAUTI's only spokespersons were paid by the tobacco industry.

The CAUTI spokespersons encountered tremendous skepticism about the "crime" message advanced by the campaign. State Attorney General Van de Kamp challenged the basic premise of our argument on crime -- namely, that the proposed increase in the excise tax would encourage street gangs and other criminals to smuggle out-of-state cigarettes into California. Van de Kamp denounced this argument as a scare tactic promoted by the tobacco industry. When the California Peace Officers Association and the California State Sheriffs Association changed their "oppose" position on Prop. 99 to one of "neutrality," the credibility of CAUTI's message and messengers with the press was further strained.

When the campaign moved to "unjust enrichment" by the medical industry in its television and radio advertising, the CAUTI spokespersons continued to encounter skepticism on the part of the press. As a result, this message was generally viewed as another political "smokescreen" being thrown up by the tobacco industry.

Only when CAUTI moved to the "freedom" and "prejudice" themes in its media advertising did its spokespersons find they were able to articulate the arguments without also having to defend the foundations of the message. However, because CAUTI's credibility was so strained at this juncture, these messages largely fell on deaf ears. The CAUTI spokespersons were able to convey these themes forcefully but could not overcome the mounting media prejudice against the tobacco industry.

3. Decidedly, the greatest obstacle to overcome was the strong and pervasive anti-smoking attitude of the electorate itself. Based on the polling data, Dr. Ryan opined that 52-54 percent of the voters in this state is strongly anti-smoking, and that we could not defeat Prop. 99 unless we pulled one-fifth of these voters over to our side of the issue.

87700434

DRAFT

Page Three

By mid-October, everyone on the strategy team and all of the Executive Committee members agreed that the combination of CAUTI's "crime" argument and the "unjust enrichment" argument would not move enough of the anti-smokers to the "No on 99" column. In fact, our polling showed that our "crime" message had plateaued by early October and that our "unjust enrichment" message did not appear to move a new bloc of voters to the "No on 99" column.

That 5,268,983 Californians voted to support Prop. 99 suggests that our "freedom" and "prejudice" messages either did not get through the substantial clutter on television and radio or simply did not take hold with the targeted audience -- upscale, anti-smoking voters.

What alternative courses of action should have been examined more closely and perhaps even adopted?

Clearly, there are areas where fine-tuning might have generated more No votes, but the outcome of the election probably would not have been any different. In future campaigns, these modifications nonetheless might have some utility.

1. Our tracking polling might have commenced soon after the first media wave began. Polling does not have to be conducted every night, but could be done frequently enough to afford a better empirical basis for making decisions on when to move on to the next wave of media advertising. It is my view (shared by others on the strategy team) that we stayed on the "crime" wave too long.
2. We needed to begin our paid television and radio advertising sooner than we did following the change in media producers. This loss of time forced us to jam our "unjust enrichment" wave of advertising into too small a window for voters to digest. We did not have sufficient time to make the spots punchier and more penetrating. It is somewhat difficult to evaluate the effectiveness of the "unjust enrichment" theme because it did not get a solid play before the voters.

87700435

DRAFT

Page Four

- 3. The direct mail component of the campaign could have begun a little sooner to key target groups that typically read direct mail and make their decisions on how to vote before the last two weeks of the election. These groups certainly do not comprise the majority of the electorate but can be very important in a close election. The major groups that fall into this category include seniors, Republicans and Independents. A direct mail program running concurrent with our electronic advertising campaign -- documenting our claims being made at that point in time -- might have strengthened our advertising effort, particularly on the "crime" issue.

In summary, the tobacco industry's greatest vulnerability in a statewide campaign is the dearth of friends and political allies outside the tobacco stream of commerce. The industry spends vast sums of money in California to assist all types of charities and organizations with little net return in a pitched political fight.

The tobacco industry must re-evaluate the types and levels of commitment it can expect from individuals and organizations to whom it lends financial assistance as part of the industry's general philanthropy. Individuals and groups who receive gifts from the industry must be categorized in terms of their possible roles in a fight like Prop. 92 -- Will they appear before TV cameras to speak out on an issue consistent with the industry's position? Will they stand with the industry on a "tax" issue or a "choice" issue, or both? In other words, what can the industry expect from an ally in return for support from the industry or a particular company?

Legislative fights are certainly different from initiative fights. But if the strategies and the use of resources in both of these arenas are not more closely integrated, an industry victory in the legislative process might be short-lived if the fight is taken directly to the voters. In short, the tobacco industry needs to cultivate more alliances with business and government leaders and other groups it can turn to for high-profile help in legislative and initiative fights.

87700436