

R. J. REYNOLDS TOBACCO COMPANY

STATE GOVERNMENT RELATIONS

LEGISLATIVE COUNSEL BRIEFING BOOK

1990-91

JOE MURRAY

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I.

THE TOBACCO INDUSTRY

A. ECONOMIC IMPACT

The United States is the largest exporter of tobacco and tobacco products (cigarettes, cigars, snuff, and chewing and smoking tobacco) in the world, and the second largest tobacco producer (behind China). Tobacco is the nation's sixth largest cash crop, behind corn, soybeans, hay of all kinds, wheat and cotton. In 1989, American consumers spent \$40.4 billion on tobacco products, a record high and an increase of more than \$2.6 billion over 1988. More than \$38.3 billion, or 95 percent of the money spent on tobacco products, was for cigarettes. A recent Price Waterhouse study estimates that the tobacco industry's spending-induced impact on America's GNP in 1986 was \$59.9 billion -- far more than expenditures on tobacco products alone.

Several types of tobacco (flue-cured, burley, Southern Maryland, fire-cured, dark air-cured and all cigar types) are grown on farms in 16 states and in Puerto Rico. Approximately 130,000 people are employed in the growing of tobacco throughout the United States. Tobacco growers, warehousemen, manufacturers, wholesalers and retailers in 1986 numbered 422,462. In addition, the supply sector -- industries that produce and distribute goods and services that are used as inputs in the production and distribution of cigarettes and other tobacco products -- totaled 278,421.

Since 1863, when cigarettes were added to the tobacco products taxed by the federal government, governments at all levels have collected over \$213.3 billion in tobacco taxes. Cigarettes have accounted for 95.9 percent of that, or \$204.4 billion. In fiscal year 1989 taxes on cigarettes and other tobacco products totaled nearly \$11 billion. States collected \$5.2 billion in excise taxes and \$1.4 billion in sales taxes on all tobacco products. Cigarette taxes comprised approximately 99 percent of the total tobacco taxes collected.

B. INDUSTRY TRENDS

Domestic

United States cigarette production is estimated to be down approximately 2.9 percent from last year. In 1989, factories in the U.S. produced 675 billion cigarettes. Total U.S. consumption, including overseas armed forces, was 533 billion cigarettes. Per capita U.S. cigarette consumption, based on population 18 and over, declined to 2,936 from a record high of 4,345 in 1963. The acreage harvested, however, was 683,500, up 8 percent from 1988.

International

The U.S. is the leading exporter and importer of tobacco. Approximately 360 billion cigarettes are presently exported to 109 countries. In September 1990, RJRT International reached an agreement with the Soviet Union to ship 14 billion cigarettes by September 1991. Presently, RJRT International sells about 101 billion cigarettes overseas.

C. CIGARETTE MANUFACTURING

Listed below are the six major cigarette manufacturers in the United States.

<u>Company</u>	<u>Market Share</u>	<u>Subsidiaries</u>
Philip Morris Companies, Inc. 120 Park Avenue New York, NY 10017 (major presence in Richmond, VA)	40.2%	General Foods Corp., Miller Brewing Co., Kraft Foods, Oscar Mayer Foods Corp., Birds Eye, Inc.
R. J. Reynolds Tobacco Co. 401 N. Main Street Winston-Salem, NC 27102	31.6%	Subsidiary of RJR Nabisco, Inc., whose other subsidiaries include Nabisco Brands, Inc., Planters + LifeSavers Company
Brown & Williamson 1500 Brown & Williamson Tower P.O. Box 35090 Louisville, KY 40202	10.1%	Subsidiary of BATUS, Inc., whose other subsidiaries include Saks Fifth Avenue, Marshall Fields, Appleton Paper, and the Farmers Group
Lorillard, Inc. One Park Avenue New York, NY 10016	6.7%	Subsidiary of Loews Corp., whose principal owner is CBS News executive Lawrence A. Tisch and whose other subsidiaries include CNA Financial Corp. and Bulova Corp.
The American Tobacco Company Six Stanford Forum P.O. Box 10380 Stanford, CT 06904	7.4%	A subsidiary of American Brands, Inc., whose other subsidiaries include Jim Beam Brands Co., Master Lock Co., Titleist Japan, Inc. and a variety of office equipment/products (e.g., Day- Timers, Inc., Swingline, Inc.).
Liggett & Myers Tobacco Company, Inc. 300 North Duke Street P.O. Box 1572 Durham, NC 27702	4.1%	Subsidiary of Liggett Group, a subsidiary of L. Holdings, Inc. and B.S. LeBow, Inc.

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II.

RJR NABISCO, INC.

A. RJR NABISCO, INC.

RJR Nabisco, Inc. is one of the world's leading consumer packaged goods companies, making and marketing a wide range of well-known food and tobacco products listed on the following pages.

The corporation's operating companies produce more than 100 leading brands. RJR Nabisco's principal operating units are:

- Nabisco Brands, Inc.
- Planters LifeSavers Company
- R.J. Reynolds Tobacco Co.
- R.J. Reynolds Tobacco International

The corporation has manufacturing plants around the world, and its food and tobacco products are sold in more than 160 markets and territories. Each day, more than 55 million packages of the companies' products are sold to consumers around the world. RJR Nabisco has approximately 65,000 employees worldwide.

In 1989, RJR Nabisco was acquired by affiliates of Kohlberg, Kravis, Roberts & Co. The acquisition, valued at \$25 billion, was the largest corporate transaction in history.

B. COMPANY PRODUCTS

1. R.J. REYNOLDS TOBACCO COMPANY

CAMEL
CENTURY
DORAL
MAGNA
MORE

NOW
RITZ
SALEM
VANTAGE
WINSTON

2. NABISCO BRANDS, INC.

COOKIES

ALMOST HOME FAMILY STYLE
BAKER'S OWN COOKIES
BAKERS BONUS Oatmeal Cookies
BARNUM'S ANIMALS Crackers
BISCOS Sugar Wafers
BISCOS Waffle Cremes
BROWN EDGE WAFERS
BUGS BUNNY Graham Crackers
CAMEO Creme Sandwich
CHEWY CHIPS AHOY!
CHIPS AHOY!
CHIPS 'N MORE
COOKIE BREAK
COOKIES 'N FUDGE Striped
 Chocolate Chip
COOKIES 'N FUDGE Striped
 Peanut Butter
COOKIES 'N FUDGE Striped
 Shortbread
COOKIES 'N FUDGE Party
 Grahams
Devil's Food Cakes
Famous Chocolate Wafers
Famous Cookie Assortment
FIG NEWTONS
GIGGLES
HEYDAY
IDEAL Bars
LORNA DOONE
MALLOMARS
Marshmallow Puffs Fudge Cakes
Marshmallow Twirls Fudge Cakes

NATIONAL ARROWROOT
 Biscuits
NEWTONS Variety Pack
NILLA Wafers
NUTTER BUTTER Peanut Butter
 Sandwich Cookies
NUTTER BUTTER Peanut
 Creme Patties
Old Fashion Ginger Snaps
OREOS
OREO DOUBLE STUF
PANTRY Molasses Cookies
Pecan Shortbread Cookies
PINWHEELS
Pure Chocolate Middles
SOCIAL TEA Biscuits
Striped CHIPS AHOY!
SUDDENLY S'MORES
TEDDY GRAHAMS

ICE CREAM & FROZEN CONFECTIONS

OREO Cookies n' Cream Ice
 Cream Chocolate, Mint, Vanilla*
OREO Cookies n' Cream On-
 A-Stick*
OREO Cookies n' Cream
 Sandwich*

* Produced under license
from Nabisco Brands

CRACKERS

AMERICAN CLASSIC CRACKERS

Bacon Flavored Crackers
BETTER CHEDDARS Snack Thins
BETTER SWISS Snack Thins
Cheese TID-BIT Crackers
CHICKEN IN A BISKIT Flavored
Crackers
CROWN PILOT Crackers
DANDY Soup and Oyster Crackers
ESCORT Crackers
Graham Crackers
HARVEST CRISPS Snack Crackers
HONEY MAID
HONEY MAID Honeycomb Graham
Snacks
MEAL MATES Sesame Bread Wafers
NIPS Cheddar Cheese Snack Crackers
OAT THINS Snack Crackers
OYSTERETTES Soup & Oyster
Crackers
PREMIUM Saltine Crackers
PREMIUM Bits
PREMIUM Plus Whole Wheat
Saltines
Cheese RITZ BITS Mini RITZ
Crackers
RITZ BITS Mini RITZ Crackers
RITZ BITS Sandwiches with Peanut
Low Salt RITZ BITS
RITZ Crackers
RITZ Crackers-Low Salt
ROYAL LUNCH Milk Crackers
SOCIABLES Crackers
SWISS CHEESE Snack Crackers
TRISCUIT Bits
TRISCUIT Wafers-Low Salt
TRISCUIT Wafers
Wheat 'N Bran TRISCUIT Wafers
TWIGS-Sesame/Cheese Snack Sticks
UNEEDA Biscuits
VEGETABLE THINS Flavored
Crackers
WAVERLY Crackers
Low Salt WAVERLY Crackers
WHEATSWORTH - Stone Ground
Wheat Crackers
Cheese WHEAT THINS Snack

Crackers
NUTTY WHEAT THINS Snack
Crackers
WHEAT THINS-Low Salt Snack
Crackers
WHEAT THINS Snack Crackers
Zwieback

OTHER PRODUCTS

COMET Cups
COMET Sugar Cones
DOO DADS Snack Mix
EASY CHEESE Pasteurized
Process Cheese Spread
Cheese Spread
American
Cheddar
Cheese 'n Bacon
Nacho
Sharp Cheddar
Graham Cracker Crumbs
MISTER SALTY Pretzels
Dutch
Juniors
Mini Mix
Rings
Sticks
Twists
NAB Packs
Cheese Peanut Butter Sandwich
Peanut Butter Toast Sandwich

NABISCO FOODS COMPANY

A.1. Steak Sauce
BLUE BONNET Margarine
BLUE BONNET Butter Blend
BRER RABBIT Molasses, Syrups
COLLEGE INN Broths
CREAM OF RICE Cereal
CREAM OF WHEAT Cereal
DAVIS Baking Powder
FLEISCHMANN'S EGG
BEATERS Cholesterol-Free 99%
Real Egg Product

FLEISCHMANN'S EGG
BEATERS WITH CHEEZ
Cholesterol-Free 99% Real Egg
Product with Low Cholesterol
Imitation Cheese
FLEISCHMANN'S EGG
BEATERS Vegetable Omelette
Mix
FLEISCHMANN'S Margarine
GREY POUPON Dijon Mustard
GREY POUPON Country Dijon
Mustard
GREY POUPON Parisian Mustard
BUTCHER BONES Dog Snacks
MILK-BONE Brand Dog Biscuits
MILK-BONE Brand Flavor Snacks,
Dog Treats
MY*T*FINE Puddings and Pie Fillings
NABISCO 100% Bran
NABISCO 100% Bran with Oat Bran
NABISCO Instant Wholesome 'N
Hearty Oat Bran Cereal

NABISCO Wholesome 'N Hearty
Oat Bran Cereal
FRUIT WHEATS Cereal
NABISCO Shredded Wheat
NABISCO SPOON SIZE
Shredded
Wheat
ORTEGA Mexican Foods
REGINA Cooking Wines and
Wine Vinegars
ROYAL Gelatins
ROYAL SugarFree Gelatins
ROYAL Puddings and Pie Fillings
ROYAL Instant Puddings and Pie
Fillings
ROYAL SugarFree Instant
Puddings and Pie Fillings
ROYAL No Bake Desserts
TEAM Flakes Cereal
TEDDY GRAHAMS Breakfast
Bears Cereal
TOASTETTES
VERMONT MAID Syrup
WRIGHT'S Liquid Smoke

3. PLANTERS LIFESAVERS COMPANY

PLANTERS NUTS
PLANTERS SNACKS
LIFESAVERS ROLL CANDY
BREATHSAVERS SUGARFREE MINTS
CARE*FREE SUGARLESS GUM
BUBBLE YUM BUBBLE GUM

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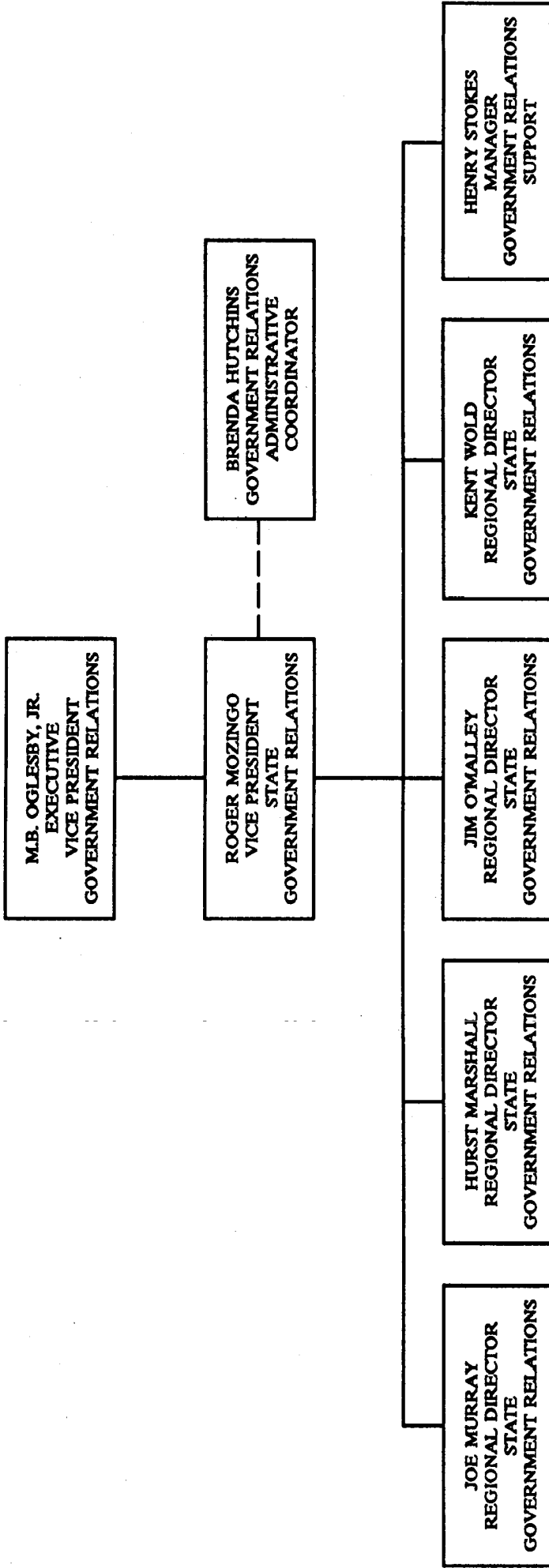
III.

RJRT STATE GOVERNMENT RELATIONS

A. MISSION STATEMENT

- To organize, direct and utilize all appropriate resources to protect/defend against external influences that would legislate/regulate the Company's ability to conduct normal business activity at the state and local level.
- To provide assistance to affect issues at the federal level.
- To support governmental proposals favorable to the Company.

B. STATE GOVERNMENT RELATIONS



August, 1990

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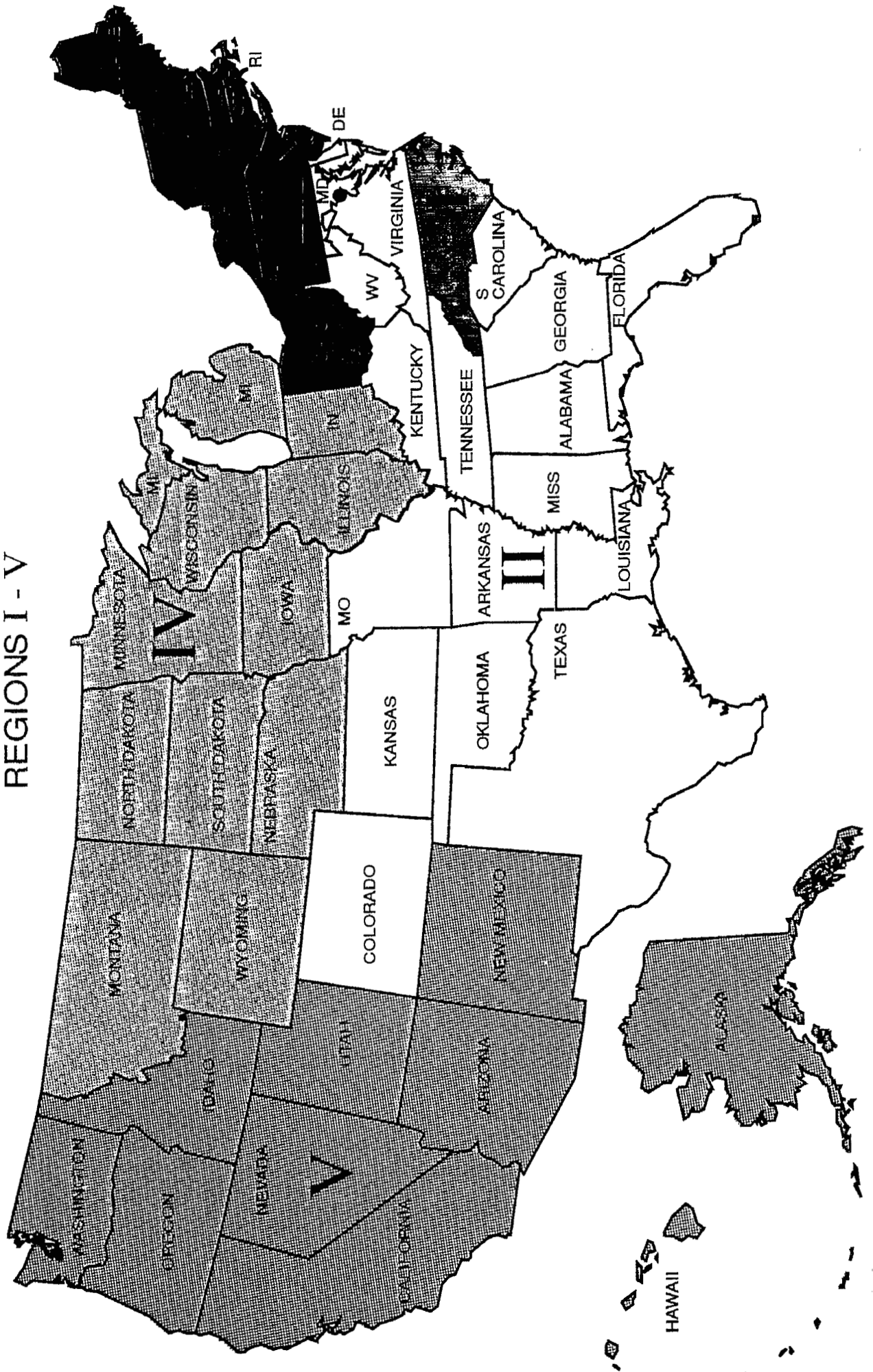
C. RJRT STATE GOVERNMENT RELATIONS

STATE ASSIGNMENTS

AUGUST 1, 1990

REGION 1	REGION II	REGION III	REGION IV	REGION V
Larry Bewley <u>(919 741-3217)</u>	Joe Murray <u>(919 741-6377)</u>	Kent Wold <u>(919 741-7228)</u>	Hurst Marshall <u>(919 741-6255)</u>	Jim O'Malley <u>(916 446-8941)</u>
North Carolina	Alabama Arkansas Colorado D.C. Delaware Florida Georgia Kansas Kentucky Louisiana Maryland Mississippi Missouri Oklahoma South Carolina Tennessee Texas Virginia West Virginia	Connecticut Maine Massachusetts New Hampshire New Jersey New York Ohio Pennsylvania Rhode Island Vermont	Illinois Indiana Iowa Michigan Minnesota Montana Nebraska North Dakota South Dakota Wisconsin Wyoming	Alaska Arizona California Hawaii Idaho Nevada New Mexico Oregon Utah Washington

RJRT
STATE GOVERNMENT RELATIONS
REGIONS I - V



D. PROGRAMS

Government Relations draws upon and works closely with the expertise of a broad range of internal and external Company resources in dealing with legislative and regulatory actions nationwide.

- LEGISLATIVE COUNSEL
- STATE EVENTS PROGRAMS
- POLITICAL CONTRIBUTIONS
- HONORARIUMS
- CHARITABLE CONTRIBUTIONS

RJRT 1990 STATE LEGISLATIVE COUNSEL

ALABAMA	G. Ferrell Patrick The Patrick Company 400 S. Union Street, Suite 145 Montgomery, Alabama 36104	205 262-7111 (o) 205 264-2617 (h) 205 263-3363 (t)
ARIZONA	Rich Scheffel Rich Scheffel & Associates 204 Abacus Towers 3030 N. Third Street Phoenix, Arizona 85012	602 274-7959 (o) 602 263-9505 (h) 602 390-4920 (car) 602 222-9606 (t) 602 259-0411 (pager)
ARKANSAS	Joe D. Bell Friday, Eldredge & Clark 2000 First Commercial Bldg. Little Rock, Arkansas 72201	501 376-2011 (o) 501 663-5924 (h) 501 376-2147 (t)
CALIFORNIA	Nicholai Konovaloff (Nick) Nicholai Konovaloff & Associates 1024 Tenth Street, Suite 310 Sacramento, California 95814-3514	916 446-5970 (o) 916 481-0132 (h) 916 443-4694 (t)
COLORADO	Wally R. Stealey Stealey & Associates Penn Center, Suite 760 1301 Pennsylvania Street Denver, Colorado 80203	303 860-0733 (o) 303 296-6472 (h) 303 860-0175 (t)
CONNECTICUT	Carroll J. Hughes Public Affairs Consulting Association Management, Inc. 19 Wallingford Road Cheshire, Connecticut 06410	203 272-9955 (o) 203 276-0071 (h) 203 271-1279 (t)
FLORIDA	Wilson W. Wright Attorney at Law P.O. Box 1386 (32303) 217 South Adams Street Tallahassee, Florida 32303	904 224-5169 (o) 904 562-3767 (h) 904 224-1033 (t)
	J. Larry Williams, Esq. Suite 400, First Florida Bank Bldg. 215 S. Monroe Street Tallahassee, Florida 32301	904 224-9634 (o) 904 222-2341 (h) (M-Th) 912 872-3680 (h) 904 224-0781 (t)

GEORGIA	E. Culver Kidd, III (Rusty) Kidd & Associates 89 Huntington Road, N.E. P.O. Box 77102 (30357) Atlanta, Georgia 30309	404 876-0353 (o) 404 881-6357 (h) 404 550-8739 (car) 404 876-0353 (t)
HAWAII	Cheryl K. Kakazu Kobayashi, Watanabe, Sugita, Kawashima & Goda Eighth Floor, Hawaii Tower 745 Fort Street Honolulu, Hawaii 96813	808 544-8300 (o) 808 544-8399 (t)
IDAHO	Jay L. Webb Givens, Pursley, Webb & Huntley 277 N. Sixth Street, Suite 200 P.O. Box 2720 Boise, Idaho 83701	208 342-6571 (o) 208 344-9018 (h) 208 343-9492 (t)
ILLINOIS	Lawrence J. Suffredin, Jr. (Larry) Simon & Spitali 55 W. Wacker Drive Suite 702 Chicago, Illinois 60601	312 641-1100 (o) 312 641-1718 (t)
INDIANA	James and Susan Smith Johnson, Smith, Densborn, Wright & Heath 1800 Indiana National Bank Tower One Indiana Square Indianapolis, Indiana 46204	317 634-9777 (o) 317 238-8800 (h) 317 636-9061 (t)
IOWA	Serge H. Garrison Ahlers, Cooney, Dorweiler, Haynie, Smith & Allbee 100 Court Avenue Des Moines, Iowa 50309-2231	515 243-7611 (o) 515 276-6581 (h) 515 243-2149 (t)
KANSAS	Ronald R. Hein (Ron) Hein and Ebert, Chtd. 5845 S. W. 29th Street Topeka, Kansas 66614	913 273-1441 (o) 913 272-1592 (h) 913 273-9243 (t)
KENTUCKY	Lawrence E. Forgy, Jr. (Larry) Stoll, Keenon & Park 1000 First Security Plaza Lexington, Kentucky 40508	606 231-3000 (o) 606 253-1093 (t)

LOUISIANA	John D. Koch (Johnny) Cecil J. Blache (C.J.) Blache, Perkins & Koch 412 N. Fourth Street, Suite 210 Baton Rouge, Louisiana 70802	504 383-1115 (o) 504 766-5368 (h) (Koch) 504 383-2111 (t)
MAINE	Jon R. Doyle Doyle & Nelson 150 Capitol Street P.O. Box 2709 Augusta, Maine 04330	207 622-6124 (o) 207 737-2961 (h) 207 623-1358 (t)
MARYLAND	George N. Manis Manis, Snider, Buck & Migdal, Chtd. 23 West Street P.O. Box 2400 Annapolis, Maryland 21401	301 263-8855 (o) 301 268-3138 (h) 301 269-1667 (t)
MASSACHUSETTS	Robert P. Rodophele (Bob) Ferriter, Scobbo, Sikora, Caruso & Rodophele One Milk Street Boston, Massachusetts 02109	617 423-0830 (o) 617 723-7328 (h) 617 423-0308 (t)
	Roger Donoghue Donoghue & Barrett One Milk Street Boston, Massachusetts 02109	617 426-0255 (o) 617 423-0308 (t)
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MINNESOTA	Michael L. Flanagan (Mike) Moss & Barnett 4800 Norwest Center 90 South Seventh Street Minneapolis, Minnesota 55402-4119	612 347-0300 (o) 612 927-6456 (h) 612 339-6686 (t)
	William R. McGrann (Bill) McGrann Shea Franzen Carnival Straughn & Lamb 1700 Lincoln Center 333 South Seventh Street Minneapolis, Minnesota 55402	612 343-2525 (o) 612 925-4039 (h) 612 338-4102 (t)
MISSOURI	Harry Gallagher 101 Madison Jefferson City, Missouri 65101	314 634-4898 (o) 314 636-6608 (h) 314 634-7429 (t)

MONTANA	Roger Tippy Tippy & McCue P.O. Box 543 (Zip 59624) 1215 Eleventh Avenue Helena, Montana 59601	406 442-4448 (o) 404 443-6342 (h) 406 442-7963 (t)
NEBRASKA	James H. Moylan (Jim) Nye, Fellman, Moylan & Brown 100 Continental Building 19th and Douglas Streets Omaha, Nebraska 68102	402 342-0100 (o) 402 393-5493 (h) 402 341-8159 (t)
NEVADA	F. Harvey Whittemore Lionel Sawyer & Collins 1100 Valley Bank Plaza 50 W. Liberty Street Reno, Nevada 89501	702 788-8666 (o) 702 827-8854 (h) 702 788-8682 (t)
NEW HAMPSHIRE	Thomas D. Rath (Tom) Rath, Young, Pignatelli & Oyer Two Capital Plaza P.O. Box 854 Concord, New Hampshire 03302-0854	603 226-2600 (o) 603 225-6145 (h) 603 226-2700 (t)
NEW JERSEY	H. Donald Stewart (Don) Robert Stewart (Bob) The Stewart Agency 188 W. Main Street Penns Grove, New Jersey 08069	609 299-2171 (o) 609 299-5141 (t)
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NEW MEXICO	Robert J. Werner (Bob) Sutin Thayer & Browne 300 First Interstate Plaza P.O. Box 2187 Santa Fe, New Mexico 87504	505 988-5521 (o) 505 982-0778 (h) 505 982-5297 (t)

NEW YORK	Lester M. Shulklapper Attorney at Law 230 Park Avenue New York, New York 10169	212 682-1211 (o) 914 636-7815 (h) 212 682-1295 (t) 518 436-4077 (o) (Albany) 518 436-4636 (t) (Albany)
	C. Stephen Heard, Jr. (Steve) McGarrahan & Heard 45 Rockefeller Plaza New York, New York 10011	212 698-4600 (o) 212 831-2553 (h) 212 698-4647 (t)
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NORTH DAKOTA	Lawrence Bender Pearce & Durick Third Floor, 314 E. Thayer Avenue P.O. Box 400 Bismarck, North Dakota 58502	701 223-2890 (o) 701 255-3608 (h) 701 223-7865 (t)
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OKLAHOMA	Mandell Matheson Matheson & Associates, Inc. 4246 S. Columbia Avenue Tulsa, Oklahoma 74105	918 749-6215 (o) 918 749-6215 (h) 918 745-2432 (t)
OREGON	Mark W. Nelson Public Affairs Counsel P.O. Box 12945 867 Liberty, N.E. Salem, Oregon 97309	503 363-7084 (o) 503 581-4274 (h) 503 371-2471 (t)

PENNSYLVANIA	Robert H. Long, Jr. (Bob)	717 233-5731 (o)
	Nathan H. Waters, Jr. (Nate)	717 761-1712 (h) (Long)
	Rhoads & Sinon	717 236-7230 (h) (Waters)
	410 N. Third Street	717 579-0447 (car)
	P.O. Box 1146	717 232-1459 (t)
	Harrisburg, Pennsylvania 17108	
	Evans Rose, Jr.	412 434-8600 (o)
	Rose, Schmidt, Hasley & Di Salle	412 741-4211 (h)
	900 Oliver Building	412 263-2829 (t)
	Pittsburgh, Pennsylvania 15222-5369	
	†	
RHODE ISLAND	Peter J. McGinn	401 456-1200 (o)
	Tillinghast, Collins & Graham	401 738-8110 (h)
	One Old Stone Square	401 456-1210 (t)
	Providence, Rhode Island 02903	
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	The McNair Law Firm, P.A.	803 782-7715 (h)
	1301 Gervais Street	803 799-9804 (t)
	P.O. Box 11390 (ZIP 29211)	
	Columbia, South Carolina 29201	
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	Riter, Mayer, Hofer & Riter	605 224-5383 (h)
	Professional & Executive Building	
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	P.O. Box 280	
	Pierre, South Dakota 57501	
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	Nashville, Tennessee 37239	
TEXAS	Robert E. Johnson (Bob)	512 478-7777 (o)
	Johnson & Johnson	512 452-5610 (h)
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	Austin, Texas 78701	
UTAH	M. Byron Fisher	801 531-8900 (o)
	Fabian & Clendenin	801 277-9660 (h)
	12th Floor	801 596-2814 (t)
	215 South State Street	
	Salt Lake City, Utah 84111	

VERMONT	David M. Wilson Primmer & Wilson City Center P.O. Box 159 Montpelier, Vermont 05602	802 229-4914 (o) 802 244-8037 (h) 802 229-9839 (t)
VIRGINIA	William G. Thomas (Bill) Steve Pearson Hazel & Thomas 411 East Franklin Street Suite 600 Richmond, Virginia 23206	804 344-3400 (o) (Richmond) 703 838-5111 (o) (Alexandria) 703 684-1155 (h) (Alexandria) 703 836-8062 (t) (Alexandria) 703 836-8000 (t) (Alexandria)
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WEST VIRGINIA	Richard M. Francis (Kitt) Bowles Rice McDavid Graff & Love P.O. Box 1386 (ZIP 25325-1386) 16th Floor, Commerce Square, Lee Street Charleston, West Virginia 25301	304 347-1116 (o) 304 347-1196 (t)
WISCONSIN	Michael R. Vaughan (Mike) Murphy & Desmond, S.C. Manchester Place 2 East Mifflin Street P.O. Box 2038 Madison, Wisconsin 53701-2038	608 257-7181 (o) 608 238-1667 (h) 608 575-2057 (car) 608 257-2508 (t)
WYOMING	David D. Freudenthal (Dave) Herschler, Freudenthal, Salzburg, Bonds & Rideout, P.C. 314 East 21st Street P.O. Box 387 (ZIP 82003-0387) Cheyenne, Wyoming 82001	307 634-2240 (o) 307 634-7228 (h) 307 634-0336 (t)

E. RESOURCES

1. INTERNAL

- PUBLIC ISSUES
(See pages following)
- INTERNAL DEPARTMENTS
- SPORTS MARKETING
- PRODUCTS

2. EXTERNAL

- STATE BUSINESS ORGANIZATIONS

Examples

- State Chambers of Commerce
- North Carolina Citizens for Business and Industry
- California Manufacturers Association

- LEGISLATIVE ORGANIZATIONS

Examples

- American Legislative Exchange Counsel
- National Council of State Legislatures
- Legislative Leaders Foundation

- TOBACCO ORGANIZATIONS

- Growers Organizations
- Wholesalers
- Leaf Dealers
- Retailers
- Warehousemen

PUBLIC ISSUES

Background

- Since the Coalition on Smoking OR Health was formed in 1981, there has been a surge in anti-smoking activity at all levels. With greater coordination, funding and energy, anti-smoking forces have continued the shift in their strategies and tactics initiated in 1981.
 - Efforts to make smoking a public health issue using alleged affects of environmental tobacco smoke on non-smokers.
 - Increased restrictions on smoking in the workplace and in public places.
 - Efforts to drive the price of cigarettes even higher through exorbitant excise tax increases at the federal, state and local levels.
 - Most importantly, use of the political process to pass punitive legislation at all levels but particularly at the local level where they recognize the industry has difficulty defending it.

Public Issues

- Public Issues was established in 1983 to respond to this increasingly hostile external environment.
- As a result of increasing anti-smoker actions, smokers have become more and more frustrated. This heightened frustration, coupled with the fact that traditional industry methods of successfully dealing with anti-tobacco measures was becoming more difficult because of a lack of vocal public support, led to the development of Public Issues' current strategic thrust.

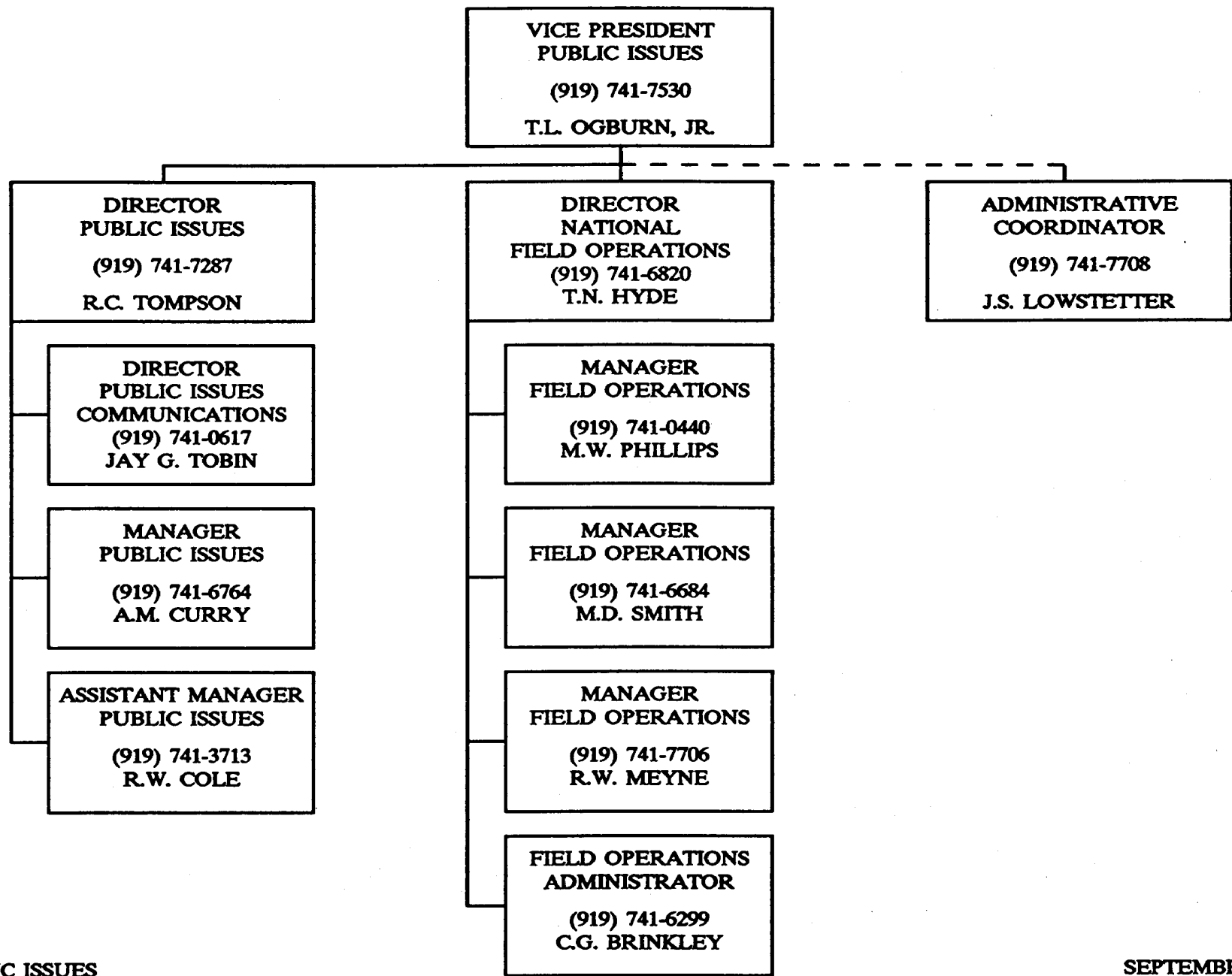
Public Issues - Current

- Primary objective:
"To foster an informed and visible 'public voice' speaking out against biased and emotional rhetoric and unfair discrimination and harassment of smokers." A public voice that is:
 - independent of the Company and the Industry
 - nationwide
 - continuous and building over time
 - self-initiated
 - in opposition to all unfair actions
 - capable of being called on to respond to specific issues
- To accomplish this objective, a UNIFIED PARTISAN EFFORT was developed and implemented. This effort utilizes a three pronged approach designed to:
 1. Foster actions from millions of individual smokers.
 2. Foster the organization of grass roots groups in support of smokers' rights in every major locality.
 3. Mobilize customers, suppliers and friends into an effective political force.

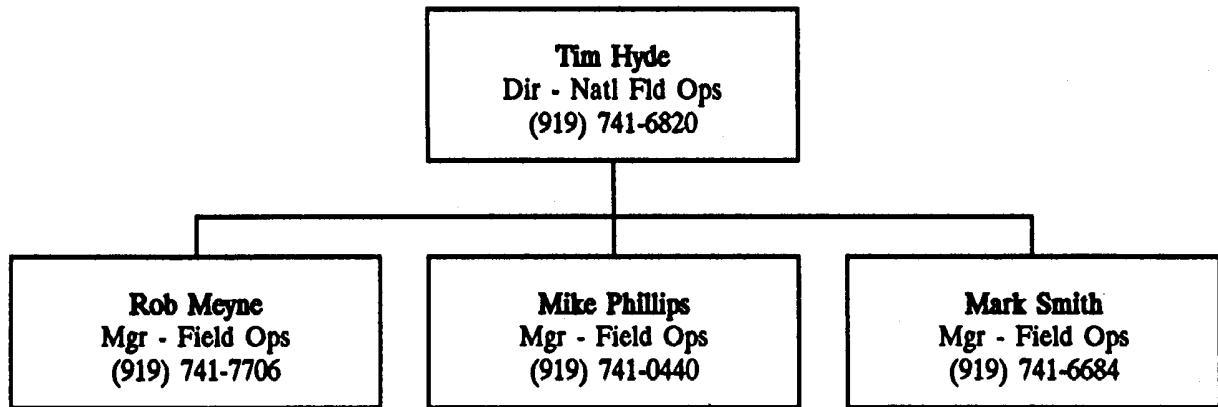
- Individual Smokers - the PARTISAN PROJECT was implemented in lead states in 1987 to identify, educate and motivate selected smokers to actively voice their opposition to unfair anti-smoking actions. Several communication vehicles are now in place to accomplish this task including a newsletter (CHOICE), Action Alerts of emerging issues, directories of government officials, a "toll free hot line" number, and a guide on how to speak out effectively. Currently, 4 million selected households with over 6 million smokers receive CHOICE.
- Grass Roots Groups - The PARTISAN MOVEMENT, designed to foster independent, local grass roots groups in every major locality, was initiated in late 1988. Smokers' rights meetings are used as a vehicle to identify potential leaders of such groups. A field force of trained state coordinators under contract to RJRT works with identified leaders, providing information and consultation on how to effectively organize, providing names of other interested smokers in their area and maintaining contact over time. When urgent issues arise, state coordinators also encourage local groups to respond.

The program has been initiated in all 50 states. Thus far, over 700 smokers' rights meetings have been held with over 25,000 attendees. As a result, 560 local Smokers' Rights Groups have formed, covering 1,300 communities.

- Customers, Suppliers and Friends - The PARTISAN ALLIED FORCE program was designed to accomplish the third element in the UNIFIED PARTISAN PROGRAM strategy. The program identifies categories and develops communication programs for those with a vested interest in the Company/Industry (i.e., the trade, suppliers and agricultural community). Additionally, groups and organizations interested in a specific issue (i.e., excise taxes) will be addressed. Public Issues has been meeting and working with such outside organizations over the past year to educate them on the issues. Thus far, about 20,000 Allied Forces have been added to the program.
- Additionally, systems have been developed to insure rapid communication between all parties (smokers, grass roots field force, and Winston-Salem). All parties in the United Partisan Effort are connected by portable computers to allow immediate communication. A central communications center has been established with a toll free "hot line" for smokers to call to report alerts of emerging issues, request information, or to be put into contact with field coordinators. Smokers can obtain information ranging from their elected officials (names, addresses and telephone numbers) to voter registration information, or Tobacco Institute publications.
- To respond to swiftly emerging issues, a special team called "The Morning Team" was initiated 18 months ago. Members of the team include Public Issues staff and representatives from State Government Relations, Public Relations and Walt Klein and Associates (Public Issues' grass roots agency). The Morning Team meets every morning at 8:30 a.m. in Public Issues 17th floor conference room (telephone 919/741-3980). The Team reviews alerts from the "hot line", The Tobacco Institute and State Government Relations each morning. Plans are then initiated to encourage grass roots response to these issues using the whole range of resources developed by Public Issues. Since its inception, the Morning Team has taken action on 175 issues at the federal, state and local levels.



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IV.

TOBACCO INSTITUTE

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A. DESCRIPTION

MISSION

The basic mission of The Tobacco Institute (TI or the "Institute") is to lead and direct the resources of the tobacco industry in defending the industry against unwarranted restrictions on its right to engage in normal business activities. The Institute carries out its mission through legislative, regulatory and public affairs programs.

MEMBER COMPANIES

The Institute represents nearly all of the major American cigarette and other tobacco products manufacturing companies, including R.J. Reynolds Tobacco Company; Philip Morris, USA; Lorillard; The American Tobacco Company; United States Tobacco Company; Liggett Group, Inc.; Consolidated Cigar Corporation; Conwood Company, L.P.; General Cigar Company, Inc.; Helme Tobacco Company; Larus & Brother Company, Inc.; John Middleton Incorporated; and the Pinkerton Tobacco Company.

POLICY DIRECTION

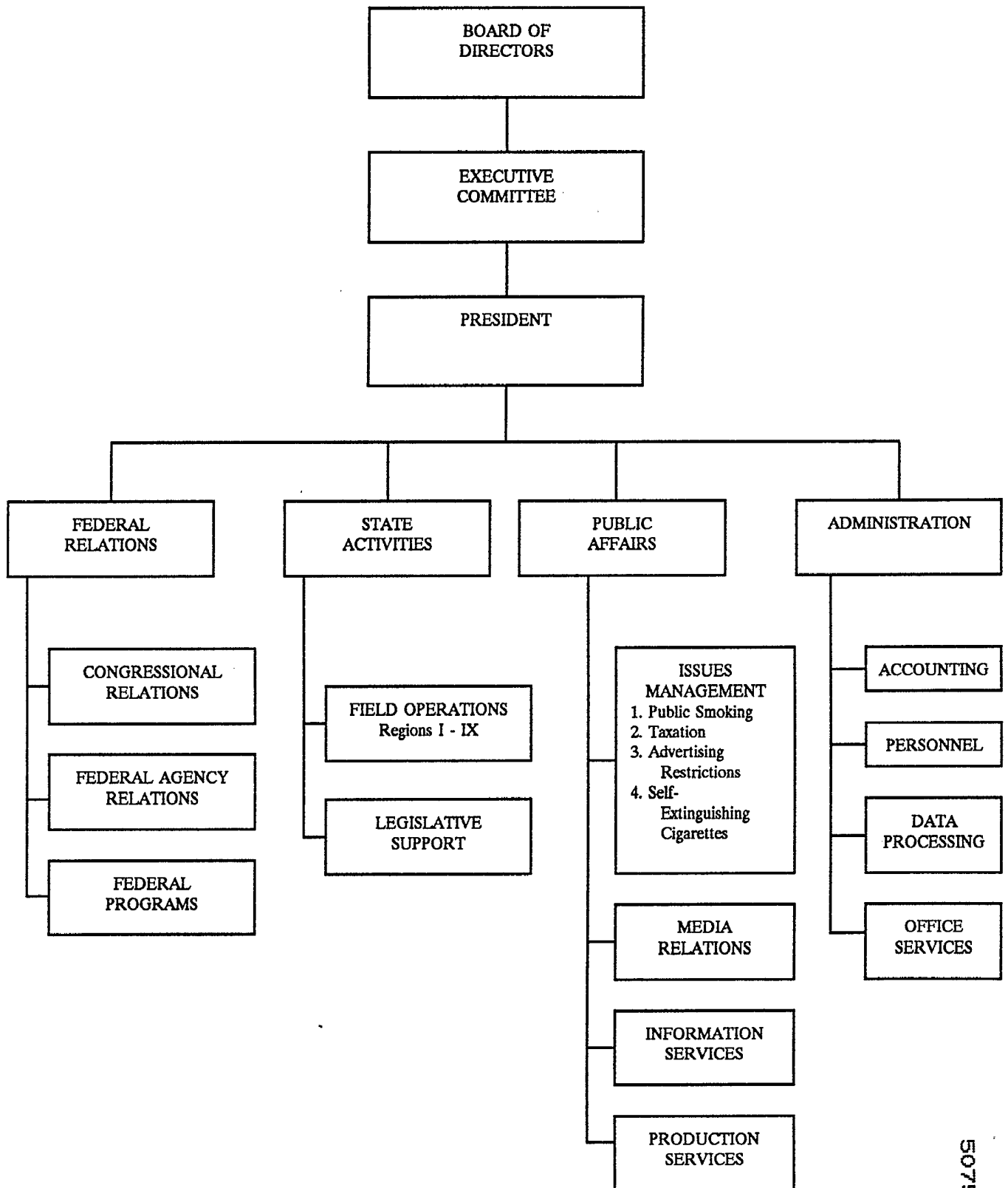
Institute operations are overseen by a 17-member Board of Directors. The Board operates principally through an Executive Committee of 10 member company leaders who are responsible for setting Institute policy on key legislative, regulatory and public affairs concerns. The Institute's legislative divisions and public affairs division work closely with committees consisting of company representatives and others.

B. STATE ACTIVITIES DIVISION

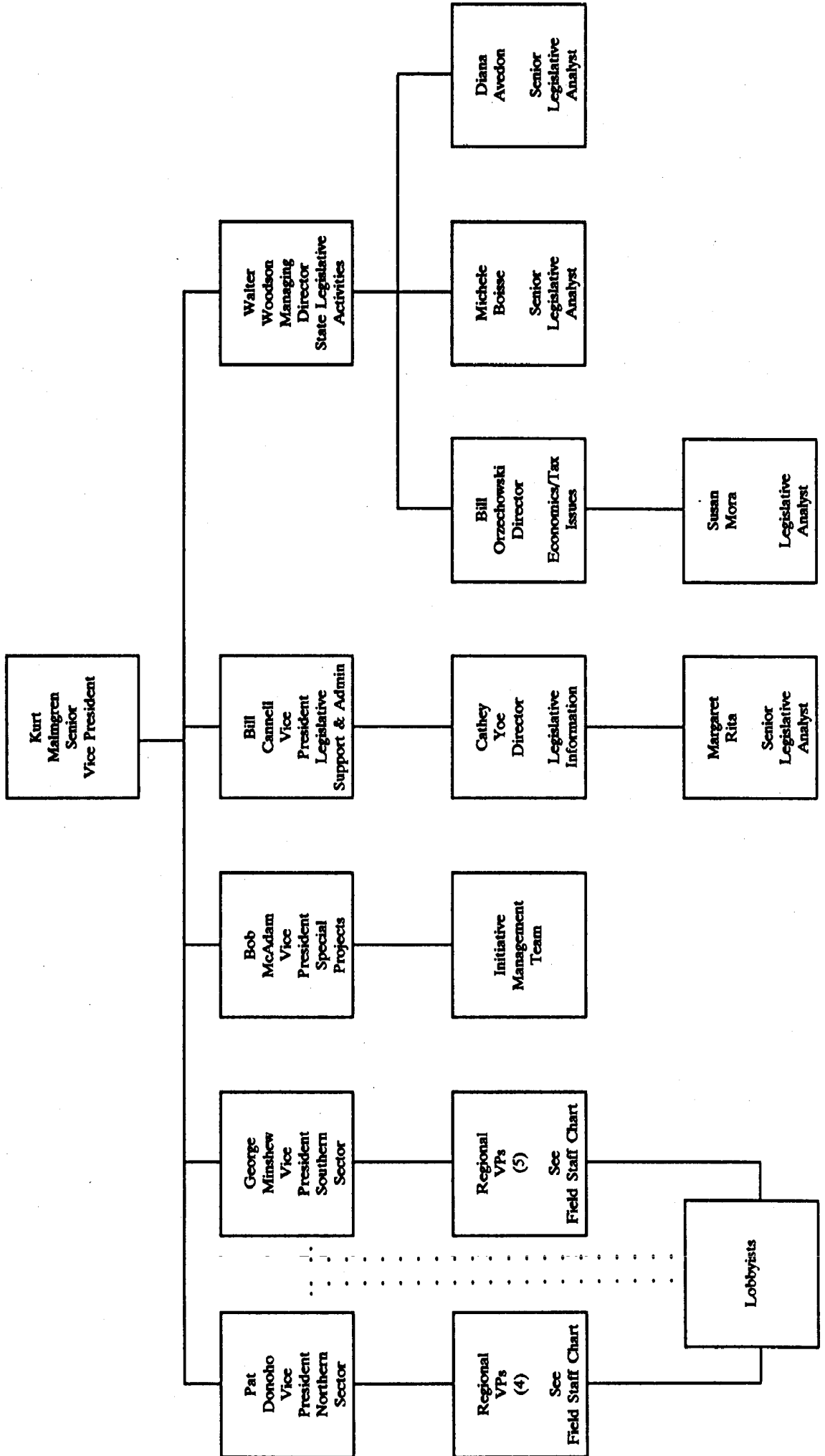
MISSION

Maintain the members' ability to engage in normal business activities in the states by (1) defeating adverse state and local legislation; (2) opposing unfair regulatory practices; (3) advancing, or defending against, relevant ballot measures; (4) seeking adoption of legislative and other opportunities that allow the members to engage in normal business activity.

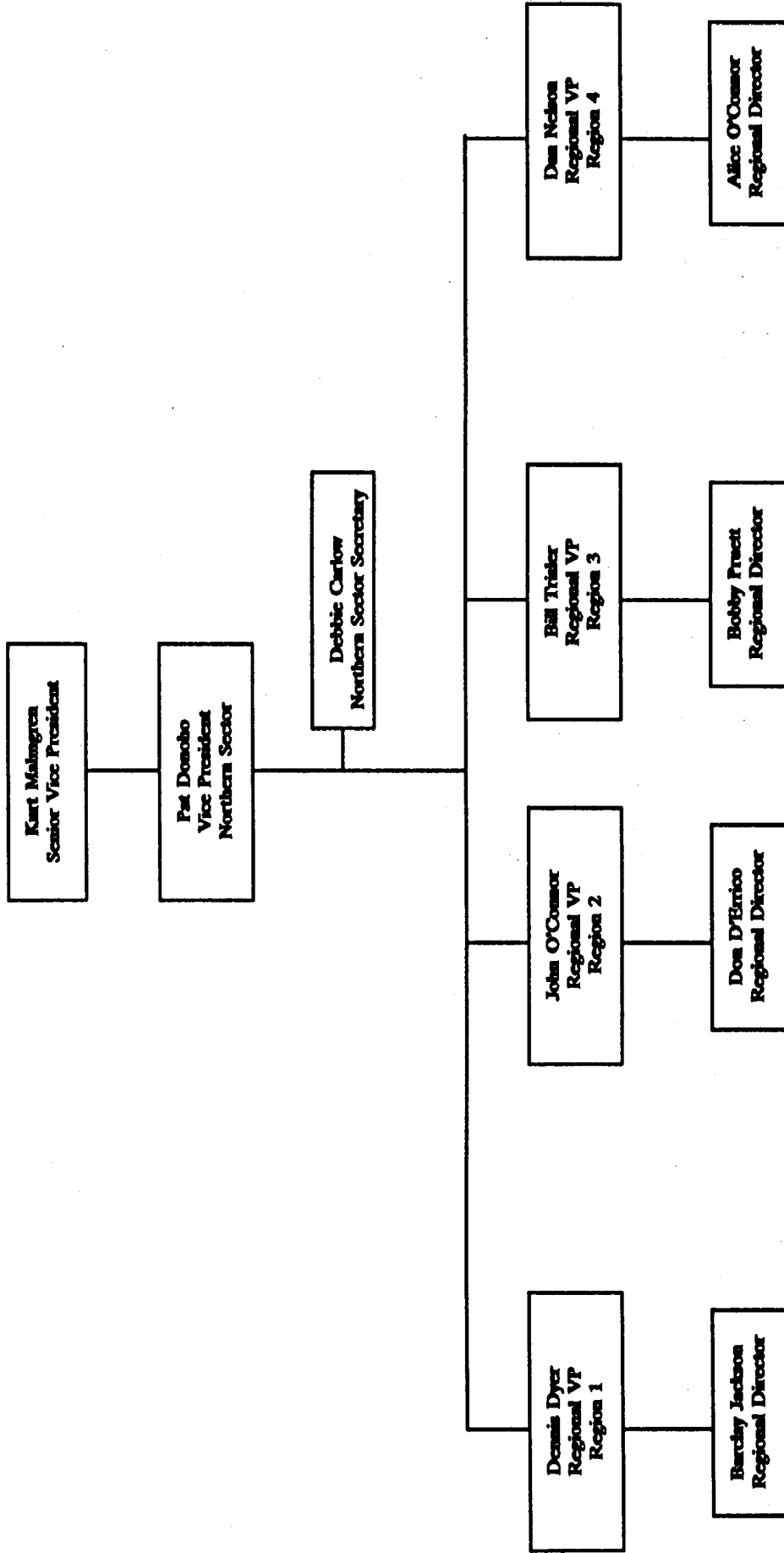
THE TOBACCO INSTITUTE ORGANIZATIONAL CHART



The Tobacco Institute State Activities Division

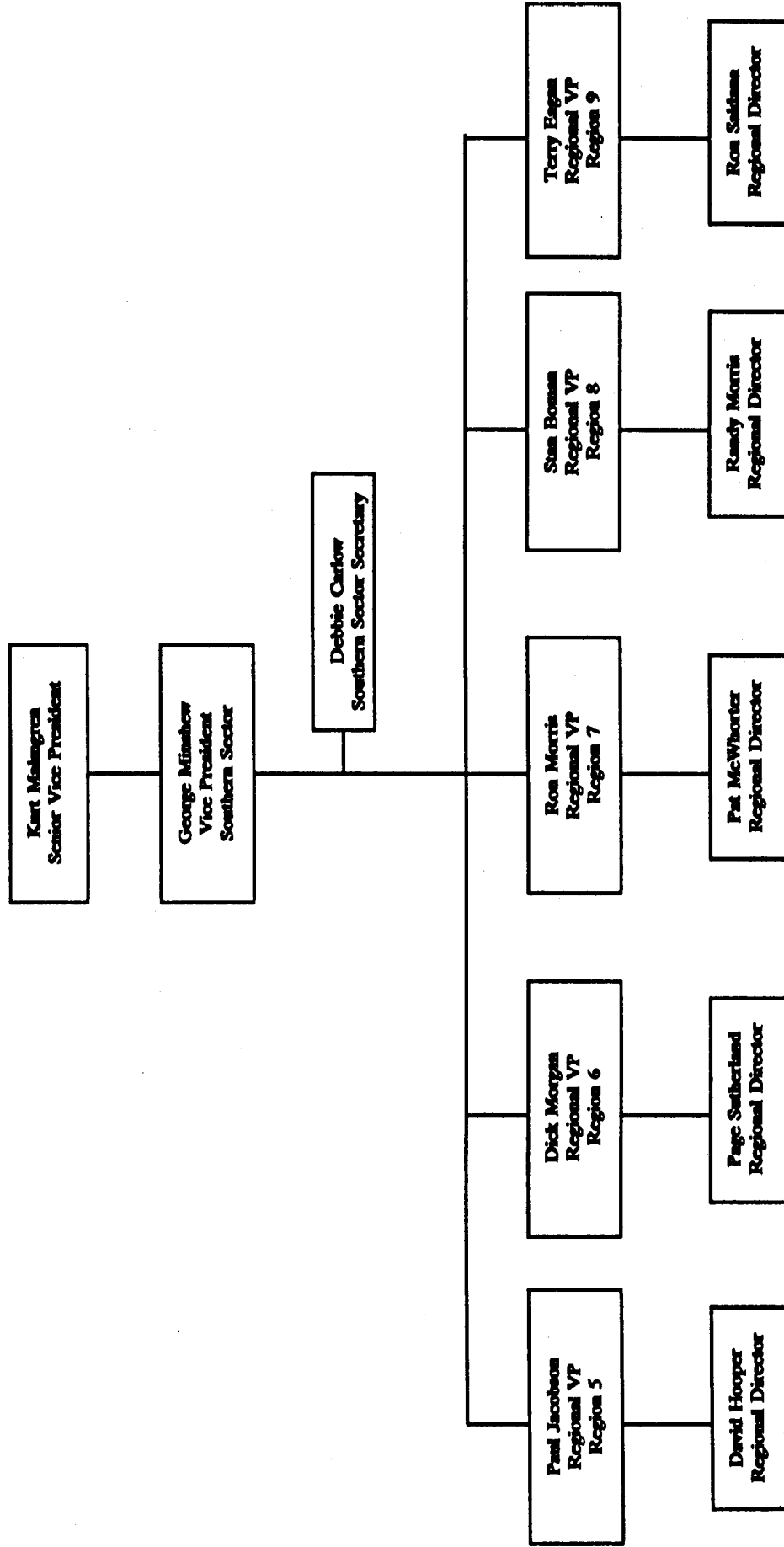


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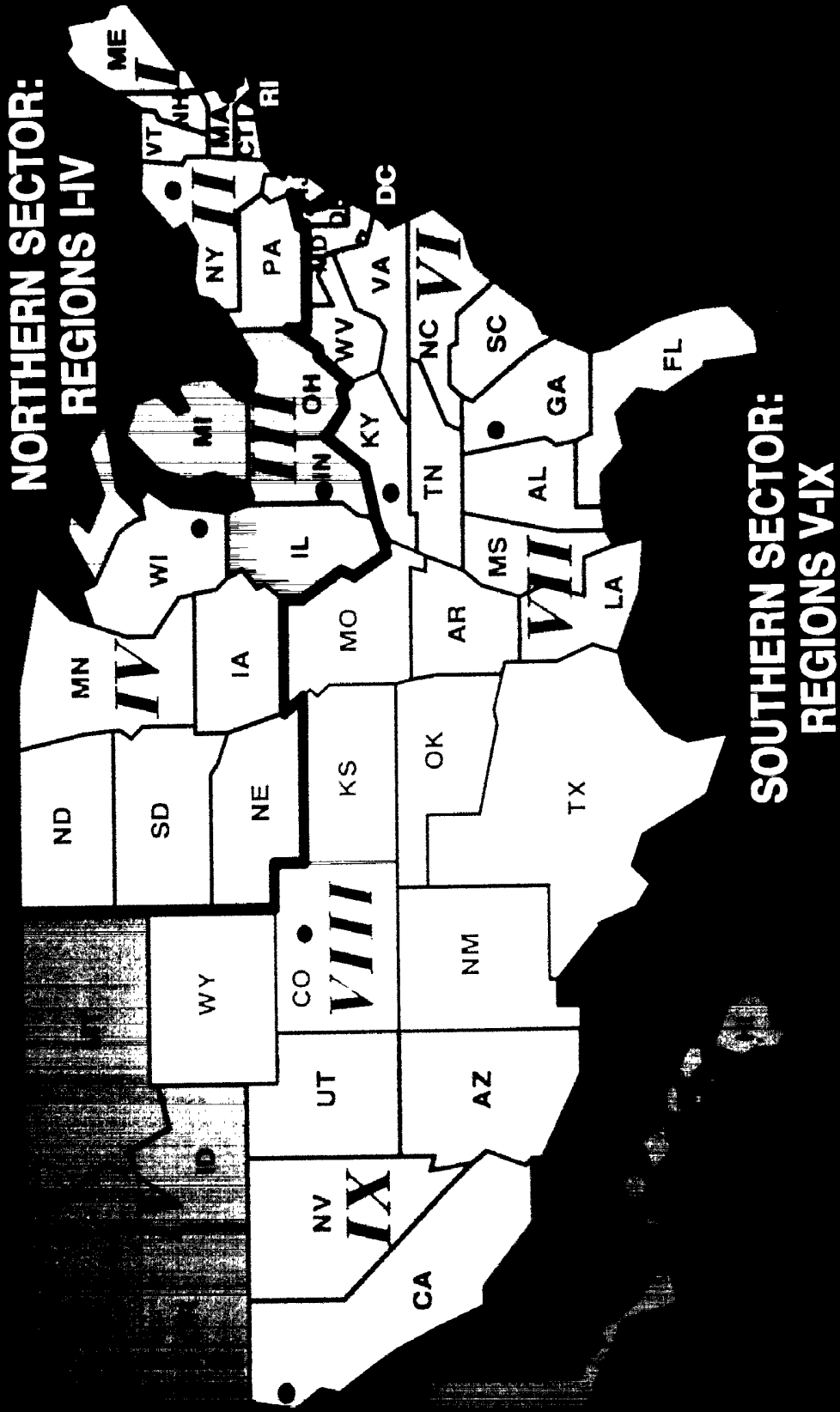
September 1990

**The Tobacco Institute
State Activities Field Staff
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September 1990

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D. MAJOR STATE LEGISLATIVE SUPPORT PROGRAMS

LABOR

Through the independent Tobacco Industry Labor Management Committee (LMC), elements of the labor community have been encouraged to participate in legislative activities of mutual concern to labor and the tobacco industry. Members of the LMC include unions that work within the tobacco industry: the machinists, firemen & oilers, BC&T, sheet metal workers, and the carpenters & joiners.

Typically, interests of joint concern include indoor air quality, excise taxes and occasionally other issues. At the state level, the LMC has hired consultants in New England, Washington, Minnesota, Wisconsin, Ohio, Michigan, Illinois and Iowa. Additional LMC representatives may be added in 1991.

ENVIRONMENTAL TOBACCO SMOKE/IAQ EXPERTS

The Institute has identified a number of scientific and medical experts who are willing and able to speak out on the science on ETS and on the real problems of indoor air pollution. These experts can testify and otherwise brief lawmakers, allies and others; conduct and monitor ETS research; and speak with the media. The IAQ consultants can also perform indoor air quality inspections of selected buildings.

The Institute also has identified a number of academic scientists who -- although not on the front lines through testimony or press briefing -- can become more closely involved with the scientific community and contribute to the literature on ETS.

All ETS scientists are prepared to discuss recent activities and draft reports from the EPA and other groups.

ECONOMIST PROGRAMS

A group of several Institute-identified, but independent, economists is prepared to deliver testimony or talk with the media and others on excise taxes and the so-called "social costs" of smoking. These economists also write and publish op-eds, conduct research and make presentations to their peers. The Institute also has two economists on the State Activities staff.

INFORMATION AND PUBLICATIONS

The Institute maintains an information center which has access to virtually any tobacco-related topic. In addition, the Institute publishes -- and keeps in quantity -- publications on key legislative and social issues related to tobacco.

FIRE SERVICE ORGANIZATIONS

Although primarily federal in nature, The Institute has developed relationships with many key leaders within the firefighter community. Many of these firefighters share the industry's view on the "fire-safe" cigarette issue and are willing to say so.

WORKPLACE SMOKING: LEGAL AND "SOCIAL COSTS" EXPERTS

Legal and academic consultant experts are available to publish articles; conduct seminars and meetings with lawmakers, employers, attorneys, business groups; and handle interviews. These consultants can rebut erroneous claims put forth by elements of the anti-tobacco community.

ADVERTISING/SAMPLING

The Institute has identified sampling experts who are willing to speak to the issue in legislative settings to explain their operations and the economic importance of their work to a given community. In addition, The Institute works with advertising associations, the ACLU and other First Amendment proponents on the right of the tobacco industry to engage in commercial speech.

In addition, The Institute will launch a new program this fall to combat misconceptions about the industry's views on "youth smoking". The five-pronged program will include a retailer education program, a guide to help parents, educators and young people better understand that smoking is an adult custom as well as provisions for legislative suggestions, and new industry guidelines on various issues associated with youth smoking.

E. PRO-ACTIVE PROGRAMS

The Tobacco Institute's pro-active program for 1990-91 is presently under consideration. Information will be provided as soon as it becomes available.

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VI.

TOBACCO INDUSTRY ISSUES

A. EXCISE TAXATION

ISSUE

Cigarettes are subject to excise taxes at the federal, state and at some local government levels. Increased taxation at federal and state levels will adversely impact volume and pricing flexibility.

BACKGROUND

- ° The federal excise tax was doubled in 1983 to 16 cents per pack; the weighted average tax has risen 78% at the state and local level, from 13.1 cents per pack in 1980 to 23.4 cents 1990. The combined state and federal tax in 1990 is 39.4 cents per pack.
- ° Current state excise tax rates range from 2 cents (North Carolina) to 41 cents (Texas) per pack.
- ° California's successful 25 cent cigarette tax increase initiative in 1988 fostered other tax initiatives in Colorado, Montana and Oregon in 1990. The Montana initiative may appear on the November ballot. The Colorado and Oregon initiatives were invalidated because of an insufficient number of valid signatures.
- ° In 1990, the majority of states with legislative sessions this year have/are considering excise tax increases; 8 states have enacted increases from 3 to 15 cents per pack; bills are pending in 5 states; and bills were defeated in 22 states. Two states (Alabama and Virginia) granted authority for local taxes, while similar bills died in 5 states.
- ° Tax increases have been proposed in 28 localities; approved in 15; defeated in 9; and are pending in 4.

STRATEGY

- ° Defeat all federal, state and local proposals to increase tobacco excise taxes.
- ° Seek opportunities to include "sunset" provisions in tax measures and ensure such provisions take effect.

INDUSTRY POSITION

- ° The industry opposes cigarette excise taxes because:
 - They are regressive and thus unfair.
 - They do not consider "ability to pay".
 - They adversely affect the economy.
 - They are used to attempt to influence consumer behavior and thus are punitive.
- ° The defeat of excise tax proposals is a priority issue for the industry. RJRT works with the TI and all possible coalitions to defeat such measures.

B. MARKETING RESTRICTIONS

ISSUE

State and local legislation could significantly impact advertising, vending, sampling and the licensing of cigarettes.

BACKGROUND

- ° Opponents of smoking have been particularly strident in their attacks on the advertising, vending and sampling practices of tobacco manufacturers, arguing that such practices are geared to appeal to young people and those who otherwise would quit smoking.
- ° Consistently, the Coalition on Smoking OR Health has advocated a ban on all tobacco advertising and promotional practices (including sampling and sponsorship of sporting and cultural events).
- ° Anti-smoking advocates have also called for enactment of a federally-mandated minimum age for the purchase of cigarettes as well as a prohibition of cigarette vending machine sales. Legislation imposing licensing requirements for retailers is also increasing.
- ° Pending federal bills would:
 - Ban use of models, scenery, logos, colors in advertising, promotions.
 - Ban all sports related promotions.
 - Ban distribution of free samples, coupons.
 - Deny tax deductions for tobacco advertising and promotion expenses.
 - Prohibit payment for placement of tobacco brand names/logos in movies, television shows or other forms of entertainment.
 - Ban vending machines.
 - Establish a national minimum age (18) for cigarette purchase.
 - Raise prices in military commissaries, VA canteens.
 - Regulate cigarette ingredients.
- ° Proposed state/local legislation

ADVERTISING

- ° Cigarettes are advertised through billboards, print media, placards in transit facilities, point of sale ads, and sponsorship of cultural and sporting events.
- ° Thus far in 1990, ad bans/restrictions have been proposed in 13 states; defeated in 10 states and the District of Columbia; and are pending in 3 states. Advertising restrictions were considered in 11 cities; defeated in 2; and are pending in 9.

- 1991 may see increased pressure from anti-tobacco groups and the Coalition for Scenic Beauty to ban all outdoor ads.

VENDING

- Thus far in 1990, legislation to ban or restrict sales through vending machines was considered in 24 states; adopted in 3 states (Alabama, Indiana, and Minnesota); defeated in 16 states; and is pending in 5 states.
- In 1990, sales or tobacco vending restrictions were considered in 113 localities; adopted in 47; rejected in 11; and remain pending in 57 cities and counties.

SAMPLING

- Cigarette sampling is conducted through the distribution of free samples in public places, coupon redemption, "two for one" sales offers, direct mail sampling, and toll-free telephone numbers to request samples.
- In 1990, sampling bans on tobacco products were proposed in 18 states; rejected in 13 states; adopted in Wisconsin; and are pending in 5 states and the District of Columbia.
- At the local level, sampling restrictions were considered by 19 localities; adopted in 4; defeated in 3; and are pending in 12.

RETAIL LICENSING

- In 1990, 9 states considered measures which would require retailers to obtain a license to sell tobacco products. Six states defeated such bills. An Alaskan bill awaits the governor's signature.

STRATEGY

- Support the TI in:
 - Defeating legislation/regulations at all levels that ban or restrict advertising, vending or sampling.
 - Defeating legislation that would repeal or restrict federal or state income tax deductions for tobacco advertising and promotion.
 - Defeating federal/state proposals requiring additional warnings or labels.
 - Seeking opportunities to adopt state legislation that preempts local bans on sampling and other promotional activities.

INDUSTRY POSITION

The industry opposes as unfair restraint of trade any legislation that would limit or ban the sale of a legal product to adult customers. Smoking is a choice to be made freely by mature and informed adults.

C. SMOKING RESTRICTIONS

ISSUE

The continued enactment of state and local measures that restrict public and private smoking effectively bans smoking in many areas and could impact cigarette sales.

BACKGROUND

- Historically, smoking restrictions had been viewed as a state/local government decision. But in 1986, the General Services Administration changed the policy in federal buildings under its control from allowing smoking except in restricted areas to banning smoking except in designated areas.
- 1986 Surgeon General's report on health effects of non-smokers' exposure to Environmental Tobacco Smoke (ETS) resulted in record levels of local, state and federal proposals to restrict smoking in public and private places.
- In 1990, 35 states considered smoking restrictions; 12 states (Alaska, Arizona, California, Iowa, Maine, Massachusetts, New Hampshire, Rhode Island, South Carolina, Tennessee, Virginia and Wisconsin) and the District of Columbia passed measures; legislation failed in 18 states and is pending in 6 states.
- Approximately 136 localities have considered restrictions thus far this year and 46 localities have approved them. Ten localities have defeated such measures, while proposals are pending in 82 localities.

STRATEGY

Support the TI in defeating all smoking restrictions.

INDUSTRY POSITION

The tobacco industry opposes public smoking laws for the following reasons:

- ETS has not been shown to cause disease in nonsmokers;
- public smoking laws are unnecessary governmental regulation of personal behavior and lifestyles; and
- legislation proposing smoking restrictions is often vague and arbitrary and denies constitutional guaranties of due process and equal protection.

D. "FIRE SAFE" CIGARETTES

ISSUE

State legislation mandating "fire safety" standards for cigarettes could dramatically alter current cigarette design, decrease sales and increase exposure to lawsuits.

BACKGROUND

- In 1987, the federal Interagency Committee on Cigarette and Little Cigar Fire Safety (IAC) released a study concluding that it was technically feasible to reduce ignition propensity of cigarettes but that additional work was needed to address commercial feasibility. This prompted bills at the state and federal levels to establish mandatory "fire safety" standards for cigarettes that would virtually ban current forms of cigarettes within two years.
- Since 1980, legislation to require cigarettes to be "fire safe" has been considered in 18 states. Similar legislation has been pending before the New York City Council since 1981. In 1983 alone, 11 states considered "fire safe" legislation. No state or locality has enacted these requirements.
- At the federal level, the Cigarette Fire Safety Act of 1990 was signed by President Bush on August 10, 1990. It created a 36-month "study" on "fire-safe" cigarettes. Currently, no money has been appropriated for this study, and it is questionable whether the Consumer Protection Safety Commission, which is charged with implementing the study, has other funds available for the study.
- Proponents of "fire safe" standards believe (1) the issue has been adequately studied, (2) the industry has a responsibility to attempt to reduce the number of deaths resulting from fires caused by careless smoking, and (3) sufficient technology exists for the manufacture of such a product (*Premier* is cited as evidence).
- In 1990, "fire safe" legislation was considered in 6 states (Massachusetts, Michigan, Minnesota, New York, Pennsylvania and Wisconsin) and has been defeated in Minnesota and Wisconsin.

STRATEGY

Defeat all state and local "fire safety" proposals through the TI and other available coalitions.

INDUSTRY POSITION

- To date, a satisfactory technology for producing "fire safe" cigarettes has not been developed. Any proposed standard must be obtainable.
- The industry participated fully in the Technological Study Group in Cigarette and Little Cigar Fire Safety and fully supports federal legislation to implement the Interagency Committee's recommendations.

E. TOBACCO LIABILITY/RECKLESS ENDANGERMENT

ISSUE

Since 1985, four state legislatures have considered so-called "cigarette accountability acts", designed to create a new cause of action against cigarette manufacturers (in addition to existing tort law) for various diseases allegedly resulting from cigarette smoking. Other legislation would establish criminal penalties for manufacturers of products that "endanger" public health.

BACKGROUND

- ° Cigarette manufacturer liability proposals have been introduced in Illinois (1985), Louisiana (1988), Texas (1989), Washington (1989), Wisconsin (1988, 1985) and Rhode Island (1986); all bills died in committee at adjournment of their state legislature, except for the Louisiana measure which was defeated on the House floor.
- ° The liability bills have many troubling features:
 - Permit state and local governments to sue cigarette manufacturers to recover Medicaid and/or public assistance funds expended for treatment.
 - Impose liability without proof of causation; manufacturer bears burden of rebutting presumption that smoking caused disease.
 - Abolish traditional common-law defenses (e.g., assumption of risk).
- ° In 1990, no cigarette manufacturer liability legislation has been proposed. A 1989 "reckless endangerment" bill is pending in Massachusetts, but has been placed in a study committee where no further action is expected.

STRATEGY

Assist the TI and other manufacturer coalitions in defeating all legislation that would increase cigarette and/or product manufacturers' liability for consumer use of their products.

INDUSTRY POSITION

The tobacco industry opposes cigarette manufacturers liability legislation for the following reasons:

- such legislation repudiates the fundamental premise of tort law that a plaintiff must prove causation;
- the presumption of causation and the singling out of the tobacco industry are unconstitutional.

F. DEATH CERTIFICATES

ISSUE

The inclusion of notations on death certificates regarding tobacco use of the decedent will result in grossly misleading data, is intended solely for the purpose of generating public sentiment adverse to the tobacco industry, and is contrary to sound public health policy.

BACKGROUND

- The U. S. Standard Certificate of Death, prepared as a model for states' use, does not include specific reference to smoking or tobacco use, but (as revised this year) directs physicians to include "other significant conditions" and references smoking as an example.
- In 1988, the AMA's House of Delegates approved a resolution calling for legislation allowing physicians to list tobacco use as a "contributing cause" of death.
- In 1988, three states (Washington, Oregon and Utah) revised their death certificates to include a question regarding the decedent's tobacco use. In 1989, Nebraska similarly revised its death certificate. Action in all four states was by regulatory bodies, not legislatures.
- In 1990, 10 states have introduced legislation to require that tobacco use be placed on death certificates; bills have been defeated in 7 states and are pending in Michigan, New York and Pennsylvania.

STRATEGY

Support the TI in monitoring and defeating all regulatory and legislative attempts to place specific tobacco use or "contribution" questions on death certificates.

INDUSTRY POSITION

The tobacco industry strongly opposes attempts to place specific tobacco use or "contribution" questions on death certificate forms, because:

- such questions are likely to undermine efforts to achieve national uniformity in death certificate information by scrambling rather than clarifying the national data;
- questions about lifestyle choices will turn death certificates into propaganda tools;
- if death certificates are used to target controversial lifestyle choices, other intrusive inquiries are likely to follow.

G. ENVIRONMENTAL TOBACCO SMOKE/EPA

ISSUE

The EPA is considering listing environmental tobacco smoke ("ETS") as a Group A (known human) carcinogen. Although EPA currently has no statutory authority to regulate indoor air, listing ETS as a Group A carcinogen is likely to spur further health-based state and local smoking regulation.

BACKGROUND

- The 1986 Surgeon General's Report on ETS and health fostered many local, state and federal proposals to restrict smoking.
- In May 1990, EPA's draft report on ETS was leaked to the press and indicated that ETS would soon be declared a known carcinogen.
- In June 1990, EPA issued a proposal urging businesses to adopt a voluntary plan to "shield" employees from ETS in the workplace.
- In July 1990, OSHA announced that it would review EPA's data to assess whether restrictions in the workplace were needed.
- Poor ventilation has resulted in poor indoor air quality and the "sick building syndrome". Tobacco smoke has often been cited as a cause of poor indoor air quality when it is actually only an indicator that a ventilation problem exists.
- Indoor air quality legislation has been adopted in 8 states. Thus far in 1990, 35 states have considered indoor air quality proposals; 12 states have passed restrictions; and 18 states have rejected them. Proposals are pending in 6 states.

STRATEGY

Support the TI in defeating smoking restrictions based on ETS and health.

INDUSTRY POSITION

The tobacco industry opposes public smoking laws because:

- ETS has not been shown to cause disease in non-smokers.
- Inadequate ventilation, not ETS, is the primary cause of poor indoor air quality.
- Government regulation of personal behavior, such as smoking, is unnecessary.

H. BALLOT INITIATIVES/REFERENDA

ISSUE

Well organized special interest groups are becoming more effective at qualifying initiatives for placement on the election ballot. Smoking restrictions and taxes are becoming popular ballot issues that are extremely difficult to defeat.

BACKGROUND

- ° Approximately 26 states and D.C. give citizens the ability to petition to place initiatives on the ballot to become law by popular vote.
- ° In 1988, California voters approved a 25 cent per pack excise tax increase (10 to 35 cents). The measure represents the first such increase by that state in 21 years and opens the door for initiatives in other states. In 1990, Colorado, Montana and Oregon proposed cigarettes excise tax initiatives. The Oregon initiative failed to qualify for placement on the ballot, and the Colorado initiative was invalidated by the Colorado Secretary of State. Voters will go to the polls on the Montana increase in November.
- ° Packaging initiatives which could affect the tobacco industry are also on the increase. A Massachusetts' initiative requiring "environmentally acceptable" packaging was recently invalidated by the states' supreme court, but a similar initiative in Oregon may appear on the November ballot.

STRATEGY

- ° Work with the TI and other coalitions to keep ballot initiatives affecting tobacco from qualifying for placement in the general ballot.
- ° Defeat all ballot measures affecting tobacco products.

INDUSTRY POSITION

The industry opposes ballot initiatives because:

- they undermine the legislative process;
- they allow for no amendment or compromise;
- they historically result in poor public policy.

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V.

RJRT ISSUES

A. ENVIRONMENTAL ISSUES

ISSUE

Legislation enacted on Chlorofluorocarbons ("CFCs") in 1989-90 at the federal, state and local levels could potentially impact the Company if the purpose of such legislation is broadened beyond its original intent and includes prohibitions against the use of all CFCs.

BACKGROUND

- ° During 1989, over 76 CFC bills were introduced in 21 states and one locality. Proposals included: total bans on products containing or manufactured with CFCs; recycling requirements for CFCs; labelling requirements for products containing CFCs; the imposition of taxes on products containing CFCs; and studies on standards to limit CFC use.
- ° In 1990, CFC legislation similar to 1989 measures was introduced in 25 states. Fifteen states have considered the proposed legislation.
- ° As a result of a 1989 local CFC ordinance passed in Irvine, California, increased activity at the local level has resulted in many comprehensive local proposals which could severely impact the Company.
- ° Congress is presently considering sweeping amendments to the Clean Air Act that would preempt state and local regulations, require warning labels, and phase-out CFCs by the year 2000.

STRATEGY

The Company will monitor federal, state and local legislative and regulatory activity through a broad-based coalition of industries, legislative counsel and other organizations of which the Company is a member. In addition, the Company will also work with and support efforts of the Alliance for Responsible CFC Policy. The Company will also coordinate the activities of Government Relations and Research and Development to protect alternatives considered by the Company.

INDUSTRY POSITION

The Company, through its participation in the Alliance and other industry organizations, opposes:

- any bans on CFCs which take effect before 1995;
- any labelling requirements which take effect before 1995;
- any bans on HCFCs; and
- any bans or labels which would impact alternatives being considered by the Company.

B. TORT REFORM

ISSUE

Continued tort and product liability reform is necessary at the federal and state level to reduce exposure to product liability lawsuits.

BACKGROUND

- Liberal developments in the tort systems of some states, combined with jury awards in the millions of dollars, have encouraged business and industry to focus their efforts on tort reform.
- With approximately 55 product liability cases pending against the tobacco industry, including 28 cases against RJRT, the Company has been actively involved in state and federal legislative efforts at tort reform through the industry's Ad Hoc Committee on tort reform.
- The tobacco industry seeks to make the defense of existing cases less onerous, reduce the likelihood of inflated verdicts, and discourage the filing of future claims. Reform efforts are directed at the plaintiffs' burden of proof, punitive damages, and the defense of contributory negligence.
- During the past 4-5 years, more than 30 states have enacted tort and product liability reform legislation.
- In 1990, several states were targeted for tort reform legislation. To date, none of these states has enacted a tort reform measure.

STRATEGY

Support the TI and other coalitions (state medical, dental, hospital associations, chambers of commerce, business and industry associations, insurance groups, municipalities, manufacturers) in (1) instituting tort reform legislation and (2) defending past reform efforts from roll-back attempts by the plaintiffs' bar.

INDUSTRY POSITION

The industry, through its Ad Hoc Committee on tort reform, supports federal and state tort and product liability reform efforts to establish an equitable and predictable business environment.

C. MARKETING

ISSUE

Certain RJRT sales promotions and marketing strategies/new products require changes in existing laws to allow their introduction.

BACKGROUND

- The "Millionaire Cash Quiz", an on-pack contest introduced by RJRT in 1988, required changes in existing promotional contest registration laws in some states and negotiations with regulatory officials in other states. The law was changed in Arizona to allow that state to participate in future promotions involving "games of chance".
- The introduction of RJRT's "Century" brand cigarette (containing 25 cigarettes per pack) required changes in tax laws of 17 states that based taxes on packs of 20 cigarettes.
- RJRT is attempting to enact legislation where feasible for a "per stick" excise tax rate so that packs containing more or less than 20 cigarettes will not be taxed disproportionately (5 states use 20 cigarettes as a base; 6 states base taxes on a multiple of ten). Montana and Nevada adopted a "per stick" tax law in 1989. Hawaii's governor vetoed a bill which would have converted its current ad valorem basis to a "per stick" tax basis.

STRATEGY

Obtain favorable amendments to statutes/regulations inhibiting promotions and new product introductions.

INDUSTRY POSITION

Marketing and sales measures are primarily RJRT-oriented. Thus, the industry generally neither supports nor opposes the Company's efforts.



D. PACKAGING

ISSUE

Restrictions and taxes on packaging at the federal, state and local levels could adversely affect sales and pricing flexibility.

BACKGROUND

- Legislative solutions to the growing volume of solid waste include the imposition of beverage container deposits, degradability requirements, bans, restrictions and taxation on types of materials and recycling quotas.
- Nearly a dozen states have approved taxes on manufacturers, wholesalers or retailers of products (including cigarettes) deemed to contribute to the litter problem.
- In 1990, packaging bills that could impact the tobacco industry were considered in 21 states; defeated in 8 states; passed in 8; and remain pending in 6. A comprehensive initiative on packaging was presented for legislative review in Massachusetts and was nullified by the Massachusetts Supreme Court. An Oregon packaging initiative may appear on the state's November ballot.
- In January 1990, the Coalition of Northeastern Governors (CONEG) released model legislation to reduce heavy metals in packaging. The model legislation has been introduced in 12 states and has passed in 8.

STRATEGY

- Through state legislative counsel and coalitions/allies, closely monitor all state packaging bills that could affect the Company.
- Work through coalitions/allies (e.g., Grocery Manufacturers of America, Flexible Packaging Association, and Society of the Plastics Industry) to defeat such measures.

INDUSTRY POSITION

The industry opposes legislation to tax or ban packaging materials, because:

- the industry opposes all legislation to tax specific products and industries;
- packaging taxes would increase the cost of consumer products;
- restrictions on packaging could ban the use of certain materials without the availability of feasible alternatives;
- the nation's waste management problems cannot be cured by such "quick fix" methods.

The industry closely monitors all packaging legislation and takes an active role in opposing restrictive measures. The Company supports the industry but may also take an active role when a measure becomes critical to an RJRN operating unit.

E. TECHNOLOGY

ISSUE

Legislatures may mandate that tobacco companies develop alternative technologies which may not be technically feasible or practical to develop at the present time.

BACKGROUND

- Technology has allowed companies to develop new products which conform to consumer wishes, such as low tar cigarettes. However, alternative technologies are not always technically feasible, nor acceptable to the consumer.
- The tobacco industry has come under pressure to develop a cigarette with low ignition propensity (i.e., "fire-safe" cigarettes), lower sidestream smoke, as well as lower "tar" cigarettes.
- Legislation which may indirectly impact the tobacco industry and place pressure on it to develop "new technology products" may arise in the following areas: health claims; advertising restrictions; medical device definitions; addiction warnings; health care costs; and environmental laws.

STRATEGY

The tobacco industry will continue to (1) monitor legislation which tends to place pressure on the industry to develop alternative products, (2) evaluate the feasibility of proposed alternatives, and (3) oppose those alternative technologies which are not technically feasible or practical to develop.

INDUSTRY POSITION

The tobacco industry favors the development of new technology and products which meet consumer desires and needs, but opposes the imposition of onerous requirements by legislatures when prevailing technology makes it infeasible to comply with the requirements.



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F. TOXIC SUBSTANCES

ISSUE

California's Proposition 65 and similar proposed measures requiring warnings for listed suspected carcinogens and reproductive toxicants create unnecessary and costly obligations for business, disrupt uniformity of packaging and distribution on a nationwide basis, and potentially encourage businesses to ban smoking on their premises.

BACKGROUND

- ° In November 1986, California voters approved Proposition 65, which requires that businesses with 10 or more employees provide a "clear and reasonable warning" whenever they knowingly expose a person to a chemical "known to the state to cause cancer or reproductive toxicity" (e.g., the chemical is listed by the Governor upon recommendation by a Scientific Advisory Panel). To date, over 200 chemicals have been so listed as carcinogens and reproductive toxicants. Proposition 65 is enforceable by stiff fines and penalties up to \$2,500 per day per violation.
- ° On April 1, 1988, "tobacco smoke" was listed as a carcinogen and "tobacco smoke (excluding environmental tobacco smoke)" was listed as a reproductive toxicant under Proposition 65.
- ° In 1990, 6 states (California, Illinois, Louisiana, Maryland, Massachusetts, and New York) considered Proposition 65-type legislation; to date 4 states (California, Illinois, Louisiana and Maryland) have defeated such measures.
- ° In addition to Proposition 65-type measures, toxic use reduction bills, which seek to reduce the use of toxics at the production point, were introduced in 5 states (California, Georgia, Nebraska, New Jersey and Washington); to date, 3 states (Georgia, Nebraska and Washington) have defeated such measures.

STRATEGY

Support the TI and other coalitions (manufacturers' associations, chambers of commerce, farm bureaus, chemical, oil and electronics industries, restaurants and consumer products companies) in defeating Proposition 65-type and toxics initiatives and legislation.

INDUSTRY POSITION

The tobacco industry opposes Proposition 65-type and toxic use reduction legislation, because:

- inadequate scientific evidence exists to support a listing of complex tobacco mixtures such as "tobacco smoke" as either a carcinogen or reproductive toxicant;
- such measures constitute poor public policy, mislead the public, impose burdensome and costly labelling requirements, drive up prices and result in inconsistent regulation by various states.

G. PREEMPTION/FEDERAL

ISSUE

State and local regulation of cigarette advertising and warnings inconsistent with federal or international regulations leads to conflicting laws, inconsistent packaging, and restrictions on interstate commerce.

BACKGROUND

- In 1965, Congress passed the Federal Cigarette Labelling and Advertising Act, requiring manufacturers to place a health warning on cigarette packages and preempted the states from imposing any requirement or prohibition (based on smoking and health concerns) on the advertising and promotion of any cigarettes.
- In 1969, Congress banned all radio and television advertising of tobacco products.
- In 1970, Congress changed the wording of the warning labels required on cigarettes.
- By Consent Agreement with the Federal Trade Commission in 1972, the industry agreed to place the Surgeon General's warning on all cigarette advertising.
- In 1984, Congress adopted 4 rotating warnings to be placed on cigarette packages and advertising.

STRATEGY

In response to conflicting state and local regulations on tobacco advertising and labelling, the industry will support "preemption" provisions in state legislation which prohibit localities from enacting more stringent restrictions than the state restrictions. The industry also supports state regulations that are patterned after or parallel to federal regulations.

INDUSTRY POSITION

The tobacco industry opposes all state and local legislation which defeats the purpose of the uniform labelling and advertising requirements imposed under the Federal Cigarette Labelling and Advertising Act and supports the adoption of uniform legislation which prevents fragmented regulation at the state and local levels.



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