

MAR 07 '91 08:40 PMUSA - REGION VII

P.2/8

Revised
PHILIP MORRIS U.S.A.**INTEROFFICE CORRESPONDENCE****120 PARK AVENUE, NEW YORK NY 10017****(Government Affairs - Region VII)****TO: Tina Walls****DATE: February 25, 1991****FROM: Pat Wilson****SUBJECT: Minnesota Plan**

The Governor of Minnesota held his budget address on 2/20. During that address, he alluded to plans to increase both the consumer excise tax on cigarettes, as well as beer and wine in combination with spending cuts, in order to achieve a balanced budget for FY92. I say alluded because the Governor provided neither a budget document nor bill to the Legislature or to the general public. Through discussions with key staff, and using press accounts, the Governor will be seeking a 63 percent increase in the consumer excise tax on cigarettes. This increase translates to a 24-cent increase which would bring the state's tax the highest in the nation. Minnesota's tax, if passed, would be double that of any of the border states: ND--2 cents, SD--23 cents, IA--31 cents and WI--30 cents.

Meetings have been held with the Governor and his chief of staff to discuss his proposal. At these discussions, it was evident that they were not interested in our arguments regarding regressivity, cross border sales and bootlegging, nor in opportunities for potential alternate revenue sources. Therefore, after the budget address, the Governor was targeted to receive phone calls from disgruntled Smoker Caucus members.

On 2/22, a meeting was held of organizations and companies who have become allies on tobacco issues. Members of this group include: The MN Grocers, MN Retailers, MN Tobacco and Candy Distributors, Northwest Tobacco and Candy Distributors, MN Vending Machine Operators Association, RJR, Brown and Williamson, MN Licensed Beverage Association, the Tobacco Institute, PM and individual member companies from each of the trade associations listed above. In addition, other organizations, including the MN Taxpayer Association, will be asked to either become members of the coalition or to become resources to the coalition. A follow-up meeting of the allies will be scheduled in approximately two weeks. In the interim, the members have been asked to review the potential resources that they can bring to this battle. Unfortunately, the MN Grocers and MN Retail Merchants Association have publicly endorsed the Governor's budget. The reasons include that they had supported the Republican's bid for governor, and there needs to be continued support for the Governor now; the business community, including these associations, say their top priority is property tax relief which the Governor has promised in his budget address. I will be meeting with the two associations regarding their non-public assistance in contacting their members who sell cigarettes.

CONFIDENTIAL:**MINNESOTA TOBACCO LITIGATION****TIMN 457679**

-2-

PROPOSED PLAN - Revised

There are two key dates that will affect this plan. The first is March 23, when the state forecast will be released by the Revenue Department. The second date will be the first week of April when the Speaker will start pushing to have the budget on his desk.

Studies

- 1) Alternative Revenue--Requested from DC and received. The studies have been presented to the Speaker and the Chairman of the Senate Tax Committee. Another meeting will be scheduled with the Governor's staff to present the AR study, DC.
- 2) Regressivity Study--Requested from DC. I am expecting receipt by 3/1. The study will be released by the CART. This study will be released previous to the press release by CART to the Speaker and to the Chairman of the Senate Tax Committee. Release by CART expected by late March, DC.
- 3) Bootlegging/Cross Boarder Sales Study--Requested from DC. I am expecting receipt the first week of March. The same strategy will be used for this study as for the previous study, DC.
- 4) Elasticity Study--Presented by the MN Taxpayers Association newsletter in 12/90. This report provided specific information for the elasticity of cigarettes. These numbers were provided by the Department of Revenue. This study is being forwarded to DC for analysis. The Taxpayers Association will be contacted after the analysis to release their report through a press release. The analysis will need to be completed by the second week of March. The draft press release will be needed approximately three to five days after the analysis is completed. Burson-Marsteller to write press release for MTP. Analysis--DC.
- 5) Analysis of Governor's Budget--While the Governor gave his address, a written document has not been presented to the Legislature. It is necessary that there be an analysis of cuts, increases, etc. A copy of the document will be forwarded to DC as soon as it is available. The MN Taxpayers Association will also be completing an overall budget analysis. We will be working with them on the problems specific to cigarettes. Meeting scheduled for 2/28. This analysis needs to be completed as quickly as possible, DC.
- 6) Smokers' Profile--To be completed by TI consultants, the profile provides the specific demographics of smokers in Minnesota. The report will be forwarded to PM, through PW, to be used in analyses and for coordination, PW and DC.
- 7) CTJ Study--The TI in DC has contracted with the Minnesota Citizens for Tax Justice to release a tax study. Coordination will take place between PW and DC with the TI and CTJ, DC.

TIMN 457680CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

MAR 07 '91 08:41 PMUSA - REGION VII

P.4/8

-3-

- 8) Economic Impact Study--TI headquarter's standard economic analysis was completed and forwarded to TI's field office. A copy has been forwarded to DC and TW by PW. A summary sheet needs to be prepared and arguments developed from the analysis, DC. Date: March 8-11.

White Papers

- 1) Lobbyist--Summary of arguments from studies by PM, TI and others to be used by lobbyists when making contacts with legislators. Since the studies have yet to be completed, a specific date for completion of the white paper is difficult to determine at this time, but needs to be completed as quickly as possible (3/15), DC.
- 2) Retail/Customers--Summary sheet to be distributed at "food shows" where retailers who sell tobacco could receive information regarding possible affects of the proposed increase on sales, asking them to become involved in an effort to defeat a tax and a telephone number that can call to let the Legislature know their opposition. The Mintor-Weissmar show is scheduled for 3/7. The white paper needs to be available for printing 3/5, DC. The telephone number, if possible, should be a 1-800. A number should be available for publication by 3/5, MP.

Mobilizations

- 1) Sherwood Forest--Identify new volunteers for an April mobilization. The request for volunteers will go out the week of 2/5 with responses to be back by 3/25. Volunteers will be asked to telephone, via an 800 number, and to follow up that call with a letter to their legislator MP.
- 2) Point-of-Sale Postcards--See CART for details. Need the number of retail accounts in Minnesota. It would also be helpful to know the number of vending machines, so that kits could be displayed on machines where it is appropriate, asap--MP.
- 3) Telephone Calls Targeting Members of the House and Senate Tax Committees--Using an 800 number, smokers will be asked to call members of the House and Senate Tax Committees asking them to oppose the Governor's proposed 24-cent tax increase. Once the telephone call has been completed, the volunteer will be asked to follow up with a letter. This mobilization should begin 3/11 and run for approximately five days, or to 3/15. A list of members of the tax committees to be forwarded to MP by PW. Number of calls to reach each member should range between 25 and 30, MP.

CONFIDENTIAL:

MINNESOTA TOBACCO LITIGATION

TIMN 457681

MAR 07 '91 08:42 PMUSA - REGION VII

P.5/8

-4-

- 4) Letters to Legislators by Smokers--This effort will target smokers to write letters to their legislator opposing the Governor's proposal. Letters to reach legislators' desks by last week of March (26th-31st). A Phase II effort will be conducted through the use of volunteers recruited by the Sherwood Forest mobilization, if necessary. Each legislator will be targeted to receive between 20 and 25 letters. It may also be necessary to follow up the letters with phone calls, as well, MP.
- 5) SMOKERS ADVOCATE--Will be used to update volunteers on their efforts, and keep their focus on the defeat of the tax through the targeted period, CD.
- 6) Letter from Section Sales Director to all PM Accounts--The letter will ask the accounts' help in defeating the Governor's proposal. It will ask them to participate on several levels including: Allowing the sales force personnel to drop point-of-sale displays in order to distribute postcards to their customers, calling their legislators whose name is enclosed in the letter along with an 800 number to use, and by following that up with a hand-written letter, PW and MP.
- 7) Union Contacts--Working with TI's Labor Management Committee, develop mobilization (postcards--CART mobilization) within union rank and file, PW.
- 8) TI Phone Banks--TI plans to develop phone bank with retailers/vendors/wholesalers to contact key legislators. Dates TBD.
- 9) Reverse Phone Bank--Interested smokers, who have not been part of PM's or RJR's programs, will be supplied with an 800 number that they may call to get further information about the excise tax issue. The 800 number will be available through retail outlets' point-of-sales signs, cards on tables in designated smoking areas of restaurants, etc. The Minnesota Candy and Tobacco Association has volunteered to place an insert in each cigarette carton wholesaled by their members. The citizen can then call the 800 number where an operator will inform them that if they desire, a constituent contact card will be sent to their state representative, state senator and the Governor's office expressing their strong objection to the proposed excise tax increase. If the caller agrees, the operator will note the caller's name, address and telephone number. A list of such contacts will be forwarded to Minnesota, where we will have assembled a group who will fill in the name, address and telephone number of the constituent on a card, identify the appropriate legislators to receive the contact, and address the card to those legislators. A duplicate card will be completed for the Governor's office. These constituent contact cards will be delivered to the appropriate legislators by the PM/RJR/TI lobbying staff, PW/TW/TI.

CONFIDENTIAL:

MINNESOTA TOBACCO LITIGATION

TIMN 457682

-5-

Media Contacts and Communications Opportunities

- 1) Local PR firm to be hired by TI to work with newspaper editorial boards throughout the state, particularly in rural Minnesota. Follow up with CART using Burson-Marsteller.
- 2) Op-Ed pieces to be written by Communications and signed by the following groups:
 - * MN Taxpayers Association
 - * Labor Unions
 - * Wholesaler Association

Phase I draft letters to PW by 3/13. Phase II letters to PW on 4/13 (if necessary), CD.

- 3) Letters to the Editor--To be written by Communications and signed by third parties garnered by PW. Several letters in each of the following categories, CD:
 - * Smokers
 - * Individual wholesalers
 - * Individual retailers
 - * Retailers that are located near state borders or Indian reservations.
- 4) PM Editorial Services--Editorials written and submitted through PM Services to local newspapers. Subjects to include a legislator opposing the tax regressivity and cross border sales. Signatories to be provided by PW. Target dates for articles: March 15, April 1 and April 15, CD.
- 5) Provide Op-Ed pieces for Trade Magazines--To be written by Communications, CD:
 - * PROOF--MN Licensed Beverage Association--Opposition to excise taxes in general, but specific to Minnesota. Completed on 2/27 (750 words).
 - * MN Retail Merchants Association--Loss of sales. Date needed TBD.
 - * MN Grocers Association--Cross border sales. Date needed TBD.
- 6) Use PROOF Magazine to run advertorials, TBD, LF. (Partially completed.)
- 7) Find opportunities for good press interviews for Sheila Banks, PW and SB.

CONFIDENTIAL:

MINNESOTA TOBACCO LITIGATION

TIMN 457683

-6-

Other Types of Efforts

- 1) Letters from Tribal Chairman to the Governor thanking him for proposing the increase in the cigarette excise tax and carboning the House and Senate leadership and the tax chairs. Copies to be released to the press. Date--asap, PW.
- 2) Open letters from the Executive Directors of the Retail Merchants Associations in SD, ND, WI and IA commending the Governor on the increase in retail sales that their members are anticipating with the proposed tax increase on cigarettes, particularly now during a time of retail downturn. Date--asap, PW.
- 3) Van load of empty cigarette cartons driven from Kentucky to the Minnesota State Capitol.
 - * Media coverage of the delivery, PW, SB and Burston-Marsteller.
 - * White paper outlining the costs/profits associated with bootlegging cigarettes under the Governor's proposal, PW and DC.
- 4) Ninja--Identify smoker who could be used with press on an as-needed basis, KD--March 17.
- 5) Tax Committees hearings around the state. On 2/27 through 2/31, the House and Senate Tax Committees held joint meetings in out-state areas on the Governor's budget proposal. Working with the sales force for retail accounts and the two wholesaler organizations for wholesaler support to attend meetings and register in opposition to the cigarette tax, PW. completed 2/27.

CART

Develop a Citizens Against Regressive Taxation coalition in Minnesota.

- 1) Select an executive director--asap, PW and TW.
- 2) Release studies--asap, PW and DC.
- 3) Media contacts--PW and TW with Burson-Marsteller.
 - * Press release on the formation and reason for the group.
 - * Press releases for the release of studies.
 - * Develop speaking opportunities for CART executive director with local press.

CONFIDENTIAL:

MINNESOTA TOBACCO LITIGATION

TIMN 457684

MAR 07 '91 08:44 PMUSA - REGION VII

P.8/8

-7-

- 4) Point-of-Sale Postcards--Develop postcard campaign to target two or four legislators from each house to receive postcards, which will be displayed at retail and vending locations where cigarettes are sold. The cards would be postage paid and would display the Citizens Against Regressive Taxation as the sponsors. Coalition members would also be interested in printing some additional cards which voice opposition to all excises. These cards would be distributed by the beer wholesalers and the MN Licensed Beverage Association (the Governor has called for an increase in the tax on wine and beer by changing the calculation of the tax to ad valorem; this will allow CART members to stand against all excise taxes, and it will allow for additional postcards to be sent because there will be an overlap of concern), MP. Number of cards TBD.
- 5) White Papers--CART to be used as the umbrella organization to develop, print and distribute to retail customers, PW with Burson-Marsteller.

Should you have questions regarding this plan, please let me know. I would like to proceed as quickly as possible. Thank you for your assistance.

sn

cc: T. Walls
J. Nelson
D. Crawford
M. Malik
M. Paluszek
L. Zuke
S. Banks
K. Daragan
L. Froelich
B. Benjamin (Burson-Marsteller)

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

TIMN 457685