

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION
COMMENTS MADE AT THE
ANNUAL MEETING

December 13, 1984

SAMUEL D. CHILCOTE, JR.

One year ago I stated that the past year was more eventful than the twenty years before it...combined. The year was difficult, rewarding and demanding.

1984 was much tougher than 1983 and 1985 will be tougher yet. This morning we will take a brief look at the past 12 months and a look forward to the next year.

The directors of our four divisions will report to you on their results in 1984...despite the fact that it was a difficult year, their reports contain some good news.

(Reports by Mr. Kornegay -- for Dave Henderson, Mr. Mozingo, Mr. Kloefer and Mr. Milway follow.)

For us, 1984 is history and while we are proud of our accomplishments, we are focused on what lies ahead.

Excise tax legislation is our highest priority as we enter 1985. While Congress's attention is focused on the budget deficit, it is doubtful there will be much action on proposals to earmark cigarette and alcohol excises for Medicare. The concept, however, is gaining ground and represents a continued threat.

At the state level, we believe 28 states will pose serious excise tax challenges in the next year. These states are looking at the federal sunset with mouths watering.

Our plan of attack includes the following:

Intense lobbying by the Federal Relations Division in order to maintain close contact with the members of the two revenue-writing committees.

We remain hopeful that we can pull together a sizeable bloc of Congressmen who will vote against any tax bill which includes the mention of the word "tobacco."

Our state lobbyist and representatives are helping by providing constituent pressure on key Members of Congress.

In January, Congressman Wyche Fowler, a Member of Ways & Means, will be the keynote speaker at a seminar on tax policy at one of his home district universities. He will be surrounded by a panel

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

of economists...all of whom oppose excises. He, too, will oppose excises publicly and in front of local voters. The seminar will receive publicity and Congressman Fowler will be firmly on the record.

Other Members, carefully chosen by our federal lobbying team, will be approached in the same manner.

We expect to have the results of our third major study demonstrating the economic impact of tobacco before the end of the first quarter. This study, conducted by Chase Econometrics, will be invaluable to our lobbyists and communicators as they make our case against taxes and other legislation.

While we believe our lobbyists are and must be our strongest line of defense, they are not our only line of defense. We have established a broad coalition against excises. Each of these partnerships requires on-going attention...they can and must lead to yet more coalitions.

The value of coalitions was crystal clear in 1984 on the self-extinguishing cigarette legislation. In 1985 we expect to focus particularly on public employees, minorities, women's groups, veterans and industries with commercial ties to tobacco.

We are not out of the woods on the self-extinguishing issue. Although the state legislation was subsided, the federal bill which passed last summer was removed much of the pressure in Washington, yet the federal study...authorized by the legislation is quite slowly getting under way.

The Study Group will issue an interim report in 1985, our first official indication on what the final report may look like. It will signal the states whether to trust the federal government or go it alone.

Meanwhile, the Federal Aviation Administration is taking a hard look at airplane fires. We've already seen legislation which would hold smokers responsible for fires involving "drunk smoking." So we are talking about more than just self-extinguishing cigarettes.

We are monitoring the Federal Fire-Safe Cigarette Study as closely as possible. The industry has already selected its four representatives on the study panel, and we are attempting to place other friendly members on the panel.

The Chairman of the Consumer Product Safety Commission is to direct the entire study. Terrence Scanlon is the Administration's nominee to fill that vacant position. He appears to be someone we can work with.

As Bill Kloepfer mentions, our fire prevention program is in place from coast to coast. We continue to ensure that key legislators are aware of our positive working relationships with fire fighters.

TIMN 0061488

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

The public smoking issue is quite a different story. We have seen a steady parade of public smoking bills at the state level over the past decade. We've defeated most of them. As Roger reported over this past year we've seen a trend towards local ordinances aimed primarily at the workplace. We've also seen an increase in voluntary restrictions in businesses, public agencies, associations and even unions.

Workplace restrictions is not the only trend that concerns us. The CAB gave serious consideration to prohibiting smoking on most flights.

They did not enact new rules, however, the CAB hearings were the red flag that signaled far greater federal interest in cigarette smoke and the nonsmoker.

Entering 1985, four separate federal agencies plans to study cigarette smoke and nonsmokers. The EPA is ready to proceed with a \$75,000 study of passive smoking...with a proposed \$2 million study of indoor air pollution; the FAA -- heir to CAB -- is studying cabin air quality; the National Cancer Institute and the Office of Smoking and Health are both taking a hard look at public smoking; and, according to our intelligence, the surgeon general's next report will focus on workplace smoking and the effects of smoke on the nonsmoker. We expect to see at least one major federal bill in this area sometime in the next two years.

In 1985, we expect to see as many as 40 states consider smoking restrictions. We have identified 90 cities likely to consider such ordinances.

In preparation, we are establishing and building upon our relations with the federal agencies dealing in this area. In the process of bringing in new leadership, the administration's nominee for head of the EPA is Lee Thomas. The good news is that we understand he is a reasonable man.

The bad news is that under Thomas will be two men in key positions who are known anti-smokers. Joseph Cannon, Assistant Administrator for Air, in charge of the \$75,000 study mentioned in Mr. Milway's comments, and James Repace, who claims that cigarette smoke in the air kills between 500-5,000 nonsmokers annually.

One month ago, we asked prominent medical researcher, Dr. Sorell Schwartz of Georgetown University, to critique Repace's work. We will use that critique in briefings with EPA officials. The EPA, under Bill Ruckleshaus, was not afraid to sanction its own staff when they did shoddy work. We hope that tradition continues.

We are fortunate to have Dr. Schwartz's assistance. [One of our greatest weaknesses is our lack of qualified medical researchers to help us refute the anti-smokers with legislative testimony, public appearances and articles. Covington & Burling is actively attempting to identify and develop such experts.]

TIMN 0061489

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

Until then, we must rely mostly on traditional arguments to combat public smoking restrictions. We have a good variety of consultants ready to help our lobbyists.

In 1985 we will continue to see sampling and advertising restrictions proposed at the state and local level. We will face enormous studies blaming cigarette smoking for an endless variety of diseases. Also a continuing expansion of the anti-smoker coalition.

I can't predict whether our adversaries will push for an anti-tobacco postage stamp or elimination of the cigarette discount at military bases in 1985. I will guarantee that 1985 will be the anti-smokers' most active year.

The Institute is ready. Our tradition has been to stay a step ahead of the anti-smokers through our legislative and public relations programs. We must be even more aggressive in 1985.

TIMN 0061490

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

DAVID HENDERSON (delivered by Horace Kornegay)

In the last Congress we greeted the 1983-84 legislative cycle with our feet planted for a legislative donnybrook. We got what we expected and more.

As we look to the new Congress, the only change will be the major issues.

With the passage of the Comprehensive Smoking Education Act (labeling), the Cigarette Safety Act (the self-extinguishing cigarette study) and our action before the Civil Aeronautics Board, we should be able to concentrate on tobacco excise taxes and other legislative threats.

We must, however, anticipate further proposals such as additional warnings regarding addiction, ingredients and expansions to other manufactured tobacco products.

The Cigarette Safety Study will require constant monitoring. Ralph Vinovich has assumed that responsibility.

Dr. William Prendergast will proceed as our tax project leader and will have all resources of The Institute at his command.

Awaiting the completion of the organization of the 99th Congress, our tax project plan is partially implemented. The new Majority Leader is Bob Dole and Chairman of the Senate Finance Committee is Bob Packwood. Chairman of Senate Commerce Committee is expected to be John Danforth. If Senator Strom Thurmond of South Carolina exercises his prerogative to become Chair of the Senate Armed Services Committee it would prevent Senator Goldwater from chairing that Committee, thus giving Goldwater the opportunity to chair Senate Commerce.

The possibility exists that former Republican Whip Stevens of Alaska might challenge Danforth on the basis of Senator seniority to become Chair of the Senate Commerce Committee.

Senator Helms remains as Chairman of the Agriculture Committee and Lugar Chairs the Senate Foreign Relations Committee. Only time will tell how these events will effect our legislation.

It is our major goal to hold the traditional tobacco state delegations together. Maintaining and expanding the solidarity of the House members who supported the tax sunset provision is extremely important.

We have written the 60 House members from "tobaccoland" urging them to stand fast on the sunset provision. These members represent districts or states in which tobacco provides the livelihood of many of their constituents. We intend to expand the ranks of this group. Members of the Congressional Black Caucus and other individual Members on issues of concern to our industry as well as Members of state delegations have been lobbied by us.

TIMN 0061491

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

We have asked the 60 tobaccoland House members to pair with 60 other Members of Congress, who we have already identified, seeking commitment to us. With that total of 120, we will seek commitments from at least another 100 members.

If and when a vote is necessary, it is our objective to obtain a sufficient number of 218 votes -- plus all possible additional support to insure a victory. A similar effort will be made in the Senate.

As stated at the September Executive Committee meeting, the most important element of the tax plan is that the entire industry speak with one voice.

Sam Chilcote has made it clear to all Institute employees that there is only one position on excise taxation. Sam has also made it clear that any report or rumor be passed on to him without delay.

Another matter of great importance is the need for amendments to the price support program. Early legislative action is anticipated. We have all made extensive efforts to determine the legislative situation in 1985.

Early efforts must be taken to amend the program for the 1985 crop. If the problems between the farm groups -- tobacco allotment holders and the actual growers -- can be resolved, the tobacco legislation may move on its own. There is agreement that the legislation can be handled in the House...under suspension of the rules.

Unfolding events regarding this price support legislation can complicate our legislative task regarding excise taxes. There is mounting suspicion and animosity between the farm groups and the cigarette manufacturers. These fears may be allayed if Congress can fashion amendments to the price support program that we can support. If, however, the Agriculture Committees of the Congress were to suggest cigarette taxes to finance the cost of the farm program, we might be faced with a situation which cannot be clearly defined at this time other than troublesome, if not dangerous.

We will be watching Congressional response to coalition and other adversaries' efforts to harass the industry. Observed activities are: advertising, air quality standards, agitation for smoking restrictions in federal properties and aboard public transportation under the federal jurisdiction, codification of CAB regulations, import regulations pertaining to raw materials, education programs and research, product liability and risk assessment.

We have attempted to anticipate the needs for the next Congress as we look forward to the restaffing of the federal division. As the new session begins in 1985 we hope to have fully staffed our division so that we will have adequate lobbying capabilities.

In the last Congress, we distributed \$198,532 from our TIPAC account to 253 Members of Congress. During the same Congress, 148 Members received \$208,000 of honoraria. We have focused on Members of the tax-writing committees in this program have hosted 18 Members of

TIMN 0061492

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

the Ways and Means and Finance Committee in these sessions, which helps to spread understanding of the problems of our industry and create a more receptive climate on the Hill.

Our support activities to key Members of the Congress is all important. We can earn goodwill with contributions toward new Members' campaign debt retirement and incumbents' war chests for the next campaign.

TIMN 0061493

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

ROGER L. MOZINGO

We remain very much aware of the charge from our Policy Committee just over a year ago. The effort that has gone into our State Activities Structure and Programs has produced a good year at the state level...

we have been less successful at the local level.

At the state level:

Fifty-one excise hike measures were considered. Five were adopted. Our success records exceeds 90%. The biggest disappointments came in Texas (a 2¢ hike by next year) and in Maine (an 8¢ hike). Both hikes were tremendously influenced by publicity surrounding the federal sunset.

One hundred three smoking restriction measures were introduced. Four were implemented. Success record...nearly 97%.

Fifteen "self-extinguishing" bills were dealt with. None were adopted.

Five adult sampling measures were introduced. None adopted.

We faced 184 proposals on taxes, restrictions, self-extinguishing and sampling. Nine measures were adopted.

I think you will agree that's a pretty solid batting average. Ironically, our success at the state level has led to an increased number of anti-tobacco measures considered at the local level. This has become one of our toughest challenges:

Six excise increases were adopted locally...about one-third of those considered. The recent 3¢ jump in Cook County, Illinois, represents our worst local setback.

Two-thirds of the 150 local smoking restriction measures considered were not adopted. Our major loss came in Los Angeles.

Nine adult sampling measures were up locally. Two were adopted, and I believe we stand a chance at modifying the ban in Boston.

Our progress is the result of good work by good people who have responded well to our new structure.

As reported a year ago, we reduced our staff by 20 positions and closed 12 offices nationwide. Today we have a staff of 36 and 9 regional support offices. The staff is divided with 26 positions in the field and 10 at Headquarters.

The thrust of our reorganization has been to decentralize and in turn regionalize our operation.

To accomplish our mission we put more responsibility, and thus accountability, into the hands of our Regional Vice Presidents. We

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

are convinced our structure is on track. Our legislative planning is closer to the scene and we've established better coordination between our field staff and lobbyists.

At Headquarters, we've organized our effort into clearly defined programs so as to remove any doubt about our objectives and how we manage our time and spend our money.

We are divided into four key areas: legislative; legislative support; communications and administration.

Our LEGISLATIVE PROGRAM is the nucleus. This effort determines our success or failure at the state and local level. Our lobbyists are the key in this program. We retain 80 lobbyists at the state level and additional counsel at the local level when required.

During the past year we strengthened our lobbying effort in 15 states. We have now identified potential back-up counsel in all 50 states:

In 1984, 1985 and beyond it will always be essential that we have in place the strongest possible lobbying corps. The credibility and ability of our lobbyists in many instances is more important than the "merits" of the issue itself.

Our own field staff works closely with our lobbyists to refine our legislative planning. This fall, our Regional Vice Presidents planned and conducted five regional lobbyists' meetings. A number of member company employees attended those meetings.

Our 30-state Corporate Campaign Contribution program is increasingly important to our overall legislative effort. Members of Revenue and Health Committees have been the target of contributions. The program has proven beneficial and will be even more important in the future.

Next year we will conduct a limited Honoraria Program, focusing principally in the 20 states where corporate contributions are not permitted. This program should assist tremendously and help us establish a "tobacco presence" in all states.

Our LEGISLATIVE SUPPORT PROGRAM is the oil that makes the division run.

The Tobacco Action Network (TAN) has become something of a dinosaur. While bringing the program into better focus, it is, and will remain, an important part of our legislative support program.

We've put much effort into identifying the real TAN activists... folks like Lance Jones, who are willing to walk the extra mile for their industry. We have identified more than 12,000 such activists, and are targeting most of our effort toward them.

Grass Roots support is and will remain vital to our support effort.

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

Just last week the St. Joseph County, Indiana, County Council rejected an extremely broad restriction measure affecting, among other locations, the workplace and restaurants.

The hard work of our Regional Vice Presidents, our lobbyists and some of our active volunteers resulted in the victory.

TAN activist Gordon Ford (Ford Vending Company), his wife and son were instrumental in generating dozens of phone calls and letters to the County Council and led a flyer distribution program that got our message out to thousands of others.

Additionally, renewed efforts to bring new allies to the fight are paying off. While we usually muster fairly good "family" support from manufacturers' employees, vendors, distributors and the agricultural community, we have endeavored to enlist more and better support from non-tobacco allies:

In the defeat of the annual Grannis' smoking restriction legislation in New York, we had the active support of Restaurant Associations, Chambers of Commerce, Unions, Bowling Alley Proprietors, Hotel/Motel Groups and a host of others.

When our legislative support effort delivers such a wide variety of allies, we make our lobbyist/field staff job a good deal easier.

Political/legislative organizations serving the states are becoming increasingly important to us.

With the help of company staff, our division is assuming an increasing role in the activities of key legislative groups: the NCSL, CSG, NGA and others are constantly coming up with legislative ideas...and model bills which affect our industry.

Another goal has been to improve resource development...development of materials for use by our lobbyists and field staff. These materials are being tailored to the states we know will be top priority next year.

We work with PR to make more frequent and better use of advertising campaigns and other programs designed to get our message out.

A year ago, our COMMUNICATIONS PROGRAM was in shambles. Today, I can personally point to this effort with pride and tell you that we have made good progress:

A new "Issue Book" has been developed for use by the field and lobbyists.

Our "State line" and Stateline "Special Report" series have shown marked improvement and the information flow to and from the field, lobbyists and companies.

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

A new set of guidelines has been prepared for the field. It streamlines and standardizes the reporting of action requests and after-action analyses.

The new computer system and improved legislative reporting techniques make it possible to have legislative updates in your hands within 12 hours of action.

Through your government relations employees, an important part of our continuing communications effort is to keep you gentlemen up to date on current news, as well as what we see on the horizon.

As we focus on 1985, we see some serious challenges:

We face a two-headed tax monster...the federal sunset -- and the possible state action to pick up the 8¢.

Major anti-tobacco "health" plans have been issued in Minnesota, Texas, Utah and New Mexico. They each call for punitive cigarette tax hikes, tougher restrictions and advertising laws.

The growing concern among tobacco grower groups about how to finance the "no net cost" tobacco program is another serious threat.

We are confident that the regional concept adopted nearly a year ago has worked well in 1984 and with additional fine-tuning, it will continue to work well in 1985 and beyond.

TIMN 0061497

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

WILLIAM KLOEPFER, JR.

The sole objective of our public relations is to support Federal Relations and State Activities on every issue. We do it in four ways: producing documented materials; providing expert witnesses; developing coalitions and challenging the anti-smokers.

1984 is the year that the anti-smokers came of age. Their leader, U.S. Surgeon General Koop, is an individual capable of uniting the many competitive organizations intent upon closing the doors of this industry. He has called for a smoke-free society by the year 2000. He has made that his personal and official crusade. He has attracted funding and journalists. He has inspired anti-smoking militarism...a militarism which is more than a mere PR theme.

The gestation of the anti-smoking movement during the past two decades has brought forth a stampeding elephant.

Our biennial poll last spring revealed a full third of the sample did not regard our industry as important to the U.S. economy. More than two-thirds said we are not at all concerned about the health and safety of our customers. Nearly one-fifth wanted smoking banned altogether in the workplace. Nearly 70% believed that cigarette smoke in the air is probably hazardous. Nearly 70% of the smokers said they frequently or occasionally feel uncomfortable about their custom.

That is bad news. The good news is our responses. We are substantially more aggressive, but never at the sacrifice of truth or ethics. We are tighter knit in our division, as an organization. We are filling the communications needs of our political divisions, and earning good will for The Institute with other communications projects.

It took Congress three years to kill preempting legislation and pass the fire study bill. Meanwhile, our fire prevention program met a public need and created the contacts and an environment which made it easier for our lobbyists to do their jobs.

The program started in 1982, took hold in 1983, and produced results this year. Before 1982, the fire service was slowly uniting against us. Firefighters were appearing at legislative hearings, writing articles and giving interviews, demanding self-extinguishing cigarettes.

Forty-two metropolitan communities have received grants for fire prevention education, enabling purchase of hardware and materials.

Fifteen hundred other communities have requested our materials to help volunteer departments recruit and raise funds and teach fire prevention.

We have supported two studies of comparatively low accidental fire rates in Europe and the Far East. These reports are widely read by American experts for the lessons contained therein. Asia and Europe have focused on more important measures than regulating cigarettes.

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

Prevention education material for senior citizens is in draft, as is our evaluation project to enable testing of the effectiveness of local education projects.

Fire departments will promote smoke detector use in rural areas and with poor city families through the use of our manual. We are proud to have been told that we have the best structured fire prevention project ever sponsored by the private sector.

Several of the largest fire service groups have worked with us during this past summer on legislation.

Proponents of labeling and promotion restriction bills say over and over that our industry promotes its products to kids. Four and-a-half months ago the Executive Committee told us to launch our Responsible Living Project. This effort was to prove our policy that smoking is an adult custom, not just talk about it.

We pulled together our advertising, our previews and promotions in just eight weeks. Last September 25, we and the National Association of State Boards of Education announced the availability of our booklet, "Helping Youth Decide," to help parents communicate better with youngsters about a variety of decisions better made as adults... such decisions as drinking, driving, sex, enlisting in military service and smoking.

The anti-smokers were speechless. People genuinely interested in youth welfare were generous with praise and offers to help. Educators from across the country and civic leaders from the Urban League to the Kiwanis and Hispanics and police officers are enthusiastic about the project. Congressional members pitched in. The news media reported we had done something right. The Pennsylvania State Legislature passed resolutions commending us. More than 50,000 of the booklets have been circulated to parents around the country.

Our lobbyists in Texas, Minnesota, Massachusetts and California have requested specific promotion of the project locally to help offset panels, to deal with sampling bills and to help fight excises earmarked for public education.

Anne Browder made a presentation before the National Black Caucus of State Legislators in Los Angeles and received a resolution endorsing the program from the Conference, with the suggestion that the legislators take it back to their home states and encourage their member school boards to utilize this unique resource, "Helping Youth Decide."

Two months ago, John Rupp traveled to Methuen, Massachusetts, to testify before the Board of Health on incipient proposals for smoking restrictions and a sampling ban. He exhibited this current project as an indication that the industry has gone the extra mile regarding youth smoking on many occasions. The Board asked for ten more copies of the booklet and tabled its proposals.

TIMN 0061499

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

When a teenage girl writes "I'm now able to talk and organize things out with my mom for the first time in two years." Or when a man's postcard says in caps "THANK YOU, it really opened the door of conversation between my son and me," you know you've done something good.

The Public Relations Division staff greatly satisfied to spearhead the drive against the antics of the Civil Aeronautics Board last spring. We ran polls, pushed petitions, develop letter-writing campaigns, and worked with the field staff to analyze the effect the rules would have on airlines, airports and air passengers.

We pulled together groups to testify on our behalf, coordinated air carrier response and we even helped fill all the seats in the hearing room. Our efforts demonstrated that the American public, frequent flyers in particular, were opposed to stricter smoking rules on airlines.

You know the results of our efforts. Our contacts remain alive and vigilant for any next round which could occur at the Department of Transportation.

Our accomplishments in the smoking restrictions arena are well worth mentioning: we...

found a prominent labor lawyer who argues that workplace smoking rules ignore collective bargaining.

found an economist who refutes the notion that smokers are costlier employees.

found a well-known police official who says minor ordinances drain police resources and morale.

commissioned major research of first line supervisors and labor officials who say smoking has no effect on productivity.

ran polls in half a dozen cities and counties which showed the majority of the public does not support workplace restrictions.

were responsible for a corporate planning and design firm study which found that efficient space planning is befouled by smoking restrictions.

Further, we wrote a manual on the convenience store industry which helps our field staff develop allies at the local level. Counsel helped us set up a tobacco industry labor-management committee to produce an advertisement demonstrating attacks on smoking are attacks on jobs.

Working with labor, the media and behind the scenes in Erie County, Pennsylvania, we made the vote on the non-binding smoking restriction referendum which the Commissioners, by their own admission, are thinking twice about what to do.

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

The president of the American Association of Affirmative Action, with our support, will propose how his group may address the question of how smoking restrictions hit minorities hardest and are, therefore, an indirect means of discrimination.

We've produced a compelling Workplace Smoking Restriction kit... documentation for personal visits with employers considering smoking policies. We are awaiting the feedback of our first road test a few days ago...with a Maryland state agency.

The largest immediate issue is excises. We've had consulting economists at Secretary Regan's regional hearings on tax simplification. Each of them have built into the record testimony calling excise taxes "lousy."

Five of these economists have formed a Committee on Taxation and Economic Growth and with our help have published their views in a pamphlet. They travel anywhere to testify and have been helpful in lining up other expert witnesses.

A tax reform and simplification seminar in Atlanta will be conducted by two of these experts in February. A Member of the House Ways and Means Committee from Atlanta is one of the feature participants. This seminar will place this Congressional Member firmly on the record, in front of his own constituents, against excises. A few months later, a similar seminar will be held in New York.

Coalitions are as important as expert witnesses. We've helped the Vietnam Veterans of America publish a pamphlet summoning its members to lobby. It has a long title with a specific message: "Excises are the most flagrantly discriminatory and regressive taxes that exist."

The first of the year Sam Chilcote will dispatch to tobacco related organizations and TAN activists a letter-to-editor how-to pamphlet. It will explain how to write in opposition to excises, including addresses of daily paper editors, in preparation for the new year's tax bills.

Labor officials presented in Congress the testimony used before the National Conference of State Legislatures in opposition to earmarking of excises. We helped the labor officials prepare that testimony.

We've opened dialogue with the National Chamber Foundation, the AFL's Citizens for Tax Justice, the liberal Save Our Security organization, Women in Farm Economics, the League of United Latin American Citizens...talking about the evils of excises in generic terms, without the cigarette adjective.

Such issue management, subordinate to the needs of our political divisions, meets our basic objective. Concurrently, we've spent 1984 in substantial strengthening of our media relations and news output.

Our speakers appeared more frequently on assignments by our issue managers. An example I mentioned a few moments ago...Anne Browder's

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

presentation to the National Caucus of Black State Legislators. At the same time, we are being more cautious about accepting appearances which result in more publicity for the anti-smokers. Example...we consistently refused requests to appear with Elizabeth Whelan and Peter Taylor during their anti-smoking book promotion tours.

We've made progress this year in making our own news. Our releases told many different communities about the smoking flight blackouts they faced if the CAB went the wrong way. Our overnight poll released on the Great American Smokeout day reported that three-quarters of the public wished the Cancer Society would spend its money on research instead of stunts.

Our PR team is more effective, cohesive, productive and better directed today than a year ago. They deserve that credit.

The results of one more survey...last month Tarrance was asked to poll media people so that we could compare their views with those of the general public on some key issues. Some results we've just received showed:

Fewer than one in five say the government should control public smoking...same as the general public.

Three of ten think government should take more action on the primary smoking and health issue...same as the public.

Nearly four of ten have a favorable attitude toward our industry ...better than the public's 26%.

One out of three...public 28%...would support a ban on cigarette brand advertising.

We will study the survey report thoroughly to see where our priorities are in patchwork with the media people.

We owe much credit to Tom Humber and his Communications Committee. They have been patient, generous with their time and expertise, and supportive throughout. We look forward to their continuing counsel in 1985.

We will continue to provide the kind of support our front line troops need. We will do it as efficiently, effectively and economically as possible.

I have great pride in the staff of the Public Relations Division and on behalf of them I thank you much for your support.

TIMN 0061502

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

DANIEL A. MILWAY

In addition to the normal role of the Administrative Division which is to make our organization function smoothly, we provide more specific, focused support to the other divisions of TI.

In 1984, our medical group monitored the principal meetings of scientists, health professionals and various anti-smoking groups. They provided analysis and information on a continued basis, because the attacks against our industry on scientific grounds hit almost weekly in professional journals or the press. In this area, we place an emphasis on thorough, disciplined work. We must critique methodologies, check math and verify citations. We are one of the very few organizations carefully reviewing the work of the anti-smoking scientists. We work closely with other divisions to interpret our findings for legislators, journalists and the general public.

The Repace Study on Passive Smoking asserted that the American Cancer Society study of cancer in nonsmoking women conformed to the Hirayama study. We were successful in having published in Lancet, the British Medical Journal, a letter to the editor demonstrating the fallacies in Repace's study.

REDACTION

Our Issues Analysts and Staff Economist serve very much the same function as the medical department, except their issues involve smoking restrictions, advertising and taxes at the federal and state level.

As with our medical department, these professionals must be thorough and they must be quick.

We continually update and upgrade our estimates of the potential impact of excise taxes in all states. When an attack is mounted, we help the field staff and lobbyists with the latest information focused on the particular problem.

Our Publications Group has done an excellent job of producing attractive, effective materials for use by PR and our lobbyists. The Tobacco Observer underwent a dramatic change in look and format. This was accomplished by our staff in close cooperation with PR, along with the variety of pamphlets, topic papers, periodicals and other print materials used by our line divisions. Our assorted mailing lists are also expertly managed by these people.

Separate microcomputers have been installed at each of our field offices. Training of the field personnel was handled by our Data Processing staff to ensure uniformity and the staff has the responsibility of ensuring the best utilization of the hardware.

We've also implemented a headquarters capability to provide full graphics of important information for the use of headquarters and field staff.

CONFIDENTIAL:
MINNESOTA TOBACCO LITIGATION

A staff of five people compose our Accounting and Budgetary Control divisions. During the year two of these people, each with more than five years of service, moved on. In spite of this, we've done an exemplary job. We also were instrumental in negotiating a contract with our advertising agency that materially reduces the amount of money we pay them.

[A challenge we didn't expect to face in 1984 was being named a defendant in a New Jersey product liability lawsuit initiated against several manufacturers. Fortunately, one of our analytical staff is an attorney and she has been devoting a major part of her time to this activity in close cooperation with staff from each of the member company law firms as well as Covington & Burling.]

We fully expect 1985 to be even more challenging and are confident in our ability to meet the challenges.

TIMN 0061504