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INTEROFFICE CORRESPONDENCE

EUR

June 9, 1988

TO: Dolph W. von Arx  
FROM: Gene Ainsworth  
SUBJECT: Government Relations Status Report

FEDERAL ACTIVITIES

- Rep. Mike Andrews (D-Texas) introduced legislation on June 6 to increase the federal excise tax on cigarettes by 25 cents per pack. Andrews stated at a press conference that the increase would generate \$21.8 billion over the next five years, and that ninety percent of the revenues would be earmarked to reduce the federal budget deficit while the remainder -- about \$440 million per year -- would be used for an anti-smoking campaign aimed at teenagers. This bill, like the nine other bills previously introduced to increase the cigarette excise tax anywhere from eight cents to twenty-four cents, will be assigned to the House Ways & Means Committee where no action has been scheduled on any of them. For the remainder of 1988, the biggest threat for an excise tax increase will be through the budget reconciliation process.
- Rep. Thomas Luken (D-Ohio), Chairman of the House Energy and Commerce Subcommittee on Transportation, Tourism, and Hazardous Materials, held a hearing on June 8 on his bill, H.R. 4543, which would repeal the federal cigarette health warning preemption and prevent cigarette manufacturers from using the warning labels as a defense in a liability suit. The bill also requires the Federal Trade Commission to test cigarettes for tar, nicotine, and other cigarette smoke constituents. Witnesses opposing the bill included former Attorney General Griffin Bell representing Brown & Williamson, Charlie Whitley appearing for the Tobacco Institute, an ACLU spokesman, and the Freedom to Advertise Coalition; several anti-tobacco witnesses testified in favor of the bill. The most interesting part of the hearing came when Luken admitted that his ultimate goal is to ban smoking and put an end to the cigarette industry. Luken held a prior hearing on May 4 on "deceptive" tobacco advertising, including the advertised "tar" levels of various cigarettes.

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FEDERAL ACTIVITIES (Cont'd)

- Both the Coalition on Smoking OR Health and the American Medical Association filed separate petitions with the Food and Drug Administration on April 25 and 26, respectively, to regulate RJRT's new product. The FDA currently has no express legislative authority to regulate cigarettes. The FDA has taken no action relative to the petitions.
- In the aftermath of the Surgeon General's report on "nicotine addiction," Senator Bill Bradley (D-NJ) introduced legislation to require manufacturers and importers to place the following warning on packages and advertisements: "Surgeon General's Warning: Smoking is addictive. Once you start, you may not be able to stop." Rep. Jim Slattery (D-KS), a member of the Energy and Commerce Committee, has similar draft legislation in the House and is expected to introduce his bill on June 9. In an effort to "one-up" Luken and others, Rep. Henry Waxman (D-CA) is also drafting legislation to require addiction warnings on cigarettes, to prohibit vending machine sales and sampling, and to regulate levels of nicotine and additives.
- All tobacco-related amendments in the Trade Bill, including the Rose export reporting provision, were dropped in conference, and Congress finally passed this legislation during the week of April 19. The bill was subsequently vetoed by President Reagan and the veto sustained by the Senate. Congressman Charlie Rose has promised to attach his export reporting amendment to the next available legislative vehicle.
- Congressman Rose's Subcommittee on Tobacco and Peanuts held a hearing on tobacco imports on May 25 in Washington, DC. The only witnesses were representatives from USDA, and they testified that flue-cured imports have decreased five percent for the first nine months of the 1987/88 marketing year. Rose stated that there had not been a "dramatic decrease" in imported tobacco since the adoption of the 1986 tobacco program legislation, and that he and his subcommittee would continue to be concerned about this subject. The subcommittee will hold a hearing on tobacco exports on June 15. Additional field hearings are to follow in Raleigh, NC and Kentucky.
- Rep. Rick Boucher (D-VA) introduced a bill on April 29, H.R. 4497, which would implement the recommendations of the Inter-Agency Committee on Cigarette and Little Cigar Fire Safety. The tobacco industry supports this bill. The bill has been referred to the House Committee on Energy and Commerce, and no hearings have been scheduled.

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PUBLIC ISSUES

- The Tobacco Institute staff working with Philip Morris and RJRT has developed an aggressive public smoking program. This program is a result of the joint project Philip Morris and RJRT were working on late last year. We have reviewed and agree with the overall plans. This will be presented to the Executive Committee of the Institute June 16. There was only one area we expressed reservations with. This was the program to further develop smokers' rights groups. We felt like this should be placed on hold from an Industry standpoint given our grass roots efforts and the need for the Institute to focus on the other areas of the plan.
- Tom Ogburn has held two meetings of the special task force convened by Ed Horrigan in New York on May 25 to discuss Public Issues' programs. Following the initial meeting, a letter was drafted over Ed's and Ross's signatures to RJR shareholders, employees and retirees concerning recent publicity regarding the Surgeon General's Report. Now it looks as if this effort will not go forward. The task force is continuing its work to uncover additional possibilities.
- We are negotiating contracts with state grass roots organizers in Oregon and California as part of our action plans to foster local groups. Tom Ogburn reviewed these plans with you, Ed and Champ. Following that approval, we are now taking steps to implement the program. Efforts are now being taken to shift funds from contingencies to finance these efforts.

We have already interviewed several promising candidates for a National Grass Roots Director position. This person will be located in Winston-Salem.

Public Issues' staff is working directly with Industry campaign teams in California, Oregon and Colorado to coordinate the separate RJRT programs in these states.

- A presentation was given to the National Liquor Stores Association in Orlando on May 18. The Company sponsored a breakfast program attended by over 300 NLSA members. Randy Tompson highlighted the parallels between our industries and urged NLSA members to begin to take action against discriminatory legislation.

Discussions were held with the new marketing director of the American Hotel and Motel Association resulting in an invitation to make a major presentation to all the state association heads and the board of directors of the National Association in Michigan in September. Additionally, the door was opened for participation in the National Convention next year.

PUBLIC ISSUES (Cont'd)

- Tom Ogburn has been asked by our Puerto Rican management to assist them in developing public issues programs in response to increased anti-smoking activities on the island. They are interested in adopting many of our approaches. Tentative plans are for this to occur in early July.

STATE AND LOCAL ACTIVITIES

- The California Secretary of State has certified the tobacco excise tax initiative for the November 8, 1988 general election ballot. Proponents of the measure submitted 1,087,000 signatures, and the certification process validated in excess of the 595,485 voter signatures needed to qualify the measure. An organization, Californians Against Unfair Tax Increases, has been formed to oppose the initiative which would increase the state's cigarette tax by 25¢ per pack (10¢ - 35¢). Radio ads in opposition to the tax are scheduled to begin airing on June 14. Television ads are scheduled for June 27. Tom Ogburn and Roger Mozingo are directing RJRT's participation in the California campaign.
- Legislation to change North Carolina's law to provide for a double weighting of the sales factor in computing corporate income taxes was introduced on June 9. The bill's chief sponsor is Representative George Miller, Chairman of the House Finance Committee. The measure is scheduled for Committee consideration later this week and could be considered on the House floor as early as June 14.
- Legislation amending Arizona's gambling statute was enacted. This RJRT-sponsored bill will permit future PMC-type promotions in the state.
- In Alabama, a bill to eliminate all city and county cigarette taxing authority and replace it with a rebate system from an increased state excise tax (16.5¢ - 23¢) was defeated.
- Minnesota's Legislature adjourned without enacting "fire safe" cigarette legislation. Proposals to require adoption of "fire safety" standards for cigarettes was passed by the Senate.
- A bill imposing a 3¢ per pack cigarette tax increase (from 27¢ to 30¢) was defeated on the last day of the Nebraska session. The proposal had previously passed the first two of the three required votes by the unicameral legislature.
- A 2¢ cigarette excise tax increase (25¢ - 27¢) was passed by the Rhode Island Legislature and signed by the Governor on June 2. The cigarette excise tax provisions will take effect on July 1 and will not apply to floor stock already stamped on that date.

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STATE AND LOCAL ACTIVITIES (Cont'd)

- The Chicago City Council has given final approval to a substitute smoking restriction ordinance requiring non-smoking areas in the workplace and other public places. The substitute measure removed percentage requirements in restaurants and limited the workplace restrictions.

PAC ACTIVITIES

- The 1988 PAC solicitation program is proceeding on schedule, and monthly payroll receipts have increased from \$12,600 in January 1988 to approximately \$22,000 at the present time. The 75% increase is attributable to a number of solicitation efforts that have been undertaken, including the recently completed RJRN solicitation in Atlanta and the RJRT hourly employee shareholder solicitation which is nearing completion.
- A number of additional solicitation programs are currently underway that will be concluded within the next few months. These programs include the solicitation of an expanded base of Field Sales personnel, Planters LifeSavers headquarters personnel, and retired employee shareholders.

*Gene*

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