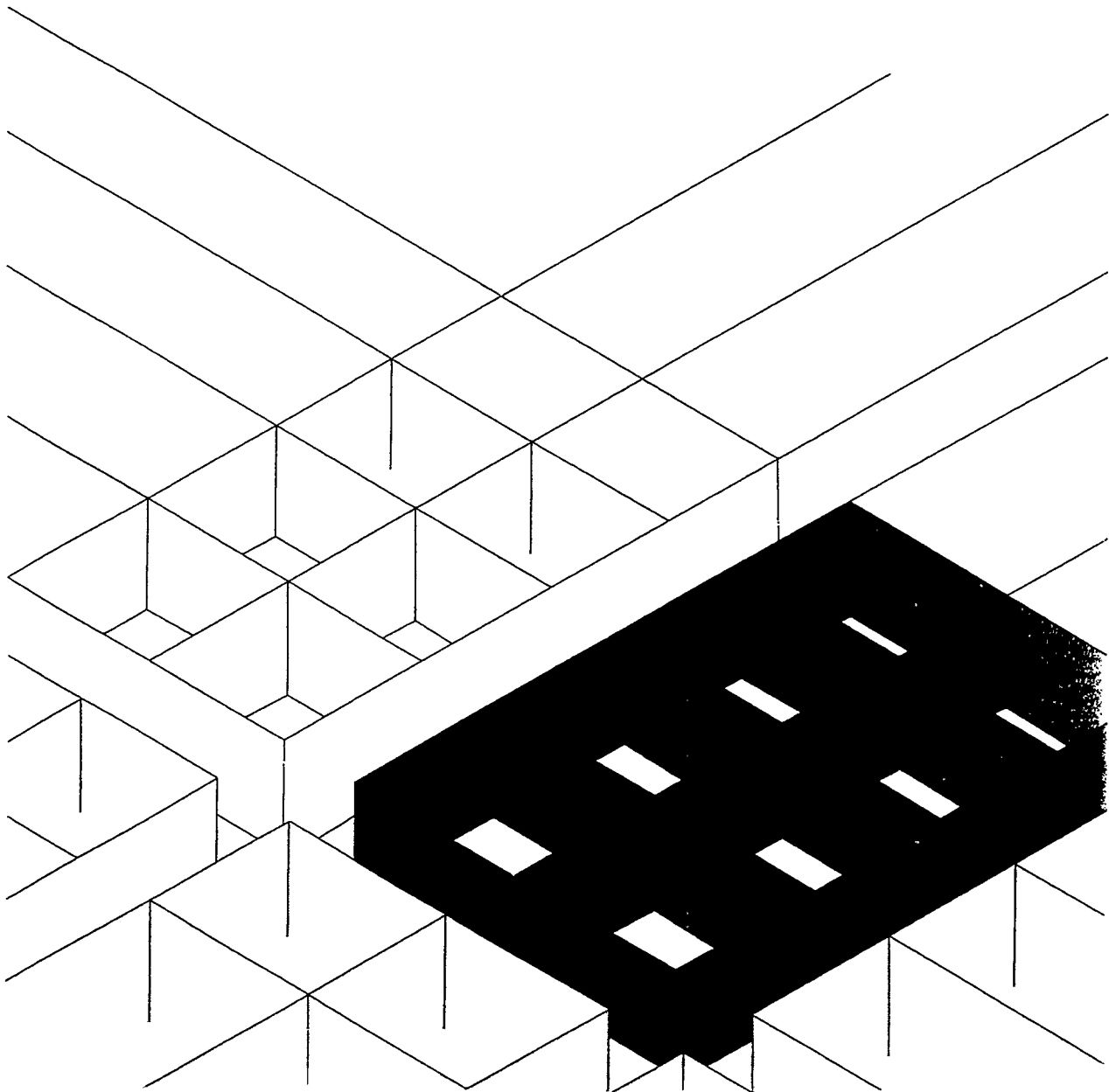


Executive Summary

Smoking Policies in Large Corporations



Executive Summary

In late 1984, the Human Resources Policy Corporation, Los Angeles, Calif., surveyed 1100 of the nation's largest and fastest growing companies to determine the nature and extent of their workplace smoking policies. Results of this survey, completed in May 1985, challenge the widely reported trend toward restrictive workplace smoking policies in major corporations.

The Human Resources Policy Corporation sent an eight-page questionnaire to *Fortune* 1000 service and industrial companies, and to *Inc.* magazine's 100 fastest growing companies. Surveys were sent to the chief executive officer or the vice president for human resources.

The survey questioned respondents on the existence of corporate smoking policies and reasons for implementation. Results are based on responses from 445 companies. The 40 percent response rate is acceptable, given the sensitive nature of the data. The responses are representative of the full population when analyzed by region and industry type. Among the results:

Workplace smoking policies are not a trend among major companies.

Most respondents (63.8 percent) do **not** have a formal smoking policy, but rather encourage their employees to use common sense and courtesy to solve problems among themselves.

Companies in the north central region (28.1 percent) and the south (22.1 percent) are less likely to have a smoking policy than those in the west (44.7 percent).

Employees can work problems out for themselves.

Of the 63.8 percent of companies without smoking policies, 35 percent reported considering and rejecting one.

Of the companies that considered but rejected a smoking policy, most (59.3 percent) said they did not believe a policy would be accepted well by employees. When a smoking problem arises, 70.8 percent of all respondents said they encourage employees to work problems out for themselves. Fewer than one percent said the supervisor orders the employee to stop smoking.

Most workplace smoking policies that are in place apply only to certain employees.

The general company workplace policy prohibits *some* employees from smoking while working. This occurs most frequently with employees who deal with hazardous substances, sensitive machinery and equipment, or food. Few companies prohibit all employees from smoking while on company premises (2.5 percent) nor do they prohibit all employees from smoking while working (2.9 percent).

The majority of workplace smoking policies have not been established because of increased public pressures or legislation.

Since public pressure for restrictive workplace smoking legislation has come about in the past three to five years, most company smoking policies cannot be attributed to this factor because most have been in effect for longer than five years.

Only nine percent of respondents said they had implemented a policy within the last year. Companies in the west (22.4 percent), followed by the northeast (10.4 percent) were most likely to have implemented policies within the past year. These regions of the country are facing the greatest number of legislative workplace restriction proposals.

Most companies do not consider smoking to be a factor in hiring.

Eighty-five point four percent of companies said they **never** consider whether a job applicant smokes and 81.1 percent never ask about an applicant's smoking habits. Only four percent always ask.

Ninety-nine point one percent said they hire smokers. Only four of the 445 respondents said they refused to hire smokers.

Most policies are initiated by management for safety reasons.

Virtually no companies reported implementing smoking policies to increase productivity or reduce costs.

Companies do not want to segregate their workers or make major changes in the workplace.

Most (87.4 percent) do not assign employees to work areas or offices according to whether they smoke and 40.7 percent said they do not modify the work environment to accommodate non-smokers.

Human Resources Policy Corporation is a social science and economic research organization located in Los Angeles, California. Lewis C. Solmon, economist, dean of the graduate school of education at UCLA, and president of Human Resources Policy Corporation, developed and supervised the survey. This survey of smoking policies in large corporations was sponsored by The Tobacco Institute.

For additional information on this and other workplace smoking issues write:



The Tobacco Institute
1875 I Street Northwest
Washington, DC 20006



Let's set the record straight . . .

Workplace smoking laws won't work!

Imagine you're the boss. You have one employee who doesn't like the temperature you maintain in your plant or office in light of your costs, your layout, the needs and comfort of all your employees. He says he'll go to City Hall about it and you're going to have to pay a stiff fine if you don't adjust the thermostats to his liking.

Crazy, right? Couldn't happen. But it can. Change just one detail and it's happening right now in San Francisco. There a lone employee can cause an entire office to be declared a no-smoking area, no matter what arrangements the boss—or the other workers—may want.

The San Francisco ordinance says all private employers must establish smoking rules. If a single *nonsmoking* employee disagrees with the policy, smoking must be prohibited. An employer who fails to toe the line faces up to \$500 a day in fines.

This new law *could* be a blueprint of things to come, a new sort of government intrusion into the private sphere that gives a tiny, vocal minority the right to set workplace policy.

Or, it can serve as a perfect example of what both management and workers must dedicate themselves to prevent in the future.

One-man veto?

Similar measures are being introduced in city councils across the country and, in some places, adopted.

Never mind that smokers and nonsmokers have worked in harmony for generations. Forget that occasional disputes at work are best settled individually. What if a one-man veto *can* overrule the boss?

No matter, say the anti-smokers, we need a law.

But are such laws necessary? Many people do not think so. "Has common courtesy become so rare that society needs laws to regulate smoking in busi-

ness offices? We hope not," declared a *Dallas Times Herald* editorial.

"To use the police power of government to dictate such action," commented an editor of the *Tallahassee Democrat*, "is to trade individual responsibility for trivial gain. It is a poor exchange."

We agree.

Nannies and New Prohibitionists

Proponents of strict workplace smoking laws say they have the health of nonsmoking workers in mind. They don't want them exposed even remotely to cigarette smoke. The issue, though, is more properly labeled one of occasional annoyance, not health.

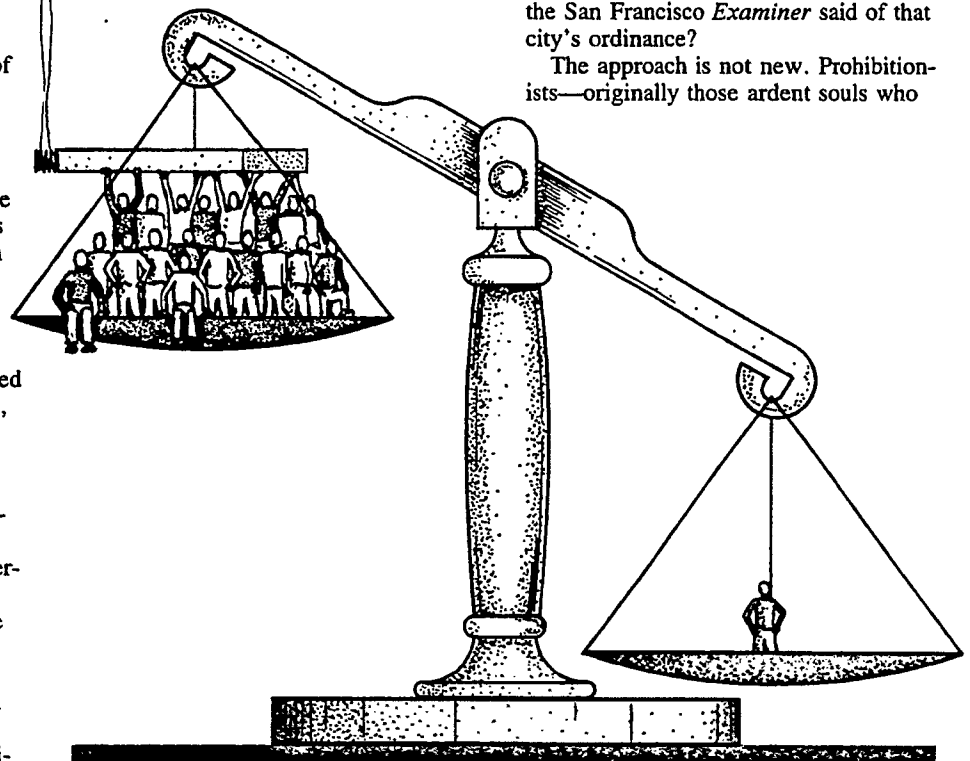
Even Elizabeth Whelan, executive director of the American Council on Science and Health and an outspoken critic of smoking, has said the issue has been "overstated" and, overall, is a "very minor problem."

Twenty-one scientists called together recently by the U.S. Public Health Service to examine available research on environmental tobacco smoke concluded its effects on the respiratory system were "negligible to quite small."

If these researchers, selected by PHS for their expertise, and such staunch opponents of smoking as Whelan can acknowledge that the issue and the possible health effects are minor, why are some lawmakers so eager to restrict smoking in the workplace?

Could it be an interest in behavior control or government "nannyism," as the *San Francisco Examiner* said of that city's ordinance?

The approach is not new. Prohibitionists—originally those ardent souls who



"I am against fixing something that doesn't need fixing," Fremont City Manager Kent McClain said. "I still don't feel [a smoking policy] is necessary," said Union City Manager Karen Smith. . . . "I think we can accommodate everyone by working out problems among ourselves."

San Jose (Cal.) Mercury
Jan. 18, 1984

wished to stop consumption of alcoholic beverages—managed a constitutional ban earlier in the century. The chief results of that Great Experiment? Bathtub gin and the growth of organized crime.

Today's New Prohibitionists are a vocal, well-organized group. But do they, should they, speak for the majority of Americans? Is it impossible for smokers and nonsmokers to get along without what the San Francisco *Chronicle* called Big Mama looking over their shoulders? No, on all counts.

Big Mama, step out!

Americans love to express opinions on anything and everything. And our free society, fortunately, allows such exchanges.

On the issue of smoking in the workplace, a substantial majority prefers to let *people*, not government, decide the question of when and where an employee may smoke.

In 1983, the Business Council of the State of New York surveyed its members and found 83 percent preferred *voluntary* workplace smoking policies.

And a 1983 *Nation's Business* poll showed that a big majority of respondents rejected the notion that employers should be forced to prohibit smoking.

Anti-smoking law "is a *prima facie* case of government intrusion into a realm where government doesn't belong," says the Joplin (Mo.) *Globe*.

Americans are not naive. We realize that when we step outside of our own homes we no longer have complete, personal control of our environment.

Often we encounter things that annoy us—noisy humming or continuous nail-biting at the next desk, the smell of a

salami brown-bag lunch on the bus first thing in the morning, over-done after shave. But imagine the mess if we encouraged everyone who found something annoying about another's behavior or taste to seek relief from government, especially when those annoyances could be readily resolved without government intervention.

As the San Francisco Labor Council AFL-CIO pointed out, such laws undermine labor-management relations and present "opportunities for job discrimination and mischief." They create conflict and intrude into personal behavior and internal office procedures.

San Francisco's Chamber of Commerce emphasized intrusion and cost in opposing the law. Government is already over-extended, said the chamber. Our lives are cluttered with unnecessary government regulations.

"To channel our tax dollars away from vital services and into government programs to segregate smokers from nonsmokers is a gross waste of limited resources," the chamber said.

Many believe small business is the chief victim of workplace smoking laws. Smaller companies can't easily afford the extra time, costs and diversions of smoking policy administration.

San Francisco's KGO-TV mentioned another problem. "Blowing the whistle

Couldn't a law be passed against sourpusses? Why should normally cheerful workers have to associate with pinch-faced, crab-appled gloom merchants whose very breath is redolent of vinegar-tinged negativity?

Aitua (Okla.) Times
Dec. 15, 1983

on your boss," it said in an editorial, "doesn't make for the best of relationships."

Broccoli instead of beef?

Will the New Prohibitionists be satisfied if they succeed in banning all cigarette smoking? That's their goal today, but "What next?" asked the Seattle *Post-Intelligencer*, "a requirement that restaurants serve health foods in place

of what people like, broccoli instead of beef?"

If the anti-smokers prevail, the precedent is set for government to be drawn intrusively into private sector matters better handled by management, labor and employee consensus.

If an official company smoking policy *must* be designed—if individuals cannot work out their differences—the New Jersey State Chamber of Commerce has some advice.

Even if I were not [a smoker], I would feel uneasy about restricting tobacco by government mandate. . . . If personal freedom is allowed to falter, it will be only a matter of time before special interests everywhere cash in on the precedent and blot it out completely, like an ink stain.

Columnist Paul Salters,
Brockton (Mass.) *Enterprise*
Feb. 18, 1984


Any rule that affects the workforce, and is as dramatic as a new smoking restriction, must be approached systematically, the state chamber suggests. "The first step obviously is to make employees aware by providing good information, asking for their opinions and suggestions."

Then, says the Chamber, "whatever the rule might be, it comes as a result of efforts by management and employees and not a dictatorial directive."

There are dozens of daily annoyances and inconveniences we *could* ask government to correct. The New Prohibitionists favor that. Yet, when government takes over what is better left to people, a little bit of freedom disappears.

Cooperation, not unnecessary law, is the superior choice. It helps ensure freedom of choice.

For further information on the controversies surrounding tobacco and the use of its products, call or write:

 The Tobacco Institute
1875 I Street Northwest
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(202) 457-4800

Let's set the record straight . . .

Restaurant smoking laws? Havoc à la carte!

Has it come to this? A New York nonsmoker was arrested after allegedly offering \$5,000 to an undercover policeman to kill a man suing him in a dispute over cigarette smoking in a Westchester County restaurant.

Once upon a time, minor disagreements over matters of manners were settled through common sense and mutual understanding. Lawsuits were unnecessary, "hit men" unthinkable. So were laws segregating smokers and nonsmokers.

Yet in 1983, nearly 200 smoking restriction measures, many aimed at restaurants, were introduced in our state capitals and city councils. Most never came to a vote, but a disturbing trend heightened: government proposals to regulate personal behavior in private business places.

Is such intrusion warranted?

Former Senator Sam Ervin, the elder statesman of the Watergate hearings, made a point local, state and national officials should take to heart.

Sam's song

"We're the most law-ridden people on earth," he told a reporter recently. "We suffer under the illusion that everything can be cured by passing a law. Most things can't."

To curb the legislative landslide, Senator Ervin suggests the advice given him by a hometown philosopher when Ervin was first elected to the state legislature: "Pass no more laws and repeal half of those we already got." Says Senator Sam now. "I guess he was about right."

Anti-smoking forces, though, continue



to push for laws to segregate smokers—even ban smoking—in restaurants. Some cite health concerns as their reason.

No conclusion possible

But their case has not been proved. It's made murky at best by conflicting testimony and research.

Independently, within three months of each other, two groups of scientists concluded that in 1983. The second of the two workshops on environmental tobacco smoke declared after examining all available research that the effect of such smoke on the respiratory system varies from negligible to quite small.

So we're back to the question of government-imposed rules on private behavior in private business—laws that are "unenforceable, ineffective, confusing and fraught with many legal problems," as former Wisconsin state representative Paul Sicala describes them.

As long as there have been American businessmen, entrepreneurs have succeeded—or failed—through individual decisions and judgments about the wants of their customers. Restaurants are no exception.

Have government smoking restriction laws become necessary in the final quarter of the 20th Century? We think not. And others agree.

Smoking is a matter of personal choice. So says the overwhelming majority of respondents, 84 percent, to a poll conducted recently by the University of Connecticut's Institute of Social Inquiry. And in the same survey a clear majority agrees with the statement, "We've heard enough about the rights of nonsmokers, it's time to protect the rights of smokers as well."

Many restaurateurs agree. In Wisconsin, for example, anti-smoking activists unsuccessfully brought the same smoking restriction bill before the legislature each year since 1978. They've also brought the wrath of many in the Wisconsin restaurant business down upon themselves because it would have dictated segregation of smokers in eating places.

Enough! Enough!

"There's nothing so persistent as a bad idea whose time has come and gone," says Mike Birkley, director of Wisconsin's Tavern Association.

The customer is always right, adds Milwaukee restaurateur Don Zarder. "We tried it for about a week," says Zarder of his smoking-nonsmoking section setup. "But we had so many complaints we had to stop it."

A much-amended smoking bill passed in March 1984. But the many exemptions seemed to include almost all eating establishments. Not affected: all taverns, restaurants seating fewer than 50 and, unless food receipts exceeded liquor sales, those seating more than 50. And, as one observer noted, if in doubt, all a restaurateur had to do under the law was

to post a sign outside reading "Smoking Permitted."

Edward J. Lump, Wisconsin Restaurant Association executive vice-president, summed up the voluntary approach most restaurant owners prefer: "If an operator who does not have a 'no smoking' area begins to feel he is losing business because of it, he will establish one forthwith."

Catch of the day?

Why are so many restaurant operators so adamant in their opposition to smoking restriction legislation? A look beneath any surface appeal of such laws reveals the flaws.

Enforcement, for openers. Unless "smoking police" are stationed in every eatery affected, restaurant staff represent

Don't people think the government has more important things to do than to decide whether restaurants should have a 'no-smoking' section?

Reader letter in Tucson Citizen, May 24, 1983

the first line of enforcement, with potential customer alienation hanging in the balance.

Suppose smoke in a one-room restaurant drifts into the nonsmoking section and a patron complains. Must the smoker extinguish his smoking materials, even though he's behaving legally, or must the nonsmoker grin and bear it?

With segregation laws, customers on both sides of the issue can feel "rights" are with them. Laws can create a problem where none existed before. The unwritten rules of courtesy and common sense usually can prevail—without the need for laws.

Any time management has to side with one customer against another, loss of clientele is a real possibility, regardless of the decision.

And what of seating difficulties? Reservations? Suppose a smoking customer requests a table for 7:30 p.m., but is told the first smoking section table is available at 9:30? What will his decision be? Probably a reservation at another restaurant.

Who is to enforce this law? Will cops be pulled off crime-fighting? ... Will waiters have to order a nonsmoking wife to sit apart from her husband, the smoker? If she refuses, must the chef appear with cleaver in hand to compel her?

*New York Daily News
March 18, 1984*

Employee conflicts and management difficulties also can arise. If, by law, a certain number of tables must be set aside for nonsmokers, but are rarely used, waiters and waitresses there will resent lessened traffic, fewer tips.

The question of fairness also comes up in many anti-smoking laws. Many proposed restaurant smoking restriction bills exempt "smaller" restaurants and taverns that serve food. If the smoking "problem" is as serious as some say they believe, how can they justify the exemption of smaller, and perhaps more confined, establishments?

And, what of the proprietor who is a smoker? Many proposed restrictions would ban smoking by the owner in his own restaurant. That's neither fair nor realistic.

Havoc à la carte

"I believe there is a strong streak of puritanism, intolerance and blind zeal in the anti-smoking lobby," says Bob Wiemer, *Newsday* columnist.

What will be the result of such "patently unenforceable" statutes? The creation of "added costs for business, havoc in the restaurant industry and a lot of work for lawyers," says Wiemer.

Most restaurateurs are small business people. They succor the morning crowd at the corner coffee shop, cater midday fare at the lunch counter or booth. They also serve diners in more elegant surroundings. But when it comes to the bottom line, most restaurant business is small business.

"Regulating where people smoke in restaurants is not an appropriate function of government," wrote the editor of the Northern Virginia *Sun* recently. There is certainly no reason, he said, to further

burden small business with such regulations.

William Gaylin, M.D., Columbia University professor of psychiatry, questions this kind of government regulation from another perspective.

"With a no-smoking rule, one enters the slippery slope of personal behavior," says Gaylin. "If smoking, why not obesity, lack of exercise, sexual habits and preferences?"

But how many patrons request no-smoking seating? Not many, according to Victor Rosellini, Seattle restaurateur and past president of both the national and Washington state restaurant associations.

During a two-month period in 1983, he recorded only eight requests for "no-smoking" tables. Rosellini serves lunch and dinner to about 230 patrons daily in his two 16-table dining rooms.

Before I came down here today I asked the maitre d' at the Annapolis Hilton how many people had required a no-smoking section in the last year. He said nobody had.

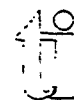
Maryland Hotel Assn. spokesman in Washington Times, Feb. 23, 1984

Not all would agree, perhaps, with the Tucson *Daily Citizen*, which said of a proposed restaurant ordinance there: "It is far better that cigarette smoking keep a nonsmoking patron out of a restaurant than to have government dictate who dines there and who does not."

But we can all get the point.

Courtesy du jour

For further information about why we don't need public smoking laws, write or call The Tobacco Institute. And if anyone in your community starts talking about such restrictions on private business, speak up for courtesy. And for the right of American business people to compete according to their own instincts for customers' favor.



The Tobacco Institute
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Let's set the record straight. . .

Public smoking laws are fraught with hidden costs!

To many people, the enforcement of laws to restrict smoking in public places would seem to be a simple matter. The bill is introduced, enacted and . . . Presto! . . . smokers and nonsmokers move to their separate rooms.

As taxpayers, we all should be aware, however, that enforcement isn't quite that easy. The cost to government and private business to ensure compliance with such laws, no matter how simple they may appear on the surface, can run into millions of dollars. That translates into higher taxes and increased prices for the consumer and unemployment for workers in the affected industries.

including projected revenue losses and associated costs, ranged from \$100 million to \$400 million. Associated unemployment based on an expected 10 percent reduction in business, primarily in the hospitality, restaurant and tourism industries, was estimated at 1,000 to 3,000 persons.

A California legislative analyst estimated that printing signs and drafting regulations for that state's unsuccessful Proposition 10 initiative to restrict smoking could cost taxpayers up to \$180,000.

In New Jersey, a professional engi-

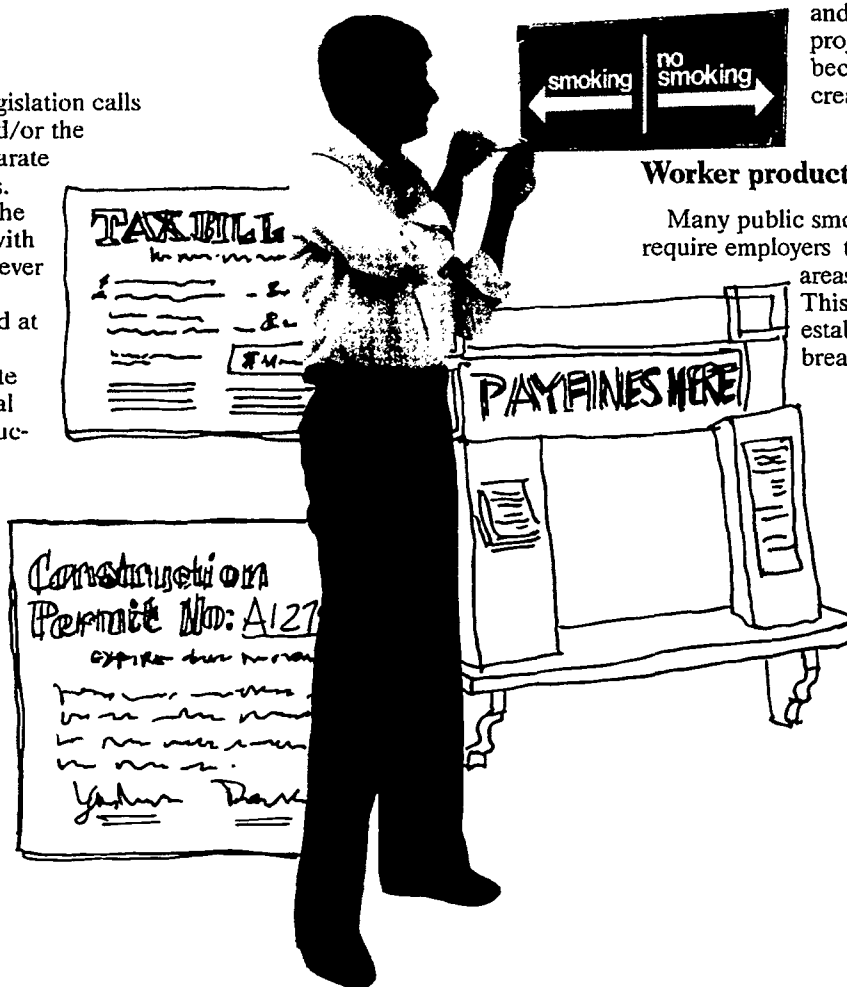
neer told the state Public Health Council that the smoking restrictions it proposed could cost the state and private businesses \$160 million over five years. Restaurants would be forced to make capital expenditures of \$9,800 to \$17,000 per establishment to meet the regulations, which were eventually overturned by the state attorney general.

Total construction costs for the larger restaurants could have run as high as \$81.8 million, with ventilation requirements placing an additional burden of \$10 million annually. This could have meant a loss of between 400 and 2,000 restaurant jobs as prices were forced up and business declined a projected three percent because of the price increases.

Signs, barriers

Most public smoking legislation calls for the posting of signs and/or the erection of barriers to separate smokers from nonsmokers.

In the first year alone, the direct cost of complying with one oft-introduced—but never passed—New York State smoking law was estimated at up to \$480 million, for approximately 300,000 private establishments. The annual direct cost estimates for succeeding years,



Worker productivity

Many public smoking proposals would require employers to set aside smoking areas for their employees. This would necessitate establishment of "smoke breaks."

A Portland, Ore., consultant predicted that state's proposed public smoking restrictions would cost between \$25.5 and \$100 million, primarily because of loss of productivity resulting from smoke breaks. The most likely cost, the consultant said, would be in the neighborhood of \$62.1 million—\$1,825 per establishment, or \$101 per employee affected by the proposed restrictions.

Even more staggering were estimates of lost work time and private sector costs for partitions and signs had California's 1978 Proposition 5 been approved by the voters: \$260 million!

Adding to police, court costs

Ultimate authority for enforcement of public smoking regulations usually falls on the police and the courts, and, in some cases, public health authorities. All have one thing in common: taxpayer support.

The \$15 fine suggested for violators of the California Proposition 10 amounted to just a fraction of the estimated cost to the state of processing each case. The remainder would have been picked up by all Golden State residents.

Some in the campaign estimated that if only one summons were issued in each California county each day, the cost to the taxpayers would have exceeded \$1 million a year.

Chicago's attempt to enforce smoking prohibitions on its public transportation cost Windy City taxpayers \$100 per arrest. And New Jersey's estimated costs were higher still. The state's Conference of Mayors put a price tag of \$400 on the arrest and prosecution of just one individual who smoked in a nonsmoking section of a restaurant.

In Illinois, the state health director told legislators that the additional inspectors necessary to enforce a pending public smoking law would add more than \$4 million to his annual budget.

Courtesy has no hidden costs

At a time when government at all levels is being asked to reduce spending, public smoking legislation can only create an additional burden on the businessman, the law enforcement official and, ultimately, the taxpayer.

As taxpayers become increasingly vocal in their demands for stricter accounting of how their money is spent, public smoking legislation can only mean higher costs for an already overburdened private business sector.

Financially strapped law enforcement systems look with horror at the prospect of adding such time-consuming, expensive legislation to the books.

People exercising common courtesy in their dealings with others is a much more effective way to solve disputes that arise between smokers and non-smokers than passing expensive and unenforceable laws. Respect, tolerance and accommodation are and must be the business of people, not of government.



The Tobacco Institute
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Let's set the record straight...

Public smoking— Common sense for the common good

Have you heard the one about the airline counter agent who asks the passenger whether he'd like a seat in the smoking section—or one *inside* the plane?

It may have been funny the first time a stand-up comedian told it. But it's really no joke. Restrictive smoking laws and regulations have sprouted up across the country for all sorts of places, from airplanes and jury rooms to restaurants and office buildings.

But how far should government go in controlling the personal behavior and restricting the freedom of choice of adults? Must common sense, good manners and mutual consideration be supplanted by statute? Need the freedoms of many be abridged by law to relieve the few of occasional minor annoyances? Let's take a look.

Those who argue for smoking laws often cite health fears to support their views. But these are theories only. The Surgeon General has said there is not

sufficient evidence to conclude that other people's smoke causes disease in nonsmokers. The Surgeon General also says no tobacco smoke allergy has been demonstrated in humans. He says what response does occur in healthy nonsmokers may be due to psychological factors.

So when the anti-smokers' health claims are shown to be unproved, the public smoking question boils down to this: Why should it be the business of government?

We think it is *not* the province of government, but of *people*, to work out solutions to problems of social behavior. State interference in such matters is neither effective nor appropriate.

Public smoking laws have been described as nuisance laws.

Dr. Theodore Gill, a dean of John Jay College of Criminal Justice, has written that nuisance laws are "inflicted" by single-minded persons who look to government to solve personal

differences—with at least one result they do not anticipate.

"It would be inaccurate and foolish for me to suggest," said Dr. Gill, "that nuisance laws are primary causes for the [increasing] disrespect for the law. I think it accurate though to say such laws contribute to a general disrespect for all law."

He added that in touchy areas such as smoking, involving personal taste, the feelings of others and complex counterclaims of private and public space, "community acceptance and what we hope will be increasingly common courtesy should prevail."

Dr. Gill is right. Common courtesy *should* prevail. Do we really need policemen checking smoking compliance in restaurants, on airplanes, in our office buildings? Of course not.

Most businesses will see to the mutual comfort of smoking and nonsmoking patrons should they perceive the need. Their desire to maximize patronage and profits is the incentive. Proprietors don't need smoking laws. They don't need the police to enforce what they can work out for themselves.

In fact, some businessmen believe

A bill to ban smoking in supermarkets was defeated in the Delaware House yesterday as opponents complained it would infringe "on the rights of many . . . to satisfy a few."

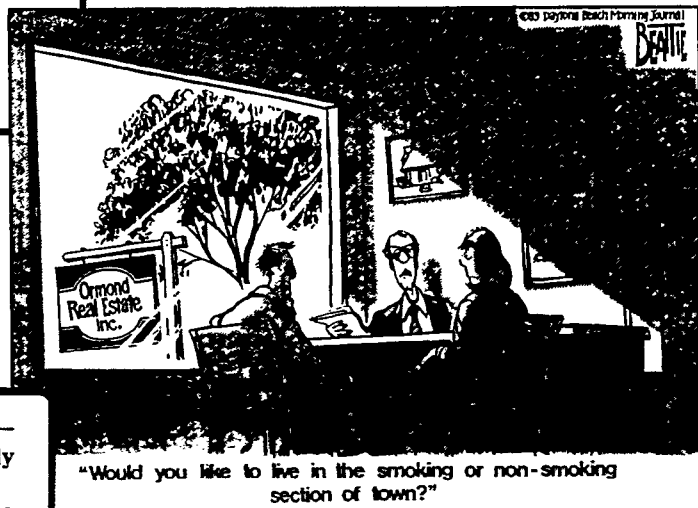
Washington Post news item,
June 2, 1983

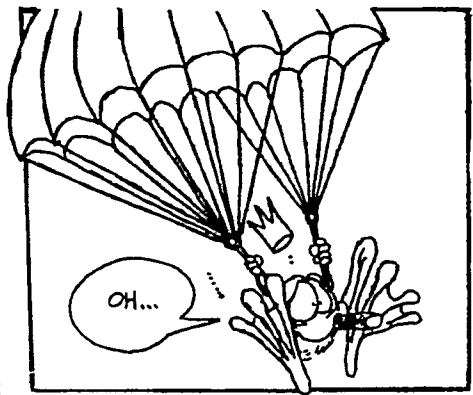
We've had many examples of government trying to control widely held personal habits. It hasn't worked before and it won't this time. . . . Trying to handle a question of human relationships such as public smoking through rigid laws is like performing surgery with an ax.

Asbury Park (N.J.) Press guest editorial,
April 18, 1982

We can't help thinking that the battle over smoke—for all of us—would be settled a lot more peaceably by consideration and conciliation . . .

Boston Herald editorial, Jan. 16, 1983





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such laws could put them out of business. As a Santa Monica restaurateur put it, "If they came in and told me I could allow smoking in [only] one section, and nonsmoking in another . . . I couldn't operate. It wouldn't be economically feasible for me to run my restaurant."

The police don't want smoking laws either. "We've got enough problems catching holdup men and burglars," was the way Undersheriff Tom Rosa of Santa Clara, California, put it. He was echoed by Assistant Police Chief Michael Sgobba of San Diego, who said, "Unless an officer has absolutely nothing to do, he isn't going to go out and give someone a citation for smoking in an unauthorized zone."

But not just proprietors and law officers feel this way. Eight times in five years electorates—from tiny Zephyrhills, Florida, to San Francisco, *twice* statewide in California—have been able to vote on whether they wanted smoking laws.

16 million ballots later . . .

Eight times average citizens weighed government intervention in public smoking against freedom and self-determination. In all, almost 16 million ballots. And the *vote was for freedom of choice.*

The lone exception was San Francisco. By less than 1 percent of votes cast, the City by the Bay affirmed an ordinance forcing all *private sector* employers to adopt smoking policies agreeable to all *nonsmoking* employees. If a single nonsmoker objects to the policy, the employer must

prohibit smoking or face up to \$500 in fines daily.

As opposing citizens groups fought a press release battle right up to the November 1983 election in San Francisco, a city council across the country was taking a more reasonable course. Ormond Beach, Florida, city council decided against an ordinance or a ballot question, agreed instead to reject an American Lung Association petition to ban smoking in most public places and to let individual businessmen experiment with smoking policies of their own.

"Municipal nanny"

In San Francisco, columnist Herb Caen quoted one cigar-smoking boss' threat to hire only smokers from now on and the Sunday Examiner & Chronicle editorialized sadly about "the municipal nanny." USA Today wrote that "the emerging conflict creates a serious hazard in the workplace turning worker against worker."

But in Florida, Daytona Beach News-Journal editors could approve the decision of the city fathers in neighboring Ormond that accommodation is preferable to laws.

"Instead of going overboard on anti-smoking laws or on litigation to kill such laws," wrote the Daytona Beach Evening News, "sensible people will work with each other to resolve smoking disputes amicably and to do so without bringing in government, the police or the courts."

Smokers and nonsmokers, we hope, will continue living and working together as they have for generations,

without laws. They know that life is a matter of give and take.

And a smoker knows when it is appropriate to light up. Most are courteous enough to refrain voluntarily when it's obvious they might be bothering others. Most smokers will be accommodating and reasonable.

After all, consideration of the other fellow underlies all our interaction, at work or at play. Or it *should*.


Common sense, above all

Common sense tells us not to raise our voices in a restaurant or a busy office. It tells us not to bathe in heavy perfume or overdo the garlic before going to the movies, not to let our kids run up and down supermarket aisles.

Common sense tells us that cooperation and mutual understanding—respect for the preferences and sensitivities of others—are the simplest and least intrusive means by which smokers and nonsmokers can continue to get along.

Common sense about public smoking is for the common good. Like the Golden Rule. And it might even assure that no one will have to ride *outside* the plane.

For further information on this or any other aspect of the controversies surrounding tobacco and its use, call or write The Tobacco Institute.

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In Defense of Smokers

Smokers and nonsmokers have worked together in harmony for generations. Occasional disputes at work always have been and remain best settled individually.

However, there are some who would see this arrangement changed. Proponents of smoking controls in the work place point to studies that purport to show smokers are less productive, absent more frequently and incur higher insurance costs than nonsmokers. But these proponents fail to note caveats contained in such studies.

"Skeptics might argue that these numbers are as soft as the underside of a porcupine, and that may be true," wrote William Weis, a Seattle University accounting professor, in the May 1981 issue of *Personnel Administrator*. Weis has been a vocal advocate of banning smoking and smokers from the work place.

"We lack meaningful 'case controlled' company comparisons of experience with smoking employees vs. non-smoking employees vs. exsmokers and the impact on company costs," admitted American Health Foundation (AHF) consultant Marvin Kristein in *Preventive Medicine*, March 1983. To achieve a scientific basis for such cost claims, Kristein said, "would require studies and data we do not now — and most likely will never — possess.

Costs to Employers

A recently completed survey of 2,000 union representatives and managers in business, industry and government contradicts the claim that smokers are less productive and therefore more costly to their employers than nonsmokers. The survey, conducted by Response Analysis Corporation of Princeton, N.J., for the Tobacco Institute, focused on first level supervisors, such as foremen and administrative assistants, since they directly observe employee behavior and are particularly sensitive to factors influencing employee productivity.

Two-thirds of the survey respondents said employee smoking has either a positive effect or no effect on productivity. Only 3 percent agreed that "not hiring people simply because they smoke makes sense." Of respondents who said their organizations restrict smoking, less than 3 percent said they did so because smoking interferes with job performance.

Smoking restriction advocates who argue that smokers are absent from work more often than nonsmokers rely on a statistical correlation that is weak at best. According to Kristein, "One may argue that higher rates of absenteeism and smoking both relate to and reflect other factors." In fact, numerous factors are associated with absenteeism, including age, sex, family responsibilities, personal problems, type of employment, job responsibilities, job satisfaction and commuting time.

Some also claim smoking restrictions improve employee morale. But there is no evidence that a smoking ban is any more effective as a means of improving morale than higher salaries, free parking or longer coffee breaks. Although smoking restrictions may improve the morale of some, the Response Analysis survey indicates they would certainly lower the morale of other employees. Among those or-

ganizations that do not restrict smoking, 90 percent of managers interviewed said a smoking ban would worsen (64 percent) or have no effect (26 percent) on morale. Only 4 percent believed a ban would improve morale.

The Health Argument

Advocates who claim environmental tobacco smoke is a proven health hazard seem to ignore the scientific literature in this area. Consider the examples that follow.

- In May 1983, the Division of Lung Diseases at the National Heart, Lung and Blood Institute conducted a three-day "Workshop on Respiratory Effects of Involuntary Smoke Exposure: Epidemiology Studies." The workshop report concluded that studies which "address the effect of passive smoking on the respiratory system [suggest] that the effect varies from negligible to quite small."

- At an April 1984 workshop conducted in cooperation with the World Health Organization and the International Green Cross in Vienna, Austria, organizers Ernst Wynder of the AHF and H. Valentin of the Bavarian Academy for Occupational and Social Medicine concluded: "Should lawmakers wish to take legislative measures with regard to passive smoking, they will, for the present, not be able to base their efforts on a demonstrated health hazard from passive smoking." The words "employers" and "work place restrictions" can be substituted for "lawmakers" and "legislative measures" in the preceding sentence.

Advocates of smoking restrictions suggest that organizations which do not adopt smoke-free environments soon will be held liable by the courts to do so. But relevant case law provides virtually no support for the few outspoken individuals to impose their views on employers.

The courts uniformly have struck down arguments that a tobacco smoke-free environment is guaranteed by provisions of the U.S. Constitution. In cases where employees have tried to use common law to impose smoking restrictions, the courts have generally sided with the employer, as occurred most recently in the 1983 decision in *Gordon v. Raven Systems & Research, Inc.*

Discrimination against smokers in hiring also raises troubling legal questions, especially if the discrimination has a disproportionate impact in terms of race or gender. And from an economic viewpoint, firms that reject more productive smokers in favor of less productive nonsmokers will be less profitable than firms that do not discriminate in such a manner. Legal and economic questions aside, who would want to discriminate against smokers if the primary motive in hiring is to employ the best individual for the job?

Decisions involving smoking in the work place are more appropriately committed to the good sense and common courtesy of smoking and nonsmoking employees. Businesses making economic decisions affecting their employees should base those decisions on meaningful, direct data, not on estimates and unsupported propaganda.

*William J. O'Connor, Philip Morris, Inc.,
for the Tobacco Institute.*

Let's set the record straight . . .

Cooperation is better than legislation

There ought to be a law.

How often we've all wished for laws against things that sometimes annoy us—the person whose TV is too noisy, the driver who's quick to honk a horn in traffic, the dog that's allowed to bark at night, the occasional cigarette smoker. But do we really want government to step in and regulate the occasionally bothersome behavior of others?

Take the cigarette smoker, who has been living, working and playing alongside the nonsmoker for centuries. For the most part, their relationship has been one of mutual respect for the sensitivities of the other.

Today, this relationship is threatened by some who would pass laws to regulate what should be a matter for tolerance and courtesy.

Nuisance laws?

Some of these individuals base their arguments on the health of the nonsmoker. So it is important to understand that there is no convincing evidence that tobacco smoke causes disease in nonsmokers. The last Surgeon General's report on the subject said clearly, "Healthy nonsmokers exposed to cigarette smoke have little or no physiologic response to the smoke, and what response does occur may be due to psychological factors." It also said that the existence of a true tobacco smoke allergy has not been established.

Since claims about nonsmoker health are unproven, the question becomes whether it is the business of government to restrict

individual freedoms of some that may annoy others.

At a time when government is being asked to remove itself from people's lives, laws that attempt to regulate individual choice may create more problems than they solve. Prohibition, that Great Experiment in social reform, had that effect. Previous attempts to legislate smoking behavior have resulted in selective enforcement or no enforcement. This breeds disrespect for the law.

As one legal scholar observed, "The day when any law can be laughed off, it's a bad day for all of the law."

Common sense approach

A smoker can sense when and where it might be inappropriate to light up. No one can object to the common sense approach of not smoking in an elevator or other poorly ventilated place. The managers of places of business and entertainment which we all visit may, in their own interest, wish to see to the comfort of their smoking and nonsmoking customers. But they should be able to designate smoking areas by choice, not by law.

We all can serve society's needs better by working together in mutual accommodation. Mention annoyances in a pleasant and friendly manner if and when the occasion arises. For

smokers, the ancient courtesy of "Do you mind if I smoke?" remains the best policy.

Try it, you'll like it

Individuals are trying, and succeeding, to work out their differences as human beings rather than as smoker and nonsmoker. For example:

- Members of a Massachusetts school board voluntarily quit smoking during meetings, opting instead for a five-minute smoke break. "Doing things voluntarily is always the best route," one member said.
- A militant antismoker, after asking "hundreds" of people to extinguish their cigarettes, cites only one instance when the smoker refused.
- Another antismoker, commenting on the posting of no smoking signs in area businesses, said, "On a voluntary basis, the majority of people will comply. . . . The majority of people are polite and courteous."

Courtesy is the solution to any problem, whether real or imaginary, that may exist between smoker and nonsmoker. Add understanding and consideration and there will not be situations of smokers versus nonsmokers, but rather equal respect for the other's preference.

There ought to be a law? No. There ought to be cooperation.



Left photo: Bruce Wolfe



The Tobacco Institute
1875 I Street Northwest
Washington, D.C. 20006

Let's set the record straight . . .

Do we really need laws to regulate smoking in public?

California and Florida voters rejected late in 1980, each for the second time in two years, proposals that would have segregated smokers from nonsmokers. California's Proposition 10 and the Dade County initiative also received failing grades from state labor organizations, associations and the states' major news media. Here's what some of them said of the individual proposals:

"It is a foolish attempt to use legal restriction to write social behavior that is best governed by common sense and courtesy."

California Labor Federation (AFL-CIO)

"A regulatory can of worms. . . . We do not need more regulation by government of the lives of people in California or anywhere else."

"Surely this is a matter for private solution, that does not need the clumsy hand of government in it."

San Francisco Examiner

"In seeking to advance the rights of some, it would inevitably infringe the rights of others. That makes it bad law."

Los Angeles Times

Proposition 10's "desired ends are best achieved in businesses and stores by the exercise of courtesy on the part of employees and customers, and by the exercise of good judgment on the part of employers and owners. . . ."

"It strikes us that it's better to leave the solution of such problems to the common sense of the people involved."

Long Beach Independent Press-Telegram

"In this instance we are best governed by common sense and courtesy."

Huntington Park Signal

"To add an unenforceable law like this one to the books would be ridiculous. If this passes, it will also be an infringement on people's rights."

Miami Fraternal Order of Police

"Proposition 10 would have an adverse effect on law enforcement officials in this state."

"Proposition 10 is not good for law enforcement and is not good for the public."

Peace Officers Research Association of California

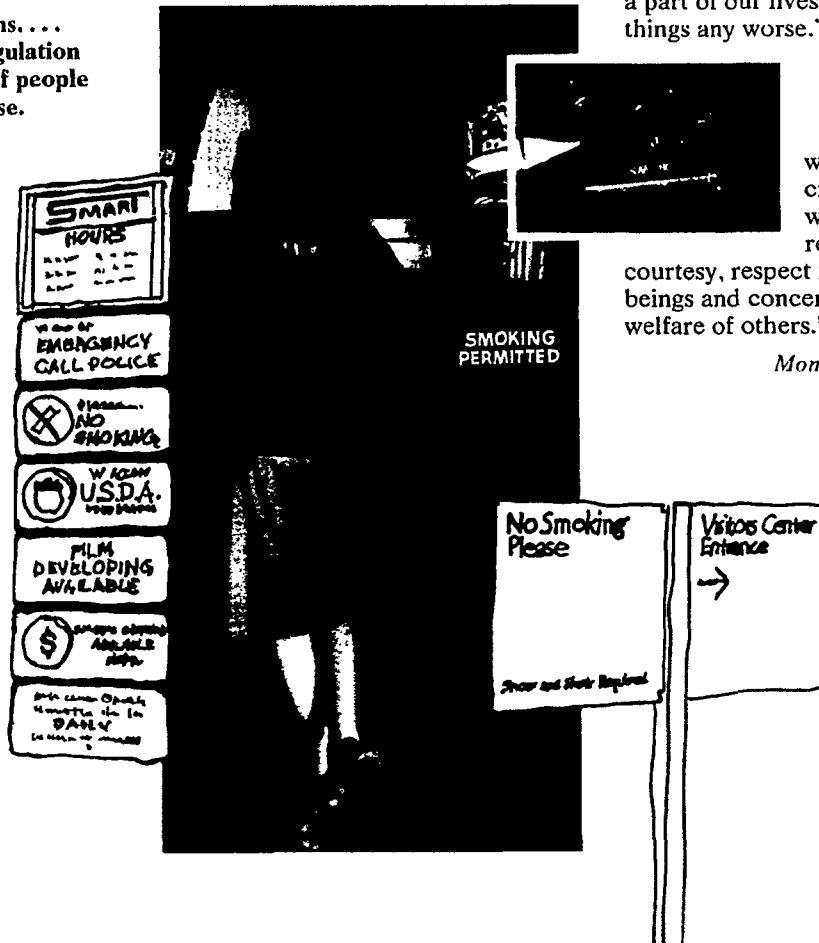
"Big Brother, in the form of government regulation, is already too much a part of our lives. Let's not make things any worse."

KPIX San Francisco

"Proposition 10 would resolve with criminal penalties . . . what should be resolved by common

courtesy, respect for fellow human beings and concern for the health and welfare of others."

Monterey Peninsula Herald



"Good intentions do not always make good law and public policy. . . .

"Public awareness, common sense and courtesy are already dealing slowly but surely with the smoking problem in public places and work areas."

South Bay Breeze, Torrance (Cal.)

"A mistake, pure and simple."

KNBC Los Angeles

"It would be unworkable and unenforceable. . . .

"We don't think any law that cannot be enforced should be on the books. Respect for law and law enforcement is undermined by enacting unrealistic laws."

San Diego Tribune

"If Proposition 10 . . . passes, the state will get involved in the same contest of the will that the U.S. tried during Prohibition. . . .

". . . forget flexibility and consideration. It'll mean war."

Los Angeles Herald Examiner

"We don't have enough policemen to handle the crime we have. We don't need a new crime to contend with."

Dade Police Benevolent Association

"We don't need more government. . . ."

Homestead (Fla.) News-Leader

"We've got to quit running to government for the solution to every problem, especially problems that can be alleviated by cooperation and mutual consideration. . . ."

Daily Californian, El Cajon

"Dade voters do not need another pointless referendum on a subject that has been inflated into an unnecessarily controversial issue."

Miami Herald

"Far better, we believe, to depend on the inherent courtesy of most people to deal with the smoking issue than to pass a law that would be unnecessary, almost unenforceable, and inevitably erode individual rights."

Sacramento Union

"It could negate the voluntary cooperation smokers and nonsmokers have worked out."

*Peninsula Times Tribune,
Palo Alto*

Clearly, most Californians and Floridians believe the individual respect, tolerance and accommodation needed to resolve most everyday displeasures cannot be legislated. Mutual consideration is and must be the business of people, not of government. Whether and where their customers should be allowed to smoke must be the business of proprietors, not lawmakers.



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Let's set the record straight . . .

Are public smoking laws enforceable?

Public smoking restrictions vary from local ordinances of limited scope to wide-ranging state laws encompassing all public buildings. But whatever the law or its scope, all have one thing in common: enforcement is time-consuming and expensive and, therefore, often half-hearted at best.

Nowadays, with government being asked to remove itself from people's lives, public smoking restrictions only add more problems to an already overburdened, underfinanced law enforcement system. Laws are only effective if they are enforced fairly. And who will enforce these laws once they are on the books?

Proprietors shouldn't have to

Many public smoking proposals place responsibility for enforcement on the owner or manager of the business. Policing the actions of employees in the private workplace could prove an administrator's nightmare, leading to employee relations problems and decreased productivity.

Separation of people who work well together is inefficient, and creates bad feelings when smoking rules are considered inequitable. Rather

than contributing to greater productivity, such laws only mean someone must take time to referee squabbles that should be settled, person to person, with understanding and consideration.

In a recent position paper opposing restrictive smoking legislation, the Business Council of New York, an organization representing 4,000 small and large companies, called such public smoking laws "virtually unenforceable."

Just as management should not have to enforce public smoking restrictions in the workplace, restaurant owners should not have their patron's preferences dictated by law. Most are aware of the desires of their customers, and will meet them in their own way. Arbitrary

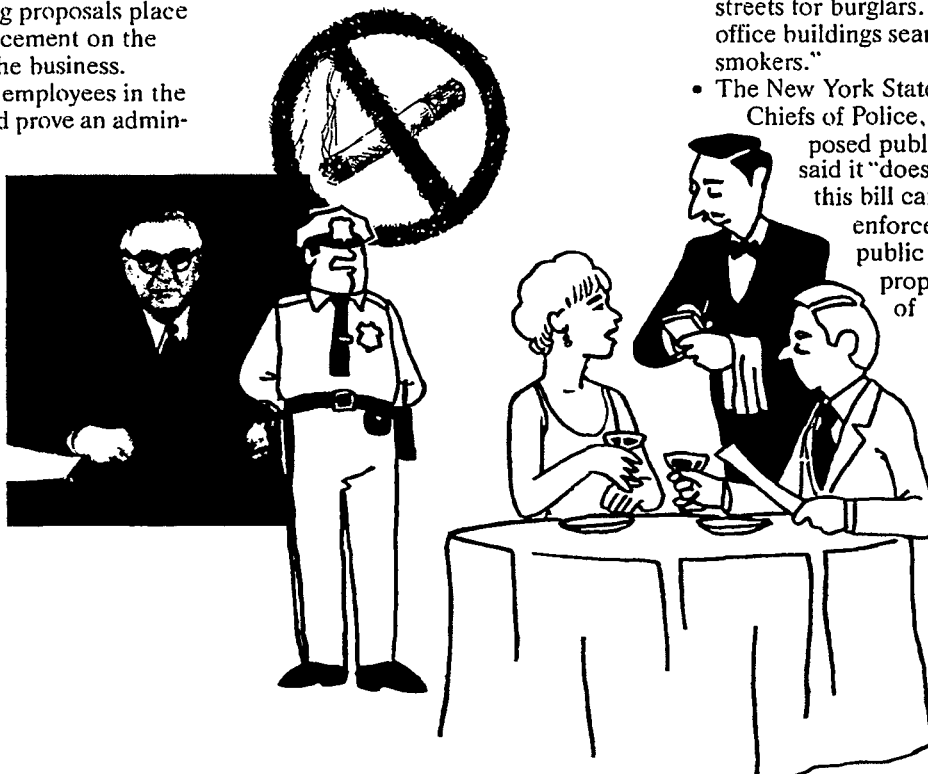
rules and regulations governing smoking can only create bad feelings among patrons, and drive away business.

Police can't

With crime statistics soaring, can we ask our policemen to take time from murder, robbery and accident investigations to arrest smokers for lighting up in "no smoking" zones?

Law enforcement agencies across the country have criticized proposals that ask them to stretch their already limited resources to include enforcement of public smoking laws. For example:

- The Los Angeles County sheriff, criticizing a California public smoking proposal, said, "Police should spend their time patrolling our streets for burglars, not prowling office buildings searching for illegal smokers."
- The New York State Association of Chiefs of Police, opposing a proposed public smoking bill, said it "does not feel that this bill can be properly enforced, nor [will the public] encourage the proper enforcement of this legislation."



- In Dade County, Fla., the Police Benevolent Association spoke out against a county-wide public smoking initiative: "We don't have enough police to handle the crime we have. We don't need a new crime to contend with."
- *The Law Officer*, journal of the International Conference of Police Associations, editorialized against public smoking legislation: "If there was ever an occasion when a law officer could agree with an 'offender' who declares, 'You should be out catching criminals,' this must certainly be it."
- The National Black Police Association warned that public smoking legislation "would be a waste of law enforcement time and effort." The group added, "The limited amount of personnel that we do have could better spend their time in making our neighborhoods safe."

Courts won't

Communities that have public smoking restrictions on the books find that enforcement by police, local health authorities and the courts is uneven at best.

"A driver isn't going to hold up a whole busload of people while he waits for a patrol car to arrive to take care of one

smoker," said a New York City Transit Authority spokesman. "Even when a summons is handed out, it gets low priority in the courts because they're just as overburdened as the police force."

Minnesota, which enacted one of the nation's first "clean indoor air" laws, charges the state health department with enforcement. However, the state has never appropriated funds to that end. The threat of an injunction sometimes brings compliance, but to obtain an injunction takes too much time and manpower, one health official admits.

Similar time and manpower restraints recently caused the Danbury, Conn., state's attorney's office to announce that it would not prosecute violators of that state's public smoking law.

And in Naples, Fla., a judge named to hear the case of a man arrested for smoking a nontobacco cigarette in a bank line removed himself from the case, questioning whether there was a "valid public purpose" in prosecuting the smoker. (A second judge ultimately dropped charges in the case because he found the public smoking law unconstitutionally vague.)

"Smokers' Court" did

Minority newspapers in New York City have carried articles on some "selectively enforced" smoking laws,

noting a "growing black opposition to anti-smoking legislation in several states." The National Black Police Association expresses a similar concern that "nuisance legislation of this type generally affects minorities and poor people to a further degree than others."

Indeed, Branch 95 of the Circuit Court of Cook County, "Smokers' Court," was a short-lived attempt to enforce laws prohibiting smoking on public transportation. Between 1975 and 1977, dozens of Chicagoans spent a night in jail because they were unable to post a \$25 bond after their arrest.

The experiment ended when the city began mixing those charged with smoking offenses with other misdemeanor cases, but not before critics noted that the vast majority of individuals charged with smoking violations were from minority and low-income groups.

Respect for law and law enforcement is undermined by enacting unrealistic laws. Police, anticipating the day they are unable to assist an accident victim because they are arresting a smoker in a grocery store, echo the words of a Minnesota fire marshal . . .

"Enforcement? I'd say it's impossible."



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Tobacco Industry Profile 1985

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All data for calendar year 1984, unless otherwise stated

■ Consumption

Total U.S. consumption including overseas armed forces was:

- 600 billion cigarettes
 - 3.5 billion large cigars and cigarillos
 - 1.3 billion little cigars
 - 29.7 million pounds of pipe and roll-your-own tobacco
 - 86 million pounds of chewing tobacco
 - 47.5 million pounds of snuff
-

The output of cigarettes from U.S. factories was 668 billion. Of the total, 9.8 billion cigarettes were shipped to overseas forces, 800 million to Puerto Rico and other U.S. possessions and 56.5 billion to other countries.

Per-capita U.S. cigarette consumption, based on population 18 and over, was 3,454. Record high was 4,345, in 1963.

■ Expenditures

U.S. expenditures for tobacco products were estimated at \$30.7 billion, a record high and an increase of nearly \$2 billion over 1983. More than \$28.7 billion, or 93.6 percent of the money spent for tobacco products, was for cigarettes.

■ World Production

World production of tobacco was estimated at 6.12 million metric tons, a slight increase from 1983.

The leading leaf producing nations in 1984 were: People's Republic of China (1,500,000 metric tons), U.S. (786,700), India (450,000), Brazil (373,000), USSR (345,500), Turkey (210,000), Bulgaria (147,300), Italy (147,000), Greece (140,200), Japan (137,000), In-

donesia (118,000), Zimbabwe (115,000), Burma (115,000) and Philippines (105,200).

■ U.S. Tobacco Production

Tobacco Growers

Tobacco was grown on more than 200,000 farms in 23 American states and in Puerto Rico. The federal government issued 538,575 allotments to grow tobacco in 1984. The allotment total is larger than the number of farms because some farms are given allotments for more than one type of tobacco.

The acreage harvested was 797,400, up one percent from 1983, with a record high yield of 2,187 pounds per acre. The total U.S. harvest was 1.74 billion pounds, 22 percent above 1983.

A breakdown of tobacco grown in 1984 by type shows flue-cured, 865 million pounds; burley, 732 million; Southern Maryland, 38.9 million; fire-cured 53.6 million; dark air-cured, 18.1 million; and all cigar types, 36 million.

Tobacco growing requires about 250 man-hours of labor per acre harvested. By comparison, it takes about three man-hours to grow and harvest an acre of wheat. The more than a half million farm families involved directly and indirectly in producing tobacco in the U.S. were aided by additional seasonal workers.

Tobacco Sales

Nearly all of the nation's tobacco was sold at auction in 165 designated markets. The small remainder was sold directly from the farms or by farmers' cooperatives.

The average price of the 1984 crop was \$1.81 per pound, a six-cent increase from 1983.

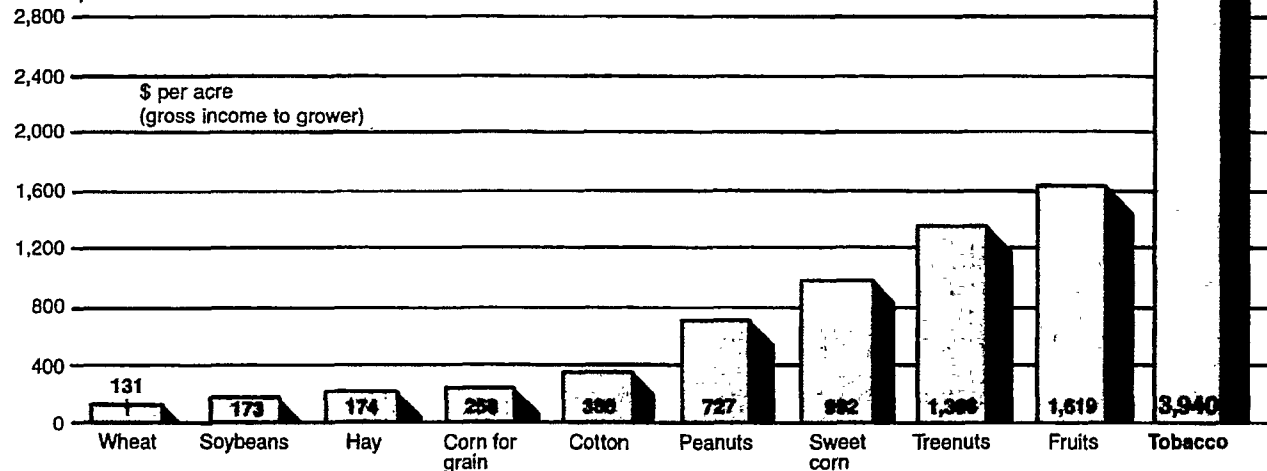
Crop Income

Tobacco was the sixth largest cash crop, behind corn, soybeans, hay of all kinds, wheat and cotton. The tobacco crop was worth more

Farm Value per Acre for Selected Crops, 1984

Statistical Reporting Service, USDA

Dollars per acre



than \$2.8 billion, representing 2 percent of the total for all cash crops and farm commodities. Estimates of these cash receipts from the 1984 tobacco crop were:

(millions of dollars)			
North Carolina	1,051	Florida	32
Kentucky	755	Maryland	32
Tennessee	250	Pennsylvania	21
Virginia	200	Connecticut	19
South Carolina	188	Wisconsin	18
Georgia	153	Missouri	10
Ohio	36	West Virginia	6
Indiana	32	Massachusetts	3

Tobacco is also grown in Alabama, Arkansas, Illinois, Kansas, Louisiana, Minnesota, New Mexico and the Commonwealth of Puerto Rico.

■ Manufacturing

Factories

In FY 1984, 124 factories in 19 states had federal permits to manufacture tobacco products. The concentration was in the southeast and mid-Atlantic states.

In FY 1984, 238 warehouses in 32 states were authorized by the U.S. government to export tobacco. Federal permits to manufacture cigarette papers and tubes were issued to 10 establishments in 6 states.

Employment

An estimated 64,800 persons were employed in tobacco manufacturing during 1984 on a monthly average basis, representing hundreds of millions in payroll dollars. The 49,000 on the production

lines in the average month earned \$438.40 a week for a 38.9 hour week.

Of all the manufacturing employees, about 70 percent, or approximately 45,300, were employed by cigarette manufacturers. Over two-thirds of the production workers, or 33,600 employees, were involved in cigarette-making. The rest worked in other aspects of tobacco manufacture, including stemming and redrying the leaf.

■ Distribution and Sales

Retail

An estimated 994,300 retail outlets distributed tobacco products. This included 701,760 individual vending machines, plus family-owned stores, and tobacco departments of large chain-operated stores. Related employment numbered in the millions.

Wholesale

Nearly 1,850 primary tobacco wholesalers with nearly 35,500 employees distributed tobacco products in 1982, the latest year available. Trade estimate of the 1984 wholesale value of tobacco products was \$24.75 billion. Cigarettes accounted for about \$23.3 billion, cigars about \$550 million and chewing, pipe and roll-your-own tobacco and snuff approximately \$900 million. Other smokers' articles, such as pipes, accounted for hundreds of millions more dollars.

■ Supply Network

Related Industries

Dependence on a complex industrial and service network greatly extended the contributions of tobacco to the nation's economy. The need for farm and manufacturing materials, supplies and equipment as well as services ranging from transportation to advertising

provided employment for additional millions and added billions of dollars to personal and business income in all the states.

Exports and Imports

The U.S. was the leading exporter and importer of tobacco. In 1984, about 31 percent of the U.S. crop was exported. In 1984, the value of U.S. exports of leaf and manufactured tobacco products was \$2.7 billion, 2 percent above 1983. Imports were valued at approximately \$636 million, down 22 percent. The difference represented a positive contribution of \$2.07 billion to the U.S. balance of payments in calendar year 1984, a 13 percent increase from the previous year.

Leaf

Approximately 246,156 metric tons of unmanufactured leaf tobacco valued at more than \$1.5 billion were exported. Leading markets for U.S. leaf were Japan, West Germany, Spain, Egypt, U.K. and Italy.

Imports of unmanufactured leaf totaled 188,757 metric tons—down 21 percent from 1983—and were valued at \$558 million, a 25 percent decrease from 1983.

About 41 percent of the leaf imported, or 76,618 metric tons, was oriental, for use in domestic cigarettes. Turkey continued to be the major supplier of oriental leaf, followed by Greece, Yugoslavia and Bulgaria.

Products

The value of exported manufactured products in 1984 was \$1.2 billion, up slightly from 1983. The value of imported manufactured products, at \$78 million, was up 54 percent.

Cigarettes

More than 56.5 billion cigarettes were exported in 1984 to 109 countries, down 7 percent in quantity from 1983. They were valued at \$1.12 billion. The leading destinations were Belgium-Luxembourg, Hong Kong, Japan, Saudi Arabia, Lebanon, Singapore, and Egypt.

About 1,004 metric tons of foreign cigarettes valued at \$12.6 million were imported.

Other Products

Cigar, cheroot and little cigar exports included 103.9 million units, valued at \$7.6 million.

About 1,371 metric tons of foreign cigars and cheroots were imported with a value of \$48 million.

Exports of pipe and roll-your-own tobacco in bulk increased nearly 17 percent to 4,207 metric tons with a value of \$31.1 million, a 26 percent increase from 1983. Exports also included 1,162 metric tons of snuff and chewing tobacco worth \$7 million—up 8 percent in quantity and 10 percent in value from 1983.

Imports of packaged smoking tobacco came to 1,814 metric tons valued at \$17.1 million.

Shipping

Nearly 94 percent of all leaf tobacco exported was shipped from the East. The major custom district ports were:

	Metric Tons	Value (millions)
Norfolk	105,094	\$644.0
Wilmington, NC	81,733	466.9
Baltimore	23,876	173.1
Charleston, SC	16,155	97.7
New Orleans	6,412	34.5
New York	2,866	19.4
Buffalo	2,043	5.1
Philadelphia	1,458	10.3
Los Angeles	1,394	11.9
San Juan	1,366	25.4

Cigarettes accounted for 94 percent of the value of manufactured tobacco products exported. The major ports shipping cigarettes overseas were:

	Units (billions)	Value (millions)
Norfolk	22.1	\$461.1
San Francisco	10.6	190.4
Baltimore	9.7	200.6
Charleston, SC	3.0	53.4
Wilmington, NC	2.9	57.2
Los Angeles	2.3	43.5
Miami	1.9	36.8

Government Receipts from Taxes

Tobacco Taxes

About 33 percent of the receipts from domestic civilian retail sales of tobacco products went to federal, state and local treasuries in the form of excise and sales taxes. These totaled more than \$10.1 billion in FY 1984 (ending June 30).

Federal, state and local governments collected nearly \$9.4 billion alone in excises on all tobacco products in FY 1984. Cigarette taxes represented 99 percent, or \$9.3 billion.

Federal, state and local excises on other tobacco products totaled \$93.4 million.

Since 1863, when cigarettes were added to the tobacco products taxed by the federal government, governments at all levels have collected over \$175.2 billion in tobacco taxes. Cigarettes have accounted for 95.3 percent of that, or \$166.9 billion.

Federal

The federal government's share was \$4.8 billion. Cigarette taxes accounted for 99.1 percent. About \$42.7 million in taxes was collected on other tobacco products.

State

All states imposed excises on cigarettes; 22 also taxed cigars and 21 taxed smoking or chewing tobacco, snuff or a combination.

The total revenue in FY 1984 was \$4.4 billion, of which almost 99 percent was cigarette taxes. About \$50.6 million was collected on other tobacco products. The states' cigarette excises ranged from 2 to 26 cents per pack.

Local

Tobacco taxes in 385 cities and counties yielded \$179.8 million in FY 1984. Of that amount, \$179.7 million, or 99.9 percent, was taxes on cigarettes. Thirty-two local governments also collected \$141,702 on other tobacco products.

Government Tobacco Programs

Farm Quotas

USDA continued in 1984 to administer laws to stabilize tobacco production and assure the grower fair prices. Most tobacco farmers, through periodic referenda, favored marketing quotas. Because of the production controls, less tobacco was produced and prices were higher than would be likely without them.

Loans

With grower approval of marketing quotas for a tobacco type, price supports for it were mandatory. Under the program, the Commodity Credit Corporation (CCC) made loans to farmers through their cooperative associations, with the tobacco as collateral. The associations handled and sold the tobacco, repaying loans as the tobacco was sold. The realized cost of the tobacco program since its start in 1933 was about .1 percent of the cost for all 13 farm commodity price support programs. In FY 1984, loan repayments totaled \$448 million, while new loans totaled \$795 million, which was expected to be repaid with interest to CCC as the collateral tobacco is sold by the associations.

1982 Congressional revisions in the price support program—requiring tobacco farmers to pay into a fund to offset any losses—were designed to assure that its operation will be at no cost to the American taxpayer.

SOURCES: U.S. Department of Agriculture: Agricultural Marketing Service, *Annual Report on Tobacco Statistics, 1984, Tobacco Market Review 1984 Crop* and Financial Management Division; Agricultural Stabilization and Conservation Service, *Commodity Credit Corporation Inventory and Financial Report for Fiscal 1984*; Economic Research Service, *Tobacco Outlook and Situation*; Foreign Agricultural Service, *Foreign Agriculture Circular (Tobacco)*; Statistical Reporting Service, *Citrus Fruits 1984 Summary, Crop Production 1984 Summary, Crop Values 1982-1983-1984, Non Citrus Fruits and Nuts 1984 Mid-Year Supplement and Vegetables 1984 Annual Summary*.

U.S. Department of Commerce: Bureau of the Census, *County Business Patterns, United States 1982* and EA-664.

U.S. Department of Labor: Bureau of Labor Statistics, *Supplement to Employment and Earnings*.

Grading

USDA's Agricultural Marketing Service (AMS) inspected and graded all tobacco before auction. Government grade standards were the basis for CCC loans. Beginning in FY 1982, tobacco farmers paid user fees for grading. In FY 1984, AMS collected \$8.9 million from tobacco farmers. Daily market news reports informed growers of prices and market conditions. This service cost \$464,000 in FY 1984.

Tobacco's Contribution to America's National Economy

In 1985, Chase Econometrics performed an analysis of the U.S. tobacco industry to determine its impact on America's economy during 1983.

This study showed the tobacco core sectors and supplier industries generated \$31.5 billion of the Gross National Product in 1983 and employed 710,000 workers to produce and deliver tobacco products and associated goods and services.

The tobacco industry's spending-induced impact on America's GNP was \$50.6 billion—nearly twice the expenditures on tobacco products alone. This money was generated by tobacco industry workers' expenditures on goods and services of other, non-tobacco, business sectors throughout the U.S.

The study showed, in 1983, tobacco industry activities in all 50 states resulted in:

	Core and Supplier	Spending-Induced
● GNP	\$31.5 billion	\$50.6 billion
● Jobs	710,000	1,590,000
● Compensation	\$14.1 billion	\$30.9 billion
● Capital Investment	\$1.3 billion	\$20.5 billion
● Federal, state and local taxes	\$15.7 billion	\$14.2 billion

Details of the study are available from The Tobacco Institute.

U.S. Department of Treasury. Bureau of Alcohol, Tobacco and Firearms.

American Automatic Merchandiser, May 1985.

Chase Econometrics, 150 Monument Road, Bala Cynwyd, PA 19004.

Retail Tobacco Dealers of America, Inc., The Atrium, 55 Maple Avenue, Rockville Centre, NY 11570.

The Tobacco Institute: *The Tax Burden on Tobacco, Vol. 19, 1984*, 1875 I Street NW, Washington, DC 20006.

Tobacco Merchants Association, 1220 Broadway, New York, NY 10001.

Let's set the record straight . . .

There is no tobacco subsidy!

Manufacturers, Exporters and Growers join to assure an effective program which is no-net-cost . . .

One of the most misunderstood facets of tobacco is the government price support program, sometimes incorrectly called "the tobacco subsidy." Critics denounce a bureaucracy which—they say—gives money to farmers to grow the leaf while it discourages tobacco smoking. In fact there is *no* tobacco subsidy. There never was. So how could the government's farm and anti-smoking programs conflict?

There is a government *price support and production control* program that guarantees farmers a minimum price for their tobacco in return for strict limits on production, much as similar programs do for corn, rice, peanuts and cotton—13 different commodities altogether.

How price support works

The money isn't a gift. It's a government-backed loan, to be paid back just like the government loans for small businessmen, students, home buyers.

All tobacco types are eligible for price support. The program is voluntary, with growers of each type being given the choice, via referendums every three years, to participate. Most elect to be bound by price support guidelines.

To participate, tobacco growers agree to strict acreage and poundage allotments set annually by the U.S. Department of Agriculture. Total allotments, the "national marketing quota," equal the amount USDA estimates is necessary to meet the needs of the domestic tobacco industry, foreign buyers and inventory set by law.

Price supports do more than control quantity. They establish a minimum price for tobacco sold at auction. This minimum price is especially important to the tens of thousands of farm families who grow tobacco on acreage so small that no other crop grown there could support a family.

Most U.S. tobacco is sold at warehouse auction after grading by U.S. standards according to type and quality. The grade determines the per-pound support price.

If a grower's tobacco fails to bring an auction bid of at least one cent per pound above the support price, and if the grower meets USDA requirements, he is eligible for a government-backed loan based on the support price. The tobacco is taken as loan collateral by a cooperative owned and operated by growers. It's then processed and stored for future sale.

What it costs

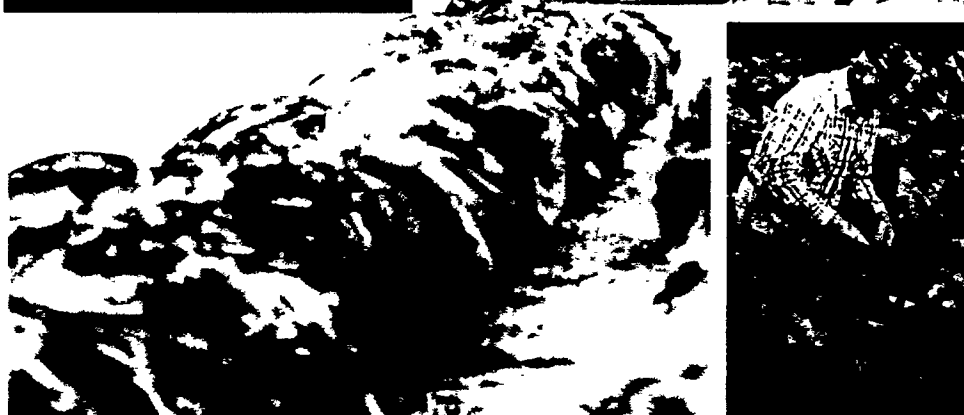
Among the most perishable of crops, tobacco can be stored for several years before being sold in a more favorable market. It may take several years to dispose of the loan collateral leaf from a single marketing year. But when the cooperative sells the tobacco, each loan is repaid *with interest*.

Until recently, on the rare occasions that sale proceeds did not cover a loan, the unpaid balance was written off as a federal program cost. Since 1982, however, each participating tobacco grower has contributed to a fund held by his cooperative to ensure repayment of loans and interest. Beginning in 1986, buyers made half the contribution.

In past years when proceeds from loan tobacco exceeded the cost of the loan, interest and storage charges, profits were distributed to growers. Now



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they, too, go into the repayment fund.

Permanent government efforts to stabilize sectors of the national economy, including agriculture, began in the depression of the 1930s. The 1932 tobacco crop had sold for only nine cents a pound. Many farmers, unable to sell their leaf at all, were using it as fuel.

Price stabilization and production control were—and are—designed to ensure the farmer a reasonable return for his considerable investment.

A no net cost program

The Commodity Credit Corporation administers commodity stabilization programs for USDA and, as with all the other commodities, has in the past incurred some expenses in the tobacco

and other tobacco program operations. They would be incurred anyway because the agents work with other crops, too, and bookkeeping separation is not feasible.

As of 1984, CCC books showed a \$58 million net loss on tobacco loans over half a century—the result of only two or three “bad” years. This is less than *one-tenth of one percent of all* losses for all commodity price support programs. By comparison, the corn and wheat price support programs each show a \$3 billion-plus loss and cotton more than \$2 billion.

For various reasons, however, collateral stocks of tobacco rose in the 1980s, threatening a larger government loss. Congressional action in 1986 provided for manufacturer buyouts from the

more than \$150 billion in excise taxes.

So there is *no* tobacco subsidy.

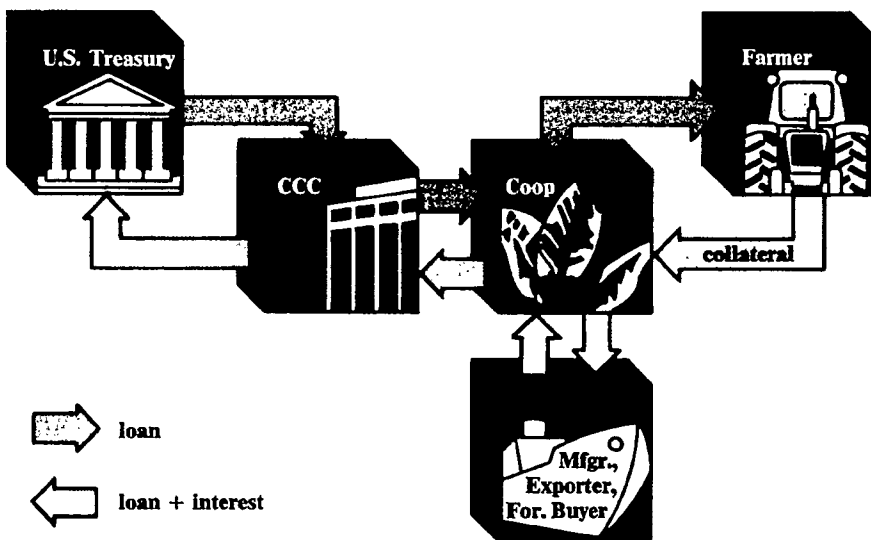
Still, critics argue the program makes tobacco products more readily available. Untrue.

The program is intended to, and does, keep tobacco leaf prices *higher* than they would be without it.

The program is intended to, and does, keep domestic tobacco supplies *lower* than they would be without it.

Without the program, many more acres would be devoted to tobacco. Overplanting would bring a larger tobacco supply and lower prices for the farmers, who could then lose their land and other capital. Such widespread financial and commercial disruptions would create regional recessions with national repercussions.

Tobacco loans are repaid with interest . . .



program. For example, changes in prevailing interest rates occasionally caused gaps between the rate set by CCC at the start of the year and the rate at which CCC borrowed from the Treasury for producer association loans later in the year. Variable rate loans, begun in 1981, now minimize this gap.

USDA also has administrative costs of \$15-18 million annually—for the agents who track allotments, marketing

surplus, and lower support price levels—measures which will sharply reduce government liability and make U.S. leaf more competitive in foreign markets.

There is no tobacco subsidy

In the 50-year span during which the tobacco program ran its relatively modest loss, purchasers of tobacco products paid federal, state and local treasuries

Encourages smoking?

Does the price support program encourage starting or continuing to smoke? Just what are government health and regulatory officials saying about that question?

Everett Koop, the surgeon general, says federal health authorities consider price supports to be an agricultural and economic matter, “not an issue concerning public health. It’s hard to see how a subsidy by the government encourages young people to start smoking or keeps people who are smoking continuing.”

Dr. Koop gave the program the wrong name in calling it a subsidy. But he gave an accurate assessment of its effects.

A then Federal Trade Commission member and long-time foe of smoking, Michael Pertschuk, told it like it is at a session of the 1983 World Conference on Smoking and Health. The support system, he said, “restricts the production of tobacco as part of a program for keeping the price of tobacco and hence the income of tobacco farmers up.”

Without the program, Pertschuk said, there would be “a return to the conditions which spawned the program in the great depression.”

He’s right.

For further information on this and other tobacco-related issues write or call The Tobacco Institute.