

521046375

WORKPLACE SMOKING RESTRICTIONS
PROGRAM

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WORKPLACE SMOKING
RESTRICTIONS PROGRAM

AUGUST 1983

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OVERVIEW

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Public smoking restrictions fall into three broad categories:

1. Legislation

The industry has faced more than 1,000 public smoking bills and defeated more than 90% during the past decade. Those defeated are typically reintroduced each year and are often redrafted to accomodate legislators' objections.

These bills have generally attempted to restrict smoking in public places. But, as the recent San Francisco and Connecticut laws demonstrate, interest in restricting workplace smoking is increasing.

The Institute, as a matter of policy and practice, is organized to aggressively oppose such legislation.

2. Litigation

This category is small compared to legislation. Although there is no conclusive pattern of law, the courts have addressed the issue in four ways:

- o The courts have consistently maintained that there is no constitutional right to a smoke-free environment.
- o There has been state common law protection from unreasonable exposure to tobacco smoke.
- o The courts have said that an organization has the right to impose restrictions on itself, but

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- o The courts have also sided with unions which feel that smoking restrictions are a matter for collective bargaining.

Since litigation has been sporadic, The Institute's actions have been ad hoc.

3. Voluntary

There appear to be three kinds of voluntary restrictions in the workplace:

- o Restrictions on employees;
- o restrictions on customers; and
- o marketing practices, such as nonsmoker discounts, which exploit anti-smoker feelings.

The first, restrictions on employees, is by far the most damaging, unfair, and illogical.

We do not know precisely how widespread these practices have become, but we do know that, with the help of anti-smokers, they are growing. As an industry, we have responded to requests for information on voluntary restrictions but done little more. As a result, we have had little influence.

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Clearly, our major challenges and our experience have been legislative. Therefore, The Institute's policies, practices, and organizational structure have been formed to deal with legislative -- not judicial or voluntary -- restrictions.

Now that we are increasingly facing voluntary restrictions, are our policies and practices appropriate?

The following section discusses this question.

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POLICY QUESTIONS

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1. Do we oppose all smoking restrictions?

No. But we view most smoking restrictions as unnecessary and unfair infringements on individual adult freedom.

There are instances where smoking may be restricted with good cause. Smoking may be dangerous near combustible liquids and gases, and may not be compatible with certain manufacturing operations; e.g., food processing, the assembly of electronic components.

2. We have argued that governments should not interfere in matters of personal adult choice such as smoking; that individuals, proprietors, and organizations should be free to make these decisions voluntarily. But, now that increasing numbers of organizations are voluntarily restricting smoking, do we accept their decisions and their right to make those decisions?

Institute staff feels that we may disagree with the decision to voluntarily restrict smoking but it would be futile and possibly dangerous to publicly challenge an organization's right to make decisions. It would seriously undermine more than a decade of legislative testimony and other statements endorsing the voluntary approach over legislative alternatives.

However, we must discourage workplace restrictions privately.

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3. To what extent should The Institute become involved in other organizations' internal decision-making? What is possible? What is appropriate? What are our expectations of success?

As a practical matter, there are only a few ways one organization may influence another:

- a. Economic pressure. An individual company can choose not to conduct business with a company that restricts smoking, but The Institute cannot organize economic pressure of this sort.
- b. Litigation. While litigation can be a powerful tool, staff sees it as having an uncertain, potentially counter-productive outcome. (Regretably, our involvement in the current case in Massachusetts has increased the prominence and public awareness of that litigation substantially.)

The Institute should look for opportunities to help organized labor challenge smoking restrictions imposed outside of collective bargaining. Furthermore, we should continue to respond to complaints based on a purported right to a smoke-free environment.

- c. Legislation. The Institute could not seriously propose legislation to forbid organizations from voluntarily restricting smoking.

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- d. Persuasion. Voluntary decisions are based on decision-makers' personal experience, education, and biases as well as new information and pressure from groups with interests in the organization; e.g., employees, unions, stockholders, customers.

Therefore, of our four options, economic pressure is legally questionable; litigation is of limited use; legislation is impractical; and persuasion has obvious limitations.

There are two additional confounding factors:

- a. American organizations -- our industry included -- typically resist and often resent external involvement in internal matters.
- b. There are hundreds of thousands of organizations capable of restricting smoking and there is no way of monitoring them all.

Realistically, we cannot expect to succeed as we have on the legislative front. But we must try.

4. Are we willing to propose a lesser form of restrictions to avoid a harsher form?

This poses a difficult choice. On the one hand, we believe that smoking restrictions are unnecessary and unfair. On the other hand, there is legislation which

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tells businesses they must have a policy on smoking. We know that anti-smoking organizations have model policies ready for adoption. That is precisely what is happening in Connecticut.

If we do not have suitable alternatives, we lose by default.

We believe that a "fall back" position proposing limited restrictions should be available so that we do not simply concede these opportunities to the anti-smokers.

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This "fall back" position should be used privately and sparingly so that we do not undermine our legislative position.

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POLICY RECOMMENDATION

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Given the nature of the issue and the industry's on-going political, legal and business needs, we recommend the following policy be adopted by the Executive Committee:

- I. That the Institute continue to aggressively oppose all legislative attempts to unnecessarily restrict smoking.

- II. That The Institute limit its active participation in litigation to those cases where labor unions challenge the right of management to unilaterally impose smoking restrictions; and in complaints based on a purported right to a smoke-free environment. Litigation opportunities not anticipated by our analysis should be considered on an ad hoc basis. We must avoid unnecessary legal prominence or public visibility of potentially negative decisions.

- III. That The Institute continue its position of respect for the voluntary decision-making process; but that The Institute actively attempt to influence decision makers.
 - A. That The Institute concentrate its efforts on the highest potential situations.
 - B. That The Institute seek to prevent all unnecessary restrictions but be prepared to negotiate rather than to concede opportunities.

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PROGRAM SUMMARY

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I. DEFENSIVE STRATEGIES

AUDIENCE: Workplace decision-makers, principally financial and personnel managers.

GOAL

Contain William Weis and others who claim that smokers cost their employers more than nonsmokers.

DOCUMENTATION

) Lewis Solmon critique of Weis research. (Appendix B)

STRATEGY

Confront Weis directly through the press and through business forums, using Solmon's research.

TACTICS

(See memo, Appendix B, for all results to date and media lists.)

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1. Develop fact sheet and summary on Solmon's research and a biography on Solmon to use with reporters and editors.

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2. Contact management and labor relations journals and national business press. Arrange interviews with Solmon or seek coverage of Solmon's arguments in articles already being prepared on the subject.
3. Write letters-to-the-editor to those publications which have covered the smoking issue but ignored Solmon's argument. Letters will stress Weis' biased, inaccurate findings.
4. Write letters-to-the-editor supporting articles which present issue objectively.
5. Prepare one article for placement in those journals which are interested in the story but lack staff to conduct interviews and write columns.
6. Conduct "media tour" in Seattle, where Weis has strongest support, using Solmon as spokesperson. Pitch all Seattle media outlets. Encourage journalists to contact Weis.
7. Conduct media tours with Solmon or arrange meetings with local officials in other cities as requested by political staff. Possibilities are San Francisco and Los Angeles.
8. Challenge Weis to debates with Solmon in Seattle; e.g., Seattle Rotary Club, and before other appropriate business groups.

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AUDIENCE: Workplace decision-makers.

GOAL

Convince businesses and agencies which must implement a policy to implement one which is most fair to all employees.

DOCUMENTATION

Alternative smoking restriction policy. (Appendix C)

STRATEGY

Provide an alternative policy to organizations which must implement smoking restrictions.

TACTICS

1. As requested by TI Area Directors, provide a supply of the policy to State Chambers of Commerce and/or other business associations and encourage them to use with local businesses faced with the issue. The policy should be part of a complete information package comprised of materials discussed throughout this program.

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2. Provide above materials to organizations which contact us and say they intend to restrict smoking but are looking for ways to do so equitably.

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II. OFFENSIVE STRATEGIES

AUDIENCE: Union leaders.

GOAL

Increase union leadership opposition to smoking restrictions unilaterally imposed by employers or as proposed by rank and file members.

DOCUMENTATION

- o Resolution, speeches and other written materials from other unions.

- o Survey of first-line supervisors. (Appendix H)

STRATEGIES

- o Demonstrate to union leaders the negative effects of smoking restrictions.

- o Characterize the issue of lifestyle restrictions as one which diverts attention away from real issues.

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- o Present the tobacco industry as a potential labor ally on a variety of issues. (See Appendices D and E)

TACTICS

1. Develop and place ten articles on discrimination against union members who smoke, in labor publications.
2. Encourage three prominent union officials to write guest columns on the divisive effect of smoking restrictions. Columns should appear in labor publications.
3. Encourage a prominent labor attorney to write and publish an article on the dangers of unilaterally-imposed smoking restrictions in a prominent labor publication. Seek interviews for this lawyer with labor publications and labor reporters at business publications.
4. Encourage five labor leaders to make speeches or conduct workshops, as appropriate, at significant labor conventions, on the overall question.
5. Develop and place three articles on "smoking restrictions" as an issue which diverts attention away from real workplace issues.

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6. Arrange interviews for five labor representatives with labor publications and labor news services, through Press Associates International and AFL-CIO News Service.
 7. Write letters-to-the-editor to business and labor publications for signature by labor leaders or rank-and-file members as needed.
 8. Encourage adoptions of resolutions which state opposition to workplace smoking restrictions; seek coverage of the resolutions in labor publications.
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AUDIENCE: Financial officers and members of financially related legislative committees.

GOAL

Increase awareness of corporate financial officers, members of financially related legislative committees, and financial officers of public agencies that smoking restrictions result in unforeseen costs.

DOCUMENTATION

Cost analysis of corporate smoking restrictions. (Appendix F)

STRATEGY

Demonstrate the various costs imposed by smoking restrictions via a comprehensive cost analysis of corporate smoking restrictions.

TACTICS

1. The director of corporate relations, with assistance from the task forces (see Appendix G for task force descriptions), will meet with financial officers to discuss the cost analysis study. Meetings will involve financial officers who are current contacts.

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2. The director of corporate relations and other Institute staff will offer to conduct similar meetings with organizations which contact The Institute.
3. Prepare a summary of study and cover letters which provide an overview of the issue and contain coupons for additional information.
4. The task forces and the director of corporate relations will mail above information to personal contacts (financial officers) at Fortune 500 companies, major public agencies, and other business establishments with the potential for high visibility or significant impact. The correspondence will include an offer for a meeting with industry personnel.
5. Supply industry lobbyists with the study and a summary for use with legislators. Provide briefing at lobbyist meetings.
6. Prepare press materials based on the study. These should include:
 - o A press release announcing the study's outcome and its implication for business.
 - o A one-page fact sheet highlighting findings.

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- o A question and answer backgrounder with a Touche Ross consultant or a financial officer of one of the organizations studied, if possible.
 - o A general issue summary.
7. Use the above press materials to seek Institute speaker interviews with all national business media and financial trade publications listed on pages 34-35.
 8. Prepare five op-ed pieces for submission to appropriate trade journals appearing in same list (many journals are technically, not issue, oriented).
 9. Write letters-to-the-editor in response to both favorable and unfavorable coverage of the study. Such letters will be for the signatures of Touche Ross or other financial consultants; a financial officer in one of the organizations studied; a financial officer in an allied organization; the director of corporate relations or a task force member.
 10. Prepare three short feature stories on specific portions of the research, in a popularized manner, for general managerial publications listed on pages 34-35. Such stories will present hypothetical workplace scenarios regarding the smoking issue and describe the study's implications for such situations.

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AUDIENCE: Labor relations executives, personnel administrators, and general managers.

GOAL

Increase awareness of labor relations executives, personnel administrators, and general managers that unnecessary smoking restrictions impose employee relations problems such as:

- . introducing restrictions as part of the collective bargaining process;
- . hurting employee morale;
- . disrupting workflow; and
- . potential discrimination.

DOCUMENTATION

- o Resolutions, speeches, articles and other written materials signed by union leaders and/or members.
- o Survey of first line supervisors showing that as workplace issues go, smoking is a low priority. (Appendix H)

STRATEGIES

- o Demonstrate to labor relations executives that unions (especially those with which they have contacts) oppose unnecessary smoking restrictions by promoting resolutions and other written materials signed by union leaders or members.

- o Demonstrate, with results of supervisor survey, that as workplace issues go, smoking is of minor concern.

TACTICS

1. The director of corporate relations, with assistance from the task forces, will meet with labor relations and personnel executives to discuss the results of the survey and findings from meetings with labor union officials (see page 13 for discussion of organized labor strategies).

2. Prepare a summary of the survey and background information explaining the results of labor union activities (e.g., resolutions and statements by labor officials) that support the industry.

3. Mail this summary to personnel and labor relations executives in the Fortune 500 and in major public agencies, with a letter

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explaining the labor/employee relations angle and its relationship to the general issue. The letter will contain a coupon for additional information and an offer from industry personnel to meet with the recipient. The director of corporate relations or a task force member will sign the letters.

4. Prepare press materials on the study and, if appropriate, on the results of our work with organized labor. The materials should include:

- o A news release announcing the survey results and their implication for employee relations.
- o News releases developed regularly, on newsworthy developments resulting from labor relations activities; e.g., a union member discriminated against because he or she is a smoker; a labor leader's speech; a union resolution.
- o A capsulized version of the survey, showing key results.
- o A summary of the entire issue.
- o A question and answer sheet with a rank and file union member or labor leader discussing the issue.

5. Send releases on labor developments to labor relations trade journals.
6. Arrange interviews between the corporate relations director and/or friendly labor officials and labor reporters at THE WALL STREET JOURNAL, THE NEW YORK TIMES, THE LOS ANGELES TIMES, TIME, NEWSWEEK, Associated Press, UPI, and other national media which maintain labor desks.
7. Prepare op-ed pieces, short feature articles, and write letters-to-the-editor in a fashion similar to that recommended for strategies aimed at financial executives (page 16). Pieces should be by-lined by the director of corporate relations or labor officials willing to speak on the issue.

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AUDIENCE: Benefits administrators.

GOAL

Increase the awareness of benefits administrators of misleading insurance marketing practices such as nonsmoker discounts.

DOCUMENTATION

Investigation of insurance marketing practices. (Appendix I)

STRATEGY

Through the investigation, demonstrate to benefits administrators that: non-smoker insurance discounts are little more than a marketing technique; that they have no actuarial relevance; and that they are not enforced and are essentially unenforceable.

TACTICS

1. Prepare summaries of the results of the survey for benefits administrators and for the press in a manner similar to that described in previous sections.

2. The director of corporate relations and task force members will use this information in meetings with benefits administrators.
3. Seek interviews for the director of corporate relations, with business reporters of national news publications, with national business publications, with all management trade journals listed on pages 34-35; and with regional publications near any company known to conduct such marketing practices.
4. Prepare three short feature stories capsulizing the issue for placement in management journals listed on pages 34-35.
5. Prepare letters-to-the-editor and op-ed pieces for signatures of the director of corporate relations, a task force member or an industry ally, in response to all coverage of this aspect of the issue.
6. Encourage coverage of insurance company marketing discrepancies by consumer reporters. (For example, insurance companies' positions on "uni-sex" rating are sharply inconsistent with non-smoker discounts.)

AUDIENCE: Medical directors.

GOAL

Increase the awareness of corporate medical directors that existing research on the effects of ambient smoke is inconclusive.

DOCUMENTATION

Report from the University of Geneva on ambient smoke effects.

STRATEGY

Introduce the Geneva study and other available research to medical directors.

TACTICS

1. Prepare summaries of the University of Geneva report for use with the non-scientific medical journals, the business media and with corporate medical directors.
2. Mail one version to medical directors of Fortune 500 companies, major public agencies, and other significant business establishments with a cover letter from the Institute medical

consultant explaining its relevance to workplace smoking policies. The letter should contain a coupon for additional information and an offer from The Institute medical consultant to meet with the medical director.

3. The Institute corporate relations director or task force members will include this in materials sent to companies requesting assistance or information on the issue.
4. Place the public smoking ad in business journals as recommended by the Institute advertising agency.

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AUDIENCE: Corporate attorneys.

GOAL

Increase the awareness of corporate attorneys that smoking restrictions may cause unwanted legal actions.

DOCUMENTATION

Examination of legal implications of various kinds of smoking restrictions. (Appendix J)

STRATEGY

Using the examination, demonstrate that legal actions resulting from smoking restrictions may be costly to corporations; may be precedent setting; and may lead to further challenges of other management prerogatives.

TACTICS

1. Prepare a summary of the study for corporate attorneys and a version for legal reporters. Both pieces should be developed and used in manners similar to those discussed in previous sections.

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2. TI corporate counsel and the director of corporate relations will meet with corporate attorneys in target corporations and agencies to present the findings and discuss their implications for business.
3. Target legal reporters in the national press and provide them with study findings.
4. Seek speaking forums for TI counsel at state, local and national bar association meetings. Work through labor law division of association, if possible.

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AUDIENCE: Senior managers of corporations and public agencies.

GOAL

Encourage senior managers to require informed, objective decisions by their executives regarding smoking restrictions.

DOCUMENTATION

Workplace information kit containing summaries of studies conducted in each business discipline.

STRATEGY

Illustrate the range of potential workplace problems which smoking restrictions present through summaries of:

- o Cost analysis of workplace smoking restrictions
- o Supervisor survey
- o Non-smoker insurance discount study
- o Geneva study on ambient smoke
- o Examination of legal implications

TACTICS

1. Compile summaries and press materials for use with executives in each management discipline. Prepare a summary of the general

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issue which cites each study (legal, insurance-marketing, supervisors survey, etc.).

2. Arrange meetings between the director of corporate relations, Institute senior staff or task force members and their business associates in other organizations to discuss the issue.
3. The same individuals should mail the information to contacts at Fortune 500 companies, major public agencies and other significant business establishments.
4. Supply industry lobbyists with information kits containing summaries of all studies, for use with agency directors and legislative contacts.
5. Seek speaking platforms -- and possibly debates -- for consultants used to conduct research, for Institute speakers, or for task force members before: the American Management Association, American Society for Personnel Administration, Business Council, Financial Management Association, Industrial Management Society, Management Association, National Small Business Association, Society of Personnel Administrators, Public Administration Society, and The Hubert Humphrey School of Public Policy.

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6. As the issue becomes prominent, arrange an editorial roundtable to supplement other media activities with business reporters at national business publications such as BUSINESS WEEK and others listed on pages 34-35. Business representatives at this session might include the director of corporate relations, consultants, and labor officials and executives from other industries who are willing to speak out on the issue.

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III. ORGANIZATIONAL STRATEGIES

GOAL

Implement an effective workplace smoking program.

STRATEGIES

- o Allocate adequate staff and resources to the program

TACTICS

- . Hire director of corporate relations. (Appendix G)
- . Assign task forces to assist with program implementation.
- . Approve total program budget.

- o Increase Institute staff and other key industry personnel understanding of issue

TACTICS

- . Employ Touche Ross to conduct a study identifying and analyzing the mechanisms, concerns, and decision-makers involved in the process. (If appropriate, the results of this study will supplement proposed tactics aimed at senior managers of corporations and public agencies.) (Appendix A)
- . Include issue briefings at all Tobacco College presentations.

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- o Identify opportunities where the industry has the highest potential for influence

TACTIC

- . Develop a flow-chart model to assist The Institute in making a consistent, logical evaluation of each situation. See Appendix K for a complete discussion of the model.

- o Measure the success of the program.

TACTICS

- . Conduct periodic surveys of corporate decision-makers' attitudes toward smoking restrictions. Each survey will be tailored to specific management disciplines.
- . Develop an inventory of targeted organizations and monitor their activities.

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PUBLICATIONS REFERRED TO IN PLAN

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Trade Journals

AFL - CIO NEWS	PERSONNEL
ACROSS THE BOARD	PERSONNEL ADMINISTRATOR
AMERICAN BAR ASSOCIATION JOURNAL	PERSONNEL JOURNAL
AMERICAN LAWYER	PERSONNEL MANAGEMENT (BNA)
ASSOCIATION MANAGEMENT	PRACTICAL LAWYER
ASSOCIATION & SOCIETY MANAGER	SMALL BUSINESS REPORT
BUSINESS DIGEST	SPOTLIGHT
CASE & COMMENT	TRIAL
COMMERCIAL & FINANCIAL MANAGEMENT	VOICE OF SMALL BUSINESS
CREDIT & FINANCIAL MANAGEMENT	
D & B REPORTS	
DOLLARS & SENSE	
THE EFFECTIVE EXECUTIVE	
FINANCE	
FINANCIAL EXECUTIVE	
FINANCIAL WORLD	
FINANCIER	
FOREMANSHIP	
THE GALLAGHER PRESIDENT'S REPORT	
THE GOVERNMENT MANAGER (BNA)	
INNOVATION & PERFORMANCE	
LEGAL TIMES	
MANAGE	
MANAGEMENT REVIEW	
MANAGEMENT WORLD	
NATIONAL LAW JOURNAL	

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National Media

THE WALL STREET JOURNAL

THE NEW YORK TIMES

CBS EVENING NEWS

ABC EVENING NEWS

NBC EVENING NEWS

TIME

NEWSWEEK

U.S. NEWS & WORLD REPORT

CBS SUNDAY MORNING

BUSINESS WEEK

FORBES

FORTUNE

WASHINGTON POST

LOS ANGELES TIMES

BARRON'S

INDUSTRY WEEK

NATION'S BUSINESS

MONEY

INC.

DUN'S BUSINESS MONTH

HARVARD BUSINESS REVIEW

CBS RADIO NEWS

ABC RADIO NEWS

NBC RADIO NEWS

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BUDGET

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BUDGET

<u>Acct</u>	<u>Item</u>	<u>Proposed</u>	
2800	Salaries:		
	Director, Corporate Relations	\$50,000	
	Secretary	<u>20,000</u>	
			70,000
3900	Travel and Expenses:		
	3 business conferences (3 days each)		
	airfare @ \$600	1,800	
	meals and lodging @ \$110/day	990	
	10 visits to corporate/union offices		
	outside of D.C. area (2 days each)		
	airfare @ \$600	6,000	
	auto rentals @ \$100	1,000	
	meals and lodging @ \$75	1,500	
	General entertainment		
	\$500 per month	<u>6,000</u>	
			17,290
4000	Conference Registrations:		
	3 @ \$200		600
5100	Postage/Mailings:		
	postage	20,000	
	mailing lists	<u>5,000</u>	
			25,000
5200	Printing and Reproduction:		
	Reprints of studies and articles	15,000	
	Smoking in the Workplace Kit		
	production	15,000	
	printing	<u>40,000</u>	
			70,000
6200	Advertising targeted to business		
	and union audiences:		
	production	10,000	
	placements	<u>600,000</u>	
			610,000

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Consultants:

Dr. Lewis Solmon	50,000	
Study of Decision-Making	50,000	
Study of Financial Elements	60,000	
Non-Smoker Insurance Discount Study	30,000	
Contingency	50,000	

Public Relations Counsel		
\$15,000 per month	180,000	

Opinion Research

Study of Attitudes Towards Smoking		
Restrictions in Workplace	75,000	

Roper Reports, Special Questions	<u>5,000</u>	500,000
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7500

Support of Other Organizations:

Jobs Retraining Grants		200,000
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\$1,492,890

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APPENDIX A

STUDY OF DECISION-MAKING BY TOUCHE ROSS

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Touche Ross & Co.

September 1, 1983

Mr. William Adams
Controller
The Tobacco Institute
1875 Eye Street, N.W.
Washington, D.C. 20006

Dear Mr. Adams:

This letter is in response to your request to describe how we would approach a study of the manner in which corporations deal with restrictive smoking policies. The purpose of the study is to provide information to the staff of the Tobacco Institute. As we understand it, the objective of the study would be a description of:

- o How the companies decided to establish the smoking policy and who (at what level) was involved;
- o What the smoking policy was;
- o How it was implemented and how long it took; and
- o How the policy is enforced and what effects have resulted, if that can be determined.

We understand that a formal opinion survey of a sample of the companies' employees is not required at this time. We could arrange for such a survey if it was later determined to be necessary.

Study Approach

Based on the objective described above, our approach to the study would be as shown below:

1. Interview key employees of the Tobacco Institute to expand and clarify project objectives.
2. Prepare a draft study guide, including identification of questions to be asked and data to be obtained.

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3. Review the study guide with the staff of the Tobacco Institute and make adjustments where appropriate.
4. Arrange, with assistance from the Tobacco Institute, appointments with two companies to conduct interviews and complete the study guide.
5. Prepare a final report for each company summarizing the results of our study.

We believe our study will be more valid and useful if our final report does not contain references to the companies and they are promised confidentiality of the contents except for review by the staff of the Tobacco Institute. Further, we would not expect our firm name to be used in any public statement in connection with the final report, since such use is easily misunderstood when the full text of the report document is not available.

Project Staffing

This project will be performed by consultants from our Washington, D.C. Management Consulting staff. Mr. James McCoy, a partner in the Washington, D.C. office, will have overall responsibility for the project. Mr. McCoy has broad experience in general management consulting, and has performed numerous similar studies for clients in both the public and private sector, including the American Bankers Association and Congressional Commissions.

The project manager for the project is planned to be Ms. Sandra Berlin. Ms. Berlin has extensive management study experience with Touche Ross. In addition, she was previously an operational auditor for the Federal Reserve Board and manager of internal audit for a major Washington, D.C. bank. Ms. Berlin will be responsible for directing project activities on a daily basis. Other experienced project staff will be assigned as required.

Project Cost

Our costs are based on hours worked at standard hourly billing rates, plus out-of-pocket expenses. We normally bill our clients monthly for services as a project progresses. Our fees for this engagement will be \$60,000 plus out-of-pocket expenses.

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We expect this project to require six to eight weeks for completion from the time we start our initial interviews. We plan to start the project soon after your acceptance of this proposal. We appreciate the opportunity to propose on this important project and look forward to being of service to the Tobacco Institute. If you have any questions, please call Mr. James A. McCoy at 452-1200.

Very truly yours,

Touche Ross & Co.

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APPENDIX B

ARTICLE BY DR. WILLIAM WEIS

CRITIQUE OF WEIS BY DR. LEWIS SOLMON

MEMORANDUM FROM OGILVY & MATHER ON SOLMON/WEIS ACTIVITIES

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➤ The incremental costs associated with employees who smoke is approaching \$5,000 per smoker per year

Can you afford to hire smokers?

William L. Weis

➤ *Dr. William L. Weis, CPA, is associate professor of business administration in the Albers School of Business at Seattle University. Dr. Weis is author of several articles on financial and managerial accounting issues and is co-authoring a book on the cost consequences of employing smokers. He received his PhD from the University of Washington.*

When I first suggested to employers that their sagging productivity could be reversed by the purchase of a 79¢ "No Smoking" sign,¹ they laughed. When I proposed that up to \$4,500 per smoker is squandered by employers each year, \$4,500 that could be used more judiciously to reward exemplary performance, invest in cost-saving technology or simply added to profits, they doubted.

But amidst the doubting and laughing, a growing number of pioneering business owners began to study the data on smoking and its cost consequences. A few were bold enough to challenge our tradition of tolerating the inconveniences associated with smoking and implemented personnel policies that both banned smoking at the workplace and proscribed the future hiring of applicants who smoked. The expected cost reductions from these policies were, based on results to date, underestimated. Not only did anticipated savings from absenteeism, insurance rates and maintenance exceed expectations, but new categories

of savings emerged that only the most imaginative efficiency expert could have projected.

As the experiences of these employers are shared with other cost-conscious business leaders, smoking "cessation programs", popular among some major companies, will give way to outright proscriptions—both against smoking on company premises and against hiring smokers.

Today there's a lot less laughing and a lot less doubting about the profit consequences of smoking at the workplace. Soon there will be a lot less smoking. This article points out why.

What Are The Costs To Employers?

In a recent article² I listed several areas from which employers can expect to reap handsome dividends by imposing smoking bans. These areas included absenteeism, mortality, insurance, on-the-job productivity, maintenance, depreciation on furniture and equipment and employee morale. With the help of several other researchers in

the field, it is possible to estimate how much extra each smoker costs his or her employer from these sources.

A word of caution. Smoking behavior, employee mix, physical plant, production functions, etc. — these all vary widely in our complex industrial state. So, too, will the cost and profit consequences of tolerating or banning smoking from the workplace. Using the best information available today one can approximate these savings. That information, and hence the estimates, will improve as we move this area of exploration from infancy to maturity. But if we don't begin to apply the already substantive data available, we may never reach that maturity.

Absenteeism

Incremental absenteeism has been supported by numerous studies over the past three decades.³ As one might expect, the rates are highly correlated with dosage — men who smoke more than 40 cigarettes per day are absent from work almost twice as often as their peers who have never smoked. The cross-sectional average for all ages and all dosages is 45 percent greater for female smokers and 57 percent for male smokers⁴ — approximately 50 percent greater for smokers in general. This translates into an additional 2.2 days absent per year for each smoker on the payroll. (Of course, absences may be due to causes other than smoking.)

What does one day of absence cost an employer? Again, this will vary widely among businesses. A firm whose wages and salaries, including fringes and payroll taxes, average \$20,000 per employee (at Ford Motor Co. the average annual labor cost for hourly workers is \$54,000; for workers in the chemical manufacturing industry, \$30,000⁵) is paying approximately \$80 per working day for every employee on the payroll. Based on an assumed 25 percent return on payroll dollars, the direct cost to the employer is \$100 per absence — and this does not include the costs of temporary replacements. The total additional cost per smoker per year: \$220.

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Morbidity And Premature Mortality

Morbidity and mortality differentials affect several factors that are ultimately impounded in a firm's cost function, including, but not limited to: contributions to health, disability and life insurance plans; taxes for state and federal employment compensation and taxes for federal social security and medicare programs. Mortality rates for smokers are from 70 to 270 percent higher, depending on dosage and age bracket.⁵ Heavy smokers use the nation's health care system at least 50 percent more than do nonsmokers.⁷

Let's assume, for purposes of cost estimation, that the incremental savings from these factors flow directly to the employer. Granted, this is a somewhat futuristic assumption, but major insurance companies are beginning to offer big discounts to nonsmokers, especially to firms that have rigid no-smoking policies, so the benefits will ultimately filter down to the employer and can be bargained for today.⁸

Luce and Schweitzer, reporting in the *New England Journal of Medicine*,⁹ estimate that, on the average, smokers require an additional \$230 per person per year for medical care alone, and cost an additional \$765 per person per year for discounted lost earnings due to morbidity and premature mortality. It may be some time before the full \$995 per employee filters down to the company, but it represents a realistic target in long-range policy projections.

Other Insurance Costs

Lost earnings are not the only costs associated with higher rates of mortality and disability. Economist Marvin Kristein of the American Health Foundation estimates that smokers cost an extra \$45 per year per smoker for accidental injury and related workers' compensation costs.¹⁰ His calculations were based on studies showing that smokers have twice the accident rate of nonsmokers due to carelessness caused by attention loss, eye irritation, coughing and

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hand interference. In addition, Dr. Kristein estimates an additional \$45 per year per smoker in insurance premiums for fire, life and wage continuation policies.¹¹

Productivity Loss

Estimates of on-the-job time lost to the smoking ritual—lighting, puffing, staring, pretending to be in deep thought, informal breaks—vary among sources, ranging from a low of eight minutes per day¹² to a high of 15 to 30 minutes per hour.¹³ A conservative compromise of 30 minutes per day for cigarette smokers and 55 minutes per day for pipe smokers, provided by the consulting firm of Robert E. Nolan from Sumburg, CT, is the basis for this estimate.¹⁴ A time-weighted average of 35 minutes lost per day assumes that one in every five smokers puffs a pipe. If we again assume that \$100 per day is

On the legal question of banning smoking in the workplace, the economic repercussions to an industry boasting one of the most powerful lobbies in Washington almost guarantee a Supreme Court hearing in the next few years.

a reasonable approximation of the return expected from each employee, then the equivalent 18.2 days lost per year (based on a 120,000-minute work year and a 480-minute, or eight-hour, workday) is costing the employer an additional \$1,820 per year per smoker. For jobs in construction and the trades, where tools go down when smokers light up, the time and dollar loss may be substantially greater.

Property Damage, Depreciation And Maintenance

Dr. C. Patrick Fleenor, professor of management at Seattle University, and I are currently preparing a compendium of cases based on interviews with business owners and executives who have implemented smoking bans at their respective

organizations. The estimates which follow are based on a preliminary synthesis of these business cases.

Property damage and depreciation¹⁵ are roughly equivalent phenomena for estimating incremental costs for most business. Furniture, carpeting and draperies are generally replaced when damaged and the damage invariably takes the form of cigarette burns. Estimates of useful lives on commercial furnishings are primarily based on the employer's tolerance for burn spots and the expected frequency of appearance for burns. Employers with whom we spoke are revising those estimates upward, since the primary agent of depreciation has been eliminated.

Radar Electric's Warren McPherson expects furniture and fixture replacement intervals to at least triple and others generally agreed with this estimate. Firms that employ costly precision machinery have long recognized the damage caused by smoke merely circulating in the surrounding air. The well-known Shimp decision, decided by Judge Gruccio against New Jersey Bell Telephone Company, was based partly on New Jersey Bell's enforcement of smoking restrictions to protect its sensitive telephone equipment, by refusing to enforce comparable restrictions to protect the health of its non-smoking personnel.¹⁶

Estimates of per-smoker costs are admittedly crude in this category, but will improve with continued research. In our case research, Professor Fleenor and I found that employers expected to save at least \$500 per smoker per year from incremental replacement of furnishings and equipment, not counting occasional patch-up work on recently-acquired carpeting, which, according to Unico's James Douglas, can run as high as \$100 per repair.

Maintenance was another area for savings according to many owners of smoke-free business. Routine cleaning was reduced by as much as 60 percent in some workplaces, partly aided by a more cleanliness-conscious workforce

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(windows, show cases, etc.) to an annual instead of *monthly* routine. Repainting of interior surfaces was similarly obviated, since the film that clouds the windows and fades the wall finish is simply exhaust from the tips of cigarettes and the lungs of smokers.

Again, a per-smoker estimate is largely a matter of conjecture, but we found no argument among interviewees with an assessment of another \$500 per smoker. One employer who had 40 smokers on his payroll before implementing a strict non-smoking policy was able to reduce his cleaning force by one person and reduce his average painting and window washing work by two-thirds, thereby saving \$30,000 per year from maintenance alone, or \$750 per smoker. A \$500-per-smoker-per-year target is a reasonably conservative expectation.

Involuntary Smoking And Employee Morale

Although a surprising number of employers are still oblivious to the health hazard imposed on non-smokers who live and work around smokers, the evidence is compelling. The most relevant research to our study of business costs was conducted by Professors James R. White and Herman F. Froeb of the University of California at San Diego. Reporting in the March 27, 1980 issue of the *New England Journal of Medicine*, White and Froeb found a significant impairment of the small airways function for nonsmokers who work around smokers, damage equivalent to that suffered by light smokers (i.e., one to ten cigarettes per day),¹⁷ or approximately one-fifth the damage to normal smokers.¹⁸

If we apply this one-fifth to our estimate of incremental costs from excess medical care, discounted lost earnings from morbidity and premature mortality and incremental absenteeism, then each smoker is increasing the per-worker expenses of nonsmokers by \$243 per year. And since two of every three workers are nonsmokers, the

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incremental cost due to health impairment caused nonsmokers is \$486 per smoker per year.

Finally, in spite of the substantial additional costs just itemized, employers who no longer tolerate smoking in their firms insist that the major profit consequences, *by far*, stem from higher employee morale. Smoke-free work environments are clean, healthy and conducive to good working relationships. The benefits of higher morale are difficult to quantify but the reader should note that the total cost projected in this article is exclusive of what most employers regard as the foremost dollar consequence.

Summary

Figure 1 summarizes the various cost savings that employers might expect from a policy that both prohibits smoking on company premises and restricts all future hiring to nonsmokers, who now constitute two-thirds of the adult population. The total may be viewed another way: as the additional cost per year associated with each smoker on the payroll. Is it worth it?

Skeptics might argue that these numbers are as soft as the underside of a porcupine, and that may be true. At the same time, there is little doubt that the incremental costs to business owners from employing smokers are indeed substantial and are possibly higher than the rough approximations here.

But Can It Be Done?

Somewhere in the reading of this article, several bothersome questions will have plagued even the most supportive reader. Is this all legal? Is it commercially feasible? Are there really firms that have announced to their employees that after January 1, 19XX smoking will no longer be permitted on company premises? Are there really employment application forms that boldly ask, in Question 1, "Do you smoke?" and follow in Question 2 with "If your answer to No. 1 was yes, do not bother to complete the application."? Are there really signs posted at entryways of public

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establishments reminding valued clients and customers to extinguish smoking materials before entering?

The answers to all but the first question are decidedly "yes"; to the first, probably so. Professor Fleenor and I can positively attest to the feasibility of no-smoking policies: we have yet to see one that has failed. On the legal question of banning smoking in the workplace, the economic repercussions to an industry boasting one of the most powerful lobbies in Washington almost guarantee a Supreme Court hearing in the next few years. But the judgment of reasonable and disinterested justices, once confronted with the cost increments discussed here and elsewhere and with the gruesome implications of White and Froeb, will certainly favor the rights of employers to pursue a least-cost personnel policy when that same policy is necessary to protect the health of non-smoking employees. A more appropriate legal question, in light

of White and Froeb, is the right of employers to continue subjecting two-thirds of the workforce to the damaging byproduct of their co-workers' smoking habit.

The only question that remains is the assumption of judicial reason and disinterest. Unfortunately, with the mix of lawyer and politician populating the highest bench, that assumption is by no means assured.

Estimates of on-the-job time lost to the smoking ritual – lighting, puffing, staring, pretending to be in deep thought, informal breaks – vary among sources, ranging from a low of eight minutes per day to a high of 15 to 30 minutes per hour.

Conclusion

No one can guarantee that a smoking ban will immediately improve annual profits by \$4,500 per reformed or displaced smoker.

On the other hand, if your firm stops hiring smokers and establishes a firm date for proscribing all smoking on company property (by both employees and customers), you may be assured that:

- Personnel costs will decline. Expect to accomplish the same work load with 10 percent fewer employees.
- Maintenance costs will decline.
- Actual physical depreciation on furniture and equipment will slow substantially.
- Insurance rates can be slashed through renegotiation for new fire, health, accident and disability coverage.
- Employee morale will improve.
- Customers and clients will adjust, without adverse repercussions, to your new policy.

Yours could be the first smoke-free organization to report unfavorable results, but I'll place

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my bets against that happening. Smoking is an expensive luxury. Can your business afford it? □

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The other side of the smoking worker controversy

Lewis C. Solmon

Lewis C. Solmon, PhD, is a professor in the Graduate School of Education at UCLA. This paper is one result of his work as a consultant to several tobacco companies on economics and related matters.

William L. Weis has spearheaded a campaign to ban smoking and smokers from the workplace through a series of articles claiming that employers who do not hire smokers can "shave personnel costs by 20 percent, insurance premiums by 30 percent, maintenance charges by 50 percent, furniture replacement by 50 percent and disability payments by 75 percent."

Weis concludes that total costs per smoker per year to an employer are \$4,611 or \$4,689, depending upon his publication date. These assertions have been relied upon recently by other writers to support their arguments concerning smoking in the workplace. But closer scrutiny of Weis' material reveals that his analysis is faulty and his conclusions are without merit. As Weis, himself, allows: "Skeptics might argue that these numbers are as soft as the underside of a porcupine, and that may be true." Indeed, virtually every part of his estimate is unfounded and he compounds his errors by surveying those persons most against smoking.

Weis asserts that, "Men who smoke more than 40 cigarettes per day are absent from work almost twice as often as their

peers who have never smoked." He concedes that such "absences may be due to causes other than smoking." There is good reason for that concession. Data appearing in the *Statistical Abstract of the United States (1974)*, which Weis relies upon at times, demonstrate that:

- Work loss for women smokers is smallest among women who smoke the most;
- Work loss for male smokers is smallest among males in the second highest smoking category;
- Work loss per person declines as the number of cigarettes smoked increases through the first three of the four smoking classes for men and the last three classes for women.

Lower absenteeism

More recent data are of equal interest. Among men, the 1976 National Health Survey showed smokers of less than 15 cigarettes per day to have an absenteeism rate of 2.6 days, compared to those who never smoked with 4.3 days. Other data inconsistent with Weis' claim appear in the 1979 Surgeon General's Report: Male smokers are reported to be absent less than ex-smokers and

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have less bed-disability: male smokers of less than 11 cigarettes per day are absent less than those who never smoked; and for women in the "17-plus" age category, present smokers reportedly have less bed-disability than either former smokers or those who never smoked.

Weis uses a cross-sectional, weighted average of work-loss days obtained from the Statistical Abstract to estimate that in 1970 smokers were absent 2.2 days per year more than non-smokers. The exact same methodology (which we reject) using 1976 data leads to a difference in work-loss days of 1.3 rather than 2.2. This 41 percent decline in the difference in only six years could lead to the projection that in the 1980s the reported difference in absenteeism between smokers and non-smokers will disappear.

To make any sense out of the absenteeism point, it is necessary to know why workers are absent. Numerous factors have been associated with absenteeism including age, sex, family responsibilities, personal problems, use of alcohol, use of drugs, general health, type of employment, job responsibilities, job satisfaction and commuting time to work. One way to examine the claimed association between smoking and absenteeism is to compare demographic and occupational characteristics of smokers and non-smokers, and to compare the work-loss rates for equivalent demographic and occupational groups.

Many studies have reported a higher incidence of smoking among blue-collar workers than among white-collar workers. Therefore, if relatively low-paid assembly line workers are more inclined to skip work occasionally than are top executives, a correlation between smoking and absenteeism would be observed. But rather than a causal relationship between smoking and work-loss days, the correlation would probably be due to job boredom,

lack of commitment to the employer, low pay and so on.

Vacation time

Another confounding factor ignored by Weis is the fact that sick leave substitutes for vacation time in certain jobs. Many employment arrangements offer a certain number of paid vacation days and a certain number of paid sick days per year. In effect, the contract offers a certain total number of paid days of work-loss. If the employee does not use all his sick days, he is not taking full advantage of his employment benefits. His total income

...in a country where the worker may change employers or elect to go into business for himself, most on-the-job training costs are borne by the employee in the form of a lower wage.

will be less than what was negotiated, if money wages are lower than they would have been without a paid sick-leave policy and he does not take all his allowable sick leave. Clearly, salaries will be lower if a sick-leave policy is part of the total compensation package. Since employees in jobs with such sick-leave fringe benefits (i.e., blue-collar, unionized jobs) are more likely to smoke than are those in other jobs, this is a further indication that the smoking-absenteeism correlation, if it exists, is not causal.

As mentioned above, when a sick-leave policy is part of an employment agreement, part of the cost is borne by the employee in the form of lower monetary wages. If the employer expects a certain number of days of absence, he will include this in his evaluation of the (annual) productivity of the worker and pay him accordingly. The question then becomes whether extra sick

days taken by one group compared to another are beyond those allowable (and compensatable) by mutual agreement. If total work-loss days are about six per year (as indicated by the Statistical Abstracts of the United States), this seems fewer than most sick leave policies would allow and so would be included in the wage calculation.

Weis cites an estimate, which he attributes to Luce and Schweitzer, that "on the average, smokers require an additional \$230 per person per year for medical care alone, and cost an additional \$765 per person per year for discounted lost earnings due to morbidity and premature mortality." Those figures cannot be found in Luce and Schweitzer, and Weiss does not indicate how he developed them.

More importantly, Weis assumes "that the incremental savings from these factors [various insurance costs, taxes, social security, medicare programs, health care] flow directly to the employer." He admits that this is a "futuristic", that is, unrealistic assumption. Why these items should be considered savings to employers is unimaginable.

As to the "discounted lost earnings" assertion, if workers fail to earn wages because they are ill or because they die, the "lost" earnings are a private cost to them, not a cost to their employers. Professor Weis seems to suggest that such "lost earnings" may approximate the employer's cost to train a new employee. In fact, in a country where the worker may change employers or elect to go into business for himself, most on-the-job training costs are borne by the employee in the form of a lower wage.

Medical costs

As to the "additional medical care" cost assertion, if medical costs are higher for smokers (we

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SMOKING WORKERS

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do not accept the data presented as proof that such costs are higher). This is only a cost to employers if insurance rates rise for all employees and they are not offset by lower salaries. Furthermore, there may be an element of "double-counting" in Weis' analysis. His "medical care" cost allegation includes the cost of "contributions to health, disability and life insurance plans; taxes for state and federal

Readers' Comments

Continued from page 4

looked at the table of contents and noted the titles of other articles, i.e., "Concession Bargaining" and "Give-backs".

If we are to convince employees that they don't need representation, we need to use a more constructive vocabulary.

When we use words like "concession" and "give-backs", don't we give the impression that we in management are attempting to place the burden of our economic woes on the back of workers? Alternatively, shouldn't we be stressing to our employees the need for improved productivity and the need to make adjustments in compensation packages so that secure and stable employment continues to be possible? Specifically, we must come to understand that we are competing in a world market and will achieve a secure economic future only by putting high quality, competitively priced products into the market place.

M. C. Fritzsche
Vice President - Personnel
Central Soya
Fort Wayne, IN

employment compensation and taxes for federal social security and medicare programs." Such cost factors seem to be included in Weis' "absenteeism" assertion, which is predicated upon an employer's expenses for "wages and salaries, including fringes and payroll taxes."

Weis cites a claim by Marvin Kristein of the American Health Foundation that smokers cost an extra \$45 per year for accidental injury and related workers' compensation cost. These assertions are based on studies allegedly showing "smokers have twice the accident rate of non-smokers."

Again, the suggested association between accidents and smoking, if it exists at all, is not likely to be causal. Since smokers tend to be found more often among blue-collar workers, they are more likely to be engaged in strenuous physical activity during the workday and therefore more likely to be exposed to physical harm through accidents. This analysis is supported by the fact

...when a sick-leave policy is part of an employment agreement, part of the cost is borne by the employee in the form of lower monetary wages.

that premium rates for workers' compensation are determined, not by employee smoking habits, but by occupational category, carrier experience with the business and the statutory level for workers' compensation for the particular state.

Biased remarks

The estimates used for time lost per day due to smoking are obtained from interviews with employers who have instituted non-smoking policies (presumably persons with an anti-smoking bias), and an estimate by a consulting firm—Robert E. Nolan of Simsbury, CT. Weis then estimates that a

smoking employee loses 35 minutes per day by smoking (he assumes one in five smokes a pipe, which had a higher estimated time loss).

Weis seems to be assuming that smokers are able to spend more leisure time on the job because they are smokers. He has not shown that time spent smoking is not a substitute for non-smoking on-the-job leisure. For example, non-smokers may spend equal time at the coffee machine or talking to their co-workers.

The \$1,820 alleged cost in this category is clearly erroneous. It assumes that the equivalent of 18.2 days per year assertedly lost by smokers is not taken in other forms of leisure by non-smokers.

Property damage

Weis estimates costs by interviewing employers who have implemented non-smoking bans in their firms. This would seem to bias the estimates upwards because the employers are either predisposed against smoking, or have based their estimates on a particularly bad experience which caused them to implement the ban. These biases lead Weis to his annual figures of \$500 for property damage and \$500 for maintenance.

Since Weis' estimate of the claimed costs of "involuntary" smoking relies on the claimed costs alleged to be associated with direct smoking, it is subject to all the infirmities of those allegations described.

Weis implies that employers will benefit from refusing to hire smokers. But if substantial numbers of workers in a particular trade or profession are excluded from hiring consideration, there are inherent inefficiencies. The situation is not different from that which exists when women, blacks or other subgroups are systematically excluded for reasons unrelated to job performance. □

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From: Maureen Delanty

Date

September 15, 1983

Memorandum

To: Peter Sparber

Re: Solmon Activities

Following is a summary of what has been accomplished to date using Dr. Lewis Solmon as an industry spokesperson for the smoking in the workplace issue:

Regional Media Activities

- o Met with Solmon, Chet Wroblewski, and Bernie O'Neill to prepare for media interviews in Seattle, WA. (Seattle was targeted since it is the home of Dr. William Weis, the anti-smoker whose research Solmon criticizes.)
- o Produced background materials on Solmon and Solmon/Weis controversy for use with reporters.
- o Arranged interviews with Seattle press, including: Seattle Times, Seattle Post Intelligencer, Daily Journal of Commerce, Daily News Journal/Record Chronicle/Globe News, and Robinson Newspapers. Articles were published in the Post Intelligencer, Daily Journal of Commerce, and Globe News.
- o Drafted letters-to-the-editor in response to articles for Alex King's use with area businessmen.

National Media Activities

- o Contacted national business publications with the possibility of doing a story on the workplace issue, featuring the Solmon/Weis controversy. Publications included: Business Week, Fortune, Wall Street Journal, Forbes, Money, Nation's Business, Industry Week, Inc. and Dun's. Forbes interviewed Solmon and an article appeared on the "Trends" page of the magazine's September 12 issue. Nation's Business profiled the controversy in its "Where I Stand" monthly poll column for September. In addition, the editor asked for Solmon to submit a letter outlining his position; it is being prepared for publication in November, when the poll results will appear. Dun's included the Solmon/Weis controversy in a related story in its September issue. Other publications are interested, and we are continuing to contact them regularly.
- o Contacted management and labor trade publications with the possibility of doing a story on the Solmon/Weis controversy.

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Publications have included: Personnel, Management World, Manage, Management Review, Personnel Management, White Collar Report, Innovation and Performance, Business Digest, Across the Board, The Government Manager, Foremanship, The Effective Executive, Association & Society Manager, Small Business Report, and AFL-CIO News. To date, six are covering the story, and several others have expressed interest. We are making follow-up calls.

Speaking Engagements

- o Arranged a debate between Solmon and Weis before the Seattle Rotary Club. Although the date was set for November 9, Weis recently called the Rotary's program director to cancel, because "he did not want to give Solmon the visibility; did not want to lend credibility to the tobacco industry; and would not be compensated for the speaking engagement." (Weis also sent a letter to Ogilvy & Mather offices, suggesting that we hire him as an independent consultant if we were interested in sponsoring a series of forums on workplace smoking.) Since the debate and efforts to publicize it have been canceled, we are scheduling a second media tour for Seattle.
- o Contacted national speaking platforms for Solmon, including: American Management Association, American Society for Personnel Administration, Business Council, Financial Management Association, Industrial Management Society, National Association of Business Economics, National Management Association, National Small Business Association. The National Management Association is interested in using Solmon for presentations to several of its member companies; the first speech is scheduled for November 16 and will be before managers of Lockheed Corporation.
- o Met with Joseph Hughes in Chicago to discuss the possibility of using Solmon for speaking engagements and/or media interviews in his region. He is pursuing a platform with the Chicago Association of Commerce and Industry (CACI).
- o Drafted a letter to the National Chamber Foundation in response to their workplace health study. Presented Solmon as an industry spokesperson available for interviews or speaking platforms on the subject. Katherine Becker is pursuing the contact.

We have also discussed the possibility of using Solmon to help fight a workplace smoking ordinance in Los Angeles that is similar to the one in San Francisco. Solmon met with the industry's legislative consultants in Los Angeles.

Attachments

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The great smoke debate

Should smoking be allowed at work? William L. Weis, an accounting professor at Seattle University and a non-smoker, says no. Smokers cost their employers at least \$4,600 a year in absences and added fire, health, disability and term life insurance premiums, he says. They have more accidents and illnesses, are absent 50% more than nonsmokers and have over twice their mortality rate, he claims, adding that firms that prohibit smoking have saved thousands per worker per year. Smoking also creates a morale problem, he says. Surveys have

total fraud losses of \$46 million last year, up from \$26 million in 1981, with counterfeiting up 660%, to \$9.5 million. Both now plan or use fine-line printing, holograms and the like to counterfeit-proof their cards, warn customers to guard numbers like cash and are lobbying for a federal law against bank card counterfeiting. (American Express has used hard-to-duplicate plastic since 1958 and says its losses are relatively small.) But H. Spencer Nilson, publisher of *The Nilson Report*, a credit card newsletter, says the campaign is eyewash. Bank card issuers lost only \$106 million from fraud in the U.S. last year, he



Smoker versus nonsmoker
Does the vice have a price?

shown 70% to 80% of workers want smoking banned or limited to separate areas, Weis says. For the defense, Lewis Solmon, an economist and associate dean at UCLA's graduate school of education and a smoker, says smoking doesn't cause work loss. For example, he notes, blue-collar workers smoke more and are absent more than white-collar workers, but "if no one smoked, there would still be more absences at blue-collar jobs." More important, says Solmon, if smokers were eliminated, some excellent workers would be lost.

says, about the proportion of losses from white-collar crime at retail stores. So why the hoorah? Says Nilson, "Visa is losing out to automated teller networks." He says it wants a worldwide system and is pushing electronic authorization for security to get it. He says MasterCard jumped in with better cards to defend itself. Nilson predicts both will lose out to big retailers and banks, with plans for their own electronic networks.

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Where I Stand

1 End Controls On Natural Gas?

In 1978 Congress passed a law that was intended to loosen the regulators' grip on natural gas sold interstate, restoring free market benefits lost when federal controls began in 1954.

Actually, the law added controls rather than removing them. True, controls were lifted from the 10 percent of gas for which drilling is most expensive, and in 1985 another 40 percent or so is to be decontrolled.

But under the law, the rest—so-called old gas, from wells drilled before 1977—is never to be decontrolled. Meanwhile, the law has created a maze of gas categories, each with its own price, causing prices to rise despite a present supply surplus.

Many business experts urge complete decontrol. They say that the present system has brought some area shortages and price inequities and has caused drilling for future supplies to fall short of needs.

Opponents say that decontrol would send prices out of sight. But its advocates say more old gas—typically cheaper than the new—would be produced, benefiting the consumer.

Should all controls on natural gas be ended?

2 Curb PAC Giving To Campaigns?

Political action committees have won increasing recognition as factors in congressional campaigns.

For one thing, they spread the word about issues involved in candidacies. The National Chamber Alliance for Politics, for example, communicates with the membership of the U.S. Chamber of Commerce. And PACs—whether arms of business or of labor unions, whether conservative or liberal—are a major source of the funds that candidates use in communicating with the voters.

Some members of Congress, professing to see danger in the level of PAC contributions, support the so-called Clean Campaign Act of 1983. This bill would, among other things, limit to \$90,000 the amount of PAC money a candidate could accept. (It would not change the present \$5,000 limit on how much a PAC can give one candidate.)

Proponents say PACs buy votes and have too much influence. Opponents say no, funds go to those whose philosophy is already like the givers', and the number and diversity of PACs negates any undue influence.

Should a lid be placed on PAC contributions to congressional campaigns?

3 Force Employers To Ban Smoking?

Antismoking militants are pressing for action in the workplace to further their cause. One result: a San Francisco ordinance requiring private employers to prohibit smoking in a work area if any employe objects to arrangements—also required—to accommodate both smokers and nonsmokers.

In addition to seeking laws to ban workplace smoking, antismokers are going to court. Though one tribunal has held that an employer is not obligated to provide a smoking-free environment for those who say they need it, other courts have ruled otherwise.

The issue is one of rights. Antismokers say they have a right to work in a smoking-free environment. Some cite evidence—disputed by the tobacco industry—that sharing a workplace with smokers could affect their health. Others simply say they find smoking repugnant.

Smokers—many of them are militant, too—argue that they have a right to smoke at work if they please. And then there is the matter of whether the employer has the right to freely decide what course to take.

Should employers be required to prohibit smoking in the workplace?

You can now respond easily to this monthly poll on major business issues by using the attached postage-paid card.

Verdicts on Food Stamps, Antitrust, Overtime Issues

In July the monthly Where I Stand poll asked these questions: Should eligible food stamp recipients have to take public service jobs? Should antitrust law be changed to encourage joint research and development? Should federal contractors' special workday restriction be ended? There were nearly 1,000 answers. Appropriate government decision makers will be informed of the poll's results.

On the first question, a whopping 98.8 percent of those responding approved the idea of making public service a requirement if someone able to work but unable to find a private job is to get food stamps. Only 0.8 percent voted no. The rest were undecided.

Sixty-eight percent voted for a softening of antitrust law to make it easier for businesses to join forces on research and development without fear of prosecution or of private lawsuits for treble damages. Voting no were 15.6 percent, and 16.4 percent were undecided.

On the third question, 92 percent favored changing an overtime pay requirement that effectively bars flexible work schedules at businesses that have contracts for federally financed construction or to sell to the federal government. (They must pay time-and-a-half after eight hours in a day as well as after the standard 40 hours in a week.) Four percent voted no; 4 percent were undecided.

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87 banks, insurance companies, money managers and funds showed that more than 90% would vote against all proposals for super-majorities, 86% against staggered boards and 79% against fair-price provisions, which boost the cost of a takeover by requiring that all holders get the same price for their shares, unlike the two-step offers so common today.

Georgeson & Co. points out that investments by the institutions are increasingly being made with the specific purpose of profiting from a potential merger or takeover. Hence, the institutions see shark repellents as directly opposed to their own financial interests. William Chatlos, an old hand at proxy solicitation and investor rela-

to 24 months, and corporate managers, most of whom at least try to plan from three to five years ahead.

Given that basic disparity, what can companies do to keep institutional investors from mutinying? Above all, "it is essential that top management's reasons for its business plan be fully understood by institutions on a continuing basis," says Winthrop C. Neilson, senior vice president of D.F. King. In that connection, William Brantley, vice president of investor relations for Lowe's Cos., the building materials

retailer, notes that by and large the companies that have been losing crucial votes of late are the ones that have "more or less ignored their shareholders over the years." He and others in investor relations argue that the wisest corporate policy is to maintain a year-long dialogue with institutional holders, explaining to them exactly what management is trying to do and why. If that job is done regularly and well, there should be no unwelcome surprises—on either side.

—JOHN PERHAM

No loyalty

tions, notes that most managements woo the institutions, but he believes this is a mistake. "Institutions are the worst possible stockholders," he says. "They are cold-blooded and have no concern but the bottom line."

One of the biggest and most aggressive pension funds in the nation, for example, is the \$18 billion California Public Employees Retirement System. Mel Rubin, a member of the institution's investment committee, reports: "We are voting solely in our own interests, and we are opposing every one of the shark repellents."

Many companies today, of course, have more institutional holders than individual ones, the proportion in some cases running as high as 80%. In the old days, the danger was that many of the institutions, if unhappy with management, would sell at the same time and cause the stock to plummet. Now the greater danger is that the institutions, each pressing competitively for its own short-term gains, will accentuate management's existing concern with the short term.

There is, after all, an inherent conflict between money managers, who generally work within a time frame of six

Pushed into action by state and local ordinances, activist special-interest groups and increasingly militant employees, corporate America is trying to come to grips with a burning business issue: how to keep the peace between its smoking and nonsmoking employees. Already, in a growing number of companies, smoking is restricted to specified areas, ashtrays are replaced by air purifiers and "Positively No Smoking" signs are provided to any staffer who requests one. Some companies have gone so far as to help foot the bill for employees who enroll in quit-smoking courses and offer cash bonuses to reformed smokers who stay off the weed.

Nobody, from the Surgeon General to the Tobacco Institute, knows precisely how many companies have initi-

ated smoking regulations. But according to the most recent major survey taken, by the National Interagency Council on Smoking & Health in 1979, even then nearly half of around 1,000 responding firms had some type of policy restricting smoking in the workplace. And roughly half of those acknowledged that they imposed penalties, ranging from reprimands to outright firing, on employees who violated in-house smoking policies.

Currently, a random sampling of major companies by DUN'S BUSINESS MONTH indicates, arrangements between the smoking and nonsmoking factions in most companies seem to be working. At American Telephone & Telegraph Co., where special smoking lounges were set up for staffers years ago, a spokesman reports: "We rely

Business' Burning Issue

So far at least, company responses to anti-smoking pressures seem to be working.

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Dun's Business Month

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MANAGEMENT

on the common sense and courtesy of our employees." Although AT&T now permits the chairperson of any staff conference to set the smoking ground rules for the meeting, the company sees no need to codify regulations. Says the spokesman: "We've got enough rules as it is."

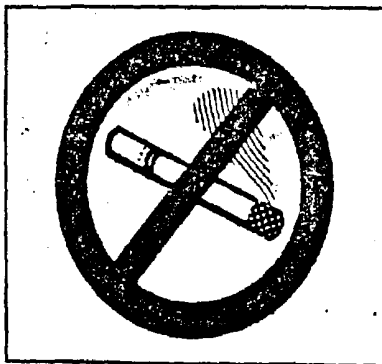
Even in Minnesota, the state with the nation's toughest smoking controls, Minneapolis' Control Data Corp. reports that it has no problem with its smoking arrangements. Under Minnesota's Clean Indoor Air Act, smoking is banned in banks and offices, as well as in public places, except in designated areas. By setting aside smoking sections in its offices, cafeteria and conference rooms, Control Data has had no trouble complying and, more important, seems to have kept its pro- and anti-smoking factions content. When individual disputes arise, the company explains, supervisors work out a mutually agreeable solution, either by moving the desk of the smoker or providing the offended neighbor with an air purifier. But over the past eight months, only one employee has lodged a complaint, it says.

Nevertheless, if the vehement anti-smoking forces in San Francisco have their way, a Pandora's box of

San Francisco fight

smoke-regulating troubles could open for companies located there—and perhaps spread to other cities. A tough no-smoking ordinance aimed at business firms in the Golden Gate city not only requires companies to set aside nonsmoking areas within their offices, but states that if a single employee objects to the smoking arrangements in his or her area, the company must ban smoking in that area or face a fine of \$500 a day.

A group calling itself San Franciscans Against Government Intrusion succeeded in delaying the July 1 implementation of the ordinance, and, helped by \$40,000 from member companies of the powerful Tobacco Institute, collected enough signatures on a petition to call for a city referendum on the ordinance in November.



Meanwhile, large corporations headquartered in San Francisco are reviewing their smoking policies in the event the ordinance is passed. When Levi Strauss & Co. moved into its new Levi Plaza offices in the city, it set up smoking lounges on all floors and smoking sections in the cafeteria and laid in a supply of air purifiers. Now, a spokesman says, "The personnel department is giving thought to the implications of the ordinance and may have to establish nonsmoking areas throughout the company."

If San Francisco companies take umbrage at the ordinance, they have BankAmerica Corp. to thank that it is not even stronger. When the bank learned that the antismoking law was being drafted, it offered to help add what one executive calls "reason and rationality" to its provisions. At BankAmerica's suggestion, for example, the criminal penalties originally called for were changed to civil.

BankAmerica's smoking policy is fairly liberal. It simply forbids employees to smoke while serving the public or anywhere their smoking is visible to customers. Consequently, it is preparing a contingency program that, says Clark Kerr, vice president of health programs, "respects the preferences of both smokers and nonsmokers, but in case of disputes favors the nonsmoker."

But even without government interference, a number of companies actively encourage their employees to stop smoking. General Foods Corp. and Sears, Roebuck and Co. are among many companies that help pick up the tab for employees who take smoke-ending courses. Dow Chemical Co. and Miles Laboratories, among

others, have sponsored in-house I.Q. (for "I Quit") clubs, which lend encouragement and sometimes prizes to employees who kick the habit.

In return for not smoking on the job, staffers at Los Angeles' Merle Norman Cosmetics receive a cash bonus every three months, while Houston's Neon Electric Corp. offers a special raise to reformed smokers who stay off the weed for six months. And Los Angeles' Cybertek Computer Products awards a \$500 "health bonus" to employees who quit smoking for a year.

Next to health considerations, the most compelling reason for companies to stamp out smoking in the workplace is economic, according to William

A costly problem?

Weis, an accounting professor at Seattle University's Albers School of Business who has been airing his anti-smoking views on TV talk shows and in public forums. Studying such factors as absenteeism, property damage, productivity and employee morale, Weis calculates that it costs a company more than \$4,600 a year for every smoker on its payroll. By hiring only nonsmokers, he concludes, companies can save 20%-to-50% on personnel, insurance and other costs and cut disability payments by 75%.

Rubbish, retorts Lewis Solmon, dean of UCLA's Graduate School of Education at Los Angeles, who has been hopscotching the country at the behest of the Tobacco Institute to refute Weis' theory. A "less-than-a-pack-a-day" smoker, Solmon blasts Weis' research as "highly questionable" and based on "faulty logic." Far from cutting costs, he argues, a nonsmokers-only hiring policy would adversely affect employee morale, lead to losses in productivity and profits and raise serious problems in labor-management relations.

And so the debate rages. But while in public places the dispute has led to angry words and fistfights, in the business world—at least so far—it has resulted in accommodation.

—ROBERT LEVY

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What's the cost of smokers?

By Jean Godden
P-I Business Editor

The issue of whether smokers and smoking should be restricted in the work place has become one of the day's hottest controversies.

National attention has focused on San Francisco, where Mayor Dianne Feinstein has signed a bill requiring separation of smokers from non-smokers in private offices. But Seattle may become the scene of a much fiercer struggle over smoking at work.

Seattle figures prominently because of the work of William Weis, an accounting professor at Seattle University. Three years ago Weis, who teaches accounting in SU's Albers School of Business, wondered about the business costs of smoking.

As Weis tells it, he was astonished to discover that little had been done on the topic. He looked up U.S. census studies and health literature. He investigated numbers from the U.S. Surgeon General's Report, researched actuarial figures and consulted Department of Health, Education and Welfare studies.

Cost of smokers

The result was the publication of an article in the May 1981 issue of Personnel Administrator magazine. The title was "Can You Afford to Hire Smokers?"

In the article, Weis estimated the price of hiring a smoker vs. a nonsmoker at between \$4,611 and \$4,699 a year. He detailed some of the costs that employers pay for hiring smokers, such as absenteeism, higher insurance costs, productivity loss, reduced employee morale and property damage.

Weis' article has been widely quoted in the past three years. It also has been widely attacked.

Although Weis knew that his findings might be controversial, the article has stirred a storm beyond his wildest imaginings. The brouhaha has been compared to the storm that broke after Ralph Nader said that



Prof. William Weis says hiring smokers means much higher costs for employers.

Business

certain U.S. cars were "unsafe at any speed."

Latest to target Weis' findings is Lewis C. Solmon, dean of the Graduate School of Education at the University of California at Los Angeles. Solmon wrote a rebuttal article for Personnel Administrator in March 1983, titled "The other side of the smoking worker controversy."

Solmon was in Seattle last week refuting Weis' studies. Solmon plans to visit several cities, but Seattle was his first stop. Why here? Quite frankly, because it is Weis' home town.

"What fascinated me about Weis' studies was that they are based on not very good research," Solmon said in an interview. "His conclu-

sions have been published over and over until they are taken as fact. They contain bad logic that needs to be rebutted."

Solmon said that he wants to raise questions about Weis' conclusions. "For example," he said, "Weis says that smokers lose 19 days a year fighting up. Yet he has not shown that nonsmokers do not also waste time. If you don't smoke, maybe you gaze into the air."

Solmon quarrels with the \$1,030 figure that Weis placed on "job time lost."

But that is just for openness. Solmon also questions Weis' figures on absenteeism. He says that the figures are skewed because of demographics. Blue collar workers smoke more than white collar workers. Blue collar workers are more apt to take sick time simply because they count it as a fringe benefit of working.

"This is one indication that smoking absenteeism correlation, if it exists, is not causal," Solmon said.

He cited other problems. "Weis selectively picks out data. There are a lot of other reasons for the data," Solmon contended.

Big Brother

He admitted that he doesn't have "another number" for costs related to hiring smokers. But he stresses the need for better research into the subject. Solmon has strong opinions about San Francisco's separation of the work place into smoking and nonsmoking areas. It is wrong, he says, for government to involve itself in the smoking issue.

"It's one more step in the Big Brother syndrome," he declares. Solmon, who himself smokes ("less than a pack a day"), took issue with Weis' contention that employers can benefit from refusing to hire smokers.

"If substantial numbers of workers are excluded from hiring consideration, there will be a draw down on the labor pool," he said. "The



Prof. Lewis Solmon says that nonsmokers may also waste time on the job.

situation is not different from that which exists when women and blacks are excluded for reasons unrelated to job performance. Why, suppose that Princeton had refused to hire Einstein because he smoked?"

Solmon's trip around the country is being underwritten by the Tobacco Institute, though he points out that over the years he has had grants from many sources, including the National Endowment for the Humanities. Such sponsorship would not affect his opinions, he said.

Industry consultant

The article that Solmon wrote is identified as "one result of his work as a consultant to several tobacco companies on economics and related matters."

Solmon did not contact Weis while he was in Seattle. Nor has he ever spoken to the Seattle University professor.

Weis, meanwhile, was debating the smoking controversy on a local TV show with Anne Browder of the Tobacco Institute. Weis said that more and more of his time is being commandeered by the smoking issue.

"In July I will make a speech before the World Health Organization in Winnipeg," he says. The Canadian government will pay his plane fare. The rest of the trip is at his own expense, Weis reported.

The Seattle University professor is quick to admit that much of his research, as charged by Solmon, is selective in nature. "It would have to be," Weis said. "It also is admittedly anecdotal. If I write about individual experiences with smoking bans, it is because there are not that many firms that ban smoking."

Dishonorable campaign

Weis, who has never smoked, defends his research, pointing out that he has a doctorate, and legitimate scholarly credentials. He resents the war that is being waged by the tobacco industry.

He contends that the anti-smoking campaign is "dishonorable" and tends to attack the researcher rather than attempt to further knowledge.

"No cause is so depraved as one that is killing 1,000 of my countrymen every day. And they (the tobacco companies) do it knowingly," he charges.

What angers him most is the Tobacco Institute campaign that equates smoking bans with racism, sexism and even anti-Semitism. He points to another academic, Dr. Peter L. Berger, professor of sociology at Boston University. Berger has referred to anti-smoking as the "new anti-Semitism."

"This is a grotesque," Weis holds. "Smoking is a hazard; it is not a rights issue. No one ever argued that employers have a right to expose workers to hazardous substances."

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A burning issue

What's the cost of hiring a smoker?

By PAUL DUNWIDDIE
Staff Reporter

About three years ago, William L. Weis, an associate professor of business administration at Seattle University, surprised the business community by asserting that employers could greatly increase productivity and reduce costs with the purchase of a 79-cent sign.

That sign, he said, need only contain two words: "No Smoking." The savings would reach more than \$4,500 for each employee who smoked.

According to Weis' research, the additional costs per smoker per year — as compared to non-smokers — were calculated at \$220 for absenteeism, \$230 for medical care, \$765 for discounted lost earnings for early death, \$90 for non-health insurance, \$1,820 for lost time while on the job, \$500 for property damage and depreciation, \$500 for maintenance and \$486 for the cost of office smoke on non-smokers.

Those findings were widely reported in various media, and the tobacco industry has been smarting ever since. But in June, the tobacco industry launched a counterattack by sending Dr. Lewis Solmon to Seattle to refute Weis' findings.

Solmon is a professor, economist and dean of the University of California-Los Angeles' (UCLA) Graduate School of Education.

Solmon assailed Weis' research from nearly every angle: "Closer scrutiny of Weis' material reveals that his analysis is faulty, and his conclusions are without merit," Solmon said. "Indeed, virtually every part of his estimate is unfounded."

Weis, as might be expected, has hardly sat still for such criticism. Said Weis in a reply to Solmon's published remarks: "Conforming to the tobacco industry's guidelines for manuscript style, Solmon's article is conspicuously devoid of citations

and footnotes, in spite of being replete with quotations, allusions to 'many studies' supporting the tobacco industries position and allegations of research results that are untraceable without appropriate references."

The debate has become both bitter and complex, with many arguments centering on the fine distinctions in statistical methodology.

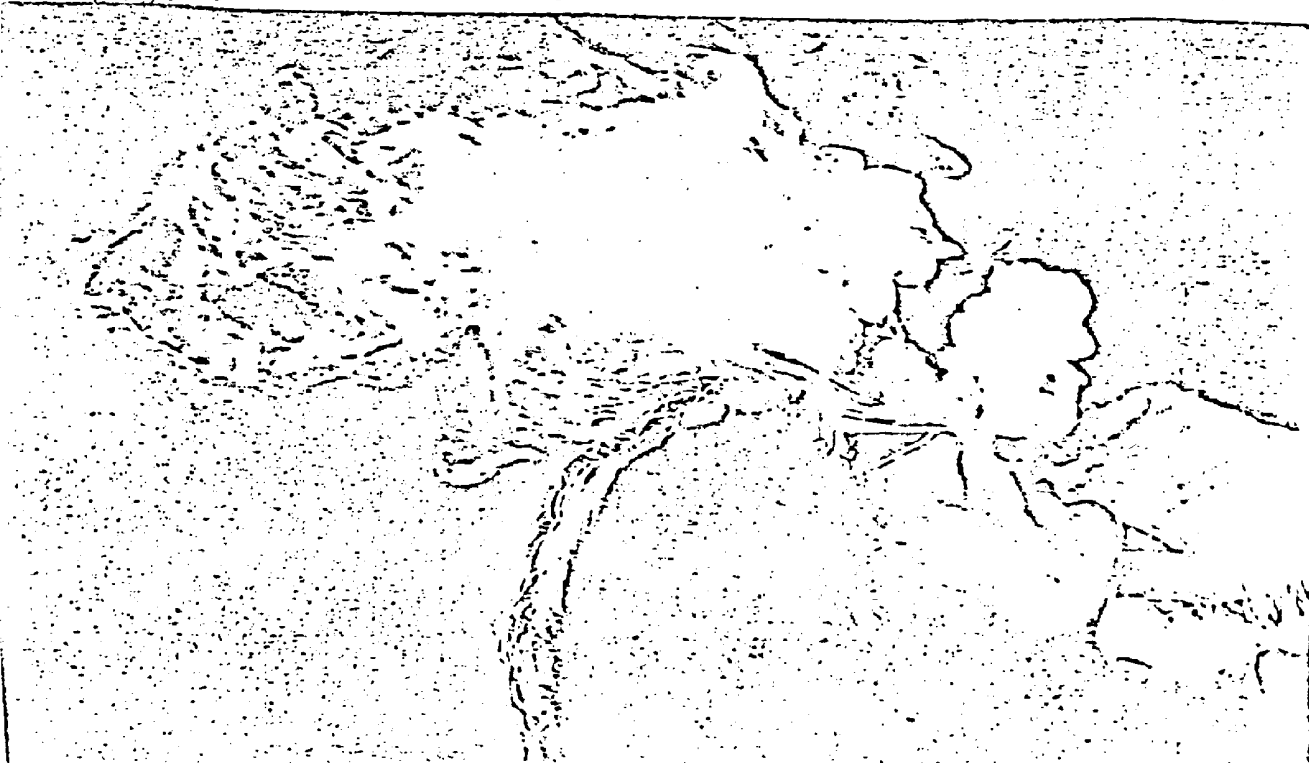
One argument concerns Weis' finding that smokers are absent from their jobs more often than non-smokers, and that difference costs employers an additional \$230 per smoker.

Solmon says the Weis data are confounded with other variables. For example, he says many studies have reported that blue-collar workers smoke more than white-collar workers and they are also absent from work more. Thus, he says, what appears like data showing smokers have a higher rate of absenteeism is really data contaminated by demographic differences.

In addition, Solmon notes that work loss for women smokers is smallest among women who smoke the most and work loss for male smokers is smallest among males in the second highest smoking category.

Weis is not impressed. He cites his own statistics: "According to the last National Health Institute survey, which compiled work-loss data for 1979, women who smoke the most — 35-plus cigarettes per day — missed an average 12.3 days per year, compared to 6.1 days for women who had never smoked and 7.5 days for women who smoked the least — under 15 cigarettes per day."

He also adds that Solmon uses contaminated data in comparing smokers to non-smokers. Many non-smokers in Solmon's data, he says, are really former smokers who quit after becoming chronically ill. He says a better comparison is to use data comparing "pack years," a measure of how much a person has smoked during his life.



Smoker at work: \$4,500 per employee

Photo courtesy of U.S. Dept. of Health

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Smoking worker costs disputed

by Peter Bardsley
Journal staff

SEATTLE — Dr. Lewis C. Solmon visited Seattle recently to issue a challenge to Seattle University business professor William L. Weis.

The challenge is for a debate.

Weis is the author of anti-smoking material which has gained notoriety for its assertion that employers are better off to hire non-smokers. He contends non-smokers can save their employers about \$4,700 a year by lowering costs for insurance premiums, maintenance charges, furniture replacement and disability payments.

Solmon, a professor and economist, is a dean in the UCLA Graduate School of Education. He has been hired by the tobacco industry to look into Weis' findings. The tobacco industry feels there has been too much attention drawn to Weis' remarks by the media and others.

Solmon contends if anti-

smoking forces are going to use a spokesman for their cause they are going to have to find someone better qualified than Weis. It is his feeling that Weis' findings are misleading.

Solmon, who admits to smoking "occasionally," has authored a report entitled "There Is No Proof That Smokers Are More Costly Than Non-smokers." It is strictly a rebuttle of Weis' arguments.

It says "Closer scrutiny of Professor Weis' material reveals that his analysis is faulty and his conclusions are without merit."

Solmon claims his study of Weis' work found selective reporting of data, reliance on biased observations, confusion of correlation and causation, and faulty logic.

Weis began attracting attention in the fall of 1980 with an article published in "Personnel Administrator" entitled "Improve Productivity Overnight."

"Thousands of cost-conscious business owners have opted in the past decade to hire exclusively from the most productive two-thirds of the employable population. They have hired non-smokers," he wrote.

The tobacco industry did not pay particular attention to Weis and his findings, until they realized others were using his statistics as ammunition, Solmon says.

Solmon responded in the March 1983 edition of "Personnel Administrator" with a rebuttle entitled "The Other Side of the Smoking Worker Controversy."

In his attack he says of Weis, "Indeed, virtually every part of his estimate is unfounded and he compounds his errors by surveying those persons most against smoking."

Solmon and Weis have never met.

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APPENDIX C

WORKPLACE SMOKING RESTRICTIONS

- A. AS TYPICALLY PROPOSED BY THE AMERICAN LUNG ASSOCIATION TO BUSINESSES
- B. EXAMPLE OF RESTRICTIONS TI MIGHT PROPOSE AS A STRATEGIC "FALL BACK"

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SMOKING POLICYI. PURPOSE

The policy of this corporation is to regulate smoking on the premises because smoking has been found to be a major contribution to indoor air pollution. It is not the purpose of this policy to ban smoking but rather to obtain freedom from discomfort and irritation for those employees sensitive to tobacco smoke while preserving a reasonable degree of freedom for those who choose to smoke.

II. SMOKING IN COMMON AREAS

Smoking is not permitted in the following areas: elevators, restrooms, waiting rooms, library, computer/electronic equipment rooms and areas with high fire risk or sanitary requirements.

Smoking is not permitted in conference rooms, auditoriums and training classrooms. These areas will be clearly posted as nonsmoking zones. If possible, meeting chairpersons will permit a break every two hours for persons wishing to smoke in a smoking-permitted area.

III. SHARED OFFICE AREAS

In either enclosed offices with two or more employees or in open office areas, a responsible supervisor will identify open areas or well ventilated enclosed areas where smoking is permitted. Where it will solve problems to the satisfaction of those concerned, the office layout may be rearranged and changes in desk assignments or locations made to separate smokers and nonsmokers. Smokers should be placed near return air ducts where feasible. However, if an employee objects in writing to smoke in his or her work area on the basis that it is harmful to his or her health, that work area will be posted as a no smoking area.

IV. PRIVATE OFFICES

A private office may be designated smoking or nonsmoking by its occupant. Visitors to private offices should abide by the "no smoking" designation.

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V. CAFETERIA

The cafeteria will be divided into smoking and nonsmoking, clearly marked with appropriate signs. The smoking area will, if possible, be located near return air ducts.

VI. CONFLICT RESOLUTION

If efforts by a supervisor to resolve differences between smokers and nonsmokers do not satisfy the parties, the dissatisfied party may file a written complaint with the supervisor with a copy to the Personnel Manager specifying the concerns, why the steps taken have not solved the problem, and a proposed solution. In resolving the problem, management will give primary consideration to protection of health.

VII. GENERAL GUIDELINES

- A. Government fire regulations for the premises are not affected by this policy.
- B. The medical director will make available to employees smoking cessation information.
- C. Airflow:
 - 1. Smoking areas should be located near return air ducts or lower pressure areas if possible.
 - 2. In smoking areas, ventilation should be a minimum of six air exchanges an hour.
- D. Smoking areas should be separated by approximately four feet from nonsmoking areas.
- E. Physical barrier should be used whenever practicable (walls, partitions).
- F. Signs will be posted to designate all areas in which smoking is prohibited. Signs will be placed at entrances to rooms and cafeterias.
- G. Ashtrays will be removed from nonsmoking areas. Receptacles will be provided at entrances to these areas to dispose of smoking material.

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PRO-TI

SMOKING POLICY

PURPOSE

To provide a comfortable environment for all employees, relying on everyone's good judgment and thoughtfulness to meet the needs and desires of both smokers and nonsmokers. It is not the purpose of this policy to create rigidly enforced rules but, rather, through these guidelines, to invite persons who smoke to be responsive to those individuals who may find smoking objectionable and to invite nonsmokers to be respectful of the wishes of the smokers.

NONSMOKING AREAS

- o Elevators
- o Medical care facilities
- o Computer installation areas
- o Storage areas, except at work stations
- o Library facilities
- o Areas required by government regulation to be nonsmoking zones

WORK STATIONS

In private offices and, where practical, in common work stations, employees may designate their immediate work area a nonsmoking or smoking zone.

CONFERENCE ROOMS

In order to provide flexibility for individual groups, conference rooms will be provided with signs which may be changed to indicate whether smoking is or is not permitted, at the discretion of the meeting chairperson.

CAFETERIA/DINING ROOM

These areas will be divided evenly into smoking and non-smoking areas. Tables in the nonsmoking area will be visibly and appropriately posted with signs.

OTHER COMMON AREAS

There will be no restriction on smoking in lobbies, hallways or restrooms.

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CONFLICT RESOLUTION

① If employees are unable to resolve differences that may arise relating to this smoking policy, the appropriate supervisor(s) will recommend a solution to management. This recommendation shall emphasize flexibility and consideration of both smoker(s) and nonsmoker(s).

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APPENDIX D

A TOBACCO AND LABOR COALITION
AN OUTLOOK BASED ON THE 97TH CONGRESS

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POTENTIAL FOR COOPERATION BETWEEN
LABOR AND TOBACCO

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Introduction

The following analysis of Congressional voting patterns demonstrates the potential for organized labor and tobacco to work cooperatively on legislative matters. An improved lobbying relationship will have a positive impact on non-legislative matters; e.g., union resistance to smoking restrictions.

The process of creating a tobacco-labor coalition necessarily begins by establishing appropriate relations with The Tobacco Workers Union. This has already begun with positive results. The Tobacco Workers are a small but disproportionately influential group and will help us secure support from other unions as well as the AFL-CIO.

If our industry expects union help in defeating and passing specific bills, we must be willing to reciprocate. Bills now pending before Congress provide some excellent opportunities to help one another. The Federal Relations Division will be pursuing these opportunities. Similar potential exists at the state and local level.

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SENATE

- o Approximately 50% of those Members of the Senate who do not consistently support organized labor (less than 60% COPE rating) are consistent supporters of tobacco. The potential "swing" is approximately 30 votes.
- o A number of Senators consistently support both organized labor and tobacco industry positions: Sarbanes (95 COPE - 92 TOBAC); Byrd (84 COPE - 92 TOBAC); Cranston (79 COPE - 62 TOBAC); Matsunaga (79 COPE - 85 TOBAC) Randolph (79 COPE - 82 TOBAC); Burdick (74 COPE - 85 TOBAC); and Ford (63 COPE - 92 TOBAC).
- o Some of organized labor's stongest supporters are consistently opposed to tobacco industry positions: Pell (95 COPE - 23 TOBAC); Metzenbaum (79 COPE - 23 TOBAC); Tsongas (79 COPE - 15 TOBAC). These senators are current co-sponsors of two anti-tobacco bills. Other strong supporters who are current co-sponsors of at least one piece of anti-tobacco legislation include: Jackson, Kennedy, Moynihan, and Bumpers.
- o Organized labor and the tobacco industry have common foes in the Senate: Gorton (5 COPE - 15 TOBAC); Garn (11 COPE - 0 TOBAC); Hatch (11 COPE - 0 TOBAC); Packwood (21 COPE - 8 TOBAC); and Stafford (21 COPE - 8 TOBAC). Garn, Hatch and Packwood have all introduced anti-tobacco legislation during the current session of Congress.

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SENATE

AFL-CIO
"COPE" RATING

OF MEMBERS

WHO ARE
ALSO CONSISTENT
TOBACCO SUPPORTERS

10% or Less	21	8
20% to 11%	17	10
30% to 21%	10	3
40% to 31%	12	7
50% to 41%	5	2
60% to 51%	7	3
70% to 61%	5	3
80% to 71%	11	4
90% to 81%	8	1
100% to 91%	5	1

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HOUSE

- o Approximately 45% of those House Members who do not consistently support organized labor positions (less than 60% COPE rating) are consistent supporters of tobacco industry positions. The potential "swing" here is approximately 120 votes.
- o Strong supporters of both organized labor and tobacco industry positions include: Roe (93 COPE - 67 TOBAC); Gonzalez (93 COPE - 83 TOBAC); Pat Williams (93 COPE - 67 TOBAC); Perkins (87 COPE - 83 TOBAC); Natcher (80 COPE - 83 TOBAC); Studds (80 COPE - 67 TOBAC); Danielson (73 COPE - 100 TOBAC); Hefner (73 COPE - 83 TOBAC); Ginn (73 COPE - 67 TOBAC); Neal (73 COPE - 100 TOBAC); Synar (73 COPE - 67 TOBAC); Yatron (73 COPE - 67 TOBAC); Dowdy (73 COPE - 67 TOBAC); Hubbard; Bouquard; Kazen; Skelton; Stratton; Whitley; Whitten; Fithian; Andrews; and McCurdy.
- o Members with strongly anti-tobacco sentiments, yet consistent supporters of organized labor positions include: Scheuer (93 COPE); D'Amours (87 COPE); Collins (87 COPE); Wyden (87 COPE); Edgar (80 COPE); Lehman (80 COPE); Beilenson (80 COPE); Dellums (73 COPE); Lafalce (87 COPE); Waxman (67 COPE); Lantos (67 COPE); Jacobs (67 COPE).
- o Members who neither support organized labor nor tobacco industry positions include: Schneider (47 COPE); Marriott (27 COPE); and Pritchard (20 COPE).

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HOUSE

AFL-CIO
"COPE" RATING

OF MEMBERS

WHO ARE
ALSO CONSISTENT
TOBACCO SUPPORTERS

10% or Less	81	44
20% to 11%	81	40
30% to 21%	30	15
40% to 31%	33	10
50% to 41%	17	6
60% to 51%	19	4
70% to 61%	34	7
80% to 71%	81	11
90% to 81%	42	1
100% to 91%	26	3

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APPENDIX E

FINANCIAL ASSISTANCE FOR LABOR UNIONS

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TOBACCO INDUSTRY TO ASSIST UNION-SPONSORED
JOBS RETRAINING PROGRAMS

The current technological revolution is requiring many workers to reassess their abilities and seek new skills. Organized labor is at the forefront in preparing workers for new challenges.

The tobacco industry, concerned about a skilled and ready labor force and a sound economy, can assist labor in its effort by providing support.

Working through The Tobacco Institute, the industry will award grants of up to \$10,000 to local unions for the purchase, rental or lease of equipment and/or materials for jobs retraining programs accredited by the AFL-CIO and/or the U.S. Department of Labor.

Such equipment and materials may include but are not necessarily limited to data processing equipment, audio-visual devices, textbooks, films and other training aids. Such items as tuition, travel allowances and conference fees directly related to an accredited jobs retraining program may qualify at the discretion of the program administrators. Salaries will not be covered by the grants.

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Special consideration will be given to applications from states or regions with unemployment rates in excess of the national average.

The grant administrators will not be authorized to award funds of

a continuing nature, however, reapplication by previous recipients maybe encouraged.

Given the enormous need in this area, the availability of these grants will not be broadly publicized. Rather, the grant administrators will identify areas of apparent greatest need and then selectively make the program known to potential recipients.

The program will be administered by a panel comprised of one representative each from the Tobacco Workers Union, The Tobacco Institute and a consultant qualified in the area of jobs retraining.

The program will be funded by contributions from the members of The Tobacco Institute.

Recommended 1984 budget \$200,000.

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APPENDIX F

STUDY OF FINANCIAL ELEMENTS OF SMOKING RESTRICTIONS

BY TOUCHE ROSS

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Touche Ross & Co.

September 1, 1983

Mr. William Adams
Controller
The Tobacco Institute
1875 Eye Street, N.W.
Washington, D.C. 20006

Dear Mr. Adams:

This letter is in response to your request for a proposal to conduct a study of the elements of expense associated with corporate implementation of smoking restrictions. We understand that the end product of such a study would be a summary of the cost elements and estimates of associated costs of implementation. These would be based on the experience of two companies which had actually implemented such restrictions.

Study Approach

In order to produce the end product described above, we would:

1. Interview key employees of the Tobacco Institute to identify expected or potential cost elements.
2. Prepare a listing of potential cost elements, incorporating our expectations based on analysis of similar issues for other clients.
3. Review the list of potential cost elements with the staff of the Tobacco Institute and make adjustments where appropriate.
4. Arrange, with assistance from the Tobacco Institute, discussions with two companies of the costs involved in the implementation of smoking restrictions.
 - o We will identify and estimate those costs actually experienced and recognized by the companies.
 - o We will discuss any potential hidden or future costs with the companies and attempt to estimate them, if appropriate.

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5. Prepare a final report summarizing the estimated costs of implementation in each company reviewed. The format between companies will be as consistent as possible, allowing for different approaches to implementation.

We believe our study will be more valid and useful if our final report does not contain references to the companies and they are promised confidentiality of the contents except for review by the staff of the Tobacco Institute. Further, we would not expect our firm name to be used in any public statements in connection with the final report, since such use is easily misunderstood when the full text of the report document is not available.

Project Staffing

This project will be performed by consultants from our Washington, D.C. Management Consulting staff. Mr. James McCoy, a partner in the Washington, D.C. office, will have overall responsibility for the project. Mr. McCoy has broad experience in general management consulting, and has performed numerous similar cost studies for clients in both the public and private sectors, including the American Bankers Association and Congressional Commissions.

The project manager for the project is planned to be Ms. Sandra Berlin. Ms. Berlin has extensive cost analysis experience with Touche Ross. In addition, she was previously an operational auditor for the Federal Reserve Board and manager of internal audit for a major Washington, D.C. bank. Ms. Berlin will be responsible for directing project activities on a daily basis. Other experienced project staff will be assigned as required.

Project Cost

Our costs are based on hours worked at standard hourly billing rates, plus out-of-pocket expenses. We normally bill our clients monthly for services as a project progresses. Our fees for this engagement will be \$50,000 plus out-of-pocket expenses, assuming the work is done in connection with that described in our separate proposal for documenting the implementation process.

We expect this project to require six to eight weeks for completion from the time we start our initial interviews. We plan to start the project soon after your acceptance of this

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proposal. We appreciate the opportunity to propose on this project and look forward to being of service to the Tobacco Institute. If you have any questions, please call Mr. James A. McCoy at 452-1200.

Very truly yours,

Touche Ross & Co.

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APPENDIX G

- DIRECTOR OF CORPORATE RELATIONS
POSITION DESCRIPTION
- TASK FORCE DESCRIPTION

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August 9, 1983

THE TOBACCO INSTITUTE

Position Description

Title: Director of Corporate Relations
Department: Public Relations

SUMMARY

The Director of Corporate Relations is responsible for managing all aspects of the voluntary workplace smoking issue. Reports to the Vice President of Public Information.

QUALIFICATIONS

- o Minimum of a bachelor's degree plus ten years experience managing corporate issues and relations.
- o Excellent written and verbal communications and human relations skills.

PRIMARY RESPONSIBILITIES

1. Produce analyses of the workplace issue and plans, with the assistance of consultants and the advice of task forces, to form and maintain an industry program.
2. Manage all resources necessary to conduct approved programs.
3. Establish and maintain positive relationships with business, trade associations, labor unions, and other organizations.
4. Maintain communications and coordinate activities with all TI divisions regarding program.
5. Maintain files of information on the issue, and on audiences targeted by the program.

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SMOKING IN THE WORKPLACE
TASK FORCES

Following is a description of the task forces as envisioned in the March 1983 plan to deal with the smoking in the workplace issue.

It answers the questions most frequently asked about the task forces:

1. What is the role and authority of the task forces?
2. Who is assigned to the task forces and why?
3. What responsibilities do the task forces have?

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Q.1 What is the role of the task forces?

The plan assumes that the task force will work closely with a professional staff member devoted solely to the issue and with labor, public relations, legal and management consultants.

One task force is identified for each major audience addressed in the plan; e.g., the organized labor task force will deal with strategies aimed at unions.

The role of the task forces is envisioned as one of analyzing problems or situations and recommending appropriate policy. That is, the role is more one of counseling and guiding to ensure consistency and thoroughness than one of planning and implementing activities.

When necessary and appropriate, task force members may be involved in tactics; e.g., contacting counterparts at other organizations whom they know personally.

Q's. 2, 3 Who is assigned to the task forces and why?
What responsibilities do the task forces have?

The plan proposes five task forces composed of TI staff, representatives of member companies, and consultants as needed. The task forces' responsibilities are tied directly to strategies and tactics identified throughout the plan. The specific assignments and responsibilities are listed below:

Financial Personnel Administration Task Force

Chairperson: senior vice president for administration, TI

Members: one senior personnel administration manager and one financial manager from each member company; public relations and management consultants as needed.

These individuals were designated since they are most knowledgeable about finance and administration and a significant portion of the issue deals with employee relations and the economics of smoking restrictions.

Their responsibilities are:

- Assist staff and public relations counsel in developing arguments persuasive to personnel administration and financial managers; help refine materials used with these individuals.
- Contact their counterparts at other businesses and institutions, to prompt discussion of the issue at a professional level.

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Legal Task Force

Chairperson and members are not designated; the plan recommends that the Committee of Counsel designate the task force chairperson and members.

This group will focus on legal issues related to workplace smoking.

Their responsibilities are:

- Assist in examining the legal implications of smoking restrictions.
- Develop arguments, witnesses, and other resources useful to businesses defending against workplace suits.
- Work with the U.S. Chamber of Commerce's National Chamber Litigation Center, which may soon address the issue.
- Contact their counterparts at other organizations to discuss the legal ramifications of such suits.

Organized Labor Task Force

Chairperson: labor relations counsel

Members: senior officer of the Tobacco Workers Union, a labor relations official from a member company (appointed by The Institute Chairman), and public relations counsel.

These individuals, whose expertise is in labor-relations and labor issues, will focus on smoking restrictions as a bargaining issue and the role, if any, of ambient smoke in the worker safety and health issue.

Their responsibilities are:

- Assist staff and public relations counsel in developing arguments persuasive to union officials and help refine materials for external use.
- Contact union officials representing both public and private sector employees to prompt discussion of the issue from an organized labor perspective.

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Public Agency Task Force

Chairperson: senior vice president, state activities, TI

Members: one public affairs representative from each member company; two lobbyists from The Institute State Activities Division; one member of the Federal Relations Division; and public relations counsel.

These individuals, who are most familiar with government and public agencies, will focus on two elements of the issue: (1) the cost of administering smoking restrictions in public agencies and (2) the public employees unions' concerns over non-negotiated changes in terms and conditions of employment.

Their responsibilities are:

- Assist staff and public relations counsel to develop arguments persuasive to elected officials, particularly the chairpersons and members of committees dealing with the administration, cost, and labor relations of government agencies.
- Work with the organized labor task force on the question of public employee unions' responses to smoking restrictions.
- Brief all field staff on the above arguments and coordinate contacts with key elected and appointed officials.

Small Business Task Force

Chairperson: vice president of region II, TI

Members: one representative from the National Association of Tobacco Distributors, one from the Retail Tobacco National Dealers Association, one from the Tobacco Growers Information Council, three from the National Tobacco Council, and public relations counsel.

These task force members will focus on how the issue affects small, local businesses and on how the industry can communicate with significant portions of these businesses.

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Their responsibilities are:

- Assist staff and public relations counsel to develop arguments and materials persuasive to proprietors and operators of small businesses.
- Identify local audiences and secure speaking engagements on the issue for TI speakers and other industry representatives.
- Work with associations and agencies which represent small business nationally and locally.

Coordinating Committee

Chairperson: President, TI

Members: Chairpersons of each task force and one professional staff member assigned on a full-time basis to the issue.

The committee's responsibilities are:

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- Approve a coordinated plan, encompassing the activities of all five task forces; track progress against that plan.
 - Ensure communication and cooperation between the task forces.
 - Approve any contacts with corporations or organizations about the issue.

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APPENDIX H

MEMORANDUM FROM RESPONSE ANALYSIS CORPORATION
ON SUPERVISORS' SURVEY

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RESPONSE ANALYSIS

RESEARCH PARK, ROUTE 206
POST OFFICE BOX 158
PRINCETON, NEW JERSEY 08540
(609) 921-3333

February 10, 1983

Mr. David J. Cynamon
Covington & Burling
1201 Pennsylvania Avenue, N.W.
P. O. Box 7566
Washington, DC 20044

Dear David:

This letter summarizes a change in the basic specifications of the study we described in our letter of January 27, 1983. Instead of interviewing 1,000 employees nationwide and 200 business influentials, we will interview a nationwide sample of 1,500 "lower level management people." These interviews, each of which might last 15-20 minutes, will focus on such matters as:

1. Respondents' views of things that can have a negative impact on productivity in the workplace.
2. Their impressions of what bothers employees most in the work environment.
3. Where smoking fits into the hierarchy of things that affect productivity or that bother employees.
4. The credibility of claims made by Weiss, et al.

The sample size of 1,500 is based on the need to analyze results by various industry categories (financial services, manufacturing, transportation, etc.) and by size of company.

I do have some ideas on how the sample might be drawn and this should be an important agenda item as soon as the survey is approved. Seventy-five percent of all the establishments in the Dun and Bradstreet register have less than 10 employees, only 2% have 100 or more. This has two implications:

1. It means that unless we stratify by number of employees, we will get very few large companies in our sample.

My present thought is to specify a sample with four components (large, perhaps 100 employees or more; medium, say 20-99 employees; small, 5-19 employees; very small, 4 or less -- this group accounts for 55% of all establishments). In each segment we would interview about 375 respondents. Statistical weighting procedures would be used in the tabulating phase to restore proportionality to the findings.

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2. We will likely need different operational definitions of "lower management" for these segments. In the small groups, lower management and higher management is liable to be the same person. There is no other manager except the owner.

In the medium and large establishments, we might try to talk to first level supervisors in half the cases, and managers who themselves are not officers and who do not report to officers in the other half. A system like this would give us some spread and yet keep us away from "big shots."

Also, you may not want to include all SIC codes in the survey. For example, it seems to me that there may be good reasons for excluding agriculture, forest products, fisheries, and perhaps mining. Dun and Bradstreet can draw the sample for us and they have a lot of flexibility in what they can do, but their procedure takes about two weeks. That's why sampling specifications is an important initial agenda item.

The schedule:

	<u>Weeks</u>
1. Developmental phase (initial meeting with Survey Committee to discuss sample and information needs)	1
2. Research design (questionnaire development and approval, buy sample from D&B)	2
3. Fieldwork (phone interviews)	4
4. Analysis (coding, editing, data processing)	2-3
5. Report preparation (written and oral)	<u>2</u>
	11-12

I know that you would be interested in getting some "feel" for the findings before we deliver the final report. We can provide this opportunity by collapsing steps 3 and 4 somewhat -- i.e., we can do coding and partial data processing of a segment of the results even before the fieldwork is completed. For example, we could run marginal

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Mr. David Cynamon
February 10, 1983
Page 3

or total line data on the first 1,000 cases while the interviewing department was still working on the final 500. If we do this, and we plan on doing it, we would have some results to see and discuss around the 8th week of the schedule -- perhaps sooner.

The budget for this study is \$65,000 \pm 10%.

Any questions, don't hesitate to call.

Cordially,



Alfred Vogel
Senior Vice President

Tb

cc: James Fouss
Patricia Fishburne
John P. Rupp

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APPENDIX I

MEMORANDUM ON NON-SMOKER INSURANCE DISCOUNTS

521046484

J. Patrick Bryan
President IMSINC
30 Tomahawk Circle
Saunderstown, Rhode Island 02874
September 1, 1983

Peter G. Sparber
Vice President-Tobacco Institute
1875 I Street Northwest
Washington, D.C. 20006

Dear Pete:

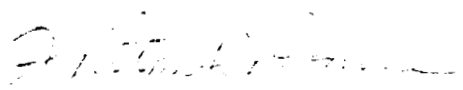
I appreciate very much the opportunity to propose a study of smokers discounts in the insurance industry.

As you will see from reviewing the attached summaries, my associates and I have compiled a combined record of 60+ years of relevant insurance industry experience. This experience runs the gamut from actuarial analysis to sales strategies covering all the management disciplines in between.

Based on our discussion, I have enclosed a brief outline of the proposed study and issues that my associates and I will be focusing on. Please review to make sure I am covering all relevant areas to your business needs.

I am at your disposal once you have completed your review to discuss any suggested changes.

Thank you for your time and I look forward to working with you and your staff on this project.


J. Patrick Bryan

lrk

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Outline of Proposed Study on

"Smokers Discounts in the Life Insurance Industry"

I. Background

- A. IMSINC proposes to study the origination of smokers discounts in the insurance industry.

This background study will include research on carriers involved, original pricing policies as well as marketing practices.

- B. Particular focus will be on trends in marketing strategies and pricing practices since the introduction of such discounts leading to the.....

II. Current Environment

- A. IMSINC will do a comprehensive audit of the current environment to ascertain the extent and acceptance of smokers discount in the industry and the market. (Growth trends).

- B. IMSINC will identify the specific kinds of companies offering such discounts to determine if market segmentation or risk segmentation is the primary motive.

- C. IMSINC will review the current public/political environment as it affects the industries pricing policies and identify other issues that may impact the evolution of pricing policy over the next several years.

- D. IMSINC will do a confidential sample survey of companies offering smokers discounts to review pricing policy in addition to enforcement and underwriting criteria.

- E. IMSINC will attempt to identify claims payment practices in cases where smokers may have purchased policies with non-smokers discounts. IMSINC will study the impact of incontestability on the credibility of enforcement (law/practice) of smokers discounts.

III. Scope

- A. Actuarial review of smokers discounts currently on the market. Technical analysis of pricing policy and how it evolved in the industry.

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- B. Marketing practices of companies offering smokers discounts versus those that don't. Examination of other "life styles" discounts that are either available or in the planning stage.
- C. Examination of other major issues facing the industry that may affect smokers discounts i.e. UNISEX.
- D. IMSINC will review insurance industry studies both pro and con on the impact of smoking on mortality. IMSINC will discuss the impact these studies have or may have on actuarial tables.

IV. Summary & Conclusions

IMSINC will work with the Tobacco Institute to get a complete understanding of how this issue impacts your communications strategies.

Once we have reached our conclusions we will make recommendations on how you should proceed with the findings and conclusions we come to.

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J. PATRICK BRYAN

Mr. Bryan has twelve years of management experience with eight of those years in the life and health insurance industry. Mr. Bryan is currently a senior executive with a major insurance subsidiary of the General Electric Company with \$610,000,000.00 of assets.

Mr. Bryan's current assignment is Vice President Business Operations with four Vice Presidents (Line of Business Managers) reporting to him plus corporate support elements such as Financial Planning & Analysis, Promotion Advertising, Planning and Training. The scope of Mr. Bryan's responsibilities spans market research, product development, strategy development, distribution development and execution, full P&L responsibility including actuarial and financial analysis, and various marketing support programs.

Mr. Bryan holds a B.S. in Business Administration and an MBA from Chapman College, Orange, California. Mr. Bryan has acted in a consultant capacity to General Electric's Venture Capital group on several occasions when insurance industry related ventures were being considered. Mr. Bryan has compiled a management history of increasing responsibilities in a wide variety of assignments. The following is a brief summary of Mr. Bryan's experience:

- o Vice President Business Operations- Full P&L responsibility in a life/PC company with assets of \$610 million, encompassing four major business operations including the ground up development of two new ventures. Current direct reports include Mgr. Financial Planning and Analysis, Mgr. Marketing Support Services, and four Vice Presidents who run the individual business operations.
- o Vice President, Marketing of a Life Insurance company with \$500 million of assets. Assumed marketing leadership of a company with heavy investments in life operations with limited ROI opportunity over the long term. Developed and implemented strategies to exit existing markets and penetrate new high growth markets with attractive margins.
- o Vice President Marketing & Customer Relations of a major health insurer. Redirected marketing effort based on target marketing and improved retention of customer base through substantial investments in quality of service. Developed major new growth opportunity by entering Dental insurance field with innovative group products.

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- o Director Marketing of a major health insurer. Managed a finance department of 75 people responsible for accounts receivable, membership files maintenance and policy administration with annual premiums of approximately \$500 million.

Other assignments included District Sales Manager, Manager Software Systems Development group and various administrative posts.

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RALPH M. SWENSON, JR.

Mr. Swenson has compiled a record of achievement that spans 30+ years in the life insurance industry. Mr. Swenson has held a variety of management and staff positions that give him unique insight into the inner workings of the life insurance industry. This experience coupled with an excellent education (M.B.A.) and Mr. Swenson's affiliation with industry trade organization, make him an invaluable asset to the consulting team.

The following is a brief summary of Mr. Swenson's business experience:

Business Experience: Connecticut General Life Insurance Company - Claim Examiner, Supervisor of Training, Senior Personnel Assistant, Public Relations Assistant.

Puritan Life Insurance Company - Executive Assistant, Second Vice President, Administrative Vice President and Director, Vice President, Manager, Market Analysis.

At various times have had responsibility for all departments except Finance and Management Information Systems.

Professional Accomplishments:

Past State Vice President, American Council of Life Insurance. Member of Governor's Commission to study State Insurance Code. Past International Director, Administrative Management Society. Personnel Officers Committee, Life Office Management Association. Instructor, Roger Williams College

Education:

Duke University (A.B., Economics & Accounting)
University of Hartford (M.B.A.)
Rensselaer Polytechnic Institute (Executive Development Program)
Fellow, Life Office Management Association

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WILLIAM C. CUTLIP, F.S.A.

Mr. Cutlip is a seasoned life actuary with a broad background in product development and pricing in addition to substantial management assignments. Mr. Cutlip has twenty one years of actuarial experience and received his education at Massachusetts Institute of Technology and Oklahoma State University.

Mr. Cutlip has compiled a twenty one year work history of increasing responsibilities with life industry leaders in their respective markets. The following is a brief summary of Mr. Cutlip's actuarial/management assignments:

o Vice President and Chief Actuary

Responsibilities

- o Head Actuarial and Contracts/Compliance Departments - Staff of 25
- o Manage Corporate Strategic Planning
- o Direct Product Development
- o Manage Business Development process including new ventures, acquisitions and divestitures

Accomplishments

- o Organized and managed effective product development process
- o Produced four major products in three-month critical time frame
- o Ran individual agency operation divestiture process
- o Developed corporate and line of business strategic planning process and lead preparation of three annual strategic plans
- o Built professional actuarial staff from one ASA to four FSA's.
- o Assumed Property/Casualty Actuarial responsibility resulting from 1982 merger with affiliated P/C company.

o Assistant Vice President and Lines of Business Manager
Employee Benefits Center

Responsibilities

- o Newly created position with responsibility for development, growth and financial results of Group Life, Group Health, Disability and Pension lines of business.
- o Directed a staff of 45 covering pension, administration, group administrative coordination and both the pension and group actuarial units.

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Accomplishments

- o Premium growth: \$19 million in 1977 to \$37.5 million in 1980
- o Multiple Employer Trust established
- o New group health plan and pension prototypes developed
- o Assistant Vice President and Actuary

Responsibilities

Headed Actuarial/Pension Department. Assumed additional responsibility as product manager for credit life lines.

Accomplishments

- o Established a revised credit life rating plan
- o Built professional staff to five FSA's, five ASA's six students
- o Actuary

Responsibilities

Headed Actuarial Department with actuarial responsibility for all lines including individual life, credit insurance, pension and group benefits. Pension Administration Department also reported directly to Actuary.

Accomplishments

- o Developed new Credit A&H line
- o Produced Individual Life System
- o Established major Credit A&H reserve system
- o Built professional staff from one ASA and three students to two FSA's, four ASA's, seven students
- o Assistant Actuary - Individual Life
 - o Developed new portfolio with associated rates, manuals, advertising and reserving.
- o Occidental Life Insurance Company
Los Angeles, CA
Ordinary Life Division
Manager of Valuation Unit
Actuarial Programmer in Actuarial Systems

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EDUCATION

Massachusetts Institute of Technology, Cambridge, MA	1958-60
Oklahoma State University, Stillwater, OK	1960-62 BS Mathematics

Fellow, Society of Actuaries
Member, American Academy of Actuaries
Enrolled Actuary
Continuing Education Seminars in strategic planning, market research, reinsurance, life insurance taxation, and management development.

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APPENDIX J

COVINGTON & BURLING MEMORANDUM ON
LEGAL ASPECTS OF SMOKING RESTRICTIONS

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COVINGTON & BURLING

1201 PENNSYLVANIA AVENUE, N. W.

P. O. BOX 7566

WASHINGTON, D. C. 20044

TELEPHONE
(202) 662-6000

WRITER'S DIRECT DIAL NUMBER
(202) 662-4390

TWX: 710 822-0005 (CB WSH)
TELEX: 89-593 (COVLING WSH)
TELECOPIER: (202) 662-6290
CABLE: COVLING

PRIVILEGED AND CONFIDENTIAL

August 31, 1983

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

Re: Legal Implications of Privately
Imposed Restrictions on Smoking
in the Workplace

REDACTED

521046495

Katherine Becker, Esquire
August 31, 1983
Page Two

REDACTED

521046496

Katherine Becker, Esquire
August 31, 1983
Page Three

REDACTED

Sincerely,

David J. Cynamon
David J. Cynamon

Enclosures

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June 29, 1982

MEMORANDUM TO THE TOBACCO INSTITUTE FILE

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REDACTED

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REDACTED

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REDACTED

COVINGTON & BURLING

521046510

COVINGTON & BURLING

1201 PENNSYLVANIA AVENUE, N. W.

P. O. BOX 7566

WASHINGTON, D. C. 20044

TELEPHONE
(202) 662-6000

WRITER'S DIRECT DIAL NUMBER

(202) 662-5390

TWIX: 710 822-0005 (CB WSH)
TELEX: 89-583 (COVLING WSH)
TELECOPIER: (202) 662-6290
CABLE: COVLING

June 1, 1983

Richard Champnella, Esq.
688 WCB
2000 Second Avenue
Detroit, Michigan 48226

Dear Rick:

In accordance with our telephone conversation last week, I am sending you two packets of materials dealing with smoking in the workplace. The first packet consists of judicial decisions, and the second includes a selection of papers concerning the alleged health effects of tobacco smoke on nonsmokers.

There are five judicial decisions enclosed. Gaspar v. Louisiana Stadium and Exposition District, 418 F. Supp. 716 (E.D. La. 1976), aff'd 577 F.2d 897 (5th Cir. 1978), cert. denied, 439 U.S. 1079 (1979) and Federal Employees for Non-Smokers' Rights (FENSR) v. United States, 446 F. Supp. 181 (D.D.C. 1978), aff'd, 598 F.2d 310 (D.C. Cir.), cert. denied, 444 U.S. 926 (1979), hold that there is no constitutional right to insist that smoking be prohibited in public places, including places of work. The unpublished decision in Kensell v. State of Oklahoma (W.D.Okla. Feb. 17, 1982) cites these cases and reaches the same conclusion. In the very recent decision in Gordon v. Raven Systems & Research, Inc. (D.C. App. May 5, 1983), the District of Columbia Court of Appeals rejected the claim that employers have a common law duty to provide a smoke-free environment to employees who claim a particular sensitivity to tobacco smoke. Finally, in Commonwealth of Pennsylvania v. Pennsylvania Labor Relations Board (Pa. Comm. Ct. April 28, 1983), the court held that since smoking is a term and condition of employment and therefore a subject of mandatory collective bargaining, an employer cannot impose smoking restrictions unilaterally when a collective bargaining agreement is in effect. The court stated in this regard:

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Richard Champnella, Esq.
June 1, 1983
Page Two

"The subject of whether employees may smoke at their workplaces appears to us to be at the center of those subjects properly described as 'conditions of employment' and to be entirely unrelated to those entrepreneurial or managerial judgments fundamental to the basic direction of the enterprise and removed from the scope of mandatory bargaining ***." Slip op. at 6-7.

You mentioned that you are aware of the decisions in Shimp v. New Jersey Bell Telephone Co., 368 A.2d 408 (N.J. Super. 1976), Smith v. Western Electric Co., 643 S.W.2d 10 (Mo. App. 1982), Parodi v. Merit Systems Protection Board, 702 F.2d 743 (9th Cir. 1982), and Vickers v. Veterans Administration, 549 F. Supp. 85 (W.D. Wash. 1982) I would like to comment briefly on each of these decisions to help you place them in perspective.

As I told you last week, New Jersey Bell Telephone did not actively defend the Shimp lawsuit; it filed no answer to the complaint and submitted no brief or affidavits in opposition to the plaintiff's request for an injunction. It is not surprising, therefore, that the court ruled in favor of the plaintiff in an opinion that bears a close resemblance to the plaintiff's brief.

Several months after the Shimp decision was issued, Shimp's attorney filed an identical complaint on behalf of another New Jersey Bell employee before the same judge who had decided Shimp. Mitchell v. New Jersey Bell Telephone Co., No. C-4159-76 (N.J. Super.) This time, however, New Jersey Bell defended itself and filed a motion to dismiss the complaint. Despite several extensions of time granted sua sponte, plaintiff's counsel failed to respond to the motion and the judge was forced to dismiss the complaint.

Thus, the importance of the court's decision in Shimp is seriously undermined by the one-sided nature of that lawsuit. The plaintiff's capitulation in Mitchell, which

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differed from Shimp only in that New Jersey Bell actively contested the complaint, demonstrates that the result in Shimp might well have been different had a true "case and controversy" existed.

In the Smith case, as in Shimp, an employee who claimed to be hypersensitive to tobacco smoke sought an injunction to force his employer to provide him with a smoke-free work environment. But unlike Shimp, the court did not grant such an injunction. After the trial court dismissed Smith's complaint, the intermediate state court of appeals held that the plaintiff was entitled to try to prove his allegations that he is hypersensitive to tobacco smoke and that the company is required to accommodate that claimed condition by banning smoking in his area of work, and remanded the case for a trial of those issues. To my knowledge, that trial has not yet been held. As I described above, the District of Columbia Court of Appeals recently reached a contrary conclusion in the Gordon case.

The Parodi and Vickers decisions have little relevance to the question whether private employers have an obligation to provide a smoke-free workplace. Both cases involved claims by federal employees that their alleged hypersensitivity to tobacco smoke made them "disabled" or "handicapped" within the meaning of statutes applicable only to federal employees. In Parodi, the court concluded that the federal disability law is concerned only with the question whether the employee's alleged impairment (which in Parodi the government did not dispute) prevents the employee from performing his or her assigned task. The fact that the plaintiff in Parodi alleged an "environmental" disability rather than a permanent physical or mental disability, the court held, did not alter her eligibility for disability benefits under the broad terms of the statute. This reasoning could apply to any claimed "environmental" condition, such as hypersensitivity to noise or to certain odors, proof of which would entitle a federal employee to disability benefits if the employee also could show that the condition made it impossible to perform the assigned job.

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In Vickers, the court agreed with the plaintiff's claim that his alleged hypersensitivity to tobacco smoke satisfied the statutory definition of a "handicapped" person under the Rehabilitation Act of 1973, 29 U.S.C. § 794. The court refused, however, to find that the federal government had a duty reasonably to accommodate the plaintiff's hypersensitivity to tobacco smoke. 549 F. Supp. at 87. In this regard, the court specifically noted that "employees who smoke have certain rights which must be balanced against the desire of plaintiff that his working environment be completely free of tobacco smoke....[T]he desires of those employees who wish to smoke cannot be disregarded." Id. at 89. In any event, the court concluded, even if the federal government had such a duty, it had undertaken all reasonable efforts to accommodate the plaintiff's handicap. Id. at 87.

I am not aware of any decisions in Michigan concerning smoking in the workplace. But based on the existing authorities described above, I think it is fair to conclude that the law in this area is at most unsettled; certainly it cannot be said that a private employer has any legal obligation to prohibit or restrict smoking by its employees. And to the extent that the majority opinion in the Commonwealth of Pennsylvania case reflects an accurate interpretation of state and federal labor laws -- and I believe it does -- a private employer cannot unilaterally impose smoking restrictions that affect employees represented by a union.

The common argument advanced by proponents of mandatory restrictions on smoking in the workplace is that tobacco smoke is harmful to the health of nonsmokers. The second packet of materials that I have sent sets forth the facts on that issue. Two of the documents, "Cigarette Smoke and the Nonsmoker" and "Public Smoking," provide a fairly detailed overview for the lay person of the scientific and technical research in this area. The remaining documents are examples of the research being done, including the

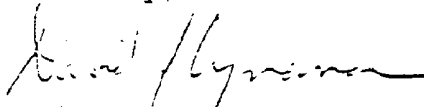
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American Cancer Society's own study, reported by Lawrence Garfinkel, which showed that lung cancer death rates among nonsmoking women married to smoking husbands were not significantly different than the rates among nonsmoking women married to nonsmoking husbands.

I trust that these materials will be helpful. Please do not hesitate to call me if you have any questions or if you would like me to send additional information.

Sincerely,



David J. Cynamon

Enclosures

bcc: John P. Rupp, Esq.
Wayne Juchatz, Esq.

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APPENDIX K

METHOD OF ANALYZING SITUATIONS WHERE WE SHOULD
ATTEMPT TO INFLUENCE CORPORATE DECISION-MAKERS

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TARGETING OPPORTUNITIES: A Flow-Chart

In an effort to identify the "right" opportunities for the industry's involvement, a flow-chart (Exhibit 2) has been developed to help take a consistent, logical look at each situation.

An evaluation should begin with the basic question: Is the smoking restriction justified or not?

If, in the industry's view, the restriction is not justified, then three characteristics should be considered:

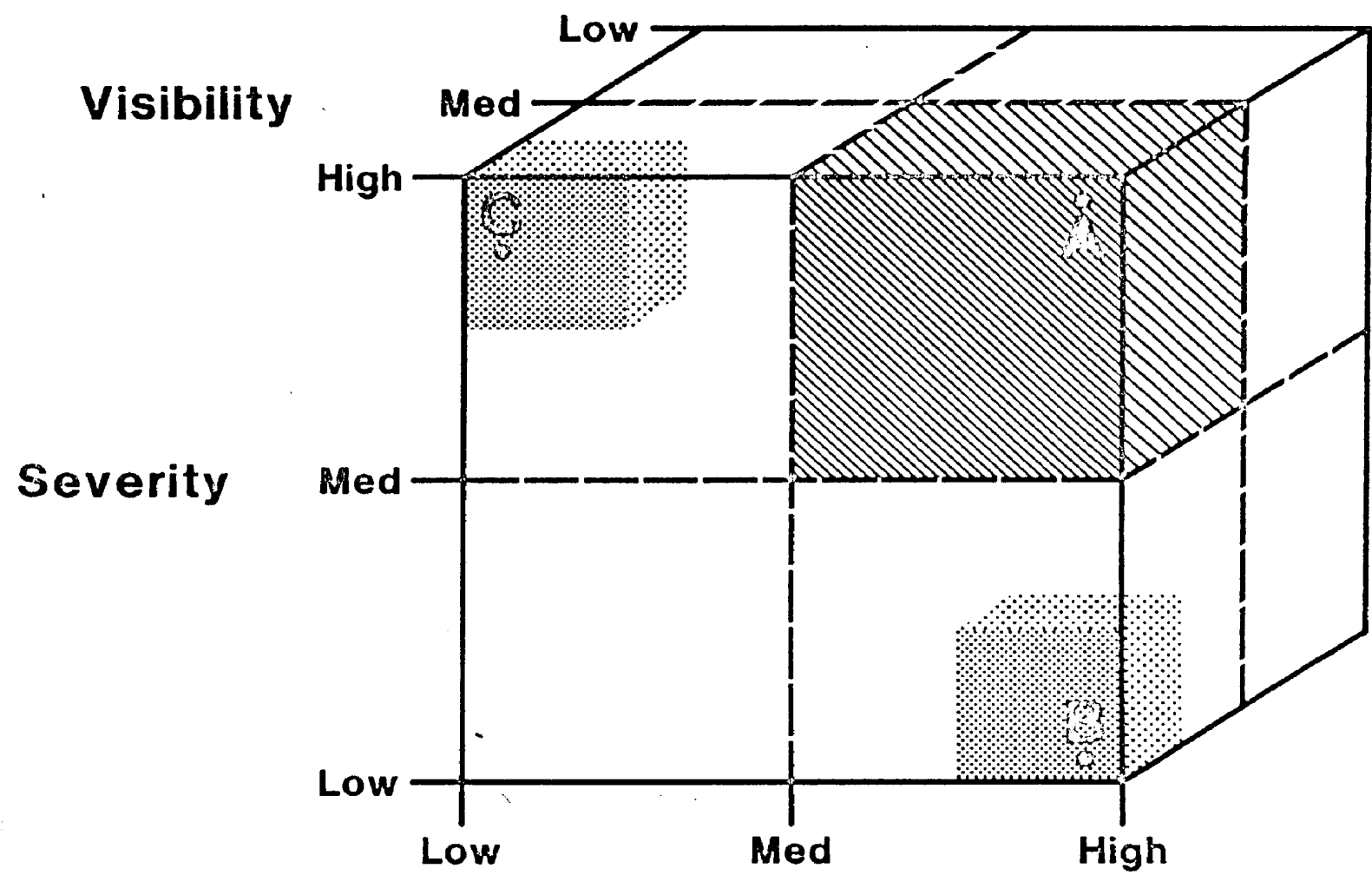
1. The severity of the restriction in place or being considered
2. The number of people affected by the restriction
3. The visibility of the situation

A model (Exhibit 1) has been developed to represent the relationship of the three characteristics. Exhibit 3 discusses various points, ranked from high to low, that could be placed along the three axes of the model: severity, number of people affected, and visibility.

If it is determined from the model that an opportunity is important, then the industry's potential to influence the situation should be considered. A series of questions, all of which can be answered through public sources, should be asked (Exhibit 4).

Finally, the decision to act on an opportunity can be made.

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Number of People Affected

Examples

- Point A - San Francisco
- Point B - Thrifty Rent-A-Car
- Point C - Radar Electric

EXHIBIT 1

Potential Smoking Restriction Activity

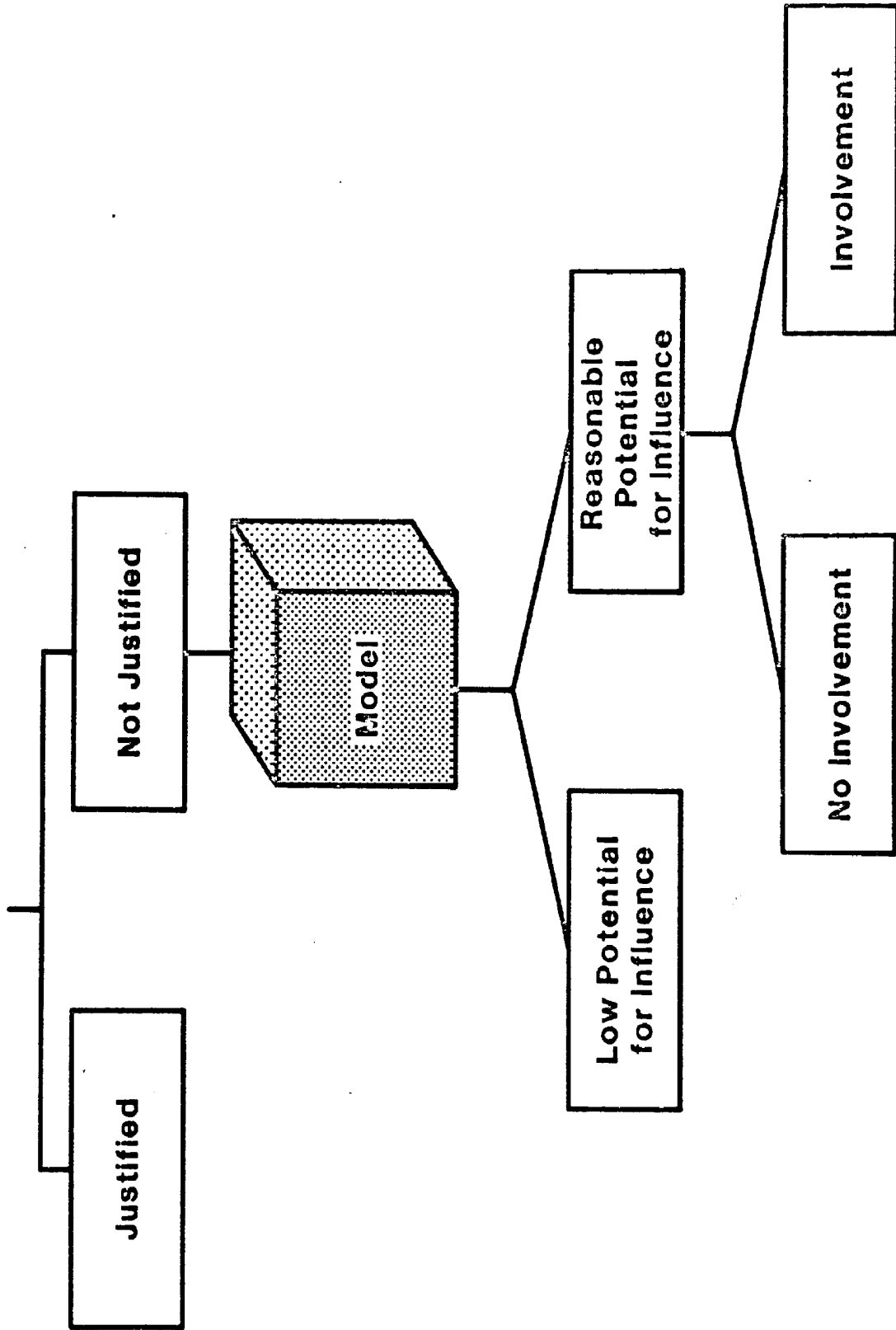


EXHIBIT 2

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EXHIBIT 3

SEVERITY

Following are lists of voluntary and legislative smoking restriction activities grouped according to severity.

Voluntary Activity

- HIGH:
1. Limited smoking restrictions
Restricted to certain times (e.g., coffee or smoking breaks)
 2. Mandatory employee participation in smoking cessation program
 3. Employee smoking ban
 - A. Types
 - i. Workplace
 - ii. Workplace and home
 - B. Penalty for violation
 - i. None or minor
 - ii. Discharge
 4. Hiring discrimination against smokers
- MEDIUM:
1. Potentially restrictive
 - A. Establishment of a formal smoking/nonsmoking policy
 - B. Employee plebiscite
 2. Limited smoking restrictions
 - A. Restricted by nature of employment activity (e.g., "bullpen" v. private office; conference rooms)
 - B. Restricted by nature of employment activity (e.g., food processing)
 3. Segregation of smoking/nonsmoking employees in work areas
- LOW:
1. Distribution of smoking cessation materials (e.g., "Freedom from Smoking" manuals)

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- LOW:
2. Smoking cessation programs
 - A. Types
 - i. Commercial (e.g., Smokenders)
 - ii. Non-profit (e.g., ALA)
 - iii. In-house
 - B. Nature of company involvement
 - i. Payment of employees' program costs
 - o Full
 - o Partial
 - ii. Provision of company time
 - iii. Component of overall health improvement program
 3. Financial incentives/bonuses
 - A. To stop smoking
 - B. To participate in a smoking cessation program

Legislative Activity

- HIGH:
1. Smoking restriction coverage: all businesses/employers
 2. Accommodation of smoking and non-smoking employees' preferences: nonsmokers preference govern (e.g., San Francisco ordinance)
 3. Government promulgation of ventilation standards
 4. Smoking ban in workplace
 5. Penalties for non-compliance
 - A. Civil action by government and/or aggrieved person
 - B. Fine: \$250 or more
- MEDIUM:
1. Employee plebiscite
 2. Smoking restriction coverage
 - A. Specific types of businesses/employers (e.g., hospitals)

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MEDIUM:

- B. Nature of employment area (e.g., public lobbies; conference rooms)
- 3. Segregation of smoking/nonsmoking employees
 - A. Nature of segregation
 - o Mandatory
 - o Voluntary
 - B. Employer duties
 - o Rearrange work areas
 - o Use existing partitions
 - o Construct new partitions
 - o Provide "adequate" ventilation
 - o Improve ventilation
 - o Posting of signs
- 4. Employer obligation to provide smoke-free environment for persons hypersensitive to tobacco smoke
- 5. Government promulgation of regulations to implement restrictive workplace smoking legislation
- 6. Employer designation of smoking/nonsmoking areas
- 7. Penalty for non-compliance: Fine: \$50 - \$249

LOW:

- 1. Workplace anti-smoking resolution
- 2. Employer adoption of a written smoking policy
 - A. Restrictions not specified by law
 - B. Provide copy to employees
 - C. Public posting of policy
- 3. Posting of smoking/no-smoking signs
- 4. "Justified" smoking restrictions
 - A. Safety (e.g., chemical production)
 - B. Sanitary (e.g., food processing)
- 5. Penalty for non-compliance
 - A. None
 - B. Minor (Fine: less than \$50)

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NUMBER OF PEOPLE AFFECTED

The following is a list of workplace situations grouped according to the number (or potential number) of people affected by a smoking restriction activity.

- HIGH:
1. Large number of persons affected over large geographical area (e.g., statewide smoking restrictions)
 2. Many employees over several sites (e.g., corporate-wide policy)
- MEDIUM:
1. Large employer in small area (e.g., Hershey Corp. in Hershey, PA)
 2. Several small businesses of same type in same area (e.g., pharmacies in Denver)
- LOW:
1. Small percentage of persons affected relative to total population
 2. Small number of persons in total workplace (e.g., Mom and Pop store)
 3. Small number of persons in infrequently visited part of workplace (e.g., storeroom)

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VISIBILITY

Following is a partial list of media vehicles grouped according to potential impact on the smoking in the workplace issue. They are ranked from five to one, with five being the highest or most visible and one being the lowest or least visible.

Three variables are used to determine the rankings:

1. Audience size.

2. The number of policy makers in the audience.

We use two terms for this measure. One is coverage, meaning the percentage of all policy makers (e.g., top and mid-level managers) in a given market who read or watch the media. The second term is composition, meaning the percentage of a given vehicle's audience who are policy makers.

3. The prestige of the vehicle.

Variable number three is the most subjective but is necessary. An example of how it should be used is ranking THE NEW YORK TIMES and THE LOS ANGELES TIMES. THE NEW YORK TIMES (Circulation: 1,020,000) receives a "5" and THE LOS ANGELES TIMES (Circulation: 1,080,000) a "4" since the New York paper is more prestigious.

RATING 5

Media vehicles receiving this rating are most "visible". Publications generally have a daily circulation of more than one-million or a weekly circulation of more than two million. Broadcast programs in this category probably have a daily audience of more than three million or a weekly audience of more than eight million.

More than ten percent of all policy makers read or watch these media (coverage) and more than 13 percent of the vehicle's total audience are policy makers (composition).

Media in this category range from THE WALL STREET JOURNAL and "CBS Evening News" to TIME magazine.

RATING 4

Publications generally have a weekly circulation of more than 800,000. Broadcast media is likely to have a viewing audience of two million or more.

Coverage ranges from three percent (for programs such as "Meet the Press") to 74 percent (for the Sunday edition of THE WASHINGTON POST). Composition ranges from 23 percent to more than 70 percent for vehicles such as FORTUNE.

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RATING 3

Publications are likely to have 250,000 or more readers each week (e.g., BARRON'S) or as many as one million monthly readers (e.g., NATION'S BUSINESS). National network radio news falls in this category, with total people reached each day averaging between 1.5 and two million.

Coverage and composition vary widely since media in this category range from HARVARD BUSINESS REVIEW to city newspapers such as THE SEATTLE TIMES.

RATING 2

Media receiving this rating include network affiliate television news in cities ranging from New York to Sacramento. Cable News Network, with 19,900,000 subscribers, falls in this category.

RATING 1

Trade journals, business publications such as THE SEATTLE BUSINESS JOURNAL, suburban dailies, and most cable news networks receive a rating of one. Monthly trade journal circulation is generally less than 60,000 and monthly business journal circulation less than 10,000. Daily suburban circulations vary widely.

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RATING: 5

<u>Vehicle</u>	<u>Circulation/ Viewers</u>	<u>Coverage%</u>	<u>Composition%</u>
WALL STREET JOURNAL	2,000,000 daily	15.1	51.0
NEW YORK TIMES	1,020,601 daily 1,632,094 Sunday	N/A	32.8 24.8
CBS Evening News	17,310,000 daily	28.6	N/A
NBC Evening News	12,740,000 daily	19.2	18.23
ABC Evening News	11,220,000 daily	20.26	17.26
Good Morning America	5,545,000 daily	10.31	14.62
ABC Nightline	4,890,000 daily	13.95	19.63
Today	4,090,000 Daily	10.4	20.12
CBS Morning News	3,300,000 daily	4.6	N/A
60 Minutes	25,800,000 weekly	32.4	N/A
20/20	18,260,000 weekly	20.59	18.76
CBS Reports	10,880,000 weekly	18.42	N/A
Monitor	8,760,000 weekly	16.45	28.42

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RATING: 5

<u>Vehicle</u>	<u>Circulation/ Viewers</u>	<u>Coverage%</u>	<u>Composition%</u>
TIME	4,555,610 weekly	12.0	20.80
NEWSWEEK	3,024,503 weekly	55.1	N/A
U.S. NEWS & WORLD REPORT	2,157,978 weekly	34.2	12.9%

RATING: 4

CBS Sunday Morning	5,560,000 weekly	5.9	N/A
Meet the Press	3,830,000 weekly	3.53	24.32
Face the Nation	3,180,000 weekly	2.0	N/A
This Week with David Brinkley	2,810,000 weekly	4.39	23.31
MacNeil/Lehrer Report	2,010,000 weekly	N/A	N/A
Frontline	1,920,000 weekly	N/A	N/A
BUSINESS WEEK	800,000 weekly	15.1	18.6
FORBES	709,986 bi-weekly	N/A	47.0
FORTUNE	674,566 monthly	N/A	74.0
WASHINGTON POST	747,676 daily 1,005,468 Sunday	61.0 74.0	23.2% 25.1%
LOS ANGELES TIMES	1,088,414 daily 1,358,420 Sunday	50.7 59.1	28.7% 27.7%

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RATING: 3

<u>Vehicle</u>	<u>Circulation/ Viewers</u>	<u>Coverage%</u>	<u>Composition%</u>
BARRON'S	265,000 weekly	18.5	48.5
INDUSTRY WEEK	300,000 bi-weekly	N/A	38.5
NATION'S BUSINESS	1,000,000 monthly	N/A	84.2
MONEY	900,000 monthly	N/A	77.0
INC.	400,000 monthly	N/A	96.0
DUN'S BUSINESS MONTH	284,000 monthly	N/A	24.0
HARVARD BUSINESS REVIEW	230,000 bi-monthly	4.59	81.9
CBS Radio News	1,763,000*	N/A	N/A
ABC Radio News	1,671,000*	N/A	N/A
NBC Radio News	1,604,000*	N/A	N/A
*Total reach: total people reached in an average day by each given network.			
CHICAGO TRIBUNE	756,877 daily 1,127,778 Sunday	43.8 52.9	7.1 7.1
PHILADELPHIA INQUIRER	544,777 daily 1,036,717 Sunday	48.0 74.0	17.0 14.0
SAN FRANCISCO CHRONICLE	687,317 daily 674,290 Sunday	46.8 47.0	11.6 10.0
BOSTON GLOBE	507,791 daily 778,876 Sunday	87.0 92.0	N/A N/A

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R(ING: 3

<u>Vehicle</u>	<u>Circulation/ Viewers</u>	<u>Coverage%</u>	<u>Composition%</u>
DETROIT NEWS	582,849 daily 756,210 Sunday	47.0 61.0	6.0 6.0
CLEVELAND PLAIN DEALER	497,386 daily 501,042 Sunday	53.6	18.7
DALLAS MORNING NEWS	328,332 daily 406,893 Sunday	41.9 42.4	13.7 12.7
HOUSTON CHRONICLE	419,869 daily 502,654 Sunday	47.7 53.0	N/A N/A
PITTSBURG PRESS	264,493 daily 617,376 Sunday	59.7 N/A	23.2 N/A
MIAMI HERALD NEWS	505,452 daily 533,539 Sunday	54.0 64.0	N/A N/A
MINNEAPOLIS STAR-TRIBUNE	365,699 daily 579,796 Sunday	42.2 54.8	10.9 10.3
SEATTLE TIMES	225,381 daily 498,482 Sunday	52.0 N/A	8.0 N/A
ATLANTA JOURNAL-CONSTITUTION	392,584 daily 502,915 Sunday	56.0 72.0	N/A N/A
TAMPA TIMES	249,825 daily 313,528 Sunday	26.0 30.0	13.0 13.0
ST. LOUIS POST-DISPATCH	262,591 daily 455,726 Sunday	59.8 66.1	9.4 7.9

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RATING: 3

<u>Vehicle</u>	<u>Circulation/ Viewers</u>	<u>Coverage%</u>	<u>Composition%</u>
DENVER ROCKY MT. NEWS	324,320 daily 358,978 Sunday	48.8 48.1	7.2 7.5
SACRAMENTO BEE	228,764 daily 258,071 Sunday	62.8 64.9	8.6 8.1
AMERICAN BAR ASSOCIATION JOURNAL	325,000 monthly		
FINANCIAL WORLD	115,113 bi-monthly		
DOLLARS & SENSE	81,500 bi-monthly		
PERSONNEL ADMINISTRATOR	36,000 monthly		

RATING: 2

NETWORK AFFILIATE TV NEWS

<u>Market</u>	<u>ABC</u>	<u>CBS</u>	<u>NBC</u>
New York	WABC	WCBS	WNBC
Los Angeles	KABC	KNXT	KNBC
Chicago	WLS	WBBM	WMAQ
Philadelphia	WPVI	WCAU	KYW
Boston	WCVE	WNAC	WBZ
Detroit	WXYZ	WJBK	WDIV
San Francisco	KGO	KPIX	KRON

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RATING: 2

<u>Market</u>	<u>ABC</u>	<u>CBS</u>	<u>NBC</u>
Washington	WJLA	WDVM	WRC
Cleveland	WEWS	WJKW	WKYC
Dallas	WFAA	KDFW	KXAS
Pittsburgh	WTAE	KDKA	WTIC
Houston	KTRK	KHOU	KPRC
St. Louis	KTVI	KMOX	KSDK
Minneapolis	KSTP	WCCO	WTCN
Miami	WPLG	WTVG	WCKT
Atlanta	WXIA	WAGA	WSB
Tampa	WLXT	WTVT	WFLA
Seattle	KOMO	KIRO	KING
Baltimore	WJZ	WMAR	WBAL
Indianapolis	WRTV	WISH	WTHR
Denver	KBTU	KMGH	KOA
Portland	KATU	KOIN	KGW
Hartford	WTNH	WFSB	WVIT
Sacramento	KOVR	KXTV	KCRA

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RATING: 2

<u>Vehicle</u>	<u>Circulation/ Viewers</u>	<u>Coverage%</u>	<u>Composition%</u>
Cable News Network	19,992,000* total subscriber homes		

*Total subscriber homes is not an indication of viewing levels. This figure represents the number of homes where CNN is available for viewing.

RATING: 1

PERSONNEL JOURNAL	20,000 monthly
PERSONNEL	13,000 bi-monthly
MANAGEMENT REVIEW	84,000 monthly
PRACTICAL LAWYER	22,000 8 x per year
AMERICAN LAWYER	25,000 monthly
LEGAL TIMES	7,000 monthly
NATIONAL LAW JOURNAL	38,000 weekly
TRIAL	60,000 monthly
CASE & COMMENT	81,500 bi-monthly
MANAGE	66,000 monthly
CREDIT & FINANCIAL MANAGEMENT	45,000 monthly
FINANCE	45,000 monthly

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Rating: 1

<u>Vehicle</u>	<u>Circulation/ Viewers</u>	<u>Coverage%</u>	<u>Composition%</u>
FINANCIER	30,000 monthly		
FINANCIAL EXECUTIVE	20,000 monthly		
COMMERCIAL & FINANCIAL CHRONICLE	weekly		
VOICE OF SMALL BUSINESS	60,000 monthly		
LOS ANGELES BUSINESS JOURNAL	7,500 monthly		75.8*
SAN FRANCISCO BUSINESS JOURNAL	5,005 monthly		66.2*
WASHINGTON BUSINESS JOURNAL	6,500 monthly		62.7*
DALLAS BUSINESS JOURNAL	5,500 monthly		72.5*
HOUSTON BUSINESS JOURNAL	20,000 monthly		7.15*
PITTSBURGH BUSINESS JOURNAL	3,392 monthly		60.5*
MIAMI BUSINESS JOURNAL	8,120 monthly		72.5*
SEATTLE BUSINESS JOURNAL	6,825		68.7*
ATLANTA BUSINESS JOURNAL	6,500		73.7*
DENVER BUSINESS JOURNAL	52		76.0*

*Composition of top and middle management -- based on total circulation,
including non-paid distribution.

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Rating: 1

<u>Vehicle</u>	<u>Circulation/ Viewers</u>	<u>Coverage%</u>	<u>Composition%</u>
SAN DIEGO BUSINESS JOURNAL	3,755		64.4*
PHOENIX BUSINESS JOURNAL	4,145		72.2*
Suburban Dailies e.g., Seattle Suburbs			
JOURNAL AMERICAN	29,000 (Bellevue)		
DAILY NEWS JOURNAL	13,500 (Kent)		
THE HERALD	60,500 (Everett)		
DAILY RECORD CHRONICLE	15,000 (Renton)		
TACOMA NEWS TRIBUNE	109,000 (Tacoma)		
Local Radio; e.g., Seattle area			
KIRO - All News/Talk			
KING - AM/FM			
KOMO			
KVI			
Other cable networks with news and public affairs programming; e.g.,			
MSN -- Modern Satellite Network			
SPN -- Satellite Program Network			
SNN -- Satellite News Network			
FNN -- Financial News Network			

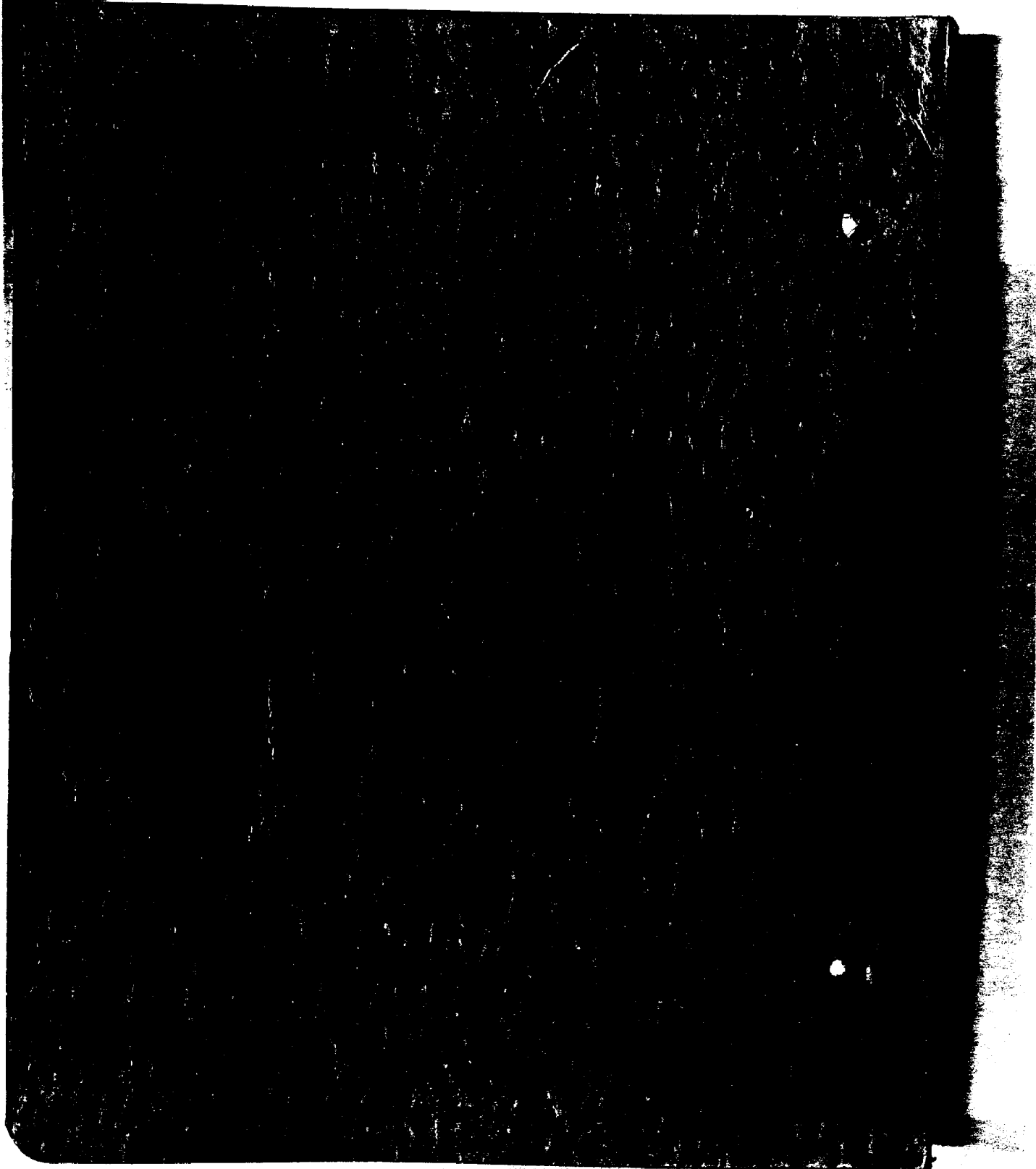
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POTENTIAL FOR INDUSTRY INFLUENCE

To determine the industry's potential for influencing a situation where there is voluntary smoking restriction activity, the following questions should be asked. The answers to all of these can be obtained through public sources such as Dun & Bradstreet, the Directory of Corporate Affiliations, and on-line data bases or NEXIS.

- o What does the company produce or do?
- o How large is it?
- o Who initiated the activity?
- o Who runs the company?
- o Is it unionized?
- o Does the industry have contacts in the company?
- o Does the company employ any TAN activists?
- o Does the company have a history of restricting employees' behavior?
- o Do other businesses in this geographical area restrict smoking?
- o Does the company have a wellness program?
- o Is the company publicly owned?
- o Do other companies of this type restrict smoking?
- o Who sits on the board of directors of this company?

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