

August 25, 1994

MEMORANDUM

TO: Walter Woodson

FROM: Carol Hrycaj *CH*

Attached, as you requested, is a draft Public Affairs tax issue plan for 1995. Also included is a document covering advertising issues for next year.

Let me know if you have questions or comments.

Attachments

cc: Cathey Yoe
Bill Orzechowski
Brennan Dawson

Objectives

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Tobacco Tax Issues in 1995

Background

Tobacco taxes and health care financing issues commanded significant attention on Capitol Hill throughout 1994. TI Public Affairs staff engaged in a range of undertakings on behalf of the industry.

Countering tobacco tax proposals as high as \$2.00 per pack, a broad range of industry allies effectively conveyed our messages to policymakers, the media and the general public. Growers, minority farmers and trade unionists, among others, voiced strong opposition to cigarette excise tax increases.

If federal health care reform legislation fails to pass this year, staff anticipates redoubling its efforts on this matter in the 104th Congress. We will build on our momentum and increase the intensity of such activities.

TI State Activities staff anticipates a dramatic increase in tax-related battles across the country next year; we expect to participate in tax battles in at least 25 states. As with federal activity, Public Affairs staff will tailor resources as appropriate.

Projects and Activities

Following is a review of Public Affairs' projects and activities to counter tax threats in 1995. Estimated budget figures are included for expanded projects.

1. Brief new members of Congress on tobacco tax issues.

A post-election year influx of new members of Congress will provide an opportunity to conduct one-on-one briefings on tobacco taxes and health care financing issues. We will coordinate a federal and district office briefing program involving industry representatives and allies, as appropriate, to educate new Members about critical matters.

2. Develop issue materials and position papers for use by industry staff and lobbyists, members of Congress and staff, the media and the general public.

TI staff will prepare and disseminate issue papers covering a range of subjects, reports and studies. Materials will be provided to TI federal, state and media relations staff, and lobbyists and member company representatives for use in Hill briefings, media inquiries, and other uses as appropriate.

3. Commission an update of the Price Waterhouse study, "The Economic Impact of the Tobacco Industry on the United States." Estimated Cost: \$30,000.

We will update the current Price Waterhouse economic study using 1994 data. We will aggressively promote the work to policymakers, the media and the general public.

4. Commission cross-border sales studies in 10 State Activities' priority states. Estimated cost: \$200,000.
5. Manage industry participation in congressional hearings on health care reform.

We will manage tobacco industry hearing response, e.g., identify witnesses; prepare testimony; coordinate witness prep sessions; draft opening remarks for Members; draft questions for Members to ask of witnesses; coordinate submission of allied groups' testimony; and report to executives on pre- and post-hearing developments.

6. Encourage allied organizations' outreach on cigarette excise tax issues.

A. Labor allies -- federal. During the tax debate, the Tobacco Industry Labor Management Committee (LMC) maintained a high-profile on Capitol Hill through a series of congressional visits, meetings, letter-writing campaigns and press releases. We will continue to encourage similar activities as appropriate.

1. Working through the LMC, continue to oppose cigarette excise tax increases and disseminate tax fairness messages. Encourage LMC members to conduct tax and related issue briefings for new members of Congress.
2. Encourage the LMC to conduct a study examining the demographic makeup of tobacco manufacturing jobs, and whether women and minorities will be significantly affected by layoffs resulting from drastic tax increases. Provide support for promotion to policymakers and the media. Estimated cost: \$50,000
3. Encourage a national tax fairness group, such as Citizens for Tax Justice, Economic Policy Institute or Citizen Action, to conduct a study of the regressivity of excise taxes. Promote to policymakers and the media, as appropriate. Estimated cost: \$45,000

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4. Encourage activity of associated groups, including the Coalition of Labor Union Women, A. Philip Randolph Institute, Labor Council for Latin American Advancement, American Agriculture Movement and the Federation of Southern Cooperatives (Mattie Mack).

B. Labor allies -- state. According to TI State Activities staff, the LMC in 1994 changed the outcome of tobacco-related battles in three states (MD, IA and WA). With unprecedented challenges awaiting in the states, an expanded LMC program could be instrumental to industry successes.

1. Working through the LMC, engage the services of a labor consultant to coordinate anti-excise activities in a defined region. Estimated cost: \$180,000
2. As a part of enhancing the LMC's effectiveness in the states, provide support to activate and sustain relationships with tax fairness organizations in select states, e.g., IL, CA, IN, MN, IA, WI, PA. Coalition building activities would provide grants to tax groups for discrete projects. Estimated cost: \$75,000
3. Encourage state tax fairness organizations (such as MN CTJ and IA Citizen Action) to conduct studies exploring the severe, negative impact of regressive excise taxes on low- and middle-income families. Estimated cost: \$20,000

C. Agricultural allies. Continue to support efforts of the Tobacco Growers' Information Committee (TGIC) in communicating the negative impact of tobacco tax increases on farmers and rural America.

1. Encourage TGIC to conduct briefings for tobacco leaders on the tax situation; participate in and encourage grassroots activities involving Southeastern senators and representatives; support key southern Democratic House and Senate members for their leadership against increased excises. Sponsor 1/2 page ad in Roll Call, if needed.
2. Encourage TGIC to promote the findings of the Price Waterhouse economic impact update to the media and policymakers. (Revised collateral materials.)

3. Continue outreach to other agricultural organizations, such as Friends of Tobacco, supplying assorted briefing materials as appropriate. Coordinate passage of growers' anti-excise tax resolutions.

C. Black farmers. Continue to encourage the Federation of Southern Cooperatives (FSC) to weigh-in regularly on the negative impact of tobacco tax increases on minority farmers. Via testimony, correspondence, personal visits and press releases, FSC will urge lawmakers to find "a fairer means for meeting the health care needs of the nation," stressing that the increase would destroy many family farms.

7. Commission a study to explore the impact of tobacco tax increase on the Consumer Price Index. Estimated cost: \$10,000.
8. Commission analyses of and rebuttals to anti-tobacco "studies" alleging smokers cost medicaid and medicare programs millions of dollars. Promote findings aggressively. Estimated cost: \$100,000
9. Commission a small-scale economist op-ed program, in which conservative economists express opposition to tobacco tax increases to finance health care reform. Target members of Congress in select states; once published, forward the pieces to appropriate Members. Estimated cost: \$20,000
10. Continue to provide public relations support at State Activities' request. Draft anti-excise tax op-eds; letters of opposition to tax measures; and briefing papers on impact on state of proposed tax increase.
11. Continue to provide coverage and analysis of other matters of interest, including additional hearings on related issues, press conferences and other events, on an on-going basis.

Advertising Issues in 1995

Background

In 1995, we expect select members of Congress to actively pursue legislation that would examine and enhance the "effectiveness" of warning labels, fund tobacco health and education campaigns, and eliminate tobacco sponsorship of sports events. We anticipate legislators will again propose an amendment to eliminate or reduce tax deductions for tobacco product advertising and promotion expenses.

We will continue to work closely with our allies, including the Freedom to Advertise Coalition, the American Civil Liberties Union and the Washington Legal Foundation, as they oppose such efforts on First Amendment grounds.

Projects and Activities

1. Encourage allies to oppose anti-tobacco efforts as they relate to product advertising.

Advertising allies and First Amendment advocates are likely to again oppose measures that would restrict or ban tobacco advertising, repeal federal preemption or strengthen product labeling requirements.

We will provide support to allies enabling them to maintain visibility on the issues in the federal arena. Activities include briefings for relevant members of Congress and their staff, testimony, preparation and distribution of position papers and other issue materials, and activation of grassroots outreach efforts, as appropriate.

2. Provide testimony and briefings germane to advertising-related issues.

TI representatives and allied groups will continue to oppose measures on the grounds that the current labeling requirements are sufficient; the First Amendment should not be sacrificed for political gain; and scarce government resources should not be spent on programs duplicative of other federal and state government-funded efforts.

3. Continue to develop issue materials and position papers for use by industry staff and lobbyists, members of Congress and staff, the media and the general public. Materials will address the range of arguments supporting the right of an industry to advertise a legal product.