

TOBACCO INDUSTRY LABOR MANAGEMENT COMMITTEE:

AN OVERVIEW & LOOK TOWARD 1999

January 21, 1999

INTRODUCTION

For years the Tobacco Industry Labor Management Committee (LMC) has worked successfully to ensure that lawmakers and other audiences understand the mutual concerns of tobacco manufacturers and their employees. Most frequently those issues have focused on regressive taxation, indoor air quality and public smoking, and potential job losses resulting from unfair export policies.

There are at least two significant reasons why the LMC is so successful.

First, by its very nature the LMC reaches federal, state and local lawmakers who are, by and large, on the liberal/left side of the ledger. The LMC is far and away the industry's most productive contact mechanism with these lawmakers; nothing else comes close. When LMC officials walk into a lawmaker's office they can genuinely say they are representing the views of organized labor -- they are not just tobacco company lobbyists with labor backgrounds.

In addition, the LMC works with leading liberal/left/labor groups that share the Committee's concerns on issues like tobacco taxes. And while the LMC focus is clearly at the federal level, there are some LMC consultants who reach very effectively into state and local areas.

Second, the LMC helps to ensure that LMC union members' (notably the BC&T and Machinists, as well as the Sheet Metal Workers International Association) voices are heard within labor councils -- nationally, within state labor federations and within locals.

For example, the LMC, through the leadership of the BC&T and Machinists, worked to educate unions and Members of Congress about third-party Taft-Hartley suits against the industry and why those suits threatened U.S. union jobs. Numerous letters and visits from the presidents of the BC&T and the Machinists to Senators and House members highlighted these concerns. As a result, the AFL-CIO ultimately took a neutral position on Senator McCain's tobacco legislation and on the Taft-Hartley suits. The LMC deserves full credit for this education process.

The industry has developed allies within the labor community through the LMC that could not have been developed in any other appropriate manner. Work with the United Food & Commercial Workers (UFCW) last year is a case in point. Large unions like the UFCW and the Paperworkers were made aware of their economic link with tobacco and lent considerable support to the LMC's efforts. We plan to build on these new-found allies in the future.

GOALS FOR 1999

The goals for the year include work on the following:

- * Unfair federal taxation
- * Unfair export policies
- * Unwarranted tobacco policies from agencies such as OSHA
- * Unfair state/local taxation
- * Unfair public smoking laws at any level
- * Other issues of mutual concern as appropriate
- * Measures supported by both the manufacturers and its employees

FEDERAL & STATE SUPPORT

Support comes in two primary ways. The first is through direct LMC lobbying. The second is through legislative support. The following components are necessary to a successful program.

Direct Lobbying

The LMC has two excellent full-time federal lobbyists: John Jarvis and George Gould. These two seasoned lobbyists handle the day-to-day federal lobbying needs of the Committee.

In addition, there are other LMC consultants who straddle the federal/state fence. They are Sam Dawson, former political director for the steelworkers, and Tom McNutt, former head of the country's largest UFCW local (located in the Washington metro area). These two not only have their own excellent federal contacts, but also have the ability to reach into the labor community to encourage colleagues within organized labor to take up the LMC's issues with federal lawmakers or agency officials.

Dawson also is extremely effective in the Southwest, while McNutt is well connected in the mid-Atlantic states. Art Carter from California and Joe Daniels from Washington State are also top flight in their states.

Chris Scott, former president of the North Carolina state labor federation also is an extremely effective part of the LMC. As the long-time head of the North Carolina state federation, Scott has a wide network of allies among the presidents of other state labor federations. These contacts can help on federal and state matters. He is also very close to North Carolina's newly-elected Democratic U.S. Senator.

Bill Hoylater, former political director for the Machinists, also remains close to several Members of Congress.

Legislative Support

Legislative support is a broad term encompassing support to like-minded groups, public relations efforts and other matters.

Easily the key group in this category is Citizens for Tax Justice (CTJ). CTJ is the preeminent progressive tax research organization and shares our opposition to excise taxes. CTJ has state affiliates throughout the country. These affiliates can be very helpful with regard to state tax matters. CTJ's executive director authors papers/documents on tax matters, has the ear of leaders like Dick Gephardt on tax issues and regularly appears in the media to discuss his views. CTJ's materials, when shared with liberal/labor lawmakers by LMC consultants, are powerful -- powerful in message and messenger.

The LMC also supports three key labor organizations that share our views on taxes and other matters:

- * A. Philip Randolph Institute (black labor group)
- * Coalition of Labor Union Women
- * Labor Council for Latin American Advancement

Public relations work for the LMC is handled by TRICOM, a small shop specializing in liberal/left clients. They can be very effective. For example, TRICOM handled media and public relations needs for the worker rallies, facilitated by the LMC, in Louisville, Raleigh and Richmond. The purpose of the rallies was to engage rank and file members and light a fire against McCain among state political leaders. In the case of Richmond, the LMC-backed rally prompted Virginia Governor Gilmore to hold a tobacco summit on June 11, 1998.

SPECIAL PROJECTS

With regard to the LMC, special projects fall into two basic categories. The first deals with bringing tobacco plant workers to rallies in Washington and elsewhere - to help put a human face on the industry. The LMC has identified a talented group of line workers who are willing to put in the effort to defend their jobs. These rallies can involve Members of Congress from their home states, as well as national and local media pitches.

The second deals with specific grants to the states. For example, the LMC may be asked for help fighting a tax matter in, say, Minnesota. If so, the LMC would probably turn to the CTJ state affiliate for support in its efforts. This has been a winning approach for a number of years and should be continued. It is, however, difficult to tell just how many states might require such assistance in a given year. Five to seven states is generally a fair guess and the usual contribution is about \$15,000.

It is useful to bring the LMC consultants and others together annually to go over key events of the current year and to prepare for the coming year. The camaraderie and knowledge gleaned from these meetings is important. An adequate meeting can be arranged for \$50,000.

There are many other programs, groups and individuals that have received LMC support in the past. Generally, given the effectiveness of these entities and their costs, it is difficult to recommend continued support in times of tight budgets. These matters should be discussed more thoroughly at the appropriate time.

COMMITTEE STAFF AND ADMINISTRATIVE SUPPORT

By its very nature and charter, the LMC is designed to provide information and to advocate for or against issues of mutual concern to manufacturers and organized workers alike. To best achieve that objective, it seems prudent to make some administrative adjustments within the LMC.

Walter Woodson has served as secretary-treasurer for the LMC for the past six years. Before that he was liaison to the LMC for The Tobacco Institute's State Activities Division. He knows the LMC better than anyone on the "management" side. Considering management's contributions to the LMC and Woodson's experience, it makes sense to appoint him executive director of the LMC.

From the union side, Harry Kaiser is clearly the workhorse of organized labor with respect to the LMC. He is very close to the BC&T, having had his first job with Bob Harbrant, the top assistant to the BC&T president. Kaiser should be political director to Woodson's executive director. Both Woodson and Kaiser understand the intricacies of the Committee, federal and state politics and the role the LMC can play.

The LMC needs, and has, excellent legal counsel -- Peter Kadzik of Dickstein Shapiro. His retainer is \$15,000 per year. Please note that the demise of TI means that the LMC charter will have to be altered. Other legal experts familiar with the situation may be able to assist; for example, Tony Herman of Covington & Burling.

There is one other key figure in the LMC structure: Jim Savarese, the current executive director of the Committee. Savarese and BC&T president Hurt, in recent years, have suggested that Savarese is looking forward to at least semi-retirement.

While Savarese understands the elements of the LMC, his prime contribution is intra-union liaison and coalition building. Savarese has connections throughout organized labor that help bring those without an obvious interest into tobacco politics. In the new environment Savarese could, as Chairman *emeritus*, best serve the Committee by committing his part-time efforts to cultivating allies within organized labor and leave the day-to-day running of the Committee and its political directions to Woodson and Kaiser.

LMC Costs

The backbone of the LMC is its consultant core. The following consultants are important to a successful LMC operation. Fees are inclusive, except for out-of-town travel or other unforeseen expenses as a direct result of LMC business.

John Jarvis (federal)-----	150K
George Gould (federal)-----	96
Sam Dawson (federal/state)-----	80
Tom McNutt (federal/state)-----	48
Art Carter (California)-----	90
Joe Daniels (Washington)-----	33
Chris Scott (SE/fed)-----	48
Bill Holayter (federal)-----	48
	<hr/>
Total	593

Legislative support and special projects costs are as follows:

Citizens for Tax Justice -----	96K
A. Philip Randolph Institute-----	25#
Coalition of Labor Union Women-----	15#
Labor Council for Latin American Advancement-----	15#
TRICOM (public relations) -----	72
Grants to groups like state CTJs -----	75
Potential groups to DC for events -----	20
Annual meeting-----	50
	=====
Total	368K

#While this \$55,000 was prepaid from the current 1998 LMC budget, it was factored into the bottom line.

Committee Staff Salary, Benefits, Administrative Costs

Walter Woodson (executive director)-----	230K*
Harry Kaiser (political director) -----	216*
Jim Savarese (Chairman <i>emeritus</i>)-----	180*
Secretarial support (two)-----	80
Peter Kadzik (legal counsel)-----	15
Benefits (Woodson, Kaiser, Savarese, secretarial) ----	200
Phone, supplies, office space, accounting, etc. -----	50**
Contingency-----	10
	=====
Total	991K

* A discussion of salary levels should take place.

** The office supply/space figure should receive closer scrutiny at the appropriate time with others involved in the process. It may be too low.

BUDGET TOTAL ----- \$1.952 million

A WORD ON STRUCTURE

The LMC's by-laws place the power of the Committee in the hands of the LMC's Steering Group. Management is represented on the Steering Group by two TI employees (Woodson, who also serves as secretary-treasurer, and Dick White). Labor is represented by two BC&T employees (Bobby Curtis, a BC&T vice president, serves as the LMC Chairman, and Ray Scannell of President Hurt's staff). As structured, votes must be unanimous for Committee grants, new policies, etc., to be given the all clear; each side has, in effect, a Russian veto over the other. This structure works, given the financial realities of the Committee.

With the end of TI, it is recommended that each participating tobacco company appoint one person to serve as a member of the Steering Group. It is further recommended that the labor side should also have three members, perhaps two from the BC&T and one from the Machinists. These people can then, with the advice and counsel of the executive director and political director, provide Committee direction on issues of mutual concern.

CONCLUSION

The LMC remains a vital part of the industry's overall legislative and legislative support program, federally and in the states. It is *not* an inexpensive undertaking, but there is not a satisfactory, effective and less expensive alternative available to this controversial industry.

Notes

As noted earlier in this document, further discussion is warranted on several of the consultants and grant recipients not included in this recommendation. Clearly, the labor side feels very strongly about some of these individuals and groups; and those views should be considered and discussed thoroughly.

For comparison sake, attached is a copy of the 1998 LMC budget. The "under" and "overages" are accurate, but note that additional grants totaling \$55,000 were made since this document was printed (these grants were highlighted on page six). Also know that prepayments of \$195,000 were made to the Committee in 1997 for the 1998 budget (\$55,000 for the same three groups and \$140,000 to NEMI). When these figures are included, the actual LMC budget for 1998 was \$2.854 versus \$2.659 million.

Attachment

LMC Costs (Revised 1/26/99)

The following consultant changes reflect company input. Changes are bolded, numbers in () reflect budget numbers from the 1/21/99 document.

John Jarvis (federal)-----	150K
George Gould (Federal)-----	96
Sam Dawson (federal/state)-----	80
Tom McNutt (federal/state)-----	48
Art Carter (California) -----	90
Joe Daniels (Washington) -----	33
Chris Scott (SE/federal)-----	48
Lowell Junkins (Iowa) -----	33
Jim Featherstonhaugh (NY)-----	45
Bill Holayter (federal)-----	[-48]
	<hr/>
Total	623K (593K)

Legislative support and special project costs. These new numbers reflect company suggestions, as well as a few other changes. Numbers in parentheses reflect the numbers from the original 1/21/99 document.

Citizens for Tax Justice-----	60K (96)
A. Philip Randolph Institute-----	25#
Coalition of Labor Union Women-----	15#
Labor Council for Latin American Advancement--	15#
TRICOM (public relations)-----	60 (72)~
Grants to groups like state CTJs-----	0 (75)+
Potential groups to DC for events-----	0 (20) +
Annual meeting-----	10 (50)
	<hr/>
Total	185K (368)

While this \$55,000 has already been prepaid from the 1998 LMC budget, it is reflected in the 185K bottom line. Subtract it out and the additional costs for 1999 for this category is *130K rather than 185K*.

~ Unforeseen events may require more of TRICOM's time.

+ These two items could be very important at some point in 1999, but it is not clear at this moment if/when they will be necessary. So while they may be deleted

from the 1999 LMC budget, thought should be given to activating these resources should the need arise.

Committee staff salary, benefits, administrative costs, etc. These figures have been reordered to try to more accurately reflect actual costs; however, they still need to be fine-tuned once all the information is gathered.

Costs of salary and benefits for Woodson and one secretary-----	298K
Part-time secretary -----	20
Office space, phone, supplies, accounting, etc. for four people (Woodson, Kaiser, Savarese, secretary) ---	80*
Salary/benefits for Kaiser -----	204**
Salary for Savarese -----	150
Legal, travel & contingency -----	40
	<u> </u>
Total	792K (991K)

* Office costs reflect what I believe will be needed; *however*, Savarese & Associates, Kaiser & Associates, Jack Otero (a current LMC consultant) and three secretaries lease space now from Dickstein Shapiro. I am trying to find the exact square footage, but the rate is \$26 per sq.ft. They have a year's lease with a 90-day kick-out clause. They rent their own furniture and are billed at cost for phones, copying, faxing, etc., by Dickstein. They have one extra office at the moment. Other than some work for PM International, I am not aware of any significant clients they have other than the LMC.

** I understand that Savarese provides no benefits (health care, pension, 401(K), etc.) to his employees. They either have it through spouses or pay for it themselves. That said, I feel certain that Kaiser must receive some of the additional billing profits that the LMC picks up every month. Thus, I would guess that 17K per month (204K) would be adequate compensation for him.

Grand Total ----- \$1.500 million (\$1.952 million) The actual cost would be \$1.445 million since 55K for 1999 has been ppaid already.