

THE TOBACCO INSTITUTE

1875 I STREET, NORTHWEST
WASHINGTON, DC 20006
202/457-4800 • 800/424-9876

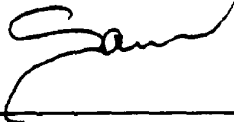
SAMUEL D. CHILCOTE, JR.
President

VIA FACSIMILE

November 19, 1993

MEMORANDUM

TO: The Members of the Executive Committee

FROM: Samuel D. Chilcote, Jr. 

While Chairman Rostenkowski convened the Ways & Means Committee for a second day of hearings on health care reform, tobacco state labor leaders held a press conference on Capitol Hill to detail the impact tobacco tax increases would have on Southern workers and on industry jobs. Summaries of both events follow.

Ways & Means Hearing on Health Care Financing

During the day-long hearing on Thursday, November 18, Ways & Means Committee members heard testimony from 21 Members of Congress and three panels totaling 13 public witnesses. Proponents and opponents of tobacco excise tax increases appeared before the Committee throughout the day. A witness list and copies of testimony will accompany the hard copy of this report.

Rep. Mike Andrews (D-TX) supported higher tobacco taxes primarily as a means to discourage teens from smoking. According to Andrews, a \$2.00 per pack increase would be justified since 90 percent of smokers begin before age 19 and half of those people start to smoke before age 12.

Andrews also supported tobacco taxes to "offset" alleged costs smokers impose on nonsmokers. In recognition of a "changing environment," he would advocate setting aside a percentage of the tax revenues to assist farmers in making the transition from tobacco, if they chose to do so.

In addition to written statements and oral remarks, Andrews entered into the record the Arthur Anderson (AA) study criticizing the Price Waterhouse/Tobacco Institute job loss data. Rep. Martin Lancaster (D-NC) countered by moving to include a two-page Price Waterhouse rebuttal of the AA critique.

Rep. Edward Markey (D-MA) testified alongside of Rep. Richard Durbin (D-IL). Markey, citing public support for a cigarette excise increase of at least 75 cents per pack, claimed higher tax rates will serve as a "disincentive for kids" to use tobacco

CONFIDENTIAL:
TOBACCO LITIGATION

TICT 0005237

The Members of the Executive Committee
November 19, 1993
Page Two

products. He asked the Committee to include alcohol taxes in the health care funding package.

Durbin told the Committee it had the power to "save kids" by increasing tobacco taxes. Durbin advocated raising cigarette taxes an additional 25 cents to fund cancer research and counter-advertising programs. "We can't fight [tobacco use] with a \$10 million CDC budget," he said.

Durbin accepted a challenge presented by Rep. Harold Ford (D-TN) to work together on a comprehensive, responsible program that "seriously" addresses a range of youth issues, i.e., tobacco, alcohol, crime and violence.

Rep. Michael Huffington (R-CA) promoted "Tobacco ASHES" (H.R. 2534), a bill that would eliminate the tax deductibility of tobacco advertising and promotion expenses. Huffington said the measure would provide a "new revenue source" for health care financing, which would total \$3.5 billion over five years.

Rep. Peter Viscloskey (D-IN) advocated increasing cigarette excises taxes as much as \$2.00 per pack. Viscloskey spoke at length on tobacco manufacturers "profiting at the expense of young people." He recommended a portion of the tax revenues be used to help tobacco farmers diversify and to underwrite counter-advertising campaigns aimed at reducing tobacco use.

Others Members supporting tobacco tax increases included Reps. Jim McDermott (D-WA), Jack Reed (D-RI), Jane Harman (D-CA) and Martin Meehan (D-MA).

Twelve representatives from tobacco states testified in opposition to increasing tobacco taxes. Rep. L.F. Payne (D-VA) testified that health care reform financing should be constructed in a "fair and economically reasonable" manner. The current proposal, Payne said, fails this basic test. Payne outlined in detail the negative impact tobacco tax hikes would have on Southeastern states.

Rep. Stephen Neal (D-NC) asserted that it is unfair to select one commodity from one part of the country to finance health care. Responding to claims that the tobacco industry "targets" young people, Neal defended the industry's right to advertise its products.

Rep. Martin Lancaster (D-NC) argued that alcohol taxes should be increased, citing costs said to be associated with alcohol-related illnesses and accidents.

TICT 0005238

CONFIDENTIAL:
TOBACCO LITIGATION

The Members of the Executive Committee
November 19, 1993
Page Three

Rep. Harold Rogers (R-KY) called tobacco taxes "prohibitory and confiscatory." He argued that the tax code should not be used to quash a legal lifestyle choice, such as smoking. Rep. Jim Clyburn (D-SC) objected to singling out one product and one region of the country to pay for health care.

Several other tobacco state Members echoed these sentiments, including Reps. Howard Coble (R-NC), Bob Clement (D-TN), Scotty Baesler (D-KY), Robert Scott (D-VA), Tom Barlow (D-KY) John Spratt (D-SC) and Eva Clayton (D-NC).

The first panel of witnesses included anti-smokers who advocate higher tobacco taxes to discourage youth smoking and to cover "costs" of tobacco use. The panelists included: Frank Chaloupka, on behalf of the American Lung Association of Metropolitan Chicago; Gregory N. Connolly, on behalf of the American Public Health Association; Dr. Robert M. Kaplan, on behalf of the American Psychological Association; and Jeffrey E. Harris of the Massachusetts Institute of Technology.

A representative of the Office of Technology Assessment (OTA) joined the first panel. Clyde Behney, with the Health, Life Sciences and the Environment Division of OTA, sought to distance himself politically from the other witnesses, claiming he attended the hearing to report on economic matters rather than policy issues.

The second panel, consisting of tobacco industry witnesses, testified about the economic impact of tobacco tax increases on farmers, local communities and the South. Participants included: Seward Anderson, mayor of Danville, VA; Mattie Mack, on behalf of the Federation of Southern Cooperatives; C. Wayne Ashworth, Virginia Farm Bureau; Fred G. Bond, Tobacco Growers' Information Committee; and Dr. Dwight Lee, appearing at the request of The Tobacco Institute.

Testifying against regressive excises to fund health care, Lee said there was no reason to believe that increasing tobacco taxes would decrease health care costs over time. Lee argued that smokers already pay their "fair share" at the current level of taxation.

The third panel consisted of representatives of the American Society for Payroll Management, the American Payroll Association and the Gap, Inc. They discussed the cost of implementing the health care plan as proposed by the Administration.

The Ways & Means hearings are expected to conclude today.

CONFIDENTIAL:
TOBACCO LITIGATION

TICT 0005239

The Members of the Executive Committee
November 19, 1993
Page Four

Labor Leaders' Press Conference

State federation presidents from key tobacco states conducted a press conference on Capitol Hill at which they strenuously objected to tobacco taxes as a funding source for health care reform. Labor leaders present were: Robert Curtis of the Kentucky AFL-CIO and international vice president of the Bakery, Confectionery & Tobacco Workers International Union; Chris Scott, North Carolina AFL-CIO; Daniel LeBlanc, Virginia AFL-CIO; and Herbert Mabry, Georgia AFL-CIO. Mattie Mack, a tobacco farmer from Kentucky, also appeared.

Eight tobacco state Members of Congress also participated: Reps. Payne, Clyburn, Clayton, Price, Lancaster, Barlow, Scott, and Sanford Bishop. They addressed the economic impact of the proposed tax increases on their states and congressional districts.

Media coverage was solid and included NBC, CNN, Associated Press, BNA, New York Times regional newspapers, Dow Jones News Services, and the major dailies from the tobacco states represented at the event. We will forward news articles as they become available.

SDC:cah

Enclosures

cc: The Members of the Management Committee
TI Senior Staff

**CONFIDENTIAL:
TOBACCO LITIGATION**

TICT 0005240