

STREET TALK

Tobacco company fires up advertising

NEW YORK — Are tobacco companies shedding their bunker mentality?

After a year of bruising publicity, the industry appears ready to take the offensive. Today, UST Inc., the nation's largest producer of smokeless tobacco, will unveil an aggressive trial ad campaign in Tennessee. The company will set up a \$100,000 fund to benefit people who try to keep homes smokeless: firefighters. UST will use publicity surrounding the fund to promote products including Copenhagen and Skoal. Plans are to take the promotion to other states and possibly nationwide.



DANIEL KADLEC

Such cause-related marketing campaigns are nothing new. Dozens of companies from McDonald's to American Express have used them. But they are regarded as somewhat daring because the public has to believe a sponsor is sincere. Nothing like this has ever been tried in the beleaguered tobacco industry, which this year has endured:

- ▶ Pressure to classify nicotine as a drug.
- ▶ Potential landmark health-liability lawsuits.
- ▶ Unprecedented pressure to

curb smoking in public.

▶ Allegations that tobacco firms boost nicotine content.

Not surprisingly, tobacco stocks have been laggards. Investors have been screaming for action for several years. One sign of shareholder disenchantment: Monday, investment firm Kohlberg Kravis Roberts & Co. reduced its stake in RJR Nabisco to 17.5% from 35%, using RJR stock to fund its takeover of food company Borden.

Finally, tobacco companies seem to be crawling out of their shells. The first signs of fight came during congressional hearings this summer.

In spirited testimony, Thomas Sandefur, CEO of Brown & Williamson Tobacco (Viceroy, Raleigh), accused regulators of starting a crusade that "is clearly in the dangerous stage."

Since the hearings in late June, Philip Morris (Marlboro) has replaced a food executive with a cigarette executive as CEO and boosted its dividend 20%. The company also has waged an ad campaign challenging assumptions about secondhand smoke. RJR (Winston, Camel) has been promoting peaceful co-existence between smokers and non-smok-

About UST

Hdq: Greenwich, Conn.
 Employees: 3,724
 '93 rev.: \$1.1 billion
 '93 net inc.: \$349 million
 Exch: NYSE
 Shares: 204 million
 Div./yld.: \$1.12 / 3.7%
 Price/earnings ratio: 17
 Wed. price: \$30, unch.
 52-wk. hi/low: 31½ / 23%
 Products: Skoal and Copenhagen smokeless tobacco, Don Tomas pipe tobacco and Chateau Ste. Michelle, Villa Mt. Eden, Columbia Crest and Conn Creek wines.
 Source: USA TODAY research

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DA - you may want to sound out Preston on this - very unusual!

ers. Its ads have raised the question of how far regulators will go in stamping out smoking. Will they outlaw it in the home next? "There are still some 40 to 50 million smokers out there who feel it's perfectly legal and all right to smoke," notes Leigh Ferst, tobacco analyst at S.G. Warburg.

The industry's recent aggressiveness has helped lift tobacco stocks. Philip Morris is up 17%; RJR, up 13%; and UST (in which investor Warren Buffett has a large stake), up 11% since late June. The Standard & Poor's 500 is up 6% the same period.

Now comes the UST initiative, which basically pledges assistance to any firefighter in need because of non-work-related illness or disaster. If successful and copied by UST's bigger and more visible brethren, the effort could cement the tobacco industry's new boldness. The timing couldn't be better. Tobacco companies' images have nowhere to go but up. That's not necessarily true of their stocks. But a better image certainly wouldn't hurt.

THE NEW YORK TIMES, THURSDAY, SEPTEMBER 15, 1994

Two Stockholders Sue RJR

By Bloomberg Business News

WILMINGTON, Del., Sept. 14 — The board of the RJR Nabisco Holdings Corporation is being sued by two shareholders who contend RJR stockholders are being shortchanged in Kohlberg, Kravis, Roberts & Company's \$2 billion proposal to take over Borden Inc.

Kohlberg, Kravis said on Monday that it would swap about half of its 40 percent stake in RJR for all of Borden's shares. Separately, RJR will issue \$500 million in new stock for a 20 percent stake in Borden and seats on its board.

The two suits, one of which seeks class-action status, ask the Delaware Chancery Court to block the transaction. The complaints contend RJR is unfairly paying the same per-share price for its Borden stake as Kohlberg, Kravis, even though Kohlberg, Kravis is obtaining control of the company, based in Columbus, Ohio.

The legal argument is staked on the fact that Delaware courts have recognized a controlling block of stock is in some cases worth more

than a minority interest because it brings with it the ability to direct the company's destiny.

"It is grossly unfair for RJR to pay any control premium for its Borden stake," one of the suits contends.

The suits were filed on Tuesday by Arun J. Shingala, an individual shareholder whose RJR stake was not disclosed, and Linda Mushala, who owns 100 shares of RJR common stock.

An RJR spokeswoman said the company did not comment on pending litigation.

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bill: The Superfund
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untary cleanups. The bill was reported out of the House and amended by the House Committee on Public Works and Transportation on August 8.

• **Transportation bill:** The Hazardous Material Transportation Reauthorization Act (HMTRA), HR 3460, sponsored by Representative Nick Rahall (D-WV), is stalled in the House. Companion legislation in the Senate is doing likewise. The Senate proposal asks for tests under the Intelligent Vehicle Highway Systems program for emergency response information technologies. At this time the bill does not contain any references to the computer identification system proposed by Representative Douglas Applegate (D-OH). The House Public Works Committee has been pushing for such language regarding computerized tracking of hazardous materials using computerized telecommunications.

• **Arson Prevention:** The Arson Prevention Act of 1993, HR 1727 (Representative Rick Boucher D-VA) and S. 798 (Senator Richard Bryan D-NV) was signed by President Clinton on May 19 and is now Public Law 103-254. The recent Federal Emergency Management Agency (FEMA) Senate appropriations bill saw a total of \$2.5 million allocated for this program for FY '95 and will be administered under the United States Fire Administration (USFA). The USFA should be issuing application procedures for grants under this program soon.

• **Smoking/Cigarettes:** These two high-profile bills are supported by both the IAFC and the NFPA. HR 3434 is sponsored by Representative Henry Waxman (D-CA) and is called the Smoke-Free Environment Act. This bill would prohibit smoking in all public facilities but has already been amended to permit smoking in

certain restaurants and bars due to staunch lobbying by the tobacco industry and restaurant owner associations. The bill follows on the heels of recent reports by the Environmental Protection Agency (EPA) and OSHA declaring second-hand smoke as a health hazard in the workplace and to the non-smoking public in general.

Another bill, HR 3885, sponsored by Representative Joe Moakley (D-MA) is the Fire Safe Cigarette Act of 1994. It would authorize the Consumer Product Safety Commission (CPSC) to initiate requirements, recently developed and approved by the National Institute of Standards and Technology (NIST), for a "fire safe" cigarette.

Both of these bills, supported by the IAFC and the NFPA, have the potential to significantly reduce fire deaths and property losses caused by smoking activities and materials. The tobacco industry is mounting an all out legal battle and publicity campaign against these bills.

• **Federal Firefighting Pay bill:** Representative Steny Hoyer (D-MD) has introduced legislation (HR 4514) that seeks to resolve long-standing differences in the pay for federal fire fighters. The bill, backed by the IAFF, seeks to make other adjustments that cover a variety of compensations for federal fire fighters. Due to budget constraints within the federal government and the expected cost to implement the provisions of this bill, it is expected that the bill will meet considerable resistance.

There are a number of other fire/EMS related bills and regulations pending that we'll profile in part two, coming in the October 15 issue of *IAFC On Scene*. Please remember - these legislative and regulatory actions *will* affect you! Make your voice heard...and VOTE! ✪

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months, more than 100 fire chiefs responded with letters and telephone calls to the FDA, the Compressed Gas Association, the Department of Health and Human Services and Congressional members. As a result, the IAFC and other concerned groups such as the Compressed Gas Association, which formed a coalition to further address FDA's action, met with federal agency officials September 8.

"Some members don't realize the clout they have as constituents in their districts and particularly as the fire chiefs of those districts," said Garry L. Briese, CAE, executive director of the IAFC. "Fire chiefs represent the authority in the field of fire and EMS - they are highly respected by officials in federal agencies. The agencies look to the fire chief for opinions and comments on issues such as this."

Among those who responded to the IAFC's efforts was

Health and Human Services, the IAFC was assured that emergency oxygen administration units have been exempted from bearing any prescription legend and that the federal government has no plans to change its current policy of permitting the use of oxygen in emergency situations without a physician's supervision.

This victory by the IAFC will give all fire and EMS personnel the continued latitude necessary to perform their jobs. More importantly, it has the potential to save lives.

Although our immediate concerns have seemingly been addressed, we aren't out of the woods yet. The IAFC has received information that the FDA's devices department is reviewing certain respiratory products as potential prescription-only devices. The agency is considering issuing new guidelines that would place new labeling controls on CPR barrier devices such as CPR face shields and pocket masks.

According to some FDA statements, new labeling might be required to indicate that these devices are for emergency use only by persons properly trained in CPR. In addition, the FDA may

IN SCENE

October 1, 1994

Fire-Rescue International thousands of fire, leaders to St. Louis fails (again) by slim margin

The fire and rescue world were in St. Louis for Fire-Rescue International Conference of the International Association of Fire Chiefs (IAFC). The sessions on the topic of the Fair Labor Practices, there were more than 100 presentations on fire and rescue

education and career service and EMS. Executive director of

cluded: Jack Snook; fire prevention and safety between labor and fire financing for the

- the presentation of the 1994 Benjamin Franklin Fire Service Award for Valor;
- an all-day seminar presented completely in Spanish that addressed assistance to Latin American Fire Departments, Pre-Hospital Care in Latin America, Airport Emergency Planning, and Learn Not To Burn;
- ABC's Director of Political Coverage (and nationally recognized authority on fire safety) Hal Bruno's general session address; and
- presentations on the wildfires in California and Australia and a gas line explosion in New Jersey.

Eligible IAFC members voted at the conference on new officers for the association. Chief Phil McGouldrick of the Cape Elizabeth (Maine) Fire Department finished his term as president at the close of Fire-Rescue International. Chief Tom Siegfried of the Altamonte Springs (Florida) Fire Department was installed as president August 31. In the race for second vice president, Chief R.D. "Dave" Paulison of Metro-Dade Fire

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DOT regulation will require random drug and alcohol tests for fire service

If you have a commercial driver's license, you may get tested on more than your parking skills starting next year. Many people in the fire and EMS community may now be subject to drug and alcohol testing under the Department of Transportation's final rule on "controlled substance and alcohol use and testing" published earlier this year.

With a goal of improving highway safety nationwide, Congress passed several laws that apply to the public sector. Enacted in 1986, the Commercial Motor Vehicle Safety Act requires that operators of any vehicle with a Gross Vehicle Weight Rating (GVWR) of 26,001 pounds or more, or a vehicle that is designed to transport

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federal regulation on O₂ with grassroots CPR masks may be next

of supplemental oxygen; without its speedy use, patients



Swearing in... FEMA Director James Lee Witt does the honors, swearing in Carrye Brown (with husband, Larry, at her side) as new USFA administrator.

Carrye Brown sworn in as new USFA administrator

Carrye B. Brown was officially sworn in by FEMA Director James Lee Witt on September 16 in a