

Hand

THE TOBACCO INSTITUTE

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VIA TELECOPIER

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Arthur J. Stevens, Esq.
Senior Vice President &
General Counsel
Lorillard Tobacco Company
One Park Avenue
New York, NY 10016-5895

Dear Arthur:

As you requested yesterday, enclosed is an update on tobacco issues in the U.S. Congress and the federal agencies.

If you need further information on any of these proposals, please call Walter Woodson or me.

Sincerely,


Catherine J. Yoe

Enclosure

cc: Samuel D. Chilcote, Jr.
Charles O. Whitley
Walter N. Woodson

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**FEDERAL UPDATE
TOBACCO LEGISLATION & REGULATION**

TAXES

Both the House Ways & Means Committee and the Senate Finance Committee have held hearings on the President's proposal for a 75-cent cigarette tax increase as part of funding for health care reform. The only votes on the cigarette tax have come in the Health Subcommittee of House Ways & Means, where an increase of \$1.25 (from 24 cents to \$1.49 per pack) was adopted by 6-5 vote in March.

Tax increases to \$2.00 per pack have been proposed in other legislation. Some Members of Congress propose using a portion of increased tobacco tax revenues to assist growers in converting to other crops. Sen. Bradley has stated that he will move to eliminate tax deductions for tobacco advertising expenses as part of health care financing.

Negotiations on the shape and extent of health care reform continue, but leadership of the major committees involved continue to project that they will complete action on health care legislation before Memorial Day.

"FIRE-SAFE" CIGARETTE

A hearing was held April 21 on Rep. Moakley's bill to require the Consumer Product Safety Commission to set "ignition propensity" standards for cigarettes. No subcommittee action has been scheduled on H.R. 3885, but Rep. Moakley, as Chairman of the House Rules Committee, may use other legislation as a vehicle to move his "fire-safe" requirements.

SMOKING BANS

In Congress, Rep. Waxman's smoking ban bill, H.R. 3434, has been stalled in his subcommittee, lacking the votes to be reported; there are reports, however, that Waxman may attempt to move the bill in the next week. A Senate hearing on environmental tobacco smoke is scheduled for May 11 in the subcommittee where Sen. Lautenberg's S.1680, a similar bill to ban smoking in all places accessible to the public, is pending.

Included in the education goals bill signed by the President in April, H.R. 1804, is a ban on smoking in child health and school facilities that receive federal funding; this "PRO-KIDS" language was originally proposed in bills by Sen. Lautenberg and Rep. Durbin. Rep. Traficant's bill to ban smoking in federal government buildings, H.R. 881, remains on the Senate calendar after being passed by the House last November. A smoking ban for international airline flights may be proposed when Rep. Oberstar's subcommittee holds a hearing May 18 on airline cabin air quality.

In the regulatory arena, comments are due June 29 on the Occupational Safety & Health Administration's proposal to regulate indoor air quality and to limit smoking in all places of work to enclosed, separately ventilated rooms. A public hearing is scheduled to begin July 12.

In March, the Department of Defense issued a new policy banning smoking in most indoor civilian and military facilities. The policy exempts housing, clubs and restaurants.

FDA & OTHER REGULATION

After a series of hearings on issues related to nicotine levels in cigarettes, it is unclear what direction Rep. Waxman intends to take next. Pending in his subcommittee is H.R. 2147, by Rep. Synar, to give the Food & Drug Administration authority over tobacco products, with the ability to regulate ingredients, sales, advertising and promotion in any manner short of banning sale of tobacco products entirely. Also pending is Waxman's own H.R. 3614, to establish new "warning" labels and to limit tobacco advertising and sponsorship of sporting and cultural events.

The issue of FDA regulation could also arise in the appropriations process, where Rep. Durbin chairs the subcommittee with jurisdiction over the agency. A new bill, H.R. 4279, would require the Federal Trade Commission to study whether tobacco advertising targets women and minorities to promote smoking.

The Coalition on Smoking OR Health and the group Action on Smoking & Health have submitted new petitions to the FDA asking for regulation of "low tar" and "low nicotine" cigarettes as drugs.

OTHER CRITICAL ISSUES

Proposals to eliminate the tobacco price support system remain part of the debate on budget deficit reduction.

Legislation is pending to raise the price of tobacco products sold on military installations to the level of civilian outlets. The Department of Defense is also considering taking such action administratively.

The Office of the U.S. Trade Representative has established a Task Force on Tobacco Exports, with members from the Office on Smoking & Health and the Department of Health & Human Services, to take comments on health and other export policy concerns. The Task Force will make recommendations for action to President Clinton.

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