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COMMENTS

CONSUMER TAX ALLIANCE ADVERTISING PROJECT

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MEETING OF THE EXECUTIVE COMMITTEE
THE TOBACCO INSTITUTE**

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WE'RE MIDWAY THROUGH THE DEVELOPMENT AND IMPLEMENTATION OF THE CONSUMER TAX ALLIANCE ADVERTISING PROJECT. THE ADS HAVE BEEN PRODUCED AND AIRED ... THE POLLING HAS BEEN COMPLETED AND RESULTS COMPILED.

NOW WE HAVE TO MAKE USE OF THEM.

(PAUSE)

FIRST, A BRIEF REVIEW OF THE PROJECT TO DATE.

THE CONSUMER TAX ALLIANCE ... A COALITION OF LIBERAL AND LABOR ORGANIZATIONS, WITH CORPORATE SPONSORSHIP ... WORKED WITH CAPITAL COMMUNICATIONS STRATEGIES AND KRC RESEARCH TO PRODUCE AND TEST A SERIES OF ANTI-EXCISE TAX ADVERTISEMENTS.

THE OBJECTIVE OF THE PROJECT WAS TO DETERMINE IF ADVERTISING WAS AN EFFECTIVE MEANS OF EDUCATING THE PUBLIC ABOUT THE EFFECTS OF CONSUMER EXCISE TAXES ... AND TO MEASURE PUBLIC REACTION TO THE ADS.

WE BELIEVED THAT THE PUBLIC LACKED A CLEAR UNDERSTANDING OF THE NATURE OF CONSUMER EXCISE TAXES AND WHO ACTUALLY PAYS THEM.

WE HOPED TO DEMONSTRATE THAT THE APPARENT PUBLIC SUPPORT FOR EXCISE TAX INCREASES SUGGESTED BY MANY POLLS -- AND RELIED UPON BY POLITICIANS WHO FAVOR EXCISE TAX INCREASES -- RESULTS FROM THAT LACK OF UNDERSTANDING.

(PAUSE)

OUR PRELIMINARY RESEARCH INDICATED THAT ONCE AUDIENCES UNDERSTOOD WHAT CONSUMER EXCISE TAXES ARE ... AND WHO PAYS THEM ... OPPOSITION TO THESE TAXES WOULD INCREASE DRAMATICALLY. THIS REACTION APPEARED TO BE PARTICULARLY PRONOUNCED WHEN RESPONDENTS LEARNED THAT AVERAGE FAMILIES PAY FOUR TIMES MORE OF THEIR INCOME ON EXCISE TAXES THAN WEALTHY FAMILIES.

THE CTA PRODUCED A SERIES OF FIVE ADS FOR AIRING IN SMALL AND MID-SIZE MARKETS. HERE ARE THE FINAL ADS THAT AIRED.

(SHOW ADS)

THEY WERE SHOWN FOR A THREE-WEEK PERIOD BEGINNING JANUARY 22, IN SIX MARKETS. THE MARKETS WERE CHOSEN BECAUSE OF THEIR COST ... SO AS TO AVOID APPEARING TO TARGET MEMBERS OF CONGRESSIONAL TAX WRITING COMMITTEES ... AND BECAUSE EXCISE TAXES WERE NOT UNDER DISCUSSION THERE.

(PAUSE)

WE DID TRACKING POLLS THROUGHOUT THE ADS' RUN ... TO DETERMINE RECALL, AS WELL AS TO LEARN WHICH, IF ANY, ADS MIGHT BE MOST EFFECTIVE IN MOVING PUBLIC OPINION.

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THE TRACKING POLLS SHOWED AN EXTREMELY HIGH DEGREE OF RECALL OF THE ADS ... PEAKING WITH THE SHOWING OF THE "BACKYARD BARBECUE" AD. AT ONE POINT DURING THE CAMPAIGN, RECALL REACHED AS HIGH AS 60 PERCENT ... AWARENESS OF THE MESSAGES CONTAINED IN THE ADS WAS EVEN HIGHER.

THE POST TEST ... CONDUCTED SEVERAL DAYS AFTER THE ADS COMPLETED THEIR RUN ... STILL SHOWED AN EXTREMELY HIGH DEGREE OF RECALL ... WITH ONE-THIRD OF ALL RESPONDENTS ACTIVELY RECALLING SEEING THE ADS.

(PAUSE)

THE MEDIA CAMPAIGN SUCCEEDED IN BRINGING ABOUT AN EXCEPTIONAL MOVEMENT IN PUBLIC OPINION --

IN THE PRE-TEST, 55 PERCENT OPPOSED INCREASES IN CONSUMER EXCISE TAXES, COMPARED TO 36 PERCENT FAVORING

IN THE POST-TEST, THE OPPOSITION GREW TO 66 PERCENT, WITH 26 PERCENT FAVORING.

THE MARGIN OF OPPOSITION TO CONSUMER EXCISE TAX INCREASES MORE THAN DOUBLED ... FROM 19 POINTS IN THE PRE-TEST, TO 40 POINTS IN THE POST-TEST.

ALL DEMOGRAPHIC GROUPS AND ALL MEDIA MARKETS SHOWED SIMILAR INCREASES IN OPPOSITION TO CONSUMER EXCISE TAXES.

(PAUSE)

THE CAMPAIGN ALSO SUCCEEDED IN INCREASING THE PUBLIC'S AWARENESS OF EXCISE TAXES. WHILE IN THE PRE-TEST, ONLY HALF OF RESPONDENTS HAD HEARD OF EXCISE TAXES ... IN THE POST-TEST, MORE THAN TWO-THIRDS HAD HEARD OF THEM.

AND A SERIES OF QUESTIONS CALLING UPON RESPONDENTS TO CHOOSE WHICH TAXES SHOULD BE RAISED ... IF A TAX INCREASE IS NECESSARY ... REVEALS A SUBSTANTIAL SHIFT IN HOW CONSUMER EXCISE TAXES ARE VIEWED.

IN THE PRE-TEST, CONSUMER EXCISE TAXES RANKED IN ACCEPTABILITY A LITTLE LOWER THAN RAISING THE TAX ON THE HIGHEST INCOME BRACKET AND A LITTLE HIGHER THAN INCREASING THE CAPITAL GAINS TAX.

IN THE POST-TEST, AN INCREASE IN CONSUMER EXCISE TAXES IS MORE STRONGLY OPPOSED THAN INCREASING THE TAX ON THE HIGHEST TAX BRACKET

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IN FACT, THE OPPOSITION TO INCREASING CONSUMER EXCISE TAXES IN THE POST-TEST MORE CLOSELY RESEMBLES THE OPPOSITION TO AN OVERALL INCREASE IN PERSONAL INCOME TAXES THAN ANYTHING ELSE TESTED IN EITHER THE PRE-TEST OR THE POST-TEST.

WE BELIEVE THE CAMPAIGN SUCCEEDED IN CONNECTING EXCISE TAXES TO THE OVERALL ANTI-TAX SENTIMENT OF THE ELECTORATE ... AND CONFIRMED THE POPULAR DESIRE TO SEE DEFICIT REDUCTION BROUGHT ABOUT THROUGH CONTROLLING WASTE AND CORRUPTION RATHER THAN BY IMPLEMENTATION OF NEW TAXES.

BY DESCRIBING THESE TAXES AS "CONSUMER EXCISE TAXES," THE DIRECT IMPACT ON THE PRICE OF CONSUMER GOODS AND THE BUDGETS OF AVERAGE FAMILIES WAS MADE IMMEDIATELY APPARENT TO RESPONDENTS ... AND THE ADVERTISING SUCCESSFULLY IDENTIFIED EXCISE TAXES AS YET ANOTHER ASSAULT BY GOVERNMENT ON THE ABILITY OF THE MIDDLE CLASS TO MAKE IT.

IN FACT, ONCE THE DISPROPORTIONATE IMPACT ON THE MIDDLE CLASS WAS MADE CLEAR ... THIS CONSIDERATION OUTWEIGHED THE PERCEIVED ADVANTAGES OF EXCISE TAXES -- THAT CONSUMERS HAVE A CHOICE ... THAT THEY ARE "SIN" TAXES ... OR THAT THEY HAVE NO LOOPHOLES.

WE ALSO LEARNED THAT THE EXPLICIT MENTION OF CIGARETTES ... LIQUOR OR GASOLINE IN THE ADVERTISING DID NOT HAVE A NEGATIVE IMPACT. HOWEVER, WE ALSO CONFIRMED OUR BELIEF THAT GASOLINE EXCISE TAXES ELICIT THE MOST OPPOSITION, THEN ALCOHOL, THEN CIGARETTES.

(PAUSE)

THE ONLY PEOPLE WHO SAW THE ADVERTISING AND DID NOT CHANGE THEIR VIEWS WERE A SMALL GROUP OF GENERALLY WEALTHIER, OLDER AMERICANS ... MOST OF WHOM DESCRIBED THEMSELVES AS REPUBLICANS. THEY APPARENTLY FEEL FINANCIALLY INSULATED FROM THE IMPACT OF EXCISE TAX INCREASES.

THEY WERE ALSO MORE MALE THAN FEMALE ... AND 85 PERCENT OF THEM WERE NONSMOKERS. IMPORTANTLY, THEY ALSO PERCEIVE THEMSELVES AS MOST VULNERABLE TO OTHER PROPOSED NEW TAXES ... SUCH AS INCREASES IN THE CAPITAL GAINS TAX OR IN THE RATE OF INCOME TAX ON THE HIGHEST BRACKET.

(PAUSE)

BEFORE I MOVE INTO THE CONCLUSIONS ... AND THE FUTURE OF THE PROJECT ... A WORD ABOUT PUBLIC AND MEDIA REACTION IN THE SIX MARKETS.

AS YOU KNOW, WE BELIEVED ... AND WE CONTINUE TO BELIEVE ... THAT THE MESSENGER IN THIS PROJECT IS CRITICAL TO ITS SUCCESS. IT WAS OUR GOAL ... IN THE CREATION AND SUPPORT OF THE CONSUMER TAX ALLIANCE ... TO CREATE A CREDIBLE MESSENGER WHOSE TIES TO MIDDLE INCOME AMERICANS WOULD BE READILY ACCEPTED.

THAT WAY ... THE ADS COULD DO THEIR JOB ... WITHOUT UNDUE ATTENTION PAID TO THOSE WHO WERE SPONSORING THE ADS ... OR EVEN TO THE ADS THEMSELVES.

IT WORKED. THERE WAS VERY LITTLE MEDIA ATTENTION. THE ALLENTOWN, PA., MORNING CALL ASKED FOR AN INTERVIEW WITH CTA EXECUTIVE DIRECTOR DAVID WILHELM.

AND KOAT-TV, AN ABC AFFILIATE IN ALBUQUERQUE, N.M., TAPED AN INTERVIEW.

(SHOW KOAT TAPE)

PUBLIC RESPONSE BEGAN ALMOST AS SOON AS THE ADS BEGAN RUNNING AND CARRIED THROUGH TO THE END OF THE CAMPAIGN. IT PICKED UP AS THE LAST CHYRON BEGAN TO AIR -- THE ONE THAT CARRIED CTA'S CHICAGO ADDRESS.

THE CTA RECEIVED SOME 140 LETTERS FROM VIEWERS ... ALL BUT THREE OF THEM FROM FAMILIES AND INDIVIDUALS WHO IDENTIFIED THEMSELVES AS MIDDLE AND LOW INCOME WORKERS. THEY AGREED WITH THE MESSAGES CONTAINED IN THE ADS AND SAID THEY THOUGHT THEY WERE PAYING TOO MUCH IN CONSUMER EXCISE TAXES.

ONE LETTER WAS FROM A LAMBORGHINI OWNER WHO FELT HE WAS BEING UNFAIRLY SINGLED OUT FOR HIGHER TAXES ... AND ANOTHER LETTER ACCUSED THE CTA OF FOSTERING CLASS WARFARE.

MORE THAN 50 PERCENT OF THE LETTERS CAME FROM ALBUQUERQUE ... ALTHOUGH ALL MARKETS WERE REPRESENTED.

SIGNIFICANTLY ... THE CTA ALSO RECEIVED 33 DOLLARS IN CONTRIBUTIONS FROM THE PUBLIC ... THREE CHECKS FOR 10 DOLLARS EACH ... AND THREE ONE-DOLLAR BILLS.

(PAUSE)

WHAT CONCLUSIONS CAN WE DRAW FROM ALL OF THIS?

FIRST, THE OFT-CITED APPARENT PUBLIC RECEPTIVITY OF INCREASED CONSUMER EXCISE TAXES IS VERY FRAGILE AND, IN FACT, EVAPORATES ONCE THE PUBLIC LEARNS OF THE TRUE IMPACT OF THESE TAXES ON MIDDLE INCOME FAMILIES.

THE INTENSE ANTI-TAX SENTIMENT OF VOTERS CAN BE EASILY ENROLLED IN OPPOSITION TO THESE TAXES ... PARTICULARLY WHEN THEY ARE PRESENTED AS CONSUMER EXCISE TAXES.

(PAUSE)

WE NOW KNOW THAT THE RUSH TO RAISE CONSUMER EXCISE TAXES CAN BE SLOWED ... AND THAT PUBLIC OPINION CAN BE MOBILIZED IN OPPOSITION TO ANY EFFORT TO DO SO.

THE RESEARCH PERFORMED IN CONNECTION WITH THE ADVERTISING DEMONSTRATED THAT THE MEDIA CAMPAIGN CONVEYED A MEMORABLE MESSAGE THAT INFLUENCED PUBLIC OPINION IN A LASTING MANNER ...

AND WHILE THE ARGUMENTS IN FAVOR OF AN EXCISE TAX INCREASE ARE NOT ELIMINATED BY THE ADVERTISING ... THEY ARE OUTWEIGHED BY THE EMOTIONALLY COMPELLING MESSAGE THAT THE MIDDLE CLASS CAN'T TAKE ANOTHER TAX INCREASE OF ANY KIND.

(PAUSE)

NOW ... WITH THE RESULTS IN HAND ... COMES THE DELICATE PART. TAKING THE MESSAGE TO MEMBERS OF CONGRESS.

PRESERVING THE CREDIBILITY OF THE CONSUMER TAX ALLIANCE ... AND ITS MESSAGES ... REMAINS ONE OF OUR KEY CHALLENGES. WE BELIEVE THE CTA HAS THE POTENTIAL TO BE A PARTICIPANT IN BUDGET DELIBERATIONS OVER THE NEXT YEAR TO 18 MONTHS ... MARRYING THE ANTI-EXCISE TAX SENTIMENT OF CART WITH THE PROGRESSIVE TAX AGENDA OF CTJ.

TO ACHIEVE THIS ... ITS LIBERAL/LABOR LEADERSHIP MUST REMAIN OUT FRONT AS WE TAKE THESE ADS AND POLL RESULTS PUBLIC.

WE ARE ORGANIZING A COMBINATION OF BRIEFING TEAMS ... INCLUDING LABOR AND LIBERAL MEMBERS OF THE CTA ... AS WELL AS REPRESENTATIVES FROM THE CORPORATE SPONSORS.

WHERE POSSIBLE AND APPROPRIATE, REPRESENTATIVES FROM THE CTA -- INCLUDING DAVID WILHELM, AAM'S DAVID SENTER, AND THE MACHINISTS' BILL HOLAYTER AND BILL WINPISINGER -- WILL TAKE THE LEAD IN CONDUCTING THE BRIEFINGS.

STAFF FROM THE HOUSE LEADERSHIP HAS ALREADY BEEN BRIEFED -- BY CTA REPRESENTATIVES.

GEORGE MITCHELL'S TAX PERSON, WHO POINTED OUT THAT MITCHELL IS HISTORICALLY OPPOSED TO EXCISES, FOUND THE INFORMATION TO BE INTERESTING AND USEFUL. AS SOON AS MITCHELL GETS CLEAN AIR OFF HIS DESK, CTA WILL BRIEF HIM PERSONALLY.

DICK GEPHARDT'S STAFF WAS IMPRESSED WITH THE PROJECT, AND SAID THEY THOUGHT IT WAS A GOOD IDEA TO HAVE DONE IT. ALTHOUGH GEPHARDT -- WHO OPPOSES ALL TAXES AND HAS SAID THAT UNLESS THE PRESIDENT PUBLICLY ENDORSES THEM, THERE WILL BE NO NEW TAXES -- HAS NOT BEEN BRIEFED PERSONALLY, HE KNOWS ABOUT THE ADS.

TOM FOLEY HAS BEEN SILENT AS THE TRIAL BALLOONS HAVE FLOATED. HIS STAFF, WE ARE TOLD, WAS "VISIBLY SHAKEN" AT THE ADS ... AND EXPLAINED THAT THE SPEAKER BELIEVED THAT A TAX PACKAGE NEEDED TO BE PUT TOGETHER ... WITH EXCISE TAXES DEFINITELY ON THE TABLE. THE ADS ... THEY BELIEVED ... WOULD MAKE IT MORE DIFFICULT FOR EXCISES TO BE PART OF THE PACKAGE.

WE ARE TRYING TO ALIGN FOLEY'S SCHEDULE WITH BILL WINPISINGER'S -
- TO ALLOW WINPISINGER TO BRIEF FOLEY PERSONALLY.

SO ... THE ADS WORKED

(PAUSE)

FOR THE TIME BEING, WE HAVE SLOWED THE BRIEFING PROCESS DOWN UNTIL WE HAVE IN HAND SOME OF THE FUNDING COMMITTED TO CTA FROM GROUPS LIKE THE TRUCKERS AND CART.

UNFORTUNATELY, TO DATE, WE'VE RECEIVED CONTRIBUTIONS OF \$1,000 FROM SEAGRAM AND FROM SAZEREK. NONE OF THE OTHER ORGANIZATIONS HAS MET THEIR FUNDING COMMITMENTS.

IN THE MEANTIME ... THE POLLSTERS AND THE CTA STAFF HAVE BEGUN TO BRIEF THE LABOR/LIBERAL MEMBERS OF THE COALITION AND THE CORPORATE SPONSORS OF THE ALLIANCE ... THOSE BRIEFINGS WILL CONTINUE THROUGH THE END OF NEXT WEEK.

ALL MEMBERS AND SPONSORS WILL RECEIVE EITHER DURING THEIR BRIEFINGS OR IN THE MAIL A LETTER FROM EXECUTIVE DIRECTOR DAVID WILHELM SUMMARIZING THE MATERIAL I HAVE PRESENTED TO YOU TODAY. THIS WILL BE THE BACKGROUND DOCUMENT TO BE USED IN THE HILL BRIEFINGS.

ONCE THE MEMBERS AND SPONSORS HAVE BEEN BRIEFED ... WE WILL WORK WITH THEM TO ORGANIZE A CORPORATE LOBBYING TEAM -- AND ESTABLISH BRIEFING SCHEDULES FOR THE GENERAL MEMBERSHIP OF THE HOUSE AND SENATE ... AS WELL AS THE ADMINISTRATION.

WE HAVE WORKED WITH FEDERAL RELATIONS STAFF ... AND YOUR WASHINGTON REPRESENTATIVES ... TO DEVELOP A LIST OF SOME 200 MEMBERS WHOM WE WOULD LIKE TO BRIEF BEFORE AUGUST.

KEY LEADERSHIP ... THE TOBACCO STATE MEMBERS AND THOSE MEMBERS WHO ARE CLOSE TO OTHER CORPORATE SPONSORS ... AND THE BUDGET COMMITTEE DEMOCRATS ... ARE FIRST ON THE LIST.

CTA REPRESENTATIVES PLAN TO VISIT EACH OF THESE MEMBERS PERSONALLY OVER THE NEXT TWO TO THREE WEEKS.

THEN WE'LL MOVE TO ANY OTHER MEMBERS OF CONGRESS WHO HAVE HISTORICALLY OPPOSED EXCISES ... AGAIN ENCOURAGING REPRESENTATIVES FROM THE BEVERAGE ALCOHOL ... AND TRUCKING INDUSTRIES TO JOIN WITH THE TOBACCO SPONSOR AND CTA MEMBERS TO PARTICIPATE.

I WILL BE HAPPY TO ANSWER ANY QUESTIONS.