

CONFIDENTIAL DRAFT
#3

*Expend
m I Div*

REMARKS BY
SAMUEL D. CHILCOTE, JR.
FOR
EXECUTIVE COMMITTEE

Sam
*One more time - if I am
getting close we can begin to
sort through the band-aids
for this & for Management Committee
in general.*

TL
MM 11/18

GOOD MORNING ... OCTOBER WAS A BUSY MONTH. WE HAVE INITIATED PLANS TO WORK WITHIN YOUR NEW BUDGET PARAMETERS FOR 1994.

THE BREAKDOWN IS AS FOLLOWS: \$2 MILLION FOR FEDERAL RELATIONS ... \$5 MILLION FOR STATE ACTIVITIES ... \$3 MILLION FOR PUBLIC AFFAIRS WORK AND MEDIA ... \$1.5 MILLION FOR ADMINISTRATION ... AND A \$3.5 MILLION CONTINGENCY FOR INITIATIVES AND OTHER MATTERS. THAT IS A TOTAL OF \$15 MILLION FOR 1994 ... COMPARED WITH \$38 MILLION IN 1993.

OUR FOCUS MUST BE ON PRIORITIES: TAXES ... PUBLIC SMOKING AND TOBACCO ADVERTISING BANS ... "FIRE SAFE" CIGARETTES ... MEDIA RELATIONS ... WORK WITH ORGANIZED LABOR ... AND SUPPORT TO THE AGRICULTURAL COMMUNITY. HERE IS A SKETCH OF OUR NEW ARRANGEMENT.

WE NOW EMPLOY 39 ON STAFF. WE DISSOLVED ____ STAFF POSITIONS. THERE IS A DIVISION-BY-DIVISION LIST OF THE EMPLOYEES WE LET GO IN YOUR PACKETS.

WE USED TO HAVE 11 EMPLOYEES IN FEDERAL RELATIONS. WE CUT SIX ... THE SENIOR VICE PRESIDENT ... OUR SENATE EXPERT ... OUR FEDERAL LEGISLATIVE INFORMATION DIRECTOR ... A SENIOR HOUSE LOBBYIST ... AND TWO SECRETARIES.

[[[[[STAFF OUT: BOB LEWIS ... BONNIE DEWITT ... GEORGE YENOWINE ... PHYLLIS MCGOVERN ... AMY ACTON ... M.J. JUDGE]]]]]

CHARLIE WHITLEY NOW HEADS OUR FEDERAL TEAM. OUR REMAINING
FEDERAL STAFFERS ARE LONG ON HOUSE EXPERIENCE: ROBIN TALLON ...
RALPH VINOVIK ... DICK WHITE.

WE HAVE SEVERED OUR RELATIONSHIPS WITH ALL OF OUR NON-STAFF
FEDERAL CONSULTANTS ... A LIST IS IN YOUR PACKETS. HERE IS A
WORD ON THOSE WE CUT LOOSE ...

JOHN WHITE ... FORMER CHAIRMAN OF THE D-N-C AND ONE OF SECRETARY
OF THE TREASURY LLOYD BENTSEN'S CLOSEST FRIENDS AND ADVISORS

ANDY ZAUSNER ... THE WASHINGTON LOBBYIST CLOSEST TO SENATOR
WENDELL FORD

DAVID JOHNSON ... ONE OF SENATOR MITCHELL'S CLOSEST CONFIDANTS

MIKE FORSCEY ... A LOBBYIST WIRED WITH TED KENNEDY AND MUCH OF THE
LIBERAL LEFT

JIM HEALEY ... THIS TOWN'S BEST LINK TO DANNY ROSTENKOWSKI

(((((PAUSE)))))

PRIOR TO OCTOBER 22, WE HAD 11 FIELD OFFICES ... EACH STAFFED
WITH ONE SECRETARY AND ONE R-V-P. THESE OFFICES WERE THE
CENTERS FOR OF ACTIVITY FOR THE INDUSTRY. WE NOW HAVE NO FIELD

OFFICES.

FOUR REGIONAL STAFF MEMBERS WILL WORK FROM THEIR HOMES. THE OTHER THREE REGIONAL VICE PRESIDENTS ... TWO OF WHOM USED TO BE OUR SECTOR VICE PRESIDENTS, THE OTHER HAVING BEEN AN INITIATIVE & REFERENDUM EXPERT ... RUN THEIR REGIONS FROM OUR WASHINGTON OFFICE.

[[[[[HOME REGIONS: O'CONNOR/ALBANY ... PRUETT/INDIANAPOLIS ... RANDY MORRIS/DENVER ... AL SHOFE/ST. PAUL]]]]]

[[[[[OFFICES CLOSED: D'ERRICO/BOSTON ... JACOBSON/SEATTLE ... BILLINGS/LOUISVILLE ... MCWHORTER/ATLANTA ... DENMAN/AUSTIN ... LEEPER/KANSAS CITY ... (PRUETT HAS CAL/HI, AS WELL AS IN, IL, OH, MI)]]]]]

SENIOR VICE PRESIDENT KURT MALMGREN HEADS STATE ACTIVITIES. HE HAS AN INITIATIVE EXPERT IN BOB MCADAM AND TWO SECRETARIES IN ADDITION TO HIS REGIONAL PEOPLE. YOU HAVE A MAP OF OUR SEVEN NEW REGIONS.

WE HAVE ONE LOBBYIST IN EACH STATE ... WE CUT _____ STATE LOBBYISTS FOR 1994. WE WILL CUT ALL OF OUR LOCAL LOBBYISTS FOR 1994.

YOU PEOPLE ARE PAYING "PERCENTAGE DOLLARS" FOR WHAT IS STILL THE

INDUSTRY'S BEST STABLE OF STATE LOBBYISTS. IF WE NEED TO BOLSTER THE STATE TEAM FOR ANY REASON IN 1994, I HOPE YOU WILL DO IT ECONOMICALLY ... THAT IS, THROUGH T-I.

IN THE STATES, YOU SHOULD KNOW THAT WE ARE NO LONGER IN A POSITION TO SUPPLY FINANCIAL SUPPORT TO STATE TOBACCO WHOLESALER ASSOCIATIONS, NOR WILL WE BE THE SIGNIFICANT PLAYERS WE ONCE WERE WITH THE N-C-S-L OR ANY OF THE OTHER STATE AND LOCAL GROUPS.

WE ALSO ARE CUTTING OUR STAFF SUPPORT AND COORDINATION FUNCTIONS WITH REGARD TO STATE TORT REFORM AND PROTECTIVE ORDER MATTERS.

FUNDS FOR STATE LABOR CONSULTANTS AND OTHER LABOR ACTIVITIES WERE TRIMMED SIGNICANTLY THIS YEAR WE HAD \$823,000 FOR STATE LABOR CONSULTANTS ... IN 1994 WE WILL HAVE \$78,000 ... LESS THAN 10% OF WHAT WE HAD. THIS WILL MAKE FOR ROUGH SLEDDING IN PLACES LIKE WASHINGTON STATE WHERE OUR LABOR CONSULTANT IS JUST ABOUT ALL THAT STANDS BETWEEN US AND A STATE OSHA SMOKING BAN REGULATION.

((((PAUSE))))

PRIOR TO THE CUTS, OUR PUBLIC AFFAIRS DIVISION HAD 12 SLOTS ... WITH AN ADDITIONAL SIX IN MEDIA RELATIONS. ALL BUT THREE IN PUBLIC AFFAIRS WERE DISMISSED. IN MEDIA RELATIONS WE RETAINED THREE SPOKESPEOPLE AND A SECRETARY ... WE LET TWO PEOPLE GO.

FROM OUR PUBLIC AFFAIRS GROUP WE LET THE FOLLOWING STAFFERS GO
... THE SENIOR VICE PRESIDENT ... THE TAX EXPERT ... THE
INFORMATION CENTER DIRECTOR ... THE PRODUCTION SERVICES DIRECTOR
.. A MEDIA SPOKESMAN ... THE MEDIA APPEARANCES COORDINATOR AND
THREE SECRETARIES. TWO UNFILLED PUBLIC AFFAIRS SLOTS WILL NOT BE
REHIRED (DIRECTOR OF ISSUES MANAGEMENT AND PUBLIC SMOKING ISSUE
MANAGER).

[[[[[PROFESSIONAL STAFFERS GONE IN PAD: STUNTZ ... CAL GEORGE ...
BOOTH ... CANNELL ... WORDHAM ... JADA SMITH]]]]]

TO PROVIDE INDUSTRY ISSUE INFORMATION ... AND LEGISLATIVE SUPPORT
TO OUR LEGISLATIVE LINE DIVISIONS AND TO YOUR LEGISLATIVE PEOPLE
... WE TRIED TO BUILD A TEAM TO SUPPORT PRIORITY ISSUES AND
PROGRAMS. WALTER WOODSON LEADS THIS GROUP WHICH CONSISTS OF
STATE ACTIVITIES LEGISLATIVE SUPPORT STAFF AND THE TWO REMAINING
PUBLIC AFFAIRS ISSUES STAFF. THEY WILL COVER OUR BASIC
LEGISLATIVE SUPPORT NEEDS FEDERALLY AND IN THE STATES.

[[[[[BROAD/GENERAL ASSIGNMENTS OF CURRENT PUBLIC AFFAIRS STAFF:

WOODSON -- ADMINISTRATION, AGRICULTURE, LABOR

YOE -- ALL LEGISLATIVE REPORTING, INFORMATION GATHERING

MIHAS -- STATE LEGISLATIVE REPORTING; ISSUE RESEARCH]]]]]

ORZECZOWSKI -- CHIEF ECONOMIST/LIAISON WORK

HRYCAJ -- TAX ISSUE MANAGER FOR STATE/FEDERAL ... HEARING PREP

RITA -- PUBLIC SMOKING/AD BANS ISSUE MANAGER ... HEARING PREP

FERNICOLA -- FIRE ISSUE, RESEARCH ON ALL ISSUES, SCIENTIFIC
LIAISON

AVEDON -- LIBRARY FUNCTION, RESEARCH ON ALL ISSUES, WITNESS
COORDINATION

AS NOTED, WE HAVE THREE REMAINING SPOKESPEOPLE AND A SECRETARY IN
OUR MEDIA RELATIONS GROUP. BRENNAN DAWSON, WALKER MERRYMAN AND
TOM LAURIA WILL CONTINUE TO HANDLE OUR NEEDS WITH MEDIA AND
SUPPORT OUR LEGISLATIVE DIVISIONS AS NECESSARY. ON ALL ISSUES
THIS TEAM WILL TESTIFY AND GENERALLY HAVE AN EXPANDED ROLE WITH
LAWMAKERS AND THE GENERAL PUBLIC.

THE ADMINISTRATION DIVISION IS LED BY SENIOR VICE PRESIDENT BILL
ADAMS. BILL'S STAFF PROVIDES COMPUTER SERVICES, ACCOUNTING
NEEDS, MAILROOM SUPPORT AND OTHER OPERATIONS NECESSARY TO MEET
ADMINISTRATIVE NEEDS. WE LET A SECRETARY, A COMPUTER EXPERT AND
AN ACCOUNTANT POSITION GO IN THE TRANSITION. [][[CASANOVA ...
STEIN ... FERENS]]]]

HERE NOW IS WHAT WE CAN -- OR CANNOT -- CONTINUE TO BRING TO THE
TABLE:

FEDERAL TAX MATTERS ... ESPECIALLY AS THEY RELATE TO HEALTH CARE
REFORM ... REMAIN AT THE TOP OF OUR PRIORITY LIST. OUR STAFF IS
OUR NUMBER ONE ASSET. BUT WE ALSO INTEND TO BRING -- IN A MUCH-
MODIFIED MANNER -- SUPPORT FROM THE LIBERAL/LABOR AND

AGRICULTURAL COMMUNITIES. THEY PUT A HUMAN FACE ON THIS
INDUSTRY. HERE IS A LOOK AT FUNDING DIFFERENCES FOR 1994 VERSUS
1993:

- * LABOR MANAGEMENT COMMITTEE TOTAL BUDGET: 1993: \$4.2M ...
1994: 670K. HERE ARE A FEW KEY SPECIFICS:
 - CTJ: 1993: 130K 1994: 60K
 - CITIZEN ACTION: 1993: 120K 1994: 30K
 - P-R SUPPORT TO L-M-C ENTITIES: 1993: 300K 1994: 0
 - NATIONAL COUNCIL OF SENIOR CITIZENS: 95K TO 20K

- * T-G-I-C: 40K ... SAME
- * NTC: 70K TO 50K
- * AMERICAN AGRICULTURE MOVEMENT: 127K TO 35K
- * BLACK FARM GROUP (FEDERATION OF SOUTHERN COOPERATIVES): 45K
TO 20K

WE WILL NOT BE ABLE TO PROVIDE ANY SIGNIFICANT SUPPORT TO THE
FOLLOWING GROUPS OR ACTIVITIES:

- * ECONOMIC POLICY INSTITUTE (LIBERAL THINK TANK/TAX PAPERS)
- * COALITION ON HUMAN NEEDS (LIBERAL GROUP)
- * SUPPORT FOR HEALTH CARE SEMINARS
- * ANTI-EXCISE TAX ADS
- * STATE FAIR TAX GROUPS

- * C-A-R-T
- * FARMER/OTHER RALLIES IN WASHINGTON OR ELSEWHERE
- * SOCIAL COST STUDIES
- * U.S. CHAMBER OF COMMERCE SUPPORT
- * VETERANS' RIGHTS GROUPS

NOTE THAT THROUGHOUT OUR BUDGET, OUR COVINGTON & BURLING LEGAL LINE ITEM HAS BEEN TRIMMED SUBSTANTIALLY ON ALL MATTERS. IT WAS CUT 75%, FOR EXAMPLE, IN PUBLIC AFFAIRS (100K TO 25K).

AS A PRACTICAL MATTER WE WILL CONTINUE TO HAVE A FEW TAX EXPERTS FOR TESTIMONY AND MEETINGS WITH LAWMAKERS AT FEDERAL AND STATE LEVELS. WE ALSO WILL AMASS AND DISSEMINATE INDUSTRY NUMBERS THROUGH BASIC AND INEXPENSIVE PUBLICATIONS LIKE THE TAX BURDEN, STATE DATA CARDS AND OTHERS LEADERS IN AND OUT OF THE INDUSTRY HAVE COME TO RELY ON.

THE REDUCED BUDGET MEANS TESTIMONY AND WITNESSES ON TAXES AND OTHER MATTERS WILL BE STRAIGHT FROM THE INDUSTRY AS A RULE. THERE WILL BE VERY LIMITED SUPPORT FOR US FROM THE LIBERAL LEFT AND ORGANIZED LABOR COMMUNITIES AND FEWER RESOURCES STILL TO DEVELOP MEDIA OR P-R THROUGH THESE AND OTHER GROUPS.

WITHOUT OUR SUPPORT THE ECONOMIC POLICY INSTITUTE WILL NOT PRODUCE ITS FOLLOW-UP REPORT ON REGRESSIVE TAXES. CITIZEN ACTION -- ONE OF HILLARY CLINTON'S FAVORITE GROUPS; ONE THAT HAS BEEN AT

THE WHITE HOUSE REGULARLY ON HEALTH CARE -- WILL BE UNDERFUNDED AND ITS VOICE ON OUR ISSUE WILL BE MUTED ... STATE FAIR-TAX GROUPS THAT ALSO CHAMPIONED PROGRESSIVE TAX SCHEMES VERSUS EXCISE TAXES AND OTHER REGRESSIVE TAXES WILL NOT HAVE THE MONEY TO MOVE THEIR ARGUMENTS FORWARD AS FORCEFULLY. THE NATIONAL COUNCIL OF SENIOR CITIZENS -- THE ONLY VOICE OF REASON IN THE FACE OF SHRILL CRIES FROM THE A-A-R-P -- WILL NOT HAVE THE FUNDING TO KEEP UP ITS ... AND OUR ... SIDE OF THE ARGUMENT. THE COALITION ON HUMAN NEEDS -- AN EXTREMELY LEFT-LEANING GROUP TO WHICH MANY OF OUR LEFT ALLIES BELONGED WILL HAVE DIMINISHED FUNDING AND NO PARTICULAR REASON TO FIGHT AGAINST EXCISE TAX INCREASES.

INSTITUTE FUNDING PROVIDED THE NECESSARY SEED MONEY TO EITHER MOVE OUR ISSUES TO THE TOP OF THESE GROUPS' AGENDAS ... OR WHERE WE DISAGREED, IT HELPED MOVE ANTI-TOBACCO ISSUES TO THE BOTTOM OF THESE GROUPS' AGENDAS. FOR 1994, WE WILL BE LESSER OR NONEXISTENT PLAYERS WITH MANY OF GROUPS THAT HAD COME TO RELY ON US. YOU SHOULD KNOW THAT THE FALLOUT COULD BE SIGNIFICANT ... BUT AT THIS POINT WE HAVE HAD TO SAY, "TAKE YOUR BEST SHOT."

((((PAUSE))))

WE WILL DO THE BILL DRAFTING, FACT SHEET WORK AND OTHER SUPPORT AND REPORTING NECESSARY ON THE ISSUE OF PUBLIC SMOKING AT THE FEDERAL AND STATE LEVELS ... WE HAVE NO BUDGET TO FIGHT LOCAL PUBLIC SMOKING BANS.

WE ARE PREPARED TO SUPPLY A LIMITED AMOUNT OF EXPERT TESTIMONY FROM H-B-I AND SCIENTIFIC CONSULTANTS. WE ALSO HAVE SET ASIDE A LIMITED BUDGET FOR SCIENTIFIC SUBMISSIONS AS THEY RELATE TO FEDERAL O-S-H-A. AND WE WILL WORK IN A LIMITED FASHION THROUGH THE L-M-C WHERE POSSIBLE ON PUBLIC SMOKING MATTERS.

TO GIVE YOU AN IDEA OF THE 1994 PUBLIC SMOKING BUDGET:

- * HBI..... 1993: 760K 1994: 125K
- * SCIENTIFIC SUBMISSIONS 1993: 830K1994: 115K
- * NEMI VENTILATION/O-S-H-A/OTHER IAQ SUPPORT: 1993: \$1.2M
..... 1994: 55K

WHAT DOES THIS MEAN? IT MEANS T-I'S WORK FOR SENSIBLE SMOKING REGULATIONS FROM O-S-H-A IS BASICALLY AT AN END ... IT MEANS NO MORE REVIEW OF E-T-S SCIENCE OR E-T-S DATABASE COMPILATION ... IT MEANS VERY LITTLE O-S-H-A SUPPORT IN THE STATES AS STATE AGENCIES LIKE O-S-H-A MOVE TO BAN SMOKING ADMISTRATIVELY ... IT MEANS NO MORE SUPPORT FOR B-C-I-A OR OTHER GROUPS WE HAVE TRIED TO GET TO CHAMPION BUILDING SYSTEM APPROACHES VERSUS SINGLE-SOURCE APPROACHES TO I-A-Q ... IT MEANS NO MORE LEGAL PIECES ON E-T-S, EMPLOYER LIABILITY OR RELATED LEGAL MATTERS THAT HAVE SCARED BUSINESSES INTO BANNING SMOKING ... IT MEANS NO MORE BUILDING STUDIES TO SHOW UP THE REAL PROBLEMS OF I-A-Q ... AND LABOR-BACKED EDUCATIONAL SEMINARS AND OTHER WORK WILL BE CURTAILED SIGNIFICANTLY IF NOT ELIMINATED OUTRIGHT.

IN ALL, OUR PUBLIC SMOKING BUDGET FOR 1994 IS ABOUT 10% OF WHAT IT WAS FOR 1993.

ON THE MATTER OF ADVERTISING BANS, POINT OF SALE RESTRICTIONS AND SIMILAR MEASURES, OUR SUPPORT WILL FOCUS ON THE EFFORTS OF OUR STAFF, AS THEY WORK TO DRAFT POSITION PAPERS, BILL AMENDMENTS AND OTHER DOCUMENTS TO MEET THE NEEDS OF OUR LINE DIVISIONS.

THE INSTITUTE'S YOUTH PROGRAM HAS BEEN JETTISONED, INCLUDING THE C-O-U-R-S-E CONSORTIUM, "HELPING YOUTH SAY NO" PROGRAM AND THE EXPERT CONSULTANTS. AND WHILE WE WILL CONTINUE TO DISTRIBUTE THE "IT'S THE LAW" MATERIAL THAT IS ON THE SHELF THROUGH OUR REGIONAL STAFF, THE PROGRAM IS OTHERWISE ENDED, AS ARE ANY AND ALL ADVERTISING COMPONENTS, WITH THE EXCEPTION OF AN ALREADY-PURCHASED "IT'S THE LAW" AD FOR NEWSWEEK THIS MONTH. IN ALL, THIS SAVES T-I MORE THAN \$3 MILLION IN "YOUTH" EXPENSES FOR 1994.

(((((PAUSE)))))

OUR "FIRE-SAFETY" PROGRAM WILL BE VERY MUCH CURTAILED. WE WILL STILL SUPPLY LEGISLATIVE AND LIMITED LEGAL SUPPORT ON THIS CRITICAL ISSUE ... AND WE WILL DO WHAT WE MUST TO WORK THE C-P-S-C ... BUT P-R EFFORTS, ALLIED SUPPORT OUTREACH, CONSULTANT WORK AND GRANTS TO LOCAL FIRE DEPARTMENTS WILL BE CURBED SIGNIFICANTLY.

FOR EXAMPLE, OUR FIRE EXPERTS -- THE ONES THAT HAVE BECOME THE EXPERTS ON THE CIGARETTE FIRE ISSUE AND WHO GO TO THE FIRE SAFETY MEETINGS AND LEAD THE DISCUSSIONS -- WILL BE ON MUCH SHORTER LEASHES ... THE BUDGET FOR THAT SUPPORT HAVING GONE FROM 545K TO 100K ... AND SUPPORT FOR FIRE GROUPS THAT TAKE REASONABLE APPROACHES TO THE ISSUE AT HEARINGS AND IN OTHER FORUMS HAS BEEN SLASHED FROM 180K TO ABOUT 50K FOR 1994.

(((((PAUSE)))))

IN THE PAST ... WITH YOUR SUPPORT ... I THINK T-I DID A GREAT JOB OF MEETING ITS MISSION ... OFTEN ... IT WAS "MISSION IMPOSSIBLE."

ON OCTOBER 22ND, WE SAID GOOD-BYE TO A LOT OF EXCELLENT EMPLOYEES. WE STILL HAVE AN OUTSTANDING TEAM AND I INTEND TO MAKE IT WORK FOR THIS INDUSTRY. WE ARE STILL IN THE BUSINESS OF KILLING THE BAD BILLS AND PASSING THE GOOD ONES.

LET US LOOK TO THE FUTURE IN A WISE WAY ... WITH OUR CURRENT BUDGET, T-I CAN ANTE, BUT IT DOES NOT HAVE MUCH ROOM TO BET ... EVEN WHEN IT IS HOLDING ALL THE ACES.

IF A CLEAR NEED FOR ADDITIONAL RESOURCES OR DIFFERENT APPROACHES DEVELOPS, I HOPE THE INDUSTRY HAS THE ECONOMIC SENSE TO COORDINATE THE ADDITION OF RESOURCES COST-EFFICIENTLY ... THROUGH T-I.

NO PROGRAM OR SERIES OF PROGRAMS CAN BE TRULY SUCCESSFUL WITHOUT UNIFIED LEADERSHIP. THE BEST WEAPONS IN THE WORLD WILL NOT BE EFFECTIVE IF THEY ARE NOT AIMED AND FIRED PROPERLY. THE MOST IMPORTANT THING T-I STILL BRINGS THE INDUSTRY IS LEADERSHIP ... LEADERSHIP AND THE SENSIBLE DISSEMINATION OF RESOURCES.

I HOPE YOU AGREE THAT THIS IS VITAL TO OUR JOINT LEGISLATIVE MISSION ... NOW, LET ME HAVE YOUR COMMENTS.

IF THERE ARE NO MORE COMMENTS OR QUESTIONS, WE WILL MOVE AHEAD AS DESCRIBED. THANK YOU.