

**REPORT FOR GOVERNMENT AFFAIRS
MARCH 1994**

Health Care Reform/Federal Excise Tax

- The WRO continues its behind the scenes efforts with Anti-Tax Groups, like Citizens For A Sound Economy, to oppose the Clinton plan and other health care proposals that require extensive new taxes. They are focusing on "swing" democrats on the House Energy and Commerce Committee and are targeting them with grassroots communications, public education efforts, and radio, TV, and print advertising.
- The WRO worked with PM-USA to organize the employees rally in Washington, DC on March 9. The WRO staff was responsible for Senators Ford, Robb, Warner and Reps. Sisisky, Hefner, Payne and Bliley speaking to the rally at the U.S. Capitol.
- During the mark-up of health care reform, the House Ways and Means Subcommittee on Health considered an amendment by Rep. Andrews (D-TX) to increase the federal excise taxes on cigarettes by \$2.00 per pack. The WRO met with tobacco state representatives, Ways and Means Committee Chairman Rostenkowski (D-IL), and other senior tax committee members to lobby against this proposal. The Health Subcommittee rejected the Andrews amendment by a vote of 6-5. Later in the mark-up, the Health Subcommittee did adopt an amendment to raise the federal excise tax on cigarettes by \$1.25 per pack. Chairman Rostenkowski has indicated publicly that the \$1.25 tax increase would not be part of the revenue provisions that he will propose to the full committee in late April or early May. Additionally, the WRO worked with Rep. L. F. Payne (D-VA) in drafting a letter of opposition to the \$1.25 tax increase. The WRO obtained nearly two dozen signatures to the Payne letter from members of Congress from tobacco producing states. The letter was delivered to Chairman Rostenkowski on March 24.

Tobacco Regulation

- Effective April 8, 1994, the Department of Defense will implement a revised smoking policy that bans smoking in all domestic and overseas military facilities by both uniformed and civilian defense personnel. Rep. Martin Lancaster (D-NC), a senior member of the House Armed Services Committee, has requested a Congressional Budget Office analysis of the costs of implementing the new DoD smoking directive as a hoped for justification for corrective action on this year's DoD authorization bill. While the new policy does not address tobacco sales, there are reports that the DoD is considering additional policy changes which could increase the surcharge on cigarette sales in commissaries. If Congress were to disallow that change, DoD is reported to be considering a ban on cigarette sales in commissaries.
- On March 25, 1994, the House Energy and Commerce's Subcommittee on Health received testimony from FDA Commissioner Kessler concerning the alleged "addictiveness" of nicotine. Kessler also sought Congress' "guidance" on whether FDA should regulate nicotine in tobacco products as a "drug". The WRO worked with PM's Legal Department in preparing Energy and Commerce Committee Members on this issue. The WRO and the Legal Department assisted Rep. Bliley (R-VA) in preparing a letter to Kessler demanding that the FDA provide Bliley with "evidence" regarding

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Kessler's claim that cigarette manufacturers add and/or manipulate nicotine in their products.

- At the request of the WRO, Senators Warner (R-VA) and Robb (D-VA) and Reps. Scott (D-VA) and Bliley (R-VA) sent a letter to the GAO inviting them to inspect our Richmond facility to determine for themselves whether PM-USA adds and/or manipulates nicotine levels in our products. This is in response to a request by Senator Kennedy (D-MA) for an expedited GAO investigation of such claims. Kennedy's Senate Labor and Human Resources Committee is expected to hold hearings shortly after receipt of the GAO report in mid-April.
- The WRO briefed key Members of Congress with respect to the \$10 billion lawsuit filed against ABC. The WRO, working with Corporate Affairs, sent briefing materials and otherwise responded to inquiries from tobacco members and their staffs concerning the suit.

Leaf Issues

- On behalf of PM-USA, the WRO completed and filed comments on an advanced notice of proposed rule making requiring detailed tobacco export information to the USDA. This rule making was required by Section 1557 of the Food, Agriculture, Conservation and Trade Act of 1990. Our goal is to ensure that the final reporting requirements do not threaten the confidentiality of our blend formulations or create unnecessary compliance costs.
- The WRO continues to advise Sen. Ford (D-KY), Rep. Rose (D-NC) and Rep. Payne (D-VA) on alternative GATT-legal strategies to limit leaf imports to ensure the viability of domestic tobacco production due to the probability of congressional repeal of the "75/25" requirements. In addition, they have requested that the USTR invoke Article 28 of GATT which allows a country to raise a tariff to a trading partner as long as it simultaneously begins talks on compensating the trading partner through other trade-related activities. Under such an action, the US would announce a "tariff rate quota" for tobacco from major tobacco exporting countries requiring the imposition of prohibitively high tariff for shipments beyond a certain volume.
- The WRO participated in a joint meeting of the Virginia Farm Bureau and other Virginia tobacco organizations including the agri-business sector to coordinate grassroots effort to oppose excise tax increases and other tobacco issues.

FTC Reauthorization Bill

- The WRO is working with House and Senate conferees to codify restrictions on the FTC's authority against commercial advertising. The WRO is working with a coalition of other national advertisers, the advertising trade associations, and the principal advertising agencies, utilized by PM Companies, to statutorily define the term "unfairness" in order to provide reasonable protections for national advertisers.

China MFN Debate

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- It appears that the Clinton Administration continues to link progress in human rights to the extension of most-favored-nation tariff treatment for imports from the People's Republic of China. A Cabinet Meeting on the subject aired differences between Treasury Secretary Bentsen and Commerce Secretary Brown, who favor de linking MFN, and Secretary of State Christopher who favors the continued linking of MFN and human rights. The Administration's policy has been continued despite Christopher's acknowledgment that the PRC has made the same progress in these areas that could qualify the PRC for lower duty rates that MFN grants to imports.

In GATT meetings in Geneva, the US gained approval from other countries that if the PRC should join GATT, the US would not be required to accord the PRC most-favored-nation treatment. This allows the US additional flexibility in addressing the human rights issue while removing the obstacle to the PRC's entry into GATT.

ETS/Environmental Issues

- Working with representatives of organized labor, the WRO was successful in amending Senator Lautenberg's "Pro-Kids" smoking ban legislation as part of a conference on the Education 2000 bill. Although smoking in federally funded schools and day care centers would be banned, the Conference Agreement deleted the Environmental Protection Agency's regulatory authority over smoking in these facilities.
- Rep. Henry Waxman (D-CA) was forced twice to postpone mark-up of his Smoke Free Environment Act after he was unable to secure a majority of votes in favor of the proposal in his subcommittee. The WRO continues to work with and develop a coalition of the tobacco industry, the restaurants the hotel/motel industry, and labor unions representing tobacco, food and service workers against the Waxman proposal. On March 25, OSHA announced a new proposal on IAQ and ETS. If adopted, this proposal would be a defacto smoking ban. The WRO and its coalition has already begun efforts to modify the OSHA proposal.

Clean Water Act Reauthorization

- The Senate Environment and Public Works Committee reported its version of the Clean Water Act Reauthorization. The Senate bill imposes new water quality standards, industrial process restrictions, and limitations on laboratory wastes. The full U.S. Senate is expected to consider this bill later this spring. Rep. Norman Mineta (D-CA) and Rep. Sherwood Boehlert (R-NY) have introduced a House version of the Clean Water Act Reauthorization. While more limited in scope than the Senate bill, the House bill proposes new standards for water effluents and treatment of toxic wastes. The WRO is working with other food industry groups in developing food safety amendments to both the House and Senate bills.

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Food Issues/Safety Reform

- Rep. Henry Waxman (D-CA) has introduced "The Pesticide Reform Act of 1994. This bill is supported by the environmental community and is intended to be a marker to the "left" of the Administration's proposal which is expected to be introduced in April. The Waxman bill permits EPA to set separate tolerances for pesticide residues at the harvest, after food processing, and at the point of retail sale. The bill places greater emphasis on children's exposure to pesticides which would create more stringent residue standards. In a related development, House Agriculture Subcommittee On Department Operations and Nutrition Chairman Charlie Stenholm (D-TX) has announced his intention to mark-up the industry supported food safety bill as part of the reauthorization of the Federal Insecticide, Fungicide, Rodenticide Act (FIFRA) in April.

Meat and Poultry Inspection

- At the request of consumer groups, the U.S. Department of Agriculture's Food Safety and Inspection Service conducted its Hazard Analysis Critical Control Points (HACCP) Roundtable on March 30-31. Industry groups -- producers and farmers, meat and poultry industry, consumers, scientists, professional scientific organizations, public health officials, and state and local governments -- were asked to discuss the potential of HACCP systems for improving the safety of the nation's meat and poultry supply. The public record established at the Roundtable will influence the USDA's efforts to develop a modern, more scientifically based meat and poultry inspection system. KGF is leading efforts to ensure coordinated participation in the Roundtable by food industry representatives.

Edible Oils

- The Oil Pollution Act of 1990 requires the development of oil spill response plans. Last fall, the Department of Transportation's Research and Special Programs Administration (RSPA) established different oil spill planning requirements for edible oils. The U.S. Coast Guard and the EPA are pressuring RSPA to revise its earlier decision which differentiates edible oil from other oils. If RSPA is forced to reverse its position, the shipping of vegetable and other edible oils would face significant new compliance requirements. KGF and other food interests are working to retain the RSPA position.

Beer Issues

- The WRO and Miller responded to a letter received from Rep. Dick Durbin (D-IL) which raised a number of questions regarding the marketing of ice beers and the display of alcohol strength on promotional materials and packaging. In order to allay concerns in this area, Miller has decided not to feature alcohol content on our advertising or secondary packaging.

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