

Trade Names

Tobacco Man Flies Into Hurricane

By TYLER WHITLEY
Business Editor

Literally and figuratively, William A. O'Flaherty has been flying into the eye of a hurricane for a good part of his working life.

As a Navy pilot, he was a member of the "Hurricane Hunters" flight squadron that mapped the progress of hurricanes before weather satellites came along to do the job. Flying into a hurricane, he recalls, was so bad that his plane would go in painted blue and come out silver, the paint removed.

In 1956 O'Flaherty left the Navy and stepped into a hurricane of another sort — the mounting criticism against the tobacco industry and the attempts by various governmental groups to put ever-higher taxes on cigarettes.

The latter type of hurricane may be harder to cope with than the former. O'Flaherty only had to map the natural hurricanes; he didn't have to tame them.

TAX COUNCIL

O'Flaherty is executive director of the Tobacco Tax Council, Inc., a trade association composed of various segments of the tobacco industry, including manufacturers, retail sellers, wholesale distributors and growers and warehousemen.

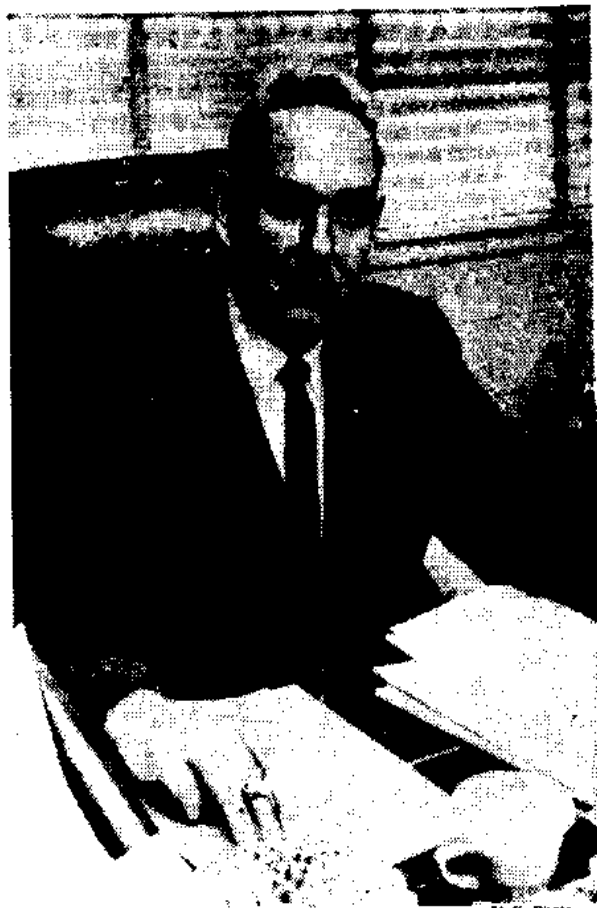
The purpose of the association is to hold down the excise taxes on cigarettes and other tobacco products.

The total take from taxes on tobacco at the federal, state and local levels is about \$3.8 billion a year, O'Flaherty pointed out.

O'Flaherty notes that this year 44 state legislatures met and 32 of them sought to increase the state tax on cigarettes. Ten states raised taxes and the tax bills were defeated in the other 22 states. Twenty-five state legislatures will meet in 1968 and 17 or 18 of them will consider proposals to raise taxes on cigarettes, O'Flaherty said.

BELIES HARD SELL

O'Flaherty, who stands a burly 6 feet, four inches tall, is a folksy, silver-thatched man of 40 who speaks of his trade



W. A. O'FLAHERTY DIRECTS TOBACCO TAX COUNCIL
He Thinks Cigarettes Are Taxed Too Highly

association and its problems in a low-keyed manner that belies the hard sell activity of his association.

From the headquarters at 5407 Patterson Ave. a staff of eight turns out an amazingly large volume of statistical information, research reports and monthly bulletins.

The Tobacco Tax Council was established in 1949 to compile this information regarding federal, state and local excise taxes on tobacco products and to furnish it to the industry and to the public.

O'Flaherty says the organization does little actual lobbying before governmental bodies. Most of its work is as an "expert witness," he said, when the council is called in by a state group to testify at a legislative session.

BASED ON FACT

"Ours is not an emotional appeal but an appeal based on fact," he said. "We know that high cigarette taxes result in lower sales."

He is concerned by the thought that some anti-smoking interests are seeking to tax cigarettes not for revenue reason but as a punitive matter.

"We feel like the anti-tobacco people want to punish the tobacco industry," he declared.

He cited the case of New York City, which imposed a tax of 24 cents a pack on cigarettes in April of 1965. As the tax council correctly predicted, sales in New York state dropped 15 per cent while sales in the city itself are down 24 per cent.

"You can price cigarettes out of the market," O'Flaherty said, inhaling deeply on a cigarette.

POOR MAN'S LUXURY

"Cigarettes have pretty well been a poor man's luxury," he added. "Most anyone could afford to buy and enjoy them."

New York City is losing \$20 million annually in revenues from the sale of cigarettes because of its high tax, he said.

The Tobacco Tax Council recently published a research report that found that in 23 states where taxes on cigarettes were increased in 1965 sales per pack declined 3.1 per cent between 1964-65 and 1966-67. In the 26 states whose rates were not increased sales rose 3.9 per cent.

Because of its uniform size and shape and relatively low cost, a cigarette pack is easily taxed by state legislatures, O'Flaherty pointed out.

So much so in fact, that "people have lost all feeling for what cigarettes actually cost," he said.

Without taxes, a cigarette pack could sell for 11 to 12 cents, he said, and everyone would make the same profit on the sale as they do now. There is an 8 cents federal excise tax on each pack, he pointed out.

O'Flaherty emphasized that the Tobacco Tax Council does not seek to remove all taxes from cigarettes.

"No one has ever said that cigarettes shouldn't be taxed," he said.

What the council seeks is tax equity, he said.

ONLY ONE TAXED

He noted that tobacco is the only agricultural product that is subjected to an excise tax.

In taxing cigarettes, "you are taxing half of the population an extreme amount for the benefit of all—this shouldn't be," O'Flaherty declared.

What about the argument that cigarettes are a luxury and that the taxes bring needed revenue for schools and other necessities?

"What isn't a luxury?" O'Flaherty asked.

The son of Wilmer O'Flaherty, the longtime chairman of the Richmond Electoral Board, O'Flaherty attended Thomas Jefferson High School, spent one year at The Bullis School in Silver Spring, Md., then went on to the Naval

Academy, where he was graduated with a B.S. degree in 1949.

In addition to flying with the "Hurricane Hunters" squadron, he flew out of Thule, Greenland, on ice patrols and served a stint as a flight instructor.

In this job, he flew "four hops a day, six days a week with kids trying to kill you the whole time."

He hasn't flown an airplane since.

O'Flaherty joined the Tobacco Tax Council as assistant executive director as soon as he got out of the Navy. In August, 1961, he was elected executive director.

He is married to the former Barbara Covington and they have two children, Jeff and "Deedi."

Home is at 8507 Rivermont Drive.

AMATEUR MAGICIAN

O'Flaherty enjoys boating and fishing and is an amateur magician. He belongs to Battery Park Christian Church, the Richmond Rotary Club, the American Legion, the Navy League and the Sons of the American Revolution.

O'Flaherty will concern himself in the next two months with trying to get the General Assembly to adopt the recommendations of a special Virginia Commission on the Tobacco Tax. That commission recommended that the state excise tax on cigarettes be reduced from 2½ to 2 cents on July 1, 1968, and be removed two years after that.

The excise tax measure was imposed in 1960 as a three cents tax and was reduced one-half a cent in the 1966 General Assembly. It produces annual revenues of about \$14 million.

O'Flaherty thinks that Virginia and other tobacco states should take the lead in reducing taxes on cigarettes.

RISE EXPECTED

He makes the startling prediction that a year after the excise tax is removed in Virginia cigarette sales in the state will rise 75 per cent. Most of this will be achieved through sales to travelers passing through Virginia, he feels, noting that Virginia is the last stop south and first stop north along the Eastern Seaboard.

O'Flaherty estimates that in the seven years since the excise tax was imposed in Virginia retailers have lost \$64 million in retail sales of cigarettes alone.

"The tobacco industry is an honorable industry, a good industry," he asserted. "We need to tell our story better and to get more people to listen to it."