

# THE TOBACCO INSTITUTE

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SAMUEL D. CHILCOTE, JR.  
President

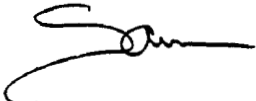
February 4, 1987

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## MEMORANDUM

TO: Executive Committee

FROM: Samuel D. Chilcote, Jr. 

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As reported at our meeting last December, we face a significant increase in legislation at all levels of government as well as heightened media attention in 1987. Our challenge is further complicated by the addition of issues, e.g. advertising restrictions, which have been relatively dormant in recent years.

In keeping with recent policy of providing you with executive summaries, I am pleased to make this brief report of our analysis of and preparations for the major challenges of 1987. Attached to this summary are three detailed documents. They are:

- o Consideration of legislative hearings. This document analyzes the prospects for hearings on public smoking, excise tax and advertising restriction legislation; and describes our programs to deal with all three.
- o Summary of resources. Again organized according to the three major issues, this memorandum lists coalitions, experts, arguments, strategies, studies and other materials available to government and media relations staff and counsel.
- o A state-by-state analysis of anti-tobacco initiatives and Tobacco Institute programs.

Please feel free to refer to these documents for a more complete accounting of our preparations and challenges.

By way of summary, I will restrict my comments to the three major issues.

### **Excise Taxes**

#### Situation

To reach the Gramm-Rudman target of a \$108 billion deficit, Congress will seek new revenues. We are a likely target. In addition, we will face Senator Bradley's efforts to eliminate the

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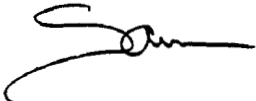
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deductibility of cigarette advertising expense and various measures to earmark excises for government health benefits programs.

In addition, we are facing proposed increases in 16 states and in 3 counties in 2 states. About half are earmarked for a variety of purposes, most notably health research and benefits.

Arguments

With good success, we argue that excises are an inefficient and inadequate source of funding; that excises are unfair, Regressive and discriminatory; and that they hurt the economy.

Strategies and resources

In addition to strengthening our lobbying team, our strategy is to continue working through business, labor and consumer coalitions (such as CART, Citizens for Tax Justice and the League of United Latin American Citizens) to demonstrate broad opposition to excises. New elements of our program include extension of national coalitions to the state level, greater Institute involvement in health care financing issues, and some new materials including 11-minute videotape for lobbying and coalition-building purposes.

Public Smoking

Situation

Anti-smokers view this as their most effective issue. Therefore, we anticipate continuation of studies and official pronouncements warning that environmental tobacco smoke is dangerous. Most serious, federal legislation will deal with public transportation, notably commercial airlines. State and local legislation and regulation will continue to focus on workplaces and restaurants.

The most extreme anti-tobacco action in this category exists on a non-legislative basis, i.e., hiring and promotional freezes on smokers. We have seen such moves in several municipal fire and police departments and most recently at US Gypsum.

Arguments

It remains our position that restrictions are unnecessary and counterproductive but this is no longer a simple matter of "freedom of choice." Anti-smokers effectively argue that non-smokers have the choice not to breathe tobacco smoke.

We do argue that anti-smokers' claims are unsupported by research and that the real issue -- indoor air quality -- is being ignored and possibly suppressed. We further argue that smoking restrictions have an unintended, negative effect on business costs, labor relations, affirmative action, plant management, and customer relations.

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Strategies and Resources

It is our strategy to show government, business and labor officials that ETS is the wrong and, in fact, a counterproductive target if they are concerned about indoor air quality.

Among our resources are the scientists organized as the Indoor Air Pollution Advisory Group (IAPAG), our ventilation experts, and various labor relations, economic and business management consultants. We have received some third party assistance, notably from labor and minority groups concerned about workers' rights and discrimination. At the state level, chambers of commerce and restaurant associations work with us in opposition to legislation but generally in favor of voluntary restrictions. New elements of our program are a substantially more aggressive effort with the news media, increased emphasis on air quality measurements, and possibly advertising.

**Advertising Restrictions**

Situation

Much attention will be paid to the AMA's proposed ban of cigarette advertising and promotion, but we must also be concerned with potential proposals to toughen warning labels, restrict the content of advertisements, control the use of billboards, and eliminate sampling altogether. Congressional hearings may be held in the First Quarter. State and local consideration will continue throughout the year.

Arguments

The anti-smokers claim that we advertise and promote to children and to adult non-smokers. We counter with several points. First, we argue, that industry advertisements and promotions are not aimed at non-smokers and children. Second, we state that it is our policy that children should not smoke. Third, we argue that our industry has rights under the First Amendment and that erosion of our rights will lead to a general weakening of the Amendment.

Strategies and Resources

We believe that the advertising and publishing industries should take the lead on this issue. Our strategy has been to position them there through a new coalition, various studies and Constitutional law experts. In addition, we continue to build on our program "Helping Youth Decide" which has helped us establish a record of responsible industry action in this area.

\* \* \*

In summary, I believe we are well prepared for 1987. Our challenges clearly exceed anything yet faced by American business, but we are well-equipped, properly organized and highly motivated to represent you effectively.

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We will be discussing these challenges and opportunities at our Winter Meeting. Until that time and certainly at that time, we welcome your ideas, suggestions and criticisms.

Thank you once again for your support.

SDC/mm

cc senior staff

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