

~~Revised and Ready~~

~~K 4/29~~

As delivered 4/29<sup>86</sup>

WK draft--April ExComm

Excise

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Where we've been in the PR division is worth only a brief mention. Where we intend to go is much more important. Besides, you gentlemen have been looking out the windows just as we have on this recent excursion and little of it would be news to you.

There may be a couple of sights you missed if you were looking at the other side of the road, worth noting.

The ink was very wet on those first accounts of the Packwood plan when we were on the doorstep of our labor-oriented friends at Citizens for Tax Justice. We gave them the wherewithal of their press releases, news conferences and advertisements. We turned over to them and they released the overnight national opinion survey we ran which showed substantial public disapproval of the Packwood plan. They had a field day with the press and a most productive inside flirtation with the AFL-CIO. We had another fast analysis of Packwood's impact on the agricultural bases of wine, spirits, tobacco and so forth. We gave it to our North Carolina friends and, forgive me, they made a little hay with that.

TI DN 0011554

The result was that the labor lobby and farm

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lobbies were in full stride with all the targeted business interests to the point that excise unfairness has become a generic principle with just about everybody, even including the New York Times last week in its castigation of an apparent Administration turnabout.

As far as last Monday's hearing is concerned, we had our dream list of witnesses lined up even before the gang of Senators pressured the chairman into it. Pushing the buttons the day the hearing was announced was just that simple. We'll never know the proportion of witness requests we stimulated, but we'll bet it was the biggest. <sup>through PR and SA</sup> We know for sure of 91 persons who at our behest asked for time. Again, our friends, blacks, hispanics, farmers, labor, veterans, economists from many states--all kinds of people and organizations who would be or who could describe who would be the victims of Packwood's incredible proposals.

Okay. What's around the next corner? Several things.

First, we are dissecting every bit of testimony, every submitted statement, every news story, every editorial, to build a catalogue of every recorded source and aspect of excise opposition. Not to show off our clipping file, but to expand the console of buttons to push in the next round, to reiterate and regurgitate all that's

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necessary to keep taxes fair on the bumpy journey toward federal fiscal sanity.

Second, we are nourishing the sustained life of CART--the Coalition Against Regressive Taxation. Again, we made a major contribution to their publicity and lobbying backup when we gave them our deSeve study which showed that the Packwood plan would gobble up in excises most of what it purported to provide in income tax relief.

Our gratitude toward Senator Packwood will be measured by the longevity of CART, this child which he sired. For the first time in my thirty-six years in Washington the excise target industries got together in an effective, unselfish and altruistic push. Interests as diverse as chewing tobacco and bows and arrows helped win the first skirmish. Without continuing fertilizer, those aggressive gatherings hosted by the truckers association so spontaneously could wither and die. We haven't dotted each I in our plan, but we have an idea that the right nudges from key association and corporate CEO's can keep this street gang of Washington reps in touch, in tune and in trim. Sam Chilcote and others are already into that.

Third, we will keep the research mill grinding to further define and refine the negative consequences of "exflation"--taxation which drives up prices without value,

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stifling markets, snuffing jobs. For example, our study of the special excise regressivities among certain minorities is just about finished.

Listening to Bob and Roger, and putting together these notes, it occurs to me The Institute has had a shining hour. And there is no question among us about our obligation to keep our machinery polished and productive right through to the end. Perhaps some of the members of the Senate Finance Committee have come more firmly to our views as a result of the past six intensive weeks. But there are other members of Senate Finance, other members of the Senate and the House, other members of other committees. And there are all those legislators in the 50 states looking for the dollars Washington used to hand them. That lines up <sup>the need for</sup> a hell of a lot of shining hours.

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public smoking

Gentlemen, in recent months we've filled your ears and your inboxes with details of day by day work on this problem. That thick report we sent you last week on our 170 corporate and 14 chamber of commerce and 14 restaurant

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association workplace smoking policy contacts was the latest example. But the past is really prologue to what lies ahead for about eight months.

By Christmas I think we'll look back and know for sure that 1986 was the year environmental tobacco smoke came to Washington.

An NAS aircraft report. An NAS ETS review. A Surgeon General's report on what he calls involuntary smoking. Bills in both houses with a growing cosponsorship to stifle smoking in federal workplaces. GSA quietly working on similar regulations. OTA staff publicly advising the Congress. The cup runneth over and the trickles reach into legislatures and personnel offices all over the country, even beyond it.

We start with intelligence. A paper plane through the transom gave us an outline and working list of authors for the Surgeon General's report. Timewise, that probably will be the last splash in the slop bucket late this year. As a first result, our environmental science consultants are already drafting a shadow report. I salivate just a little at the prospect that they will actually deliver it to the media when the moment comes. In 22 years of Surgeon Generals' reports we haven't had that essential facility.

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As a second result, plans are well under way for a grant under which the American College of Toxicology and Georgetown University will join forces to conduct three continuing medical education seminars on environmental smoke. These will be quiet, day-and-a-half affairs in three locations where our consultants and the Surgeon General's authors will have chances to compare notes. The idea is that they learn more about the uncertainties of the relevant science, and we learn more about the thrusts we can expect them to make. A pretty good investment, we think.

The third result is our staff conviction that the time is now for a domestic repeat of the best of Geneva, Vienna and NIH--those three ETS workshops on whose conclusions we've relied so heavily. We have the formula pretty pat: An industry grant to an American university, an acceptable organizer to both parties, an invitation to scientists of disparate views, the presentation of new papers, all modeled after Geneva; then an immediate summation for news media by the organizers, as was the case in Vienna; finally publication of the proceedings.

These undertakings are mutually exclusive. Their cumulative impact is obvious.

Followup on our intelligence is one thing. Another is nurturing seeds already in the ground. We look

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on the Reynolds study of aircraft smoke in Piedmont's 727s as a first step toward similar findings in other types of planes with other types of ventilation patterns. We're developing our liaison with the Air Transport Association to pave the way.

You probably know the key to that study was an innocuous looking \$14,000 attache case which silently inhales ambient air and stores its constituents for laboratory analysis. We're working now with Reynolds and our other member companies to lug second generations of the gadget to a suitable number of restaurants where we think we can demonstrate that ETS is no menace.

I'm treading on Don Hoel's committee's turf here, but we have found two opportunities accidentally in a study the group sponsored to learn something about the accuracy of questionnaire responses on ETS exposure. One fact that popped out was that in the group workplaces studied, the female-male ratio among employees was 4 to 1--our first data on what we have assumed--that restrictions in shared work areas are sex discriminating.

The other finding was that when it came to rating workplace comfort--air, light, temperature, humidity, ventilation, air quality, the whole thing-- there was no difference among the smoking and nonsmoking workers in this

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study. We think we can give that rating sheet to any employer who wants to measure whether there's really a smoking problem among his workers, with confidence in its outcome.

Just a couple of other prospects--examples, by no means our full menu: Gray Robertson, our star runner on the indoor air quality track, hopes to beam his instrumentation into some San Francisco workplaces to demonstrate that the city mothers and fathers accomplished little if anything with their smoke bans.

At another extreme, we've won support within the Communications Workers of America to slug it out with the Bell System in contract negotiations about their members' smoking privileges. It's possible that in that enormous workplace we can begin turning a tide that began to run so many years ago when tobacco was tried and convicted in absentia in Donna Shimp's lawsuit against New Jersey Bell.

There is probably a score of efforts on our list for every example I've mentioned. I'm giving this issue some of my time, Pete Sparber some of his; the full time of two other staff members and soon to be, a third as a result of reassigning one of our editorial positions, and we have the invaluable support of John Rupp, Don Hoel and the scientists among your companies. We make no pretense,

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however, that we've envisioned every constructive possibility and your continuing coaching is very welcome indeed.

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Other

I'll stick to just two other topics in this last stanza this morning--AMA-ad ban-deductibility, and social costs.

Last Wednesday we read Mike Pertschuk's attack on brand advertising in the Wall Street Journal a little after eight o'clock. By two in the afternoon we had negotiated promise of a fair shake from the paper's letters editor and, as he requested, our response essay was off in an express package for his consideration. There are brushfires like that every day.

The AMA slough is a deep one. Most people know they want your ads banned. That resolution is nearly six months old and there's no bill to reflect it yet. What many don't know is that they've started campaigning among state medical societies to push a whole hopper full of legislation

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about self-extinguishing cigarettes, public smoking restrictions, sampling and vending machine bans and higher excises. They'd like to see excise earmarking for Medicare and repeal of the tobacco exclusion in the Consumer Product Safety Act.

They're also in some trouble.

The Virginia Medical Society requires its members to also be members of AMA. Last year it had 5,500 doctors. This year, under that requirement, 200 flat-out resigned and another thousand are four months late with their dues and may not be heard from at all.

AMA itself is turning its face more toward social issues, away from professional matters, singing refrains of its younger Turks, pretty obviously to the dismay of its experienced advisers, who see some negatives in the tobacco attack.

But they're a political threat. And you're a pretty good customer, probably spending more than a quarter billion a year on your employee health coverage. Their lobby is a little shaky--Washington staff reorganization and some shady spots in their AMPAC operation are rumored. Our town has some formidable anti-AMA lobbies, especially in the area of doctor cost controls, and, as the saying goes, the

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enemies of my enemies are my friends. We intend to work with them. We are not afraid of the AMA.

We're working with Bob Lewis to come up with the best researched testimony and set of experts that we've ever had if there are any hearings on cigarette advertising. We'll have a Chase study of the impact of nondeductibility, for example.

The way is just about paved for a meeting with Secretary Bowen, to gain at least a private if not public pat on the industry's back for our Helping Youth Decide project, which is an affirmative, not defensive answer to the ad critics.

Our first amendment arguments are well formed and fine tuned. Our alliances are stronger. The CEO's of six publishing and advertising associations sent Senator Bradley a no-nonsense letter of opposition to his deductibility proposal just last week.

Now a word about this social cost thing. Since our Florida meeting, we've invited over 20 consulting economists to give us short proposals for research projects that can document the adversary nonsense--best exemplified in the OTA staff memorandum of last year, which we sent them to comb.

Memoranda -  
intell. dissem.  
1) social cost  
- traditional  
2) no trade market  
3) regression?  
4) no state  
increases -

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On the staff side, we are accumulating as much data as we can on the nature and amounts of health care paid from public funds, which is the biggest smoking liability assessed by adversaries.

These approaches are slow in their development and yet our industry response is terribly late. But I think we are onto the germ of an approach which can be successful, and I'll finish with this illustration.

Professor Warner at Michigan State, who fancies himself an expert on health, taxes, advertising and just about every aspect of tobacco controversies, wrote me the other day. He said he is doing an article on the economic implications of a society without smoking, and could I send him any relevant information or guidance?

I wrote him back. I told him that as a proponent of the hypothesis that smoking tends to take people out of the population just as they begin their nonproductive years, he'd better be careful about his vision of a society in which everybody lives longer and the public Medicare burden gets bigger. He wrote me back and said he believes that would be the problem and intends to say so in his article. Well, if we can get our adversaries to argue with each other, it isn't all bad.

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