

**Annual Meeting  
The Tobacco Institute**

**December 11, 1986**

**Samuel D. Chilcote, Jr.**

THANK YOU, FRANK.

IN RECENT YEARS ... WE HAVE  
USED OUR ANNUAL MEETING ...  
TO REPORT ON OUR SITUATION  
... OUR CHALLENGES. THAT  
WILL BE THE CASE TODAY.

YOU WILL FIND IT FAIRLY  
DETAILED ... AND SO WE HAVE  
PREPARED A WRITTEN SUMMARY  
FOR YOUR USE. WE HOPE YOU  
FIND IT THOUGHT-PROVOKING.

AT OUR WINTER MEETING IN  
FEBRUARY ... WE WILL TALK  
ABOUT PROGRAMS TO DEAL WITH  
THESE CHALLENGES.

(pause)

THE TOBACCO INSTITUTE FACES  
FIVE BROAD ... OVER-RIDING  
CHALLENGES.

CHALLENGE NUMBER ONE ... IS  
DEALING WITH THE CURRENT  
ANTI-SMOKER AGENDA ... THE  
LARGE AND GROWING VOLUME OF  
PUBLIC SMOKING MEASURES ...  
EXCISES ... ADVERTISING AND  
PROMOTION RESTRICTIONS ...  
BEING CONSIDERED AT ALL  
LEVELS OF GOVERNMENT.

IN 1981 ... WE FACED 232  
STATE LEGISLATIVE PROPOSALS  
AND DEFEATED OR POSTPONED 87  
PER CENT OF THEM.

BY 1985 ... THE VOLUME HAD  
JUMPED TO NEARLY 540 ...  
130 PER CENT MORE THAN WE  
FACED IN 1981.

STILL ... WITH A SMALLER  
STATE ACTIVITIES STAFF ...  
WE MANAGED TO WIN OR  
POSTPONE BETTER THAN EIGHT  
OUT OF EVERY TEN MEASURES.

THIS YEAR ... THE VOLUME  
INCREASED SLIGHTLY ... BUT  
OUR RECORD WAS THE BEST OF  
THE DECADE ... 88 PER CENT  
WERE DEFEATED OR POSTPONED.

IF WE WERE TO ASSUME JUST A  
10 PER CENT ANNUAL INCREASE  
IN THE VOLUME OF THESE BASIC  
... ANTI-SMOKING MEASURES  
... WE WILL SEE 820 BILLS A  
YEAR BY THE END OF THIS  
DECADE ... A 250 PER CENT  
JUMP IN TEN YEARS.

AND ... MAY I REMIND YOU ...  
I AM SPEAKING JUST ABOUT  
STATE ... NOT FEDERAL OR  
LOCAL ... ACTIVITY.

AT THE MUNICIPAL LEVEL ...  
WE HAVE SEEN A 126 PER CENT  
INCREASE IN ORDINANCES SINCE  
1981 ... AND, FRANKLY, WE  
HAVE HAD TROUBLE STOPPING  
THEM.

OUR BEST RECENT YEAR WAS  
1984 ... WHEN WE STOPPED 63  
PER CENT.

THIS YEAR ... WITH 275 LOCAL  
ORDINANCES ON OUR PLATTER  
... WE EXPECT TO WIN OR  
POSTPONE ABOUT 60 PER CENT.

ONE THINKS OF NEW YORK AND CHICAGO IN THIS CATEGORY BUT THE TRUTH OF THE MATTER IS THAT WE MUST MONITOR ORDINANCES IN NEARLY 24,000 MUNICIPALITIES AND COUNTIES ... 90 PER CENT OF WHICH HAVE POPULATIONS OF 25,000 OR LESS.

THE SHEER NUMBERS MAKE IT VERY TOUGH.

(pause)

THE FEDERAL SITUATION ALSO HAS SEEN AN EXPLOSION OF ANTI-INDUSTRY ACTIVITY.

BETWEEN THE 97TH AND 99TH  
CONGRESSES ... THE VOLUME  
OF BILLS INTRODUCED  
INCREASED 168 PER CENT ...  
TO THE CURRENT LEVEL OF 161.

IN THE 99TH ... ABOUT 70 OF  
THOSE BILLS WERE ON OUR  
PRIORITY LIST.

BUT ANTI-TOBACCO BILL  
"INTRODUCTIONS" ARE JUST  
PART OF THE STORY.

THERE HAVE BEEN YEARS WITH  
50 BILLS INTRODUCED ... BUT  
LITTLE COMMITTEE OR FLOOR  
ACTION.



NOT SO ... THESE PAST SIX  
YEARS.

THE 97TH CONGRESS WAS  
DIFFICULT ... OUT OF IT CAME  
OUR FIRST FEDERAL TAX  
INCREASE IN NEARLY 30 YEARS.

THE 98TH WAS SOMEWHAT  
TOUGHER ... WITH ITS  
LABELING LEGISLATION AND  
FIRE SAFE CIGARETTE STUDY.

BUT THE 99TH WAS THE  
TOUGHEST OF THE THREE.

ALTHOUGH WE LOST FEW ... OUR  
BATTLES WERE FAR MORE  
INTENSE THAN IN PREVIOUS  
YEARS.

IN THE 97TH CONGRESS ... 28  
SENATORS SPONSORED OR  
CO-SPONSORED BILLS. IN THIS  
PAST CONGRESS ... MORE THAN  
90 DID SO ... A 221 PER CENT  
INCREASE.

IN THE 97TH ... WE NEEDED TO  
LOBBY SOME 300 MEMBERS OF  
KEY COMMITTEES ... BY THE  
99TH ... THE NUMBER ROSE 56  
PER CENT.

IN THE 99TH ... WE FACED 18  
DAYS OF HEARINGS ...  
FEATURING 275 WITNESSES ...  
ON 13 SUBJECTS. THAT WAS  
ALMOST DOUBLE WHAT WE SAW  
SIX YEARS EARLIER.

AS BOB LEWIS WILL REPORT ...  
THE 100TH CONGRESS WILL BE  
TOUGHER YET.

(pause)

THERE IS NO QUESTION OF  
PRIORITIES ... OUR FIRST  
CHALLENGE IS TO DEAL WITH  
THE BASIC, ANTI-SMOKER  
AGENDA ... THE LITERALLY  
HUNDREDS OF BILLS AND  
ORDINANCES AT ALL LEVELS OF  
GOVERNMENT.

OUR SECOND CHALLENGE IS  
POSED BY REGULATION.

IN 1970 ... 16 FEDERAL  
AGENCIES TOOK AN INTEREST IN  
TOBACCO.

THEY RANGED FROM THE  
SURGEON GENERAL AND FEDERAL  
TRADE COMMISSION TO THE  
VETERANS ADMINISTRATION AND  
ITS INFAMOUS "SMOKING  
BEAGLE" STUDY.

BY 1980 ... THE NUMBER OF  
AGENCIES INVOLVED WITH US  
HAD INCREASED TO 23.

THE ENVIRONMENTAL PROTECTION  
AGENCY ... CIVIL AERONAUTICS  
BOARD ... AND DEFENSE  
DEPARTMENT ... AMONG OTHERS  
... JOINED THE BATTLE.

THIS PAST YEAR ... THE  
NUMBER ROSE TO 33 ... A 43  
PER CENT INCREASE DURING THE  
FIRST SIX YEARS OF AN  
ADMINISTRATION SUPPOSEDLY  
PLEDGED TO DEREGULATION.

NOT ALL OF IT IS BAD ... THE  
U.S. TRADE REPRESENTATIVE  
SERVED OUR INDUSTRY WELL.

BUT ... EACH ONE OF THOSE  
AGENCIES REQUIRES CONSTANT  
ATTENTION ... NOT ONLY FROM  
LOBBYISTS ... BUT OFTEN FROM  
HIGHLY-SPECIALIZED TECHNICAL  
CONSULTANTS AS WELL.

AT THE STATE LEVEL, WE HAVE  
SEEN RELATIVELY LITTLE  
REGULATION ... BUT THE NEW  
YORK PUBLIC HEALTH COUNCIL  
AND THE MASSACHUSETTS BAY  
TRANSIT AUTHORITY POSED  
SERIOUS PROBLEMS FOR US THIS  
YEAR.

(pause)

CHALLENGE NUMBER THREE ...  
NEW ANTI-SMOKING INITIATIVES

TWO YEARS AGO ... PRODUCT  
LIABILITY LEGISLATION WAS  
DEBATED MORE BY COLLEGE  
PROFESSORS THAN BY MEMBERS  
OF STATE LEGISLATURES.

ONE YEAR AGO TODAY ... WE  
FIRST READ THAT THE A.M.A.  
HAD PROPOSED A BAN ON  
CIGARETTE ADVERTISING.

A YEAR AGO ... NO ONE  
THOUGHT THE MILITARY WOULD  
EVER CONSIDER PROGRAMS TO  
DISCOURAGE SMOKING ... MUCH  
LESS TO BAN THE SALE OF  
CIGARETTES IN COMMISSARIES.

LAST MONTH ... IN DEL MAR,  
CALIFORNIA ... A CITY  
COUNCILMAN PROPOSED A BAN ON  
SMOKING IN ALL  
PUBLICLY-FUNDED PLACES ...  
INCLUDING SIDEWALKS, PARKS  
AND FREEWAYS.



IN NOVEMBER OF 1981 ... THE  
NATIONAL CONFERENCE ON  
SMOKING OR HEALTH PUBLISHED  
ITS NOW FAMOUS BLUEPRINT FOR  
ACTION ... A LIST OF ABOUT  
ONE HUNDRED ANTI-SMOKING  
INITIATIVES.

WORKPLACE SMOKING BILLS ...  
EXCESSIVE TAXATION ...  
LABELING ...

"SELF-EXTINGUISHING  
CIGARETTE" MEASURES ...  
"QUIT SMOKING" EFFORTS AIMED  
AT WOMEN, MINORITIES AND  
YOUNGSTERS ... ALL WERE  
OUTLINED IN THE BLUEPRINT.

AT THE TIME ... MANY OF  
THEIR IDEAS SEEMED  
FAR-FETCHED ... BUT WE TAKE  
EACH ONE SERIOUSLY.

NEXT YEAR ... IF THE  
ANTI-SMOKERS STICK TO THEIR  
GAME PLAN ... WE MAY SEE  
BILLS CALLING FOR CHANGES TO  
CIGARETTE INGREDIENTS AND  
DESIGN ... MEASURES  
FORBIDDING ASH TRAYS AS  
STANDARD EQUIPMENT IN CARS  
... AND LAWS REQUIRING BLOOD  
AND URINE SAMPLES FROM  
SUSPECTED SMOKERS.

AND ... IF IT WEREN'T FOR  
BOB TISCH ... I WOULD WORRY  
ABOUT SEEING OUR FIRST  
ANTI-TOBACCO POSTAGE STAMP.  
THAT'S IN THE BLUEPRINT AS  
WELL.

(pause)

CHALLENGES ONE ... TWO ...  
AND THREE DESCRIBE THE  
BATTLES WE FACE.

CHALLENGES FOUR AND FIVE ....  
DEAL WITH OUR ABILITY TO  
FIGHT THOSE BATTLES.

NUMBER FOUR ... IS THE  
MAINTENANCE OF OUR MOST  
IMPORTANT COALITION ... OUR  
FIRST AND LAST LINE OF  
DEFENSE ... THE TOBACCO  
FAMILY.

WHEN WE PULL TOGETHER ... WE  
ARE TOUGH TO BEAT.

AS AN INSTITUTE ... WE ARE  
MORE UNITED THAN MOST TRADE  
GROUPS.

IN RECENT YEARS ... WE HAVE  
WORKED WELL WITH THE LABOR  
UNIONS SERVING OUR INDUSTRY.

OUR RELATIONS WITH THE  
N.A.T.D. HAVE A WAY TO GO  
... BUT ARE MUCH IMPROVED  
THANKS TO NICK KARAKAS,  
THEIR CHAIRMAN.

THE NATIONAL TOBACCO COUNCIL  
SHOWS EVERY INDICATION OF  
WANTING TO BE MORE HELPFUL  
NEXT YEAR ... AND THE  
ADVERTISING AND PUBLISHING  
INDUSTRIES HAVE BEGUN TO  
PULL THEIR WEIGHT.

BUT ... WE RECEIVE MORE  
POLITICAL HELP FROM PUBLIC  
EMPLOYEES IN CALIFORNIA

THAN FROM GROCERY CHAINS  
THAT MAKE A SIGNIFICANT  
PROFIT FROM TOBACCO.

WE HAVE A BETTER WORKING  
RELATIONSHIP WITH THE  
VETERANS OF FOREIGN WARS ...  
THAN THE PEOPLE WHO SELL YOU  
PACKAGING MATERIALS.

WE HAVE SEEN STATE  
WHOLESALEERS SUPPORT EXCISE  
TAX INCREASES ... AND WE  
HAVE SEEN GROWERS BACK  
EARMARKING.

THE CONVENIENCE STORE PEOPLE  
HAVE TOLD US THAT THE  
BATTLES ARE OVER ... THAT WE  
ARE A DYING INDUSTRY. THAT  
IS AN IGNORANT ... DANGEROUS  
... ATTITUDE FROM A GROUP  
THAT RECEIVES 15 PER CENT OF  
ITS SALES AND 17 PER CENT OF  
ITS PROFITS FROM TOBACCO.

FOR THE MOST PART ... OUR  
INDUSTRY IS NOT WORKING AS  
COOPERATIVELY OR EFFECTIVELY  
AS WE MUST ... IF WE ARE TO  
CONTINUE WINNING NINE OUT OF  
TEN BATTLES.

(pause)

GENTLEMEN ... OF OUR FIVE  
CHALLENGES ... THIS MAY BE  
THE MOST IMPORTANT ... OVER  
THE LONG HAUL ... AND ONE  
THAT WILL REQUIRE MUCH  
ATTENTION FROM ALL OF US.

(pause)

OUR FIFTH AND FINAL  
CHALLENGE IS THE MANAGEMENT  
AND COST OF THE INSTITUTE  
... AND THE TEAM WE HAVE  
ASSEMBLED.

AT ONE POINT, WE CONSIDERED  
CONDUCTING A COST-BENEFIT  
STUDY OF THE INSTITUTE ...  
FOR TODAY'S MEETING.



WE QUICKLY REALIZED THE  
DIFFICULTY OF SUCH AN  
EXERCISE ... AND THE FACT  
THAT A SINGLE TAX BILL ...  
DELAYED ONE YEAR ... MAY  
HAVE A FINANCIAL IMPACT  
EQUAL TO THE COST OF TEN  
INSTITUTES.

THE FACT REMAINS ... WE ARE  
NOT AN INEXPENSIVE  
OPERATION. AS MANAGERS ...  
WE HAVE AN OBLIGATION TO  
JUSTIFY EACH DOLLAR OF THAT  
EXPENSE. WE TAKE THAT  
OBLIGATION SERIOUSLY.

FROM 1982 THROUGH 1985 ...  
THE INSTITUTE'S ACTUAL  
EXPENDITURES INCREASED 21  
PER CENT. UNTIL 1985 ... WE  
OPERATED UNDER BUDGET YEAR  
AFTER YEAR.

IN 1985 ... FOR THE FIRST  
TIME IN OUR HISTORY ... WE  
WENT OVER BUDGET. THIS YEAR  
... WE WILL BE OVER AGAIN.

THERE ARE TWO REASONS.

ONE REASON IS THE VOLUME ...  
THE VARIETY ... THE  
IMPORTANCE OF OUR WORK.

WE FOUGHT NEARLY 1,000  
ANTI-TOBACCO MEASURES THIS  
YEAR ... AND WE FOUGHT TO  
WIN.

THE SECOND REASON IS A MORE  
TIGHTLY DEFINED BUDGET ...  
AND OUR ATTEMPT TO ENTER  
EACH YEAR AS LEAN AS  
POSSIBLE.

CONTAINING COSTS WITHOUT  
SACRIFICING QUALITY ... IS  
INCREASINGLY DIFFICULT.

THE OTHER HALF OF THIS  
CHALLENGE ... IS MAINTAINING  
AND STRENGTHENING THE FINE  
TEAM WE HAVE ASSEMBLED.

THE INSTITUTE HAS UNDERGONE  
MUCH CHANGE SINCE 1980. WE  
HAVE REALIGNED DEPARTMENTS  
... REDEFINED  
RESPONSIBILITIES ... AND  
CHANGED REPORTING  
RELATIONSHIPS ...

WE HAVE FEWER STAFF ... 130 .  
IN 1982 ... VERSUS 114  
TODAY.

OUR TURNOVER HAS BEEN  
SLIGHTLY HIGHER THAN OTHER  
... SIMILAR ... TRADE  
ASSOCIATIONS IN WASHINGTON.  
THAT IS BECAUSE WE HAVE MADE  
A CONCERTED EFFORT TO REFIN  
OUR OPERATION.

I BELIEVE WE ARE MORE  
TALENTED ... BETTER MANAGED  
... AND MORE PRODUCTIVE THAN  
AT ANY TIME IN THE PAST.  
OUR WIN-LOSS RECORD SPEAKS  
FOR ITSELF.

THE PEOPLE WE MOST WANT TO  
KEEP ARE DRAWN TO THE  
CHALLENGES ... AND TO THE  
SUPPORT WE RECEIVE FROM YOU.

WE HAVE PROMOTED 19 OF THE  
44 PROFESSIONAL STAFF  
MEMBERS WITH US TODAY ... AN  
ACTION WE BELIEVE WILL  
PROLONG THE RIGHT CAREERS  
... AND MOTIVATE OTHERS.

(pause)

BE ASSURED ... THESE ARE  
CHALLENGES ... NOT PROBLEMS.  
THERE IS A DIFFERENCE.

A CHALLENGE IS SOMETHING  
UNDER CONTROL ... A PROBLEM  
IS YET TO BE TACKLED.

YOUR GUIDANCE ... FINANCIAL  
SUPPORT ... INVOLVEMENT AND  
FRIENDSHIP ARE AMONG THE  
INGREDIENTS WHICH MAKE FOR  
SOLUTIONS TO OUR CHALLENGES.

I HAVE ASKED EACH OF OUR  
DIVISION DIRECTORS TO  
PROVIDE A BRIEF REPORT OF  
THEIR KEY RESULTS THIS PAST  
YEAR ...

(INTRODUCE MESSRS. KLOEPFER,  
MILWAY, MOZINGO AND LEWIS.)

ON BEHALF OF STAFF ... MAY I  
WISH EACH OF YOU A HAPPY  
AND SAFE HOLIDAY.

THANK YOU.