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Media Tips

IF YOU NEED HELP DEALING WITH THE MEDIA

R.J. REYNOLDS INTERNATIONAL -- Adam Bryan-Brown in Geneva (41-22-703-0745) and Jan Fulton Smith in Winston-Salem (1-910-741-6995) are the main External Relations contacts and can provide assistance in formulating responses and response strategies.

R.J. REYNOLDS TOBACCO COMPANY -- The main External Relations contacts are Maura Ellis Payne (1-910-741-6996) and Peggy Carter (1-910-741-7674).

The Tobacco Documentation Centre (TDC) in England (44-181-569-7788) is an excellent source of background information on a wide variety of tobacco industry issues, as are The Tobacco Institute (TI -- 1-202-457-4800) and the Tobacco Manufacturers Association (TMA -- 1-609-275-4900) in the United States. **The TDC is not, however, equipped to handle calls from news reporters or others outside the industry and should not be cited as a source of information.** Instead, information from the TDC should be cited as information from "industry estimates" or "an industry trade group."

Tobacco is a controversial, often-misunderstood business. So strategies for dealing with the media can be very different from when you represent other products or services. But there are some common-sense tips that almost always apply:

ASK A LOT OF QUESTIONS. What is the full story about and where does your piece fit in? Are you the only one being interviewed? Are other manufacturers included in the story? Are the "anti's" being interviewed? Are you the most appropriate spokesperson, or is there someone else in the company who should handle it? When will the story air/appear? Is the reporter/producer you're dealing with the one who will have the final decision on what is included? Is your conversation being taped? If you're doing a difficult TV interview, do you want to have your own camera crew there as well, so that a full record of the interview is available to you? Will you be given a chance to review and correct the story before it runs (this opportunity is generally granted only by tobacco trade press)? How much time are they requesting with you or the spokesperson? What kind of background information do they already have, and what should you fax them in advance so that they can ask good questions? Do they know much about the cigarette business?

KNOW THE ISSUE. This guide will provide good background on the issues, but it is wise, whenever possible, to call the in-house expert on the subject for an update to see if the position has changed since the publication of this guide.

GIVE AN INTERVIEW TO MAKE YOUR POINTS. NEVER GIVE AN INTERVIEW TO ANSWER QUESTIONS. Before you agree to an interview, know what your key points are and what headline you would like to see printed or aired. It is then often possible, particularly with TV reporters, to address their question to some degree, then move on to the key points you want to stress.

KNOW YOUR REPORTER. Do extensive research on the reporter with whom you're dealing. Look at previous stories they have written, and other tobacco-related stories their publication or station has run. The research will give you an idea if the reporter is fair or biased on tobacco issues. Excellent databases exist to aid in your research effort.

BIGGER MAY NOT BE BETTER. In most cases, we don't want broad media coverage. The "general" press coverage of cigarettes and cigarette manufacturers is almost always negative. For that reason, wide mailings of press kits is not advised in most markets. When there is immediate news that requires national distribution, either to meet securities law requirements or company interests, faxing a single-spaced announcement to the applicable news organizations and services (e.g. Dow Jones, Reuters, Knight Ridder, The Wall Street Journal, the Financial Times and the International Herald Tribune) will accomplish this goal. To preserve relationships with the local and trade press who cover the business routinely, it is wise to fax to them as well. Keep fax cover sheets pre-addressed and ready to go with a push of a button.

BE ALL-INCLUSIVE. When national announcements are required, include as many of the facts as possible. This cuts down on the number of calls your office will receive afterwards seeking clarification. While this might seem obvious, there often seems to be one executive who doesn't want a piece of information included -- perhaps because it will be perceived to be negative toward the company. It is our job to convince those executives that the company is better served to put the company's position out there, rather than have a PR person on the phone all day answering the same question over and over, being subject to the vagaries of how accurately each reporter takes down the information.

FOCUS YOUR EFFORTS. Many stories are better pitched to one reporter at a time. While this is time-consuming, it builds your relationship with one reporter or publication, and you can tailor the story better. You can offer an interview with the company president to a business reporter, an interview with a marketing VP to an ad columnist, etc. Try to offer interviews or information first to print reporters whose publications feed into a news service or syndication. That way, other publications can pick it up, and the TV and radio reporters, who frequently get story ideas from the print media, will have your position on the story when they call.

KEEP THE STAFF UP TO SPEED. Notify Public Relations or Public Affairs in Winston-Salem or Geneva any time you get a call from the major news organizations in your state or country, or from international publications and networks like the Wall Street Journal, Financial Times, BBC, CNN, New York Times, ABC, CBS, NBC and others of that caliber. Provide as much information as possible regarding the story contents, tone and timing.

TO QUOTE OR NOT TO QUOTE. "Background" interviews or "off the record" briefings sometimes make sense. If the story is complicated and the reporter is unfamiliar with the details of how our business works, it is often to our benefit to help them understand. However, you must have some level of trust that the reporter will keep his or her word and not quote you directly. When in doubt, don't say it -- even off the record. Remember, whatever you say could end up on the front page of the New York Times or the International Herald Tribune. So caution is key.

"NO COMMENT." Don't use it. Instead, give an explanation for why you can't respond at that time. (For example: you can't locate the right people; the company hasn't seen the documents in question; we're in litigation so it's inappropriate to comment; the information is proprietary; or we haven't had time to assess the impact of an action.) Whenever a company representative is quoted as saying "no comment," it appears that the company is being evasive.

"I DON'T KNOW." Three of the most valuable words in any language. Don't ever speculate. Instead, verify your comments internally before you provide them to a reporter or any other outside party -- especially if it is the first call you have received on the particular subject in a while. The exceptions, of course, are "core" issues about which we are required to be consistently prepared: smoking and health; youth smoking; second-hand smoke; advertising and marketing practices; contribution of tobacco to the economy and the others that are detailed in this guide.

YOUR MOTHER WAS RIGHT: MANNERS COUNT. Return phone calls, even if you cannot give interviews. Honor promises to provide reporters with copies of documents. Sound energetic in talking to reporters even if it's the 50th time you've given the same comment that day. Don't keep reporters waiting in an effort to impress them with how busy you are. And apologize if they do have to wait or hold.

HAVE A GOOD TIME. Contentiousness aside, we have some of the most fast-paced, interesting jobs in any corporation. We sell a high-quality product that hundreds of millions of people enjoy every day. Keep a sense of humor and roll with the punches.



Media Tips

Virgil Scudder & Associates, Inc., an international media consulting firm based in New York, has developed a list of media guidelines¹ that offer some additional tips:

1. **PREPARATION** is the key to success in any interview situation. Prepare your agenda thoroughly before the interview begins.
2. **BE RESPONSIVE BUT STEER** the interview to your key topics. You have a right to state your points -- and restate them.
3. **TAKE CONTROL** of the interview at your earliest opportunity. You never do an interview to answer questions; interviews are done to make points.
4. **TAILOR THE MESSAGE TO THE MEDIA AND THE AUDIENCE.** The "must air" points [the three or four main points you want to make] for one interview will not necessarily be the right ones for the next interview.
5. **KEEP IT TIGHT.** Long-winded answers invite misinterpretation of your positions and diminish your effectiveness and credibility. Give a headline response, then elaborate only to the degree that is appropriate.
6. **EYE CONTACT** is critical to credibility. Look the interviewer right in the eye, especially when the questioning is hostile or negative.
7. **USE EXAMPLES, ILLUSTRATIONS AND COMPARISONS** to help your interviewer or audience understand your positions.
8. **DON'T BE DEFENSIVE.** Put your points across firmly and confidently. The interview is a chance for you to tell your story, not a ritual for persecution.
9. **BOTTOM LINE FIRST** is the key to a successful response. If you wind gradually into your conclusion, you invite misunderstanding and suspicion.
10. **ALWAYS BE FRIENDLY AND COURTEOUS** with interviewers even if they don't return the favor. But, don't be timid and passive.
11. **CLEAR LANGUAGE AND CONCISE RESPONSES** are essential to success.
12. **DEBRIEF** after every exposure to the media. What did you do right and what could you have done better? This is how great newsmakers get to be great.

¹ Reprinted with permission

General Background

R.J. Reynolds International

R.J. Reynolds International is a strong growth business that has significant cigarette manufacturing, sales or distribution capabilities in more than 170 countries and territories outside the United States. In 1995 RJRI's cigarette volume represented 59% of RJR's worldwide tobacco volume and 31% of earnings. The international company:

- Produces about 100 different brand families, including international brands and regional and local brands designed to meet various taste and packaging preferences among adult smokers.
 - RJR's Camel and Winston brands rank among the world's ten best-selling international brands.
 - Salem is the world's leading menthol.
 - Other leading RJR brands include Magna, Gold Coast, Export "A" and Monte Carlo.
- Sells cigarettes around the world through wholly owned plants and joint ventures in 19 locations outside the United States, and licensing agreements in about 20 other countries. In addition, a portion of the company's export products are manufactured at R.J. Reynolds Tobacco Company's plants in the United States.

(INSERT CHART SHOWING PLANTS AND JOINT VENTURES)

- Has its corporate headquarters in Geneva, Switzerland. The company has about 17,000 employees worldwide.
- Is the fourth-largest international tobacco company.

PERFORMANCE

- From 1990 to 1995, RJR's international tobacco volume grew 10% annually, while earnings accelerated at an 11% rate (excluding one-time expenses). RJRI's volume grew faster than its competitors from 1990 to 1995.

- During the past few years, RJR has expanded its global presence by investing in facilities in Turkey, Poland, Hungary, Romania, the Czech Republic, Russia, Ukraine, Kazakhstan, Vietnam, Finland and Tanzania.
- RJR continues to pursue development opportunities in both newly accessible and traditional markets.
- In 1995, about 57% of R.J. Reynolds International's volume came from established markets, while 43% came from recently accessible markets.

OPPORTUNITIES

- The cigarette market outside the United States is very large -- and growing -- with a total volume of 5.5 trillion cigarettes, and growth of about 1% a year.
 - With the lifting of many trade barriers in recent years, it is estimated that 98% of the world tobacco market today is open to foreign competition (at least to some degree).
 - This offers enormous business-development opportunities for multinational competitors as they compete for adult smokers' business in the vast markets of Eastern Europe and Asia.
- The American-blend segment is growing faster than the total market, at the rate of about 3 to 4% a year. American-blend products currently account for about one-third of the world's cigarette market.
 - RJRI's business was built upon the American blend segment, and the company has world-class brand names in that category.
 - Winston and Camel rank among the world's ten best-selling international brands, and Salem is the world's leading menthol cigarette.

GROWTH STRATEGY

- RJRI's mission is to be the #1 international tobacco company or the leading challenger in all markets and segments in which the company chooses to invest for growth.
- The company's mission is to create quality growth by aggressive focused investment in core brands and key markets. The company is also building scale by pursuing attractive acquisition, joint venture and alliance opportunities.
 - Contributing to the company's double-digit volume and earnings growth are:

- Enhanced operating efficiency
- Development of infrastructures to support the company's rapid growth
- Product quality enhancement programs
- Increased marketing/selling investment aimed at franchise building
- Innovations in technology, marketing and packaging for key strategic brands

General Background

R.J. Reynolds Tobacco Company

R.J. Reynolds Tobacco Co. is the second-largest cigarette manufacturer in the United States, manufacturing one out of every four cigarettes sold in the United States. The company's major brands are Winston, Camel, Doral, Salem, Vantage and More. These and other brands are produced at two state-of-the-art manufacturing centers near the company's headquarters in Winston-Salem, North Carolina.

- The company's product line includes four of the United States' 10 best-selling brands -- Winston, Camel, Salem and Doral.
- Reynolds Tobacco produces more than 780 brand-styles of cigarettes for the U.S. market.
- Reynolds Tobacco has about 9,200 full-time employees.
- The company's Tobacoville Manufacturing Center, located 15 miles north of downtown Winston-Salem, is one of the largest and most modern cigarette manufacturing plants in the world.
- Since the early part of the 20th Century, Reynolds Tobacco has set the pace for a number of industry innovations.
 - Camel, the company's first major cigarette brand, was introduced in 1913 and became the prototype for every American-blend cigarette introduced since.
 - Winston, introduced in 1954, was the first nationally popular, filtered cigarette in the United States.
 - Salem, introduced in 1956, was the first filtered menthol cigarette in the United States and is still the world's leading menthol cigarette.
 - Vantage, introduced in 1970, was the first low-"tar" cigarette to offer full, satisfying taste.
 - Eclipse, introduced in the United States in 1996, was the first consumer-acceptable cigarette that reduced second-hand smoke by almost 90%. (It was simultaneously introduced in Germany as Hi.Q and in Sweden as Inside.)
- Reynolds Tobacco has also established virtually every tobacco industry packaging standard.

- The 20-cigarette pack, which is the standard in most of the world, was developed by Reynolds Tobacco in 1913 with the introduction of Camel cigarettes.
- In 1915, Camel introduced the one-piece, 10-pack carton.
- In 1931, Camel became the first cigarette to be packaged with a "moisture-proof," sealed cellophane overwrap to preserve freshness.
- In 1991, Reynolds Tobacco introduced The Wrap, which retains tobacco moisture 10 times better than clear film wrap and is a thousand times better at keeping air from seeping into the pack.

General Background

Miscellaneous Worldwide Tobacco Industry Information

Key State-Owned Monopolies and Former Monopolies: Estimates of Their Market Shares

Algeria	Societe Nationale des Tabacs et Allumettes (SNTA)	100%
Austria	Austria Tabak	98%
China	China National Tobacco Company	99%
Denmark	Skandinavisk Tobakskompagni*	98%
France	SEITA (51% state owned)	45%
Italy	AAMS	48%
Japan	Japan Tobacco Inc. **	82%
Morocco	Regie des Tabacs	72%
Portugal	Tabaqueira	85%
Spain	Tabacalera	96%
Taiwan	Taiwan Tobacco & Win Monopoly Bureau (TTWMB)	81%
Thailand	Thailand Tobacco Monopoly (TTM)	97%
Turkey	TEKEL	87%

*BAT holds 32.3%

**Privatization of JTI began in 1985.

(Source: ERC 1994)

Of the 5.5 trillion cigarettes produced around the world in 1995, it's estimated that monopolies accounted for more than half of that production -- 2.9 trillion units.

- The world's ten largest cigarette markets account for about two-thirds of total world volume:

World's largest cigarette markets (millions of units - 1995)

China	1,760
United States	481
Former Soviet Union (15 Republics)	415
Japan	334
Indonesia	159
Germany	134
Brazil	130
Korea	105
Poland	96
<u>Italy</u>	<u>89</u>
Total	3,703

Smoking Incidence

- U.S. smokers (1994): 48 million adults - 25.5% of population¹
- It's estimated that 21 to 22% of the world's total population smokes, with this calculation based on an estimate of 1.2 billion smokers and a world population of 5.7 billion.²
- The World Health Organization (WHO) estimates that about one-third of the global population aged 15 and over smokes (1.1 billion smokers), 47% of men and 12% of women.³

¹ MMWR (NEED FULL CITE)

² Estimate from industry trade groups

³ Tobacco Alert, World No Tobacco Day 1996 Special Issue

Smoking and Health

General

KEY POINTS

- Reynolds Tobacco's {PRIVATE } position on smoking and health has been widely mischaracterized by our critics and frequently misinterpreted by the media. Our critics claim that our company believes cigarettes do not cause disease. The truth is, we don't know whether they do or not. They might. But, in our opinion, the scientific evidence is currently insufficient to determine whether or not cigarettes cause lung cancer or any other disease.
- Cigarettes are a risk factor for certain diseases, but in our opinion, they are not a proven cause of disease.
 - Cigarettes have been established as a risk factor for certain diseases based upon statistical associations that have been reported in epidemiological studies. But statistical associations, no matter how strong, do not -- and cannot -- prove cause and effect.
 - We understand that many individuals and organizations believe that cigarettes are a proven cause of various diseases. But even as early as 1964, the advisory committee to the U.S. Surgeon General accurately noted that, "Statistical methods cannot establish proof of a causal relationship in an association. The causal significance of an association is a matter of *judgment* which goes beyond any statement of statistical probability."¹ (Emphasis added.)
 - As the authors of "Epidemiologic Research," a prominent textbook in epidemiologic methods, note, "Because of the lack of certainty in our results, epidemiologists generally use the term *risk factor* (instead of cause) to indicate a variable that is believed to be related to the probability of an individual's developing the disease"²

¹ U.S. Dept. of Health, Education and Welfare, "Smoking and Health: Report of the Advisory Committee to the Surgeon General of the Public Health Service" p. 20 (1964).

² *Epidemiologic Research*, p. 29 (Kleinbaum, Kupper and Morgenstern eds. 1982)

- Evidence "based on epidemiological studies ... cannot conclusively establish a cause-and-effect relation between a substance and its health effect; for that, detailed biological studies of the effect of substances on the tissues themselves are needed."³
- For many years, scientists have used animal inhalation studies in an effort to establish that smoking causes lung cancer, heart disease and emphysema. But even using extremely exaggerated doses of smoke, scientists have not been able to cause these diseases in animals through inhalation of fresh, whole cigarette smoke.
 - In contrast, inhalation studies with materials such as diesel exhaust have produced lung cancer in laboratory animals, demonstrating that lung cancer can be induced by inhalation.
- Most smokers never suffer from the diseases that have been statistically associated with smoking. In addition, substantial numbers of nonsmokers do contract those diseases.
- Estimates of deaths "attributable" to smoking (e.g., the claim that smoking kills 435,000 Americans each year and 3 million worldwide) are, without exception, based on complicated mathematical models that use unproven -- and in some cases, demonstrably incorrect -- assumptions.⁴
- The fact that smoking is one of many risk factors for -- and is viewed by many as a cause of -- certain diseases should be taken into account by adults choosing whether to smoke or to continue to smoke.
 - It is important to note that there is widespread, if not universal, awareness of the risks associated with the use of tobacco products.⁵
 - The average smoker is aware of, or overestimates, the health risks of smoking.⁶

(See section on Health Warnings)

³ Hiltz, *Studies Say Soot Kills Up to 60,000 in U.S. Each Year*, The New York Times, July 18, 1993 at A1, col. 3

⁴ Ashford, J.R. (1992), "Problems in Assessing Smoking-Related Mortality," *Journal of Smoking-Related Diseases* vol. 3 p. 263-274.

⁵ A 1985 National Health Interview Survey conducted by the U.S. National Center for Health Statistics indicated that more than 90% of those surveyed believed cigarette smoking increased the risk of lung cancer (95%), Emphysema (92%) and heart disease (91%); A 1992 Health and Welfare Canada report, entitled: "Perceived Health Hazards of Smoking in Canada, Final Report," notes that although "Canadians' knowledge or perception of the health hazards of smoking vary significantly among different diseases ... [l]ung cancer, heart disease and emphysema are well known as health hazards of smoking in Canada."

⁶ *Cigarette Taxes to Fund Health-Care Reform: An Economic Analysis*, CRS Report for Congress, March 8, 1994; Viscusi, S., *Smoking: Making the Risky Decision* (Oxford U. Press; New York: 1992).

Smoking and Health

General

BACKGROUND AND ADDITIONAL POINTS

The anti-smoking industry uses smoking-and-health claims to justify virtually all of its efforts to increase restrictions and regulation of tobacco products and the tobacco industry. They frequently claim that nicotine is addictive and that tobacco use causes disease and death.

- R.J. Reynolds recognizes that smoking has been identified as one of many risk factors that are statistically associated with lung cancer and other diseases.
 - Statistical studies also identify such factors as age, diet, gender, physical condition, race, genetic background, stress and occupation as risk factors for these diseases.⁷
 - Statistical associations do not, and can not, prove causation.⁸
 - Even those who claim cigarettes cause diseases cannot identify the mechanism(s) by which cigarette smoke might cause the diseases with which it is statistically associated -- or the specific smoke components that might be responsible.
- Claims that smoking kills millions of people each year (such as the World Health Organization's projection of 3 million deaths per year) are based solely on computer programs that rely on demonstrably false and unrealistic assumptions.⁹
 - For example, the claim that there are 435,000 smoking-related deaths in the United States assumes every death from smoking-related illness is attributable to smoking. That is, it assumes that no smoker dies of lung cancer due to asbestos, alcohol, radon, air pollution, genetics, or any of the many other known risk factors for lung cancer.¹⁰

⁷ Katzenstein, A.W. (1992), "Environmental Tobacco Smoke and Lung Cancer Risk: Epidemiology in Relation to Confounding Factors, *Environment International*, vol. 18, p. 341-345

⁸ *Epidemiologic Research*, at 26-30 (Kleinbaum, Kupper and Morgenstern eds. 1982)

⁹ Ashford, J.R. (1992), "Problems in Assessing Smoking-Related Mortality," *Journal of Smoking-Related Diseases* vol. 3 p. 263-274

¹⁰ *Ibid.*

- “[A]ny estimates obtained by these methods should be qualified by a statement to the effect that they rely upon untested and probably unrealistic assumptions. Furthermore, it must be emphasized that smoking-attributable mortality as conventionally defined, does not necessarily reflect mortality *caused* by smoking.”¹¹
- Results can be misleading. For instance, if the lung cancer deaths attributable to smoking, diesel exhaust, radon exposure and a low beta-carotene diet were added together for 1985, about 182,000 lung cancer deaths would be calculated. But the fact is, only about 122,000 lung cancer deaths were reported in U.S. vital statistics for that year.

¹¹ Ibid.

{tc "Smoking has been identified as one of many statistical risk factors for lung cancer and this should continue to be taken into account by adults in making a personal decision whether to smoke."}Smoking and Health

"Tar" and Nicotine Testing

KEY POINTS

- Standard smoke-yield methods used internationally, such as the U.S. FTC (Federal Trade Commission) method and the ISO (International Standards Organization) method, provide reliable and reproducible results that permit the comparison of smoke yields among various cigarette brands -- much as gas-mileage estimates provide reliable and reproducible mileage ratings.
 - These methods are not, and never were, intended to predict "tar" or nicotine intake by any individual smoker.
 - Because of the wide variability in human smoking behavior, machine-generated smoke is necessary to reliably compare yields among cigarettes.
 - Studies show that, in general, the higher the reported smoke-yield, the higher the levels of "tar" and nicotine consumed by the individual smoker.
 - Any changes to the standard conditions (e.g., changes to puff volume, duration, frequency) will result in changes in individual smoke yields. However, relative rankings of cigarette yields in general should remain consistent if any change to the method were applied uniformly across brands.
- In recent years, there have been efforts to replace the FTC method with some other method that would allegedly more accurately predict actual "tar" and nicotine intake by smokers. Proposals include:
 - Increasing puffing intensity and blocking vents during tests in order to generate greater yields and report higher numbers.
 - Changing the ways in which information is provided to the public. For example:
 - Reporting ranges of yields for each brand, rather than a specific number.
 - Graphically representing the information and expressly advising smokers that yield depends on how an individual smokes the cigarette.

Smoking and Health

"Tar" and Nicotine Testing

BACKGROUND AND ADDITIONAL POINTS

Standardized procedures for measuring "tar" and nicotine of cigarettes (such as the U.S. FTC method and the ISO method) provide important information that allows consumers to compare products. Standardized procedures are also useful to manufacturers, who strive to assure product consistency and quality.

During the late 1950s and early 1960s, the U.S. government prohibited manufacturers from disclosing or advertising "tar" and nicotine yields. The government switched its position in the late 1960s in response to numerous calls for the publication of this information. Many other countries now require the publication of "tar" and nicotine information.

Manufacturers have developed low "tar" and nicotine cigarettes over the years in response to consumer demands. These demands were influenced by calls for such products from the medical, academic and government communities. Standardized procedures have helped guide these development efforts.

Some, who have become increasingly vocal, have been critical of these tests, claiming they do not relate to the actual "tar" and nicotine yields derived by individual smokers. They argue, for example, that the reported "tar" and nicotine numbers under-report actual yields because smokers compensate for lower-"tar" delivery by, among other things, taking deeper or more frequent puffs.

No standardized method can necessarily predict, with certainty, what any individual will achieve, but standardized methods can provide relative rankings from which consumers may choose.

Gas mileage ratings provide a good analogy. For example, on average, drivers of 4 cylinder cars will get better gas mileage than those who drive 8 cylinder vehicles since larger engines use more gas. At the same time, different drivers driving the same car might get different gas mileage.

Smoking and Health

New Product Development

KEY POINTS

Like any other global consumer products company, RJR is constantly improving existing products and developing new products to meet the ever-changing demands and desires of adult smokers. For competitive reasons, we do not comment on specific product or process innovations that have not yet been introduced in the market.

- Since the early 1900s, Reynolds Tobacco has lead the worldwide tobacco industry in product, packaging, processing and manufacturing innovations.
(See the General Background section concerning Reynolds Tobacco USA)
- Since the 1950s, we have been the worldwide leader in developing and implementing techniques to reduce "tar," nicotine and other constituents of cigarette smoke.
 - As a result of these innovations, since the early 1950s, the average "tar" and nicotine yields of U.S. cigarettes have declined by more than 60%, dropping from about 40 mg "tar" and 2.8 mg nicotine to 11.5 mg "tar" and 0.8 mg nicotine.¹
 - Today, smokers can choose from a broad range of products, including some cigarettes that have "tar" and nicotine yields so low that they cannot be measured by the U.S. Federal Trade Commission method.
- Regardless of what we, in the tobacco industry do, our opponents in the anti-smoking industry cry, "Foul." In response to criticisms about high-"tar" and -nicotine cigarettes, we have developed low- and ultra-low-"tar" and nicotine cigarettes. Still, our critics continue to attack us, arguing that we are misleading consumers to believe these cigarettes are "safe." They also argue falsely that we are manipulating nicotine to "create, maintain or satisfy" an addiction. And the U.S. FDA is attempting to regulate cigarettes as a drug delivery devices.

¹ U.S. Dept. of Health and Human Services, "Reducing the Health Consequences of Smoking, 25 Years of Progress. A Report of the Surgeon General" (1989). **ADD CITE FROM 94 WYNDER/HOFFMAN**

- For example:
 - When Philip Morris introduced a cigarette (Merit Free) that was essentially nicotine-free, the U.S. Coalition on Smoking Or Health called it, "the most dangerous product put on the market in the last 10 years,"² and they petitioned the U.S. Food and Drug Administration to ban it.
 - Several years ago, Reynolds Tobacco test-marketed a cigarette (Premier) that had virtually no "tar" and less nicotine than 97% of the cigarettes on the U.S. market. It also virtually eliminated second-hand smoke. The response? The product and our company were viciously attacked. And numerous petitions were filed to ban the sale of the product.
 - In August 1996, the U.S. Food and Drug Administration issued a final rule that would, among other things, classify cigarettes as a "drug delivery device" that would be subject to FDA regulation and control.
 - Attacking every attempt by the industry to respond to public and smoker concerns is a thinly-veiled attempt at back-door prohibition.
- 

² NEED FOOTNOTE FROM ABC NEWS TRANSCRIPT

Smoking and Health

New Product Development

BACKGROUND AND ADDITIONAL POINTS

- As early as 1957, Dr. Ernst Wynder, a prominent anti-smoking advocate, called for reduced "tar":
 - [F]or practical purposes, a filter-tip capable of ... reduc[ing] the smoker's tar exposure to about 18 milligrams ... would be a significant reduction in cancer risk."³
- More recently Professor M.A.H. Russell and other prominent scientists worldwide have proposed reducing the health risks associated with smoking by lowering "tar" yields while maintaining nicotine yields to provide acceptable products to those who choose to smoke.⁴
 - "We also believe that there should be available to the public some brands with tar yields below those of the present principal Low Tar brands (i.e. below about 8 mg/cigarette), but with proportionately higher nicotine yields (up to about 1 mg)."⁵
- The tobacco industry has achieved significant reductions in "tar" and nicotine and has continued to respond to the ideas of the scientific community. The industry has achieved these objectives through the use of such techniques as:
 - effective filtration;
 - reconstituted tobacco;
 - more porous cigarette paper;
 - expanded tobacco; and
 - filter ventilation.

³ Mattox, L. and Monahan, S., "Wanted -- and Available -- Filter-tips that Really Filter." *Readers Digest*, p. 44 (Aug. 1957)

⁴ *Nicotine, Smoking, and the Low Tar Programme*, at 127 (Wald & Froggatt eds. 1989). See also Froggatt, P. 1989), "Determinants of Policy on Smoking and Health." *Int. J. Epidemiol.*, vol. 18, p. 1-9.

⁵ *Ibid* p. v

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- Reynolds Tobacco pioneered many of these innovations and continues to develop other product improvements, while following a key criterion in any cigarette design -- consumer acceptability.

Smoking and Health

Pesticides/Residues

KEY POINTS

- Scientific evidence does not establish that exposure to the levels and types of pesticides present in tobacco products results in any health risk to humans.
 - Most pesticides are not detectable in finished tobacco products.
 - Residue levels for those few pesticides that can be detected are, in most cases, present in minuscule amounts -- in the range of a few parts per million or less. (One part per million is equivalent to getting only one night's sleep in 2,740 years.)
 - The primary exception is the use of maleic hydrazide (MH-30), a herbicide that is used in the United States to control suckers (non-leaf growth) on the plant, reducing the high labor costs of manual sucker control. MH-30 residues on Reynolds Tobacco's products are consistent with the approved application rate in the United States. Certain markets, like the Far East and Germany, expect certain permissible residue levels for MH-30 (e.g., 80 parts per million is the maximum residue allowed on cigarettes in Germany), and Reynolds Tobacco products comply with all maximum allowable residues wherever they are sold.
- Reynolds Tobacco expects farmers worldwide to follow all applicable regulations regarding the use of agro-chemicals (e.g., insecticides, nematicides, fungicides, herbicides, and plant and insect growth regulators) in the growing of tobacco.
 - In most cases worldwide, the levels of pesticides and other agro-chemicals in Reynolds Tobacco products are at or below those found in locally manufactured products. This is due to our blending of various tobaccos from around the world to achieve a consistent quality cigarette that smokers enjoy.
- Reynolds Tobacco believes that pesticide regulations should apply to residue levels on the leaf, rather than on the finished product, because almost all of the pesticides used on tobacco are applied by tobacco farmers.
 - The only pesticide applied by Reynolds Tobacco is methoprene, which is used to prevent damage to stored tobacco by the cigarette beetle. Reynolds Tobacco follows all regulations for the use of methoprene in the worldwide manufacture of tobacco products.

- Methoprene is widely recognized as safe for human exposure and is approved for use on stored tobacco in many countries, including the United States. Methoprene is also approved by the World Health Organization for use in drinkable water.
- Country differences in acceptability of agro-chemicals and/or their use levels may represent potential trade barriers for the sale of tobacco products.
 - Country-specific regulations regarding pesticide levels should not be based on trade considerations.

(See International Trade section)



Smoking and Health

Pesticides/Residues

BACKGROUND AND ADDITIONAL POINTS

The use of agro-chemicals/pesticides in consumer products periodically receives media attention. Driven in part by chemophobia, rather than actual scientific and medical data, there appears to be increasing worldwide concern about the public health and environmental consequences of agro-chemical use.

- Countries differ in regulations regarding the type and level of chemicals that can be used in tobacco products.
 - Some countries, like Germany, specify a maximum residue level for an agro-chemical on tobacco.
 - Others, like Zimbabwe, establish levels for some residues and sometimes approve the use of an agro-chemical without establishing a maximum residue level.
 - Pesticide regulation should be consistent to prevent unfair trade barriers. In dealing with local authorities, perceived problems can be minimized through the use of analytical information on pesticide levels comparing Reynolds Tobacco vs. local levels.
- The U.S. tobacco industry's 1994 public disclosure of 599 ingredients used in tobacco products included one pesticide, methoprene, an insect growth regulator. Methoprene is applied by manufacturers to control cigarette beetles. Methoprene is allowed by the U.S. government on certain crops such as mushrooms, and in eggs, milk, poultry and tobacco. The World Health Organization has approved its use in drinking water (to control mosquitoes).
- Reynolds Tobacco's research and development department annually surveys tobaccos that are grown and presented for sale worldwide. This information lets RJR determine pesticide use trends so we can control our purchase of tobaccos that use unapproved pesticides, or use approved pesticides with unacceptable residue levels.

Smoking and Health

Litigation

KEY POINTS

As a rule, RJR does not "try" its court cases in the media, but we do want to ensure that our side of the story is also aired. As with other media contacts, "must airs" should be developed and communicated consistently.

- RJR will continue to vigorously defend itself against lawsuits brought by individual smokers throughout the world, as well as by nonsmokers concerning second-hand smoke.
- Class action lawsuits and actions by U.S. state attorney generals, and city and county officials, raise essentially the same claims that we have successfully defended in the past, and our traditional defenses remain solid.
 - Suits by state, county and city governments seeking reimbursement of health-care funds are no more than a "politically correct" attempt to tax cigarette manufacturers for selling a legal product.
 - A number of federal appellate courts have ruled that the class-action lawsuit is not an appropriate vehicle by which to resolve cases where the class consists of individuals who have many types of alleged injury and proof.
 - In May, one federal court decertified a nationwide class of individuals allegedly "addicted" to smoking cigarettes (the Castano case).
- The major themes of our defense include:
 - Cigarettes are a legal product.
 - There is widespread, if not universal, awareness of the risks that have been associated with smoking.¹ Warning labels have reinforced this awareness.
 - Adults should have the freedom to choose to smoke -- and they should accept responsibility for their choices.

¹ 1985 National Health Interview Survey Conducted by National Center for Health Statistics indicated that more than 90% of those surveyed believed cigarette smoking increased the risk of lung cancer (95%), Emphysema (92%) and heart disease (91%).

- A 1996 agreement by Liggett Group, Inc. to settle one class-action suit (the Castano case) and five attorney general suits against Liggett and other U.S. cigarette manufacturers has no effect on the status (or the defenses) of the other companies named in those suits.
 - RJR has no intention of settling any of these cases.
 - RJR remains confident that it has strong defense and position in all of the lawsuits against the company, including those covered by the Liggett "settlement"
 - Liggett's "settlement" was a tactical ploy in the unsuccessful effort by Bennett LeBow and The Brooke Group (Liggett's parent company) to convince RJR Nabisco shareholders to support LeBow's efforts to take control of RJR Nabisco.
 - Liggett's "settlement" is very limited in scope.
 - Liggett's "settlement" of the Castano case is no longer an issue since that case has been decertified by the U.S. 5th Circuit Court of Appeals and the plaintiffs have indicated they will not appeal the decertification.
 - Liggett's "settlement" does not affect two cases certified as class actions in Florida, nor does it affect the lawsuits subsequently brought by other attorneys general against the industry -- nor any other lawsuit that any other attorney general might bring.
 - Most importantly, the Liggett "settlement" does not affect any individual lawsuit currently pending, nor any that might later be brought.



Smoking and Health

Litigation

BACKGROUND AND ADDITIONAL POINTS

- RJR faces litigation involving a range of claims. These claims include:
 - Class action and individual claims by smokers seeking money for diseases allegedly caused by smoking.
 - Class action and individual claims by nonsmokers seeking money for injuries allegedly caused by exposure to second-hand smoke.
 - Class-action lawsuits for claims concerning other issues, such as "addiction" and Joe Camel advertising.
 - Actions by several U.S. state attorneys general to recover costs incurred by state Medicare and Medicaid programs to treat diseases associated with smoking.
- RJR is confident that these claims -- regardless of the type of lawsuit -- are without merit.
 - Since the early 1950s, RJR has defended itself against more than 600 smoking-and-health lawsuits. The company has not lost any of those suits.
- Regarding litigation in general, the following points are useful: {PRIVATE }
 - RJR defends all litigation vigorously, but our defense is always consistent with applicable discovery and court rules, and within the ethical bounds of the legal profession.
 - The plaintiffs in these lawsuits seek millions of dollars from the tobacco industry. It is both reasonable and fair to expect both sides to devote time and resources as part of the discovery process.

Addiction

General

In recent years, there have been increasing claims that smokers are "addicted" to cigarettes. One factor driving these claims is the belief that if smokers have no control over their smoking, that is, if they are "addicted," then the manufacturers of cigarettes, rather than the smokers, are liable for any health consequences that might result. This trend is part of a larger movement, particularly in the United States, where people deny personal responsibility for their actions and, instead, try to blame others for any consequences that might result from those actions.

KEY POINTS

- Regardless of how you define addiction, the nicotine in cigarettes is clearly not like addictive, mind-altering drugs like heroin and cocaine.
 - The physiologic, pharmacologic and behavioral effects of nicotine, like caffeine, are fundamentally different from alcohol, heroin and cocaine.¹
 - Smokers do not become intoxicated.² Their smoking does not cause them to: hallucinate, have blackouts, commit immoral or criminal acts, abuse their families, or cause trauma and psychological damage to their loved ones.
- The fact that behaviors like smoking and drinking coffee may be difficult for some to quit does not mean they turn smokers and coffee drinkers into "addicted" slaves. In the United States alone, almost 45 million smokers have quit, the overwhelming majority of them without outside help.³ In fact, former smokers now outnumber current smokers.
 - Successfully changing any well-ingrained, pleasurable behavior can be difficult, as evidenced by those who constantly struggle to lose weight, only to regain it and start the battle over again. For example:

¹ Robinson, J. and Pritchard, W., (1992), "The Role of Nicotine in Tobacco Use," *Psychopharmacology* vol. 108(4), p. 408-416.

² American Psychiatric Association (1994). *DSM - IV*, Washington, DC, p. 242-3.

³ U.S. Department of Health & Human Services, "The Health Benefits of Smoking Cessation: A Report of the Surgeon General." (1990).

- Dieters receive psychoactive pleasure from eating; they suffer "withdrawal" symptoms similar in kind and magnitude to those reported for smoking; the "relapse" rates are as bad as or worse than those claimed for smoking; and dieters often continue in their "risky" eating habits when medically advised to change.⁴
- According to the U.S. FDA, "An estimated 50 million Americans will go on diets this year. And while some will succeed in taking off the weight, very few -- perhaps 5%-- will manage to keep all of it off in the long run."⁵
- Labeling tobacco products "addictive" was a political public-health decision, not a scientifically driven determination. There has been no new scientific evidence that has justified a change in how smoking is characterized. Instead, the only thing that has changed is the definition of "addiction." The basic facts about smoking have been known for decades.
- A definition of "addiction" that cannot distinguish the pharmacological and behavioral effects between crack smoking and coffee drinking, glue sniffing and jogging, and cocaine and colas is meaningless.
 - A 1994 study that was sponsored by the U.S. National Institute on Drug Abuse and published in the Journal of the American Medical Association concludes that caffeine is an addictive drug.⁶

⁴ See, e.g., Stunkard, A. (1958), "The Management of Obesity." *NY J. Med.*, vol. 58, p. 79; Ross, J. (1993) "Food Addiction: A new look at the nature of craving." *Addict Recovery* 13(5): pp. 17-19; Castrone, L. "A damning indictment of the bloated weight-loss industry." *Rocky Mountain News*, July 31, 1994, p. 58A; Ulik, C., "Answer to obesity: Stomach stapling." *The Arizona Republic/The Phoenix Gazette*, Nov. 29, 1993, p. 1.

⁵ Food and Drug Administration, "The facts about weight loss products and programs," p. 1.

⁶ Griffiths, R., et al., "Caffeine Dependence Syndrome: Evidence from Case Histories and Experimental Evaluations, *J. Amer. Med. Assoc.*, vol. 272, Oct. 5, 1994 .

Addiction

General

BACKGROUND AND ADDITIONAL POINTS

Attempts by the anti-smoking industry to convince the public that cigarettes are "addictive" in the same sense as such drugs as heroin and cocaine are clearly wrong. You don't need to be a trained scientist to see the vast differences between cigarettes and drugs. All you need to do is ask, and honestly answer, two simple questions:

1. "Would you rather board a plane with a pilot who just smoked a cigarette -- or one with a pilot who just had a couple of beers, snorted cocaine, shot heroin or popped some pills?"
2. "If cigarettes are truly addictive, could almost 45 million Americans have quit smoking -- almost all of them on their own, without any help?"

(The fact is, "nearly half of all living adults who ever smoked have quit" worldwide.⁷ For example: More than 5 million Spaniards gave up smoking between 1983 and 1993.⁸ "Three in 10 Australians describe themselves as ex-smokers."⁹ Almost 5.9 million Canadians are former smokers.¹⁰ As of 1996, one in 5 smokers in Burma had quit.¹¹ And ex-smokers in the United Kingdom now number more than 11 million.¹²)

The answers are obvious.

The fact that some smokers would like to quit, but say they cannot, does not mean that smokers are "addicted" slaves. Surely, a greater percentage of obese people would like to be thinner. According to a 1993 Gallup Poll, U.S. smokers say they would like to quit (66%), that they consider themselves "addicted" (74%), but then contradict themselves by saying that they felt they would be able to quit (69%).¹³

It is scientifically impossible, to measure a person's desire to quit -- a point that is not even considered by the industry's critics.

⁷ Surgeon General's Report (1989) "Reducing the Health Consequences of Smoking: 25 Years of Progress," DHHS Publication No. CDC 89-8411, p. iv.

⁸ *Expansion*, Aug. 7, 1993, p. 25.

⁹ *Canberra Times*, nov. 13, 1995.

¹⁰ Health Canada, August 1994, p. 18.

¹¹ The (Myanmar) Star, April 23, 1996, p. 1.

¹² The (London) Times, Dec. 29, 1994, p. 15.

¹³ Thomas RM, Larsen MD. (1993). Smoking prevalence, beliefs, and activities by gender and other demographic indicators. Princeton, NJ. The Gallup Organization, Inc.

If smokers are not slavishly addicted to cigarettes, why then do they continue to engage in a behavior that has such well-publicized risks associated with it? The simple answer is smokers obviously enjoy smoking for a variety of reasons including the taste, the smell, the feel of the smoke.

Drug addiction is the result of a complex interaction of behavioral and pharmacological variables. It cannot be defined or characterized by any single activity or effect. Simply stated, the determination of whether or not a substance is "addictive" should be related to the total behavioral effects of that substance.

- "Addiction" is a frequently misused term that has become a catch phrase for just about any habit that some people find difficult to quit. The term has been used in so many different ways and so broadly that it has become almost meaningless.¹⁴
 - As the Royal Society of Canada has noted:¹⁵
 - "In popular usage, it appears to mean anything from liking something enough to do it frequently, to being hopelessly enslaved by it. Therefore the term requires precise definition before it can be employed usefully in the law, in professional practice, and in education." [Emphasis added.]
 - "If definitions were clear and universally accepted, selection of the appropriate term would be a relatively simple matter. Unfortunately, there are still no universally adopted definitions of addiction, dependence or habituation, nor of their relationship to each other."
 - Under the new "definition", virtually any enjoyable activity has been characterized as "addictive," including eating sweets, drinking coffee, playing pinball, watching TV, shopping, exercising, "surfing" the worldwide web or working too hard.¹⁶
- Every smoker can quit. For some it is more difficult than for others. But millions of smokers have quit. Characterizing smokers as helpless addicts who are enslaved to their cigarettes is counterproductive and may become a self-fulfilling prophesy.¹⁷ In addition, studies have shown that this characterization harms those who may consider quitting.

¹⁴ Robinson, J. and Pritchard, W., (1992), "The Meaning of Addiction (reply to West)." *Psychopharmacology* vol. 108(4), pp. 397-407; Akers, RL. (1991) "Addiction: The Troublesome Concept." *Journal of Drug Issues* vol. 21(4), pp. 777-793

¹⁵ Royal Society of Canada. (1987) *Tobacco, Nicotine and Addiction. A Committee Report Prepared at the Request of the Royal Society of Canada*. Page 1. [Canada's version of the 1988 U.S. Surgeon General's Report]

¹⁶ See, e.g., Griffiths, M. (1992) "Pinball Wizard: The Case of a Pinball Machine Addict." *Psychol. Rep.* vol. 71(1), p. 160-162

¹⁷ King, M., and Citrenbaum, C., An Existential View of the Addiction Problem in Existential Hypnotherapy

- Although quitting may be difficult for some smokers, the smoker's ability to think or reason clearly is not diminished when making the decision to quit or continue smoking.
- Research has shown that a positive attitude is important in successfully quitting, and the key predictor of success.¹⁸
- The new definition of "addiction" no longer accurately distinguishes between substances that interfere with judgment, "impair willpower," impair functioning and cause a temporary "loss of control" and those that don't. The new definition covers substances and behaviors that have no effect on the ability of a person to control his behavior, like playing video games, running, eating chocolate, watching TV or smoking cigarettes.
 - There is no scientific definition of "will." There is no scientific test that measures "loss of control" or degrees of compulsion.¹⁹
 - There is no scientific procedure for determining the difference between a person who does not change a behavior because he "cannot" and a person who refuses to change ("does not").²⁰
 - The American Psychiatric Association has noted, "The line between an irresistible impulse and an impulse not resisted is no sharper than that between twilight and dusk..."²¹
 - The fact that a person does not change a behavior, when medically advised to do so, is not proof that he or she is "addicted" and unable to change (e.g., heart attack victims who don't change their diets when told to do so by their doctors).²²

¹⁸ See, e.g., USDHHS. (1988), *The Health Consequences of Smoking: Nicotine Addiction. A report of the Surgeon General*. Page 524-525; Eiser JR, Sutton SR, Wober M: (1978), "'Consonant' and 'dissonant' smokers and the self-attribution of addiction." *Addictive Behaviors*, 99(3); Prochaska AV, Boyko EJ. (1988), "How physicians can help their patients quit smoking: A practical guide." *Western Journal of Medicine*, 149: 188; Eiser J. (1982), "Addiction as attribution: Cognitive processes in giving up smoking." *Social Psychology and Behavioral Medicine*, at 281; Eiser, T. (1978), "Discrepancy, Dissonance, and the Dissonant Smoker." *Int. J. Addict.* vol. 13 p. 1295.

¹⁹ Viney, DW (1986) "William James on Free Will and Determinism." *J. Mind and Behavior* vol. 7 p. 555-566

²⁰ Morse SJ. (1994), "Causation, compulsion, and involuntariness." *Bulletin of the American Academy of Psychiatry & Law*, 22, 159-180, at 177

²¹ American Psychiatric Association Statement on the Insanity Defense 1982 p. 11.

²² Turner, R. (1992), "Role of Quality of Life in Hypertension Therapy: Implication for Patient Compliance." *Cardiology* vol. 80(suppl 1) p. 11-22.

Addiction

Nicotine

KEY POINTS

- Reynolds Tobacco manufactures products with a broad range of "tar" and nicotine levels.
- Reynolds Tobacco does not "spike" its products with nicotine -- in fact, our manufacturing process results in a loss of nicotine.
 - We do not add or otherwise manipulate nicotine to "addict " smokers. We do, however, measure nicotine content to ensure accuracy in advertising and to ensure consistent quality from cigarette to cigarette, and pack to pack. This nicotine level varies from brand to brand.
 - Through the years, we have decreased both "tar" and nicotine yields in our products. According to the 1989 U.S. Surgeon General's Report, since 1957, average "tar" and nicotine yields have been reduced by more than 60%.
 - There is no justification for regulating cigarettes as a drug. Advocating that the FDA regulate cigarettes as a drug, which would effectively ban cigarettes from the market, is clearly back-door prohibition.
- Proposals to reduce nicotine and establish a maximum level that is below some hypothetical "addictive level" would amount to nothing more than a government mandated formula calculated to make cigarettes so unpalatable that people will choose not to smoke.
 - Nicotine is an essential element in the overall smoking experience, providing mild pharmacology and contributing to the product's taste and the feel of the smoke. (In this sense, it plays the same role as fat in food and caffeine in colas.) Nicotine-free cigarettes (Merit Free) have been introduced -- and have failed miserably -- in the U.S. marketplace.
 - Forcing manufacturers to produce products that smokers find unsatisfying or unacceptable is back-door prohibition.

- Many researchers support the views of such scientists as Professor Michael Russell and those on who served on the Independent Scientific Committee on Smoking and Health in the United Kingdom. They propose reducing the health risks associated with smoking by lowering "tar" yields while maintaining nicotine yields to provide acceptable products to those who choose to smoke.¹
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¹ *Nicotine, Smoking, and the Low Tar Programme* (Wald & Froggatt eds. 1989)

Addiction

Nicotine

BACKGROUND AND ADDITIONAL POINTS

In 1994, the tobacco industry came under attack by various anti-smokers who claimed that cigarette manufacturers manipulate nicotine to "create, maintain or satisfy" an addiction. Some researchers have even claimed that there is a certain minuscule level of nicotine below which "addiction" would not occur.

For example, in a 1994 letter to the *New England Journal of Medicine*,² Drs. Neal Benowitz and Jack Henningfield describe a cigarette with nicotine yields lower than any cigarette on the market, affirming their position that any cigarette currently sold today is "addictive" to someone. In fact, they describe a cigarette that is lower in nicotine yield than a denicotinized cigarette that was test-marketed by Philip Morris and shown to be unacceptable to smokers.

Benowitz and Henningfield admit that their, "threshold level for nicotine addiction is a theoretical concept..." and that restricting nicotine levels to prevent addiction, "needs to be verified empirically." They then go on to describe a huge social experiment in what would amount to nicotine prohibition, with the 40-50 million current U.S. smokers as the subjects.

.As noted by the closing speaker at the 1994 International Symposium on Nicotine, if Benowitz and Henningfield's proposal were applied to alcoholic beverages, then no beverage with more than 2% alcohol would be available to U.S. consumers. That would essentially prohibit every beer, wine and spirit currently on the market.

No one can say what level of alcohol in wine, beer or spirits constitutes an "addictive threshold." If it can't be done with alcohol, how can it be done with nicotine? Human variability defeats any such attempt.

In addition, Dr. John R. Hughes, a leading researcher and addiction proponent, has seriously criticized the position taken by Benowitz and Henningfield. According to Hughes, not only does their proposal have no scientific basis. If their position is adopted, it might, in fact, increase, rather than decrease, youth experimentation with cigarettes.³

² Benowitz, N., and Henningfield, J., "Establishing a Nicotine Threshold for Addiction." *N. Eng. J. Med.*, vol. 331 p. 123-125, July 14, 1994.

³ Hughes, J.: "Is There a Safe Level of Nicotine in Cigarettes?" Letter to the Editor, *N. Eng. J. Med* (in press as of Nov. 18, 1994).

Second-hand Smoke

General

Exposure to second-hand smoke (also known as Environmental Tobacco Smoke, or ETS) is a complicated, controversial and emotionally charged issue. The anti-smoking industry increasingly uses claims about second-hand smoke to turn smokers into second-class citizens, and to justify smoking restrictions and bans in its efforts to make smoking so difficult that smokers will simply quit.¹ Because of the emotional rhetoric frequently employed by anti-smoking activists in their efforts to shape public policy and eliminate smoking, the public is often unaware of the following points that are key to understanding the second-hand smoke issue.

It is important to keep in mind that even though the scientific evidence to justify smoking bans is lacking, the perception of a problem can be just as damaging as the actual existence of a problem.

KEY POINTS

- 1. Being in the room with a smoker is not the same as smoking.²** Nonsmokers typically are exposed to minuscule amounts of second-hand smoke. In addition, studies show that nonsmokers inhale and retain only a fraction of any second-hand smoke to which they are exposed.³
 - Studies of nicotine levels in homes, offices and restaurants where smoking is allowed indicate that nonsmokers are typically exposed to very small quantities of second-hand smoke.⁴

¹ Huber, G., Johnson, V., Pandina, R.J. (1995) "The Environmental Tobacco Smoke Social Movement: Impact on Tobacco Use and Smoking Cessation," *Seminars in Respiratory and Critical Care Medicine*, vol. 16, No. 2, pp. 111-133.

² Rodgman, A. (1992) "Environmental Tobacco Smoke," *Regul Toxicol Pharmacol*, vol. 16, pp. 223-244.

³ McAughey, J.J., Knight, D.A., Black, A., Dickens, C.J. (1994) "Environmental Tobacco Smoke Retention in Humans From Measurements of Exhaled Smoke Composition," *Inhalation Toxicol*, vol. 6, no. 6, pp. 615-631.

⁴ Sterling, E.M., Collett, C.W., Ross, J.A. (1996) "Assessment of Non-Smokers' Exposure to Environmental Tobacco Smoke Using Personal-Exposure and Fixed-Location Monitoring," *Indoor Build Environ*, vol. 5, pp. 112-125; Jenkins, R.A., Palausky, A., Counts, R.W., Bayne, C.K., Dindal, A.B., Guerin, M.R. (1996) "Exposure to Environmental Tobacco Smoke in Sixteen Cities in the United States as Determined by Personal Breathing Zone Air Sampling," to be submitted to the *Journal of Exposure Analysis and Environmental Epidemiology*; Heavner, D.L., Morgan, W.T., Ogden, M.W. (1995) "Determination of Volatile Organic Compounds and ETS Apportionment in 49 Homes," *Environ Int*, vol. 21, no. 1, pp. 3-31;

- Data from a recent study that used the best methodology (personal monitors) to continually assess nonsmoker exposure to second-hand smoke indicate that the average nonsmoker's exposure is the "cigarette nicotine equivalent" of only four to five cigarettes in an entire year.⁵

(See the Background and Additional Points for this section for a discussion of the limitations of the "cigarette equivalents" concept)

- The same study found that second-hand smoke constituents were often too low to measure, even with sophisticated analytical techniques.⁶
- Second-hand smoke concentrations are often hundreds of thousands of times lower than the concentrations of smoke that a smoker inhales from a cigarette (depending on the specific constituent being measured).⁷

2. No one will deny that second-hand smoke can be annoying. But, considered as a whole, the scientific evidence does not establish that second-hand smoke causes disease in nonsmokers. This is not surprising considering the very low nonsmoker exposure to second-hand smoke within the context of the basic tenet of toxicology that "the dose makes the poison."⁸

- Claims that second-hand smoke causes cancer⁹, heart disease¹⁰ or respiratory diseases¹¹ in adult nonsmokers is simply not justified by the scientific evidence.¹²

Holcomb, L.C. (1993) "Indoor Air Quality And Environmental Tobacco Smoke: Concentration And Exposure," *Environ Int*, vol. 19, pp. 9-40.

⁵ Phillips, K., Howard, D.A., Browne, D., Lewsley, J.M. (1994) "Assessment of Personal Exposures to Environmental Tobacco Smoke in British Nonsmokers," *Environ International*, vol. 20, no. 6, pp. 693-712.

⁶ Ibid.

⁷ Gori, G.B., Mantel, N. (1991) "Mainstream and Environmental Tobacco Smoke," *Regul Toxicol Pharmacol*, vol. 14, pp. 88-105; Rodgman, A. (1992) "Environmental Tobacco Smoke," *Regul Toxicol Pharmacol*, vol. 16, pp. 223-244.

⁸ *The Dose Makes the Poison: A Plain-Language Guide to Toxicology, Second Edition*, M. Aice Ottoboni, Ph.D. (Van Nostrand Reinhold, New York 1991).

⁹ See, e.g., Lee, P.N., Forey B.A. (1996) "Misclassification of Smoking Habits as a Source of Bias in the Study of Environmental Tobacco Smoke and Lung Cancer," *Statistics in Medicine*, vol. 15, pp. 581-605; Adlkofer, F., Heller, W-D (1995) "Exposure to Environmental Tobacco Smoke and Risk of Lung Cancer: The Epidemiological Evidence," *Eur Respir J*, vol. 8, pp. 1240-1241; Kabat, G.C., Stellman, S.D., Wynder, E.L. (1995) "Relation Between Exposure to Environmental Tobacco Smoke and Lung Cancer in Lifetime Nonsmokers," *Am J Epidemiol*, vol. 142, no. 2, pp. 141-148; Gross, A.J. (1995) "Uncertainties in Lung Cancer Risk Estimates Reported for Exposure to Environmental Tobacco Smoke," *Environmetrics*, vol. 6, no. 4, pp. 403-412; Gross, A.J. (1995) "Presentation: The Risk of Lung Cancer in Nonsmokers in the United States and its Reported Association with Environmental Tobacco Smoke," *J Clin Epidemiol*, vol. 48, no. 5, pp. 587-598; Lee, P. (1993) "An Assessment of the Epidemiological Evidence Relating Lung Cancer Risk in Never Smokers to Environmental Tobacco Smoke Exposure," in Kasuga, H. (ed.) *Environmental Tobacco Smoke*, Springer-Verlag, pp. 28-84.

- The epidemiologic evidence¹³ currently available on second-hand smoke is weak, inconsistent and unconvincing. In our opinion, this evidence does not demonstrate that second-hand smoke increases the risk of, much less is a cause of, disease in nonsmoking adults.
 - Estimates of nonsmoker exposure in these epidemiological studies are highly questionable because no actual measurements of second-hand smoke exposure were made in any of these studies.
 - In most studies, the information about "exposure" was based on questionnaire response regarding whether or not the subject was married to a smoker. Some of the studies also tried to determine how much the smoking spouse smoked, or how much smoke the subject was exposed to at work.
 - Recent studies show that people are not good estimators of how much second-hand smoke they are currently exposed to, much less how much they were exposed to over the past several decades.¹⁴

¹⁰ See, e.g., Gori, G.B. (1995) "Environmental Tobacco Smoke and Coronary Heart Syndromes: Absence of an Association," *Regul Toxicol Pharmacol*, vol. 21, no. 2, pp. 281-295; Stellman; Wynder; Aviado, D.M. (1996) "Cardiovascular Disease and Occupational Exposure to Environmental Tobacco Smoke," *Am Ind Hyg Assoc J*, vol. 57, pp. 285-294; LeVois, M.E., Layard, M.W. (1995) "Publication Bias in the Environmental Tobacco Smoke/Coronary Heart Disease Epidemiologic Literature," *Regul Toxicol Pharmacol*, vol. 21, pp. 184-191; Layard, M.W. (1995) "Ischemic Heart Disease and Spousal Smoking in the National Mortality Followback Survey," *Regul Toxicol Pharmacol*, vol. 21, pp. 180-183.

¹¹ Witorsch P. (1992) "Does Environmental Tobacco Smoke (ETS) Cause Adverse Health Effects in Susceptible Individuals? A Critical Review of the Scientific Literature: I. Respiratory Disorders, Atopic Allergy and Related Conditions," *Environ Tech*, vol.13, no. 4, pp. 323-340; Witorsch P. (1990) "Effects of ETS Exposure on Pulmonary Function and Respiratory Health in Adults, in Ecobichon, D.J., Wu, J (eds.) *Environmental Tobacco Smoke: Proceeding of the International Symposium at McGill University, 1989*, Lexington Books, Lexington Ma: pp. 169-185.

¹² See also: Witschi, H., Pinkerton, K.E., Coggins, C.R.E., Penn, A., Gori, G.B. (1995) "Environmental Tobacco Smoke: Experimental Facts and Societal Issues," *Fund and Applied Toxicol*, vol. 24, pp. 3-12; Gori, G.B., Mantel, N. (1991) "Mainstream and Environmental Tobacco Smoke," *Regul Toxicol Pharmacol*, vol. 14, pp. 88-105; Gori, G.B. (1994) "Science, Policy, and Ethics: The Case of Environmental Tobacco Smoke," *J Clin Epidemiol*, vol. 47, no. 4, pp. 325-334; Huber, G., Brockie, R.E., Mahajan, V.K. (1991) "Passive Smoking: How Great a Hazard?" *Consum Res Mag*, vol. 74, no. 7, pp. 10-34.

¹³ Most of the evidence comes from epidemiology studies (population studies of disease) where the disease rate in nonsmoking women married to smokers is compared with the rate in nonsmoking women married to nonsmokers, or where the disease rate in workers exposed to second-hand smoke is compared to the rate in unexposed workers.

¹⁴ Jenkins, R.A., Palausky, A., Counts, R.W., Bayne, C.K., Dindal, A.B., Guerin, M.R. (1996) "Exposure to Environmental Tobacco Smoke in Sixteen Cities in the United States as Determined by Personal Breathing Zone Air Sampling," to be submitted to the *Journal of Exposure Analysis and Environmental Epidemiology*; Phillips, K., Howard, D.A., Browne, D., Lewsley, J.M. (1994) "Assessment of Personal Exposures to Environmental Tobacco Smoke in British Nonsmokers," *Environ International*, vol. 20, no. 6, pp. 693-712.

- Most of the reported epidemiology studies, especially those concerning lung cancer and heart disease, failed to find a statistically significant association. (The lack of statistical significance means that there is less confidence than scientists usually demand that there is, in fact, a statistical link between second-hand smoke exposure and the disease being studied.)
- Even in the few studies that achieved statistical significance, the results were weak (that is, the reported increases in risk were very low). Most scientists regard weak results as unreliable.¹⁵
- The small increased risks reported in the few statistically significant epidemiology studies may be due to factors other than second-hand smoke. As stated above, second-hand smoke exposure is not actually measured in these studies. Instead, these studies, in effect, compare the "lifestyles" between the two groups being studied. As a result, lifestyle factors other than second-hand smoke exposure could be responsible for the results that were observed.¹⁶
 - These so-called "confounding factors" (including diet, exercise, socio-economic status, and other personal environmental and lifestyle factors) were ignored or inadequately considered in most of the studies reporting an association between second-hand smoke exposure and disease.

¹⁵ Graham, J.D. (ed.) (1995), *The Role of Epidemiology in Regulatory Risk Assessment*, Elsevier Press, Amsterdam; Du Ve Florey, C. (1988) "Weak Associations in Epidemiological Research: Some Examples and Their Interpretation," *Int J Epidemiol*, vol. 17, no. 4, pp. 950-954; "Assessing Low Risk Agents for Lung Cancer: Methodological Aspects" (1990) *Int J Epidemiol*, vol. 19 (Supp. 1); Feinstein, A. (1988) "Scientific Standards in Epidemiologic Studies of the Menace of Daily Life," *Science*, vol. 242, pp 1257-1263; Wynder, E. (1987) "Workshop on Guidelines to the Epidemiology of Weak Associations." *Preventive Medicine*, vol. 16, pp. 139-141; Doll, R. (1985) "The Aetiology of the Spanish Toxic Shock Syndrome: Interpretation of the Epidemiological Evidence," Report to the WHO Regional Office for Europe.

¹⁶ Matanoski, G., Kanchanaraksa, S., Lantry, D., Chang, Y. (1995) "Characteristics of Nonsmoking Women in NHANES I and NHANES I Epidemiologic Follow-Up Study With Exposure to Spouses Who Smoke," *Am J Epidemiol*, vol. 142, no. 2, pp. 149-157; Cress, R.D., Holly, E.A., Aston, D.A., Ahn, D.K., Kristiansen, J.J. (1994), "Characteristics of Women Nonsmokers Exposed to Passive Smoke," *Prev Med*, vol. 23, pp. 40-47; Thompson, D.H., Warburton, D.M. (1993) "Dietary and Mental Health Differences Between Never-Smokers Living in Smoking and Non-Smoking Households," *J Smok Related Dis*, vol. 4, pp. 203-211; LeMarchand, L., Wilkens, L.R., Hankin, J.H., Haley, N.J. (1991) "Dietary Patterns of Female Nonsmokers With and Without Exposure to Environmental Tobacco Smoke," *Cancer Causes and Control*, vol. 2, pp. 11-16; Sidney, S., Caan, B.J., Friedman, G.D. (1989) "Dietary Intake of Carotene in Nonsmokers With and Without Passive Smoking at Home," *Am J Epidemiol*, vol. 129, pp. 1305-1309; Koo, L.C, Ho, J.H.C., Rylander, R. (1988) "Life History Correlates of Environmental Tobacco Smoke: A Study of Non-Smoking Hong Kong Chinese Wives With Smoking vs. Non-Smoking Husbands," *Social Science and Medicine*, vol. 26, pp. 751-760; Friedman, G.D., Petitti, D.B., Bawol, R.D. (1983) "Prevalence of Correlates of Passive Smoking," *Am J Pub Health*, vol. 73, pp. 401-405.

- In addition to claims about diseases in nonsmoking adults, there are also claims concerning diseases in children. But considered as a whole, the scientific evidence does not establish that exposure to second-hand smoke causes any diseases in children.
 - RJR believes, and common sense dictates that, parents should avoid exposing infants to high concentrations of indoor air contaminants such as cooking grease, house dust, fireplace smoke, tobacco smoke, household cleaners, animal dander and talcum powder.

3. The real issue is whether smoking should be banned or severely restricted merely because some people find it annoying.

4. Banning smoking does not result in "clean air."

(See section on Indoor Air Quality)

5. The wishes of smokers and nonsmokers can be, and for many years have been, accommodated by courtesy, dialogue and common sense.

(See section on Smoking Restrictions)



Second-hand Smoke

General

BACKGROUND AND ADDITIONAL POINTS

Claims that second-hand smoke exposure increases nonsmokers' risk of lung cancer, heart disease and other serious ailments are often the "justification" for proposals to restrict or ban smoking in public places. These claims are based on a body of scientific research that is, at best, highly equivocal.

Risk assessments, including a report issued by the U.S. Environmental Protection Agency (EPA) in 1993 classifying environmental tobacco smoke (ETS, or second-hand smoke) as a Group A (known human) carcinogen, are often used to support these claims.

(See EPA Risk Assessment section)

But a number of researchers disagree with the EPA's conclusions. For example:

- An international group of scientists (the "Working Group") reviewed all of the second-hand smoke/lung cancer studies conducted through early 1996 and concluded that "[I]t is beyond the limits of current science to conclude that ETS exposure significantly adds to the risk of human lung cancer. It is the overall evaluation of the Working Group that there exists insufficient evidence to endorse the view that ETS is a primary lung carcinogen."¹⁷

(NOTE: Although one member of this group subsequently withdrew his name from the report, the findings of the group were not altered by his withdrawal.)

- In 1994, testifying before the U.S. Congress, a member of the Congressional Research Service, an independent branch of the U.S. federal government, noted that: "[O]ur evaluation was that the statistical evidence does not appear to support a conclusion that there are substantial health effects of passive smoking."¹⁸

¹⁷ Idle, J.R. (April 1996) "Environmental Tobacco Smoke and Lung Cancer: An Evaluation of the Risk: Report of a European Working Group.

¹⁸ Testimony of Jane Gravelle (May 11, 1994) "Assessing the Effects of Environmental Tobacco Smoke," Hearing Before the Subcommittee on Clean Air and Nuclear Regulation of the Committee on Environment and Public Works, U.S. Senate, U.S. Government Printing Office, Washington.

To hear some people talk, one would think that second-hand smoke exposure is the single most dangerous environmental hazard. But the fact is, even assuming there is an increased risk, a number of scientists have acknowledged that that increase in risk is small. For example:

- "Driving without a seat belt is a lot more dangerous than second-hand smoke."¹⁹
*Stanton Glantz, Anti-smoking Activist
 University of California at San Francisco*
- "Even if you believe the EPA[*'s claim that exposure shortens people's lives*], you're talking about six days of life expectancy."²⁰
*James Enstrom, Epidemiologist
 University of California at Los Angeles*
- "[Exposure to second-hand smoke represents] a small added risk, probably much less than you took to get here through Washington traffic."²¹
*Morton Lippmann, MD, Chairman
 EPA Science Advisory Board*
- "I don't think the risk of lung cancer in non-smokers in general is very high. ... The total risk to the population is not that high."²²
*Steven Bayard,
 (EPA ETS Risk Assessment Lead Author)
 EPA Indoor Air Division*
- "There is no evidence that an occasional, low-level exposure to someone's exhaled smoke poses a health hazard (although it may be extremely annoying)."²³
*Elizabeth M. Whelan, MD, President
 American Council on Science and Health*

¹⁹ Brownlee, *The Smoke Next Door*, U.S. News & World Report, June 20, 1994, at 66.

²⁰ Ibid.

²¹ Taylor (April 19, 1991), *EPA Panel Reports Non-smokers at Risk*, The Washington Times, at A3.

²² *Second-hand Smoke and Mirrors*, Washington Times, Oct. 9, 1994 at B2.

²³ Letter to the Editor, National Review, June 13, 1994.

According to Christopher R.E. Coggins, a board-certified toxicologist who works for Reynolds Tobacco:

- "Concentrations measured in 'millionths of a gram per cubic meter' -- the levels typically found for second-hand smoke -- represent such minuscule doses that it is scientifically implausible that they could result in meaningful toxicological activity."
- "Published, peer-reviewed scientific research shows that animals exposed to second-hand smoke at concentrations hundreds of times higher than those that nonsmokers are typically exposed to show no meaningful changes at all."²⁴

Cigarette equivalents

"Cigarette equivalents" is a concept often used to put into perspective the minuscule amounts of second-hand smoke that nonsmokers may be exposed to. Calculations of cigarette equivalents are based on published studies of the levels of specific second-hand smoke constituents (sometimes nicotine, sometimes other "markers" of second-hand smoke) encountered by nonsmokers in homes, offices and restaurants where smoking is permitted. These levels are used to compute the "equivalent" number of cigarettes that would have to be smoked to achieve the same exposure to the constituent used as the marker.

Reynolds Tobacco acknowledges that the use of cigarette-equivalents has a number of limitations, and that results do vary depending on the constituent used as the "marker" for second-hand smoke.

- Nicotine is not the best marker for quantifying second-hand smoke exposure because it does not occur in constant ratio with many other ETS constituents. However, airborne nicotine is virtually unique to second-hand smoke and has been widely used as a second-hand smoke marker by many researchers (including the U.S. Environmental Protection Agency and the U.S. Occupational Safety and Health Administration) and is familiar to the public as a smoke constituent.²⁵

²⁴ See, e.g., von Meyerinck, L., *et al.* (1989) "Exposure of rats and hamsters to sidestream smoke from cigarettes in a subchronic inhalation study," *Exp Pathol*, vol. 37, pp. 186-189; Lee, C.K., *et al.* (1993) "Ninety-Day Inhalation Study in Rats, Using Aged and Diluted Sidestream Smoke from a Reference Cigarette: DNA Adducts and Alveolar Macrophage Cytogenetics," *Fund and App Tox*, vol. 20, pp. 393-401; Coggins, R.E., *et al.* (1993) "Subchronic Inhalation Study in Rats Using Aged and Diluted Sidestream Smoke from a Reference Cigarette," *Inhalation Toxicology*, vol. 5, pp. 77-96; Ayres, P.H., *et al.* (1995) "Replicative DNA Synthesis in Tissues of the Rat Exposed to Aged and Diluted Sidestream Smoke," *Inhalation Toxicology*, vol. 7, pp. 1225-1246; Witschi, H., Pinkerton, K.E., Coggins, C.R.E., Penn, A., Gori, G.B. (1995) "Environmental Tobacco Smoke: Experimental Facts and Societal Issues," *Fund Appl Toxicol*, vol. 24, pp. 3-12.

²⁵ Better markers for quantifying second-hand smoke levels, such as solanesol and 3-ethenylpyridine, have been identified, but they cannot be used to calculate cigarette equivalents because the sales-weighted average concentrations of these compounds in the mainstream smoke of market cigarettes has not been quantified.

Second-hand Smoke

Smoking Restrictions

KEY POINTS -- GENERAL

- Banning smoking in all public places -- indoors and outdoors, including parks, beaches, workplaces and outdoor stadiums -- to further stigmatize smokers is unjustified, and is clearly a back-door attempt at cigarette prohibition.

Smoking bans are not necessary -- or fair. Most people prefer common courtesy and accommodating the preferences of smokers and nonsmokers alike, not total smoking bans.

- Worldwide surveys consistently show most people favor accommodating the preferences of smokers and nonsmokers alike.
 - Preliminary data (13 of 15 countries) from an April-May 1996 Gallup telephone survey of 11,500 workers (5,000 directors and 6,500 employees) in all 15 member states of the European Union indicate that:
 - 68% of directors and 79% of employees believe that companies should accommodate the preferences of both smokers and non-smokers.
 - 75% of directors and 76% of employees believe that smoking policy decisions should be reached through a dialogue between management and employees, rather than through management-imposed rules.
 - A very large majority (90% of directors and 88% of workers) agree that government should not intervene in smoking policies in the workplace.
 - Even in the United States, where anti-smoking advocacy is rampant, a March 1994 Gallup/CNN/USA Today poll indicated that:
 - 86% of Americans believe that smoking should be legal;
 - 61% of Americans oppose smoking bans in restaurants;
 - 67% oppose workplace smoking bans;
 - and 78% oppose bans in hotels and motels.

- Proper ventilation, with adequate amounts of fresh air, typically reduces all indoor air contaminants, including second-hand smoke, to levels acceptable to building occupants.¹
- Complaints about annoyances caused by second-hand smoke can be greatly reduced -- and in many cases, eliminated -- through a variety of approaches once adequate ventilation has been achieved, including:
 - Simple separation of smokers and nonsmokers.²
 - The use of partitions, portable air cleaners and designated smoking areas.³
 - Tolerance and common courtesy exercised by smokers and nonsmokers. In most cases, smokers and nonsmokers who want to work things out among themselves can easily find ways to peacefully coexist -- and they have done so for decades.
- Once adequate ventilation has been established, effective smoking policies should take a "middle of the road" approach, accommodating the desires of smokers and nonsmokers, and recognizing the problems inherent in either extreme -- unrestricted smoking or total bans.
 - Smoking in day-care centers, schools and other areas where young children are present should be limited to specified areas not frequented by children.

KEY POINTS -- WORKPLACE

¹ Sterling, E.M., Collett, C.W., Ross, J.A. (1995) "Assessment of Non-Smokers' Exposure to Environmental Tobacco Smoke Using Personal-Exposure and Fixed-Location Monitoring," *Indoor Built Environ*, vol. 5, pp. 112-125; Oldaker, G.B., Taylor, W.D., Parrish, K.B. (1995) "Investigations of Ventilation Rate, Smoking Activity and Indoor Air Quality at Four Large Office Buildings," *Environ Technol*, vol. 16, no. 2, pp. 173-180; Nelson, P.R., Hege, R.B., Conner, J.M., Oldaker, G.B. (1992) "Effects of Ventilation on Smoking Lounge Air Quality," Proceedings of U.S. EPA Air and Waste Management Association International Symposium: Measurement of Toxic and Related Air Pollutants, pp. 89-94; Bohanon, H.R., Curl, S.C. (1994) "Practical Techniques for Improving Indoor Air Quality in Restaurants," Proceedings of Healthy Buildings Conference and Exposition, pp. 29-39.

² Hedge, A., Erickson, W.A., Rubin, G. (1993) "Effects of Restrictive Smoking Policies on Indoor Air Quality and Sick Building Syndrome: A Study of 27 Air-Conditioned Offices," in Jaakkola, J.J.K., Ilmarinen, R., Seppanen, O. (eds.), *Indoor Air '93*, Vol. 1, Health Effects, pp. 517-522; Nagda, N.L., Fortmann, R.C., Koontz, M.D., Baker, S.R., Ginevan, M.E. (1989) "Airliner Cabin Environment Contaminant Measurements, Health Risks & Mitigation Option," Report DOT P-15-89-5, U.S. Department of Transportation, Washington, D.C.

³ Oldaker, G.B., Taylor, W.D., Parrish, K.B. (1995) "Investigations of Ventilation Rate, Smoking Activity and Indoor Air Quality at Four Large Office Buildings," *Environ Technol*, vol. 16, no. 2, pp. 173-180; Shaughnessy, R.J., Levetin, E., Blocker, J., Sublette, K.L. (1994) "Effectiveness of Portable Indoor Air Cleaners: Sensory Testing Results," *Indoor Air* vol. 4, no. 3, pp. 179-188 Lambert, W.E., Samet, J.M., Spengler, J.D. (1993) "Environmental Tobacco Smoke Concentrations in No-Smoking and Smoking Sections of Restaurants," *Am J Public Health*, vol. 83, no. 9, pp. 1339-1342.

- Smoking bans in the workplace are simply not justified by scientific evidence.
 - All but one of the 21 epidemiology studies that have looked at the association between lung cancer or heart disease and second-hand smoke exposure in the workplace found no statistically significant risk increases.
 - 13 of the 14 worldwide epidemiology studies that have looked at lung cancer and second-hand smoke exposure at work failed to find any statistically significant overall increase in lung cancer risk among nonsmokers exposed to second-hand smoke.
 - The one study (Fontham) that reported an overall increase in lung cancer risk among nonsmoking workers is unreliable because of the biases introduced by faulty methods used in that study.⁴
 - None of the seven epidemiology studies that have looked at heart disease and second-hand smoke exposure at work has reported a statistically significant overall increase in heart disease risk among nonsmokers exposed to second-hand smoke.
 - All of these studies suffer from the same problems that plague the second-hand smoke spousal studies.
 - No measurements of second-hand smoke exposure were made in any of the workplace studies.
 - Confounding factors and other biases could easily explain the risk increases that were observed.
- Business owners and managers should be free to work with their employees in deciding how to best accommodate their employees' preferences.
 - Business owners and managers are free to restrict or ban smoking in their establishments, if that seems to be the preference of their employees.
 - Government mandated smoking restrictions or bans are unnecessary and limit business owners' ability to conduct their businesses in the manner they and their employees deem most appropriate.

KEY POINTS -- HOSPITALITY ESTABLISHMENTS

- Business owners and managers should have the ability to make their own decisions about how best to accommodate their patrons' smoking preferences.

⁴ Enstrom, J.E. (1996) "Environmental Tobacco Smoke and Lung Cancer in Nonsmoking Women: A Reanalysis," submitted for publication to *JAMA*, 1996.

- Business owners and managers are free to restrict or ban smoking in their establishments, if that seems to be the preference of their patrons.
 - Government mandated smoking restrictions or bans are unnecessary and limit business owners' ability to conduct their businesses in the manner that they and their customers deem most appropriate.
 - The free market has already responded to concerns about second-hand smoke with the advent of separate smoking and nonsmoking sections. Ten years ago, this type of arrangement was rare in most countries. Today, it is virtually a requirement for competitive reasons, and it seems to be well accepted in most cases.
- Smoking bans would have a severe economic impact on restaurants and bars.
 - A survey conducted on behalf of the U.S. National Restaurant Association predicts revenue losses of more than \$18 billion annually for U.S. restaurants if a national smoking ban is passed.⁵
 - A New York Tavern and Restaurant Association sponsored survey of New York City restaurant owners and managers was conducted by Price Waterhouse one month after a restaurant smoking ban took effect in April 1995.⁶ The survey indicated that:
 - 51% said the smoking ban had been bad for business.
 - 41% reported lower gross sales receipts compared to the same period a year ago. Among those:
 - 83% said that receipts were down more than 5%
 - 52% said receipts were 15% lower than the previous year.
 - Smokers pay more visits to restaurants, and spend more on the average visit, than nonsmokers. As a result,, an independent consulting group investigating the smoking prohibitions in restaurants that were recently passed in the City of Vancouver, British Columbia, concluded:⁷
 - "[T]o maintain neutrality in sales revenue and employment, a smoking ban must induce 1.74 more nonsmokers to patronize hospitality establishments for each smoking customer lost."
 - The net overall reduction in annual sales revenue (for the City of Vancouver and 13 surrounding municipalities) would be at least \$69 million to as much as \$104 million.

⁵ National Restaurant Association News Release, Washington, D.C., Oct. 24, 1994.

⁶ Price Waterhouse LLP, New York City Restaurant Survey, May 10, 1995

⁷ Report of the CCG Consulting Group investigation of the economic consequence of the proposal on the hospitality industry of the Greater Vancouver Regional District, which includes the City of Vancouver and thirteen surrounding municipalities.

- Bans could easily force many restaurants and bars to close. This would put many employees out of work and would seriously damage local economies.
- Smoking bans would deprive those who choose to smoke of their right to do so.

KEY POINTS -- AIRLINES

- Airline smoking bans are unnecessary.
 - Scientific studies have consistently shown that second-hand smoke levels in airline cabins are extremely low in both smoking and non-smoking sections, regardless of flight duration.⁸
 - Calculations based on a study commissioned by the U.S. Surgeon General of airborne nicotine levels on routine commercial flights⁹ indicate that a flight attendant would have to spend 95 hours in the smoking section to be exposed to the "nicotine equivalent" of just one cigarette. Clearly, passengers would be exposed to very much less.
(See explanation of Cigarette Equivalents in the Second-hand Smoke: General section.)
 - There is no conclusive evidence that second-hand smoke, at levels commonly found in airplanes where smoking is allowed, presents any health hazard to airline crew members or passengers.¹⁰
- Banning smoking on airlines does not eliminate indoor air quality problems.¹¹
 - When smoking is banned, airlines often reduce the amount of fresh air circulated through the cabin, to save fuel. This, in itself, can cause severe IAQ problems (including the transfer of diseases such as tuberculosis).

⁸ U.S. Department of Transportation.(1987) "Report to Congress: Airline Cabin Air Quality."

⁹ Mattson, M. *et al.* (1989) Passive Smoking on Commercial Airline Flights, *JAMA*, vol. 261, no. 6, pp. 867-872.

¹⁰ National Academy of Sciences (1986) *The Airline Cabin Environment. Air Quality and Safety*, p. 214; Crawford, W.A., Holcomb, L.C. (1991) Environmental Tobacco Smoke (ETS) in Airliners -- A Health Hazard Evaluation, *Aviation, Space, and Environmental Medicine*, vol. 62, no. 6, pp. 580-586.

¹¹ Department of Transportation (1987) "Report to Congress: Airline Cabin Air Quality" ; Kenyon TA, *et al.* (1996) "Transmission of Multidrug-Resistant Mycobacterium Tuberculosis During A Long Airplane Flight," *NEJM*, vol. 334, no. 15, pp. 933-938.

- Various complaints commonly attributed to second-hand smoke -- such as watery or itchy eyes, dry nose and throat, tightness in the chest and fatigue -- often result from the high ozone levels and low relative humidity in airline cabins.¹²
 - Since cigarette smoke is usually the only indoor air contaminant that can be seen, banning smoking doesn't get rid of the problem, it only gets rid of a visible "marker" of the problem.¹³
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¹² Robertson, G. (1990) "Environmental Tobacco Smoke. Part VIII: 18. Indoor Pollution: Sources, Effects and Mitigation Strategies," Proceedings of the International Symposium on Environmental Tobacco Smoke: pp. 333-355; Robertson, G. (1990) "Source, Nature, and Symptomology of Indoor Air Pollutants," *Indoor Air Quality*, ed. H. Kasuga, Springer-Verlag, pp. 393-402.

¹³ Robertson, G. (1990) "Environmental Tobacco Smoke. Part VIII: 18. Indoor Pollution: Sources, Effects and Mitigation Strategies," Proceedings of the International Symposium on Environmental Tobacco Smoke 0 (0), pp. 333-355.

Second-hand Smoke

Smoking Restrictions

BACKGROUND AND ADDITIONAL POINTS

Smoking restrictions enacted by government agencies, public and private employers and building owners throughout the world have increased significantly in recent years.

At the same time, however, a number of public opinion polls have indicated an increasing desire for tolerance and accommodation between smokers and nonsmokers. Even polls commissioned on behalf of "health interests" show strong support for policies of accommodation rather than total bans.¹⁴

Members of the worldwide tobacco control industry amplified their calls for total smoking bans following the Jan. 1993 release of the U.S. Environmental Protection Agency's risk assessment on second-hand smoke. But experience in the public and private sectors shows that several methods of accommodation -- including simple separation of smokers and nonsmokers and the designation of smoking areas -- solve most conflicts between smokers and nonsmokers.

Reynolds Tobacco is committed to helping business owners and employees find solutions that accommodate the preferences of smokers and nonsmokers alike in workplaces and public places where people gather.

- We are working with restaurant and bar owners, business leaders, air quality experts and others to develop programs that create a climate where the preferences of smokers and nonsmokers alike are treated with courtesy and respect.
- We have produced brochures and other materials that can help businesses develop smoking policies appropriate to their employee populations.
- We have produced a guide to help facilities managers understand the principles of smoking lounge design.

A number of highly effective programs have been developed to deal with this issue through common courtesy and mutual respect between smokers and nonsmokers. For example:

¹⁴ Hugick, L., Leonard, J. (1991) "Despite Increasing Hostility, One in Four Americans Still Smokes," *The Gallup Poll News Service* vol. 56, no. 29., p. 3.; Thomas, R.M., Larsen, M.D. (1993) "Smoking Prevalence, Beliefs, and Activities By Gender and Other Demographic Indicators," Presented at the 1993 AAPOR Annual Convention in St. Charles, Ill., May 20-23, 1993, The Gallup Organization, Inc.

- Reynolds Tobacco has also developed a very effective program called *Peaceful Coexistence*, which helps form bridges of understanding between smokers and nonsmokers in bars, restaurants and other hospitality establishments. The program produces and distributes materials (e.g., napkins, coasters, matchbooks) that use humor to foster accommodation. *Peaceful Coexistence*, which started in the United States and is now expanding to other countries, also publishes a quarterly newsletter and a directory of bars and restaurants that support *Peaceful Coexistence*.
- In the Netherlands, a multi-media campaign called *Genieten moet mogen* (Pleasure ought to be allowed) was launched by the Bureau Voorlichting Tabak in 1995. This campaign encourages tolerance and understanding between smokers and nonsmokers. Radio and television spots feature a humorous conversation about things that annoy people, such as barbecues, garlic and smoking, and goes on to reject the idea of a ban. The announcer ends by saying "what gives one person pleasure can be an annoyance to another. Together we can work it out." Posters and press advertisements follow a similar line.
- In Great Britain, "Smoking in Restaurants," a leaflet published in 1993 by the Tobacco Advisory Council/Restaurateurs Association of Great Britain, provides practical hints for accommodating smokers and nonsmokers in the same restaurant. It also explains what constitutes indoor air pollution and the role of ventilation in ensuring good air quality.
- In Australia, the International Hotel Association launched a campaign in 1994 called *The Courtesy of Choice*. This campaign, sponsored by Philip Morris, promotes the accommodation of both smokers and nonsmokers in hotels and restaurants.
 - A similar Courtesy of Choice campaign was launched in Great Britain in 1995 by the British Hospitality Association.

In cases where government restrictions or bans are in effect, RJR encourages all to comply with the law.

Second-hand Smoke

EPA Risk Assessment

KEY POINTS

- In our opinion, second-hand smoke has not been shown to cause lung cancer in nonsmokers.
 - We do not agree with the U.S. Environmental Protection Agency's classification of second-hand smoke as a Group A (known human) carcinogen.
 - The epidemiologic evidence on second-hand smoke is weak, inconsistent and unconvincing. The failure to adequately control biases and confounding factors can account for any of the weak associations reported.¹ In our opinion, therefore, the epidemiologic evidence does not demonstrate that second-hand smoke increases the risk of, much less is a cause of, disease in nonsmoking adults.
 - The EPA "cherry picked" the studies to be included in their statistical assessment, and made a number of misleading statements about data contained in those studies.
- The EPA's claims concerning diseases in children did not account for all of the factors that might be responsible for the observed effects.²
- Even assuming the EPA is correct, the risk it reports for second-hand smoke is low.

¹ See, e.g., Gori, G. (1994) "Science, Policy, and Ethics: The Case of Environmental Tobacco Smoke, *J. Clin. Epidemiol.*, vol 47, pp. 325-334; Huber, G. (1991) "Passive Smoking: How Great a Hazard?" *Consumers Research*, pp. 10-34; Lee, P. (1993) "An Assessment of the Epidemiological Evidence Relating Lung Cancer Risk in Never Smokers to Environmental Tobacco Smoke Exposure," in Kasuga, H. (ed.) *Environmental Tobacco Smoke*, Springer-Verlag, pp. 28-84.

² Witorsch, P., Witorsch, R.J. (1993) "Analysis of Potential Confounding Variables in Epidemiologic Studies of Parental/Household Smoking and Respiratory Health in Preschool Children," *Indoor Environ.*, vol. 2, no. 2, pp. 71-91; Witorsch, R.J., Wu, J.M., Hood, R.D., Witorsch, P. (1993) "Further Analyses of the Role of Confounding Variables in Epidemiologic Studies of Environmental Tobacco Smoke and the Respiratory System in School-Age Children," Reverente, B.R., Weetman, D.F., Wongphanich, M. (eds.) in *Indoor Air Quality in Asia*, pp. 313-360.

- Risks are presented by virtually everything people come into contact with -- including such varied substances as foods, alcohol, chlorinated water, sand and automobile emissions. Some of these risks are high and some are low, but the key point is that most substances and human activities carry some level of risk. RJR believes it is important to put risks into perspective.
- Because we are convinced that the EPA's classification of second-hand smoke as a human lung carcinogen was wrong and was done unlawfully, Reynolds Tobacco joined others in legally challenging the Agency. Our lawsuit, which is being litigated in U.S. federal court, seeks to have the EPA's classification of second-hand smoke declared void for many reasons, including:
 - The EPA's classification of second-hand smoke as a known human carcinogen is wrong and is not supported by the scientific evidence that was available to the Agency.
 - To reach its conclusion, the EPA violated its own risk-assessment guidelines and exceeded its legal authority.



Second-hand Smoke

EPA Risk Assessment

BACKGROUND AND ADDITIONAL POINTS

- Based on its statistical analysis of population (epidemiologic) studies, and on assumed similarities with active smoking, the U.S. Environmental Protection Agency (EPA) has concluded that second-hand smoke:
 - Is a known human lung carcinogen.
 - Causes about 3,000 lung cancer deaths in U.S. nonsmokers per year.
 - Increases the risk and/or severity of various diseases in children.
- Subsequent to the EPA report, and in contrast with the EPA's findings, In the Sept. 21, 1994, lead editorial of the *Journal of the [U.S.] National Cancer Institute*, Dr. Stephen Hecht, of the American Health Foundation, noted that: "Overall, conventional epidemiologic approaches ... have not fully established that ETS [second-hand smoke] causes lung cancer"³
- The timing of the EPA report was critical to the Agency's conclusion that second-hand smoke is a lung carcinogen.
 - The EPA cut-off date came immediately after publication of an interim report of a large study by Fontham *et al.* that reported an increased risk. The large effect of the Fontham study on the EPA's analysis allowed the agency to report a very small, but statistically significant, risk increase.
 - An analysis of the 10 U.S. studies published prior to Fontham shows no statistically significant increase in risk.
 - A number of months before the EPA published its report, two additional studies (Brownson and Stockwell) that failed to find an overall statistically significant risk increase had already been published.⁴ But the EPA chose not to include them in their analysis.

³ Hecht, S. (1994) "Environmental Tobacco Smoke and Lung Cancer: The Emerging Role of Carcinogen Biomarkers in Molecular Epidemiology," *JNCI*, vol. 86, no. 18, pp. 1369-1370.

⁴ Brownson, R.C., Alavanja, M.C.R., Hock, E.T., Loy, T.S. (1992) "Passive Smoking and Lung Cancer in Nonsmoking Women," *Am J Pub Health*, vol. 82, no. 11, pp. 1525-1530; Stockwell, H.G., Goldman, A.L., Lyman, G.H., Noss, C.I., Armstrong, A.W., Pinkham, P.A., Candelora, E.C., Brusa, M.R. (1992)

- Including these two, comparatively large, studies would have prevented the Agency's analysis from achieving statistical significance.
- To date, 15 U.S. spousal studies have been published. Fonham is still the only one that has reported a statistically significant overall increase.
 - A pooled analysis of all U.S. studies using EPA's methods shows no statistically significant increase in risk.
- Even some scientists who believe second-hand smoke is a human carcinogen note that the risk increase reported by the EPA is very small. For example:
 - Dr. Morton Lippmann, the head of the EPA Science Advisory Board that reviewed the Agency's work told news reporters second-hand smoke exposure is "a small added risk, probably much less than you took to get here through Washington traffic."⁵

(See the General discussion of this section for additional quotes that put the alleged risk from second-hand smoke into perspective)

- An independent research arm of the U.S. federal government (the Congressional Research Service, or CRS) has also seriously questioned the EPA's conclusions.
 - In the first CRS report on this subject, in 1994, the authors noted: "[O]ur evaluation was that the statistical evidence does not appear to support a conclusion that there are substantial health effects of passive smoking."⁶
 - In 1995, the CRS extended its earlier assessment of the potential health effects of second-hand smoke. In that report, the CRS concluded that evidence exists to support two scenarios: either the increases in risk for lung cancer for women married to smokers are very small; or the increased risk may be nonexistent.⁷

"Environmental Tobacco Smoke and Lung Cancer Risk in Nonsmoking Women," *JNCI*, vol. 84, no. 18, pp. 1417-1422.

⁵ Taylor, *EPA Panel Reports Non-smokers at Risk*, The Washington Times, April 19, 1991, at A3.

⁶ *Cigarette Taxes to Fund Health-Care Reform: An Economic Analysis*, CRS Report for Congress, March 8, 1994.

⁷ Redhead, C.S., Rowberg, R.E. (1995) "Environmental Tobacco Smoke and Lung Cancer Risk," Congressional Research Service, The Library of Congress.

Second-hand Smoke

Indoor Air Quality

KEY POINTS

- Banning smoking does not result in "clean air."
 - Smoking adds few substances to the indoor environment that would not be there in any event -- from sources such as carpeting, wall coverings, furnishings, cleaning supplies, cooking and heating, to name only a few.¹ Further, smoking's contribution to the level of most indoor air substances is small.²
 - Eliminating second-hand smoke will not necessarily prevent exposure to such contaminants as carbon monoxide, volatile organic compounds and polycyclic aromatic hydrocarbons.³
 - Improving ventilation will go a long way toward reducing the levels of all substances contributing to poor indoor air quality, as well as removing second-hand smoke from the air more effectively for those who find it annoying.⁴
- Legislation or regulation aimed at improving indoor air should address total indoor air quality, rather than taking a piece-meal approach by singling out individual constituents, such as second-hand smoke.
 - There are many causes of poor indoor air quality,⁵ including:

¹ Guerin, M., Jenkins, R., Tomkins, B. (1992) *The Chemistry of Environmental Tobacco Smoke: Composition and Measurement.*, chap. 2.

² *ibid*

³ *ibid*.

⁴ Sterling, E.M., Collett, C.W., Ross, J.A. (1995) "Assessment of Non-Smokers' Exposure to Environmental Tobacco Smoke Using Personal-Exposure and Fixed-Location Monitoring," *Indoor Build Environ*, vol. 5, pp. 112-125; Oldaker, G.B., Taylor, W.D., Parrish, K.B. (1995) "Investigations of Ventilation Rate, Smoking Activity and Indoor Air Quality at Four Large Office Buildings," *Environ Technol*, vol. 16, no. 2, pp. 173-180; Nelson, P.R., Hege, R.B., Conner, J.M., Oldaker (1992) "Effects of Ventilation on Smoking Lounge Air Quality," Proceedings of U.S. EPA Air and Waste Management Association International Symposium: Measurement of Toxic and Related Air Pollutants, pp. 89-94; Bohanon, H.R., Curl, S.C. (1994) "Practical Techniques for Improving Indoor Air Quality in Restaurants," Proceedings of Healthy Buildings Conference and Exposition, pp. 29-39.

⁵ Guerin, M., Jenkins, R., Tomkins, B. (1992) *The Chemistry of Environmental Tobacco Smoke: Composition and Measurement.*, chap. 2.

- Improper design, operation and maintenance of heating, ventilating and air conditioning units (HVAC);
 - Off-gassing and emissions from
 - building materials (e.g., particle board)
 - cleaning materials (e.g., solvents)
 - carpeting
 - furnishings
 - office equipment (e.g., photocopiers)
 - combustion sources (e.g., fireplaces and cooking fumes)
 - the occupants themselves (e.g., perfumes, hairspray, lotions, cigarette smoke).
 - Contaminants brought in from the outdoor air (e.g., auto exhaust).
-
- Proper ventilation, with adequate amounts of fresh air, typically reduces all indoor air contaminants, including second-hand smoke, to levels acceptable to building occupants.⁶

⁶ Sterling, E.M., Collett, C.W., Ross, J.A. (1995) "Assessment of Non-Smokers' Exposure to Environmental Tobacco Smoke Using Personal-Exposure and Fixed-Location Monitoring," *Indoor Build Environ*, vol. 5, pp. 112-125; Oldaker, G.B., Taylor, W.D., Parrish, K.B. (1995) "Investigations of Ventilation Rate, Smoking Activity and Indoor Air Quality at Four Large Office Buildings," *Environ Technol*, vol. 16, no. 2, pp. 173-180; Nelson, P.R., Hege, R.B., Conner, J.M., Oldaker, G.B. (1992) "Effects of Ventilation on Smoking Lounge Air Quality," Proceedings of U.S. EPA Air and Waste Management Association International Symposium: Measurement of Toxic and Related Air Pollutants, pp. 89-94; Bohanon, H.R., Curl, S.C. (1994) "Practical Techniques for Improving Indoor Air Quality in Restaurants," Proceedings of Healthy Buildings Conference and Exposition, pp. 29-39.

Second-hand Smoke

Indoor Air Quality

BACKGROUND AND ADDITIONAL POINTS

During the past decade, indoor air quality (IAQ) has been identified as one of the most important environmental health issues. The U.S. Occupational Safety and Health Administration (OSHA) is considering regulations that would essentially ban smoking in virtually all enclosed U.S. workplaces.

Investigations of buildings with IAQ problems have identified a wide variety of factors that can cause poor indoor air quality. The single most frequently identified cause of poor indoor air quality is inadequate ventilation and filtration because of the improper design, operation or maintenance of the heating, ventilating and air conditioning (HVAC) system.⁷

Poor ventilation often allows indoor air contaminants to rise to levels that cause complaints from building occupants. In addition, poorly maintained HVAC systems can actually be both the source and conduit for circulating indoor air contaminants, since they tend to be dark, moist and warm -- ideal conditions for the growth of mold, fungus and bacteria.

Building occupants often blame poor indoor air quality on second-hand smoke because it can be seen and smelled, and because many people have strong beliefs and emotions regarding second-hand smoke.

Investigations of hundreds of public and private buildings where there have been IAQ complaints have shown that second-hand smoke is a significant contributing factor in only a very small number of cases. Instead, the problem is usually caused by a problem with the HVAC system, a contaminant unrelated to smoking, or both.

In addition, almost without exception, epidemiological studies of nonsmokers exposed to second-hand smoke at work do not show statistically significant increases in risk of lung cancer or heart disease compared to nonsmokers in workplaces where smoking is not allowed (*See Second-hand Smoke: Smoking Restrictions section*).

⁷ Robertson, G. (1990) "Environmental Tobacco Smoke. Part VIII: 18. Indoor Pollution: Sources, Effects and Mitigation Strategies," Proceedings of the International Symposium on Environmental Tobacco Smoke: pp. 333-355; Robertson, G. (1990) "Source, Nature, and Symptomology of Indoor Air Pollutants," *Indoor Air Quality*, ed. H. Kasuga, Springer-Verlag, pp. 393-402.

Second-hand Smoke**Employment Discrimination****KEY POINTS**

- Private employers should be encouraged to respect the rights of their employees to make their own private lifestyle choices. Their policies and procedures should reflect this.
 - Government, at all levels, should also be challenged to provide lifestyle employment discrimination protection for their employees.
 - Organizations involved with ideological or political affairs should be encouraged to support employment discrimination protection for smokers and others engaging in legal activities, regardless of employee lifestyle choices.
 - The anti-smoking industry should be held accountable for their stands and statements against equal rights for smokers. In debates and public discussions, anti-smokers should be encouraged to renounce the published position of the U.S. Coalition on Smoking OR Health, which opposes providing civil rights protection for smokers.
 - Candidates for public office should be asked to support employment discrimination protection.
-

Second-hand Smoke

Employment Discrimination

BACKGROUND AND ADDITIONAL POINTS

- As the U.S. anti-smoking movement grew in the 1980s and early 1990s, some employers implemented policies that prohibited their employees from smoking at any time, even off the job and away from the workplace. Some U.S. workers have been refused jobs, and others have actually been fired from their jobs for smoking away from company property, on their own time.¹

ADD EUROPEAN EXAMPLES FROM ADAM (GOVERNMENT OR COURTS RECENTLY DENIED GROUP OF SMOKERS DEMAND FOR A SMOKE-FREE ENVIRONMENT)

- While anti-smoking activists support the proposal that employers should be able to control private, off-duty behavior, a large majority of Americans think there should be limits on employer control of legal employee behaviors.
- Since 1989, 30 U.S. states and the District of Columbia have enacted laws to protect smokers from employment discrimination.
 - Some laws specifically protect smokers from discrimination in hiring, firing, compensation, costs of benefits, or promotions. Others provide more general protection from discrimination based on a wide variety of lifestyle choices, including smoking, diet, exercise and participation in risky sports or hobbies.
 - These laws have been actively supported by the tobacco industry, independent smokers' rights groups, various individual rights organizations, political commentators, and a wide range of political candidates and elected officials.

¹ See, e.g., Kilpatrick, J.J. (March 22, 1994) "Rulings Preserve Smokers' Rights," *The Cincinnati (Ohio) Enquirer*, Story about Woman and Son being Fired From Ford Meter Box Company, *World News Tonight with Peter Jennings*, Dec. 24, 1990, ABC News; Leukhardt, B., "Plainville Woman Files Suit, Saying She Was Fired For Smoking Off the Job," *The Hartford (Conn.) Courant*, Feb. 1, 1995;

- Employers who regulate off-duty behavior often justify their policies through assertions that smokers have higher actual health care costs or cost their employers more for health insurance. But people who use economic arguments to justify controlling the lifestyle of employees create a dangerous precedent.
 - Even if it could be demonstrated that smokers, within a given workforce, actually cost their employer more in health care expenses, controlling smokers' behavior off the job would still be unjustified.
 - Marital status bears a strong statistical association to longevity. Employees with children can cost their employers more in health insurance costs than those who do not have children. Yet should employers be allowed to hire only married people, or only those without children? Clearly, legal, personal lifestyle choices should be beyond the control of our employers.

(Following is a list of U.S. states that have passed employment discrimination laws)

U.S. State Laws Prohibiting Employment Discrimination Based on Off-the-Job Smoking, Use of Tobacco, Lawful Products, or Lawful Activities

<u>State</u>	<u>Year Enacted</u>	<u>Protects</u>
Arizona*	1991	Tobacco
Colorado	1990	Activities
Connecticut	1991	Smoking
Delaware**	1989	Smoking
Dist. of Columbia	1992	Tobacco
Illinois	1991	Products
Indiana	1991	Tobacco
Kentucky	1990	Smoking
Louisiana	1991	Tobacco
Maine	1991	Tobacco
Minnesota	1992	Products
Mississippi	1991	Tobacco
Missouri	1992	Alcohol & Tobacco
Montana	1993	Products
Nevada	1991	Products
New Hampshire	1991	Smoking
New Jersey	1991	Smoking
New Mexico	1991	Tobacco
New York	1992	Products & Some Activities
North Carolina	1992	Products
North Dakota	1991	Activities
Oklahoma	1991	Tobacco
Oregon	1989	Smoking
Rhode Island	1990	Tobacco
South Carolina	1990	Tobacco
South Dakota	1991	Tobacco
Tennessee	1990	Non-alcohol Agricultural Products
Virginia*	1989	Tobacco
West Virginia	1992	Tobacco
Wisconsin	1992	Products
Wyoming	1992	Tobacco

*Arizona and Virginia laws apply only to public employees.

**Delaware executive order prohibits discrimination based on off-job smoking by state government employees

Second-hand Smoke

New Technology Cigarettes

KEY POINTS

RJR has long been interested in developing new-technology cigarettes that can help address the annoyances that are sometimes caused by second-hand smoke. RJR continues to develop, test and market a variety of new-technology cigarettes that reduce second-hand smoke and the annoyances it produces.

- **Premier**, a new cigarette that heated, rather than burned tobacco, was introduced in test market in the United States in 1988. Premier significantly reduced second-hand smoke compared to tobacco-burning cigarettes.

Because of Premier's unique design, many of the compounds in cigarette smoke were dramatically reduced or eliminated in the smoke from Premier.

- RJR took Premier off the market after several months, primarily for two reasons:
 - Smokers said the taste and aroma left a lot to be desired.

Premier was heavily attacked by anti-smokers, public health officials and government researchers, who didn't think smokers should have the option of choosing a cigarette like Premier. (It is interesting to note that similar attacks were made when filter cigarettes were first introduced.)

- **Vantage Excel**, a cigarette that reduced visible lit-end (sidestream) smoke through the use of a new tobacco blend combined with a special, high-porosity cigarette paper was introduced in test market in early 1989.

Although smokers were very interested in the concept, the test market was discontinued in late 1989 because several product characteristics, including the cigarette's taste, did not meet smokers' standards.

- **Salem Pianissimo**, a technologically advanced tobacco-burning cigarette with ultra-low-"tar," low sidestream smoke and reduced lingering cigarette smoke aroma was introduced in Japan in 1995.

Pianissimo is receiving excellent consumer acceptance. It was nominated as one of the top five new products in Japan by two leading Japanese publications. Because of the success of Salem Pianissimo, in 1996, the company launched a non-menthol version called **Premier Pianissimo**, which is also low in "tar," sidestream smoke and lingering smoke aroma.

- **Eclipse**, a cigarette that primarily heats, rather than burns, tobacco was introduced in test market in the United States in 1996.

(It was also introduced in test-market in Germany as **Hi.Q**, and in Sweden, as **Inside**.)

- Because of its unique design:
 - Eclipse reduces second-hand smoke by almost 90% compared to other cigarettes on the market.
 - The exhaled smoke dissipates quickly, so there's no buildup of smoke in the room.
 - Eclipse leaves no lingering odor.
 - It reduces the staining of fabric -- so curtains, drapes and wall coverings stay cleaner.
 - It produces virtually no ash.
 - Compared to most other cigarettes, if it is handled carelessly, Eclipse is less likely to start a fire. (But like anything else that burns, Eclipse is not fire-safe, and should be handled with care.)
 - By the FTC method, Eclipse is low in "tar" and nicotine, with carbon monoxide levels comparable to other cigarettes.
 - The smoke from Eclipse is 80% water and glycerin and 20% "tar" (excluding glycerin) and nicotine, which is the opposite of the smoke from U.S. tobacco burning cigarettes, which is typically 80% "tar" (excluding glycerin) and nicotine, and 20% water and glycerin.
- Many smokers enjoy the taste of Eclipse and the fact that it reduces many of the annoyances associated with other cigarettes, including second-hand smoke, stain and ash.

Health Warnings

KEY POINTS

- There is widespread awareness that health risks are associated with smoking.¹ Existing health-warning labels constantly reinforce that awareness. Consequently, there is no need for more onerous health-warning labels.
 - As of August 1996, 125 countries required health warnings on cigarette packs. In the majority of cases (85 of those countries) the warning is placed on the side panel only.
 - Many countries also impose health warning statements on cigarette advertising.
 - The most onerous package labeling requirement is currently imposed in Thailand and Canada, where the warning labels occupy 25% of the front and back panels.
- The cigarette package trademarks, with their design and distinctive colors, are unique competitive tools that create brand identification and consumer loyalty; they represent valuable commercial property to their owners.
- Reynolds Tobacco and R.J. Reynolds International strictly comply with health-warning requirements in all markets.
 - RJRI is instituting voluntary warning labels on all cigarette packs for markets where warnings are not required. Implementation is being phased in to minimize unnecessary expense and market disruption.
- Nonetheless, Reynolds Tobacco will not oppose new or expanded health warning requirements provided:
 - The mandatory language is neither exaggerated nor misleading;
 - It is attributed to the appropriate government authority; and
 - the required size and placement do not unnecessarily detract from packaging configuration or advertising copy -- which are valuable commercial assets.

¹ 1985 National Health Interview Survey Conducted by National Center for Health Statistics indicated that more than 90% of those surveyed believed cigarette smoking increased the risk of lung cancer (95%), Emphysema (92%) and heart disease (91%).

- Excessive size of package warning labels can effectively result in an expropriation of RJR trademark rights, in contravention of the Uruguay Round TRIPS Agreement. (Most countries of the world are signatories to this agreement.)

Advertising and Promotion

General

KEY POINTS

- Cigarette advertising and promotion serve three primary purposes:
 - To maintain loyalty by smokers of our brands.¹
 - To encourage smokers of competitive brands to switch to our brands.
 - To provide information concerning our brands.
- Cigarette advertising has no effect on a person's decision to smoke.
 - Studies consistently show that the main factors affecting a person's decision to smoke are the influence of family members and friends, and the accessibility of cigarettes.²

(See the Advertising and Promotion: Youth Smoking section)
- Reynolds Tobacco does not direct advertising or promotion to underaged individuals.
 - Our company and our industry are actively involved in numerous programs to help prevent youth smoking by teaching children how to resist peer pressure and make right decisions, and by working with retailers and civic groups to achieve better enforcement of minimum-purchase-age laws.

(See the Advertising and Promotion: Youth Smoking section)
- Banning advertising so that new or better products (like Eclipse in the United States; Hi.Q in Germany; Inside in Sweden; and Salem Pianissimo in Japan) can't be effectively test-marketed or introduced is censorship -- and back-door prohibition.

¹ Statement of Dr. Scott Ward, Professor of Marketing, The Wharton School, Advertising of Tobacco Products: Hearings Before the Subcommittee on Health and the Environment of the House Committee on Energy and Commerce, 99th Cong., 2d Sess. 668 (1986).

² Statement of Dr. Mortimer Lippsett, M.D., Director, National Institute of Child Health and Human Development, Smoking Prevention Act: Hearings on H.R. 1824 before the Subcommittee on Health and the Environment of the House Committee on Energy and Commerce, 98th Cong., 1st Sess. 53 (1983).

- Advertising bans do not necessarily decrease cigarette consumption.³ International experience shows no consistent relationship between cigarette consumption trends and advertising bans. People in countries with cigarette advertising bans generally smoke as much as people in countries where advertising is prevalent.

(See the *Advertising and Promotion: Restrictions/Bans* section)

³ Lewit, "Tobacco in Developing Countries", Harvard Institute for the Study of Smoking Behavior and Policy, Discussion Paper Series, March 1988; Pierce, J. (1989), "International Comparisons of Trends in Cigarette Smoking Prevalence," *Am. J. Pub. Health*, vol. 79, p. 152-57; Simon Chapman, *Tobacco Control in the Third World: A Resource Atlas*, pp. 201-31 (IOCU 1990).

Advertising and Promotion

General

BACKGROUND AND ADDITIONAL POINTS

- Cigarette advertising is frequently attacked by critics who claim its purpose is:
 - To convince young people to smoke.
 - To take advantage of women and minorities.
 - To mislead people in developing countries and convince them to smoke.
- Cigarette advertising does not -- and cannot -- convince people to smoke, regardless of their age, race, sex or nationality.
 - Claims that women or minorities are being duped by cigarette advertising are false, paternalistic, condescending and insulting.
 - "It is more accurate to observe that smoking among women led cigarette companies to advertise to the 'female market' than to suggest that the advertising created the market in the first place."⁴

(See the *Advertising and Promotion: Youth Smoking section*)
- Concerning claims that cigarette advertising and promotion in developing economies is inappropriate, it is important to note that, for any individual market, what is and is not acceptable in advertising and promotion depends on the culture within which the ads are run and the regulations that have been established in that market -- not in the country where the products are manufactured.

⁴ M. Schudson, "Advertising, the Uneasy Persuasion: Its Dubious Impact on American Society 183(1986); See also, L. Schiffman and L. Kanuk, *Consumer Behavior*, p. 443 (2d Ed. 1983).

Advertising and Promotion

Restrictions/Bans

KEY POINTS

- Advertising bans do not necessarily decrease cigarette consumption.¹ International experience shows no consistent relationship between cigarette consumption trends and advertising bans. People in countries with cigarette advertising bans generally smoke as much as people in countries where advertising is prevalent. For example:
 - Smoking incidence is much higher in Eastern Europe, where advertising has been banned for decades, than in Western Europe and the United States, where advertising generally is permitted.
 - The incidence of smoking in the former East Germany (where cigarette advertising was banned for almost 50 years) is slightly higher than in the former West Germany (where cigarette advertising is permitted).
 - The incidence of smoking is slightly higher in Singapore (where there has been a total ban on cigarette advertising for more than a generation in a very strict effort by the government to ban smoking) than in Hong Kong, where cigarette advertising laws are considerably more liberal.
 - Many countries that have banned tobacco advertising have, in fact, experienced increases in consumption following those bans.²
 - For example, Italy, Portugal and France banned tobacco advertising in 1987. Since then, consumption has risen in Italy by 8.05%, Portugal by 7.39% and France by 5.24%.³

¹ Lewit, "Tobacco in Developing Countries", Harvard Institute for the Study of Smoking Behavior and Policy, Discussion Paper Series, March 1988; Pierce, J. (1989), "International Comparisons of Trends in Cigarette Smoking Prevalence," *Am. J. Pub. Health*, vol. 79, p. 152-57; Simon Chapman, *Tobacco Control in the Third World: A Resource Atlas*, pp. 201-31 (IOCU 1990).

² Götestam, K. and Götestam, K., *Smoking and Attitudes Toward Smoking in Norway*, *Tidsskr Nor Laegeforen*, 1990, 17(110): 2260-1; 1990, 18(110): 2395-8; 1990, 19(110): 2567; 1990, 20(110): 2689-90; Rimpelä, A., Rimpelä, M., Hara-Eteläharju, M., Pykäri, P., Siivola, M., and Karvone, S., *Young People and Smoking 1973-1988*, Helsinki University of Helsinki, Dept. of Public Health Science, Publication 2/1989, 1989.

³ Wyatt, P., "Banning cigarette ads won't stop anyone smoking," *The Spectator*, Feb. 17, 1996, p. 25.

- Overall tobacco consumption continues to decline in several countries where advertising is allowed (e.g., the United States, United Kingdom and Netherlands).
- In the United States, underage smoking trends did not change as a result of the 1971 ban on radio and television advertising.
- A 1995 Canadian Supreme Court decision that overturned legislation banning all tobacco advertising and promotional programs affirmed cigarette manufacturers' right to communicate with adult smokers through advertising.
 - The Supreme Court's decision marked the culmination of seven years of review of this issue within the Canadian legal system -- representing the most exhaustive legal study of the role of advertising and the effect of advertising bans that we know of anywhere in the world.
 - In the majority opinion, the chief justice explained that "there was no direct evidence of a scientific nature showing a causal link between advertising bans and decrease in tobacco consumption."
 - Despite what the anti-smokers claim, cigarette advertising does not -- and cannot -- convince someone to smoke. The Canadian decision reflects the lack of evidence for anti-smokers' claims to the contrary. Cigarette advertising can shift market share among different brands, but it does not increase total cigarette sales.
 - The court also said: "Freedom of expression, even commercial expression, is an important and fundamental tenet of a free and democratic society."
 - Canadian law allows for infringement on constitutional rights under certain circumstances. "The question is not whether the measure is popular or accords with the current public opinion polls," the Supreme Court decision said. The decision continued: "...the courts must nevertheless insist that before the state can override constitutional rights, there be a reasoned demonstration of the good which the law may achieve in relation to the seriousness of the infringement [of constitutional rights]. It is the task of the courts to maintain this bottom line if the rights conferred by our constitution are to have force and meaning." The court opinion continued: "The task is not easily discharged, and may require the courts to confront the tide of popular public opinion. But that has always been the price of maintaining constitutional rights."
- Bans and restrictions on tobacco advertising ignore the real causes of underage smoking (the influence of friends and family members, and accessibility). Consequently, they divert attention from finding solutions that address those causes.
- Banning advertising so that new or better products can't be effectively introduced is censorship -- and back-door prohibition.

Advertising and Promotion

Restrictions/Bans

BACKGROUND AND ADDITIONAL POINTS

- Prohibitions of tobacco-products advertising is not the international legislative norm. Fewer than 25 nations have totally banned tobacco-products advertising, and those bans have often stemmed from ideological opposition to the principles of a democratic market economy (e.g., Cuba, Iran, Niger, North Korea).
 - Among those few nations that have banned tobacco advertising, there is no credible evidence that banning such advertising leads to a significant reduction in tobacco consumption. In fact, many nations that allow tobacco advertising have seen more significant decreases in tobacco consumption over the last 15-20 years than nations that have banned it. Furthermore, some nations where it is banned have actually seen increases in tobacco consumption, particularly among those under age 18, since implementation of a ban.
- Tobacco advertising is regulated and restricted throughout most of the industrialized world. Tobacco advertising is often restricted to some extent by voluntary agreements with the tobacco industry, legislation, or mixed statutory and voluntary mechanisms.
 - In most cases, restrictions placed on advertising are aimed at ensuring that such advertising is not designed or executed in a manner that directly targets those under 18 years of age or deceives people about the health risks associated with tobacco consumption.
- Despite the fact that there is no consistent relationship between advertising regulations and the incidence of cigarette smoking, countries throughout the world continue to pass legislation banning or severely limiting tobacco advertising. For example:
 - The European Commission is still clinging to the idea of outlawing any tobacco advertising in the European Union's Member States (the draft Directive has been held up in the Council of Ministers for some years now).

- In November 1994, the Chinese Central Government passed a revised advertising law aimed at "better control over advertising on pharmaceuticals, cigarettes and food." The law bans cigarette advertising through use of radio broadcasting, cinema, television, newspapers and periodicals.
- Concerning claims that advertising bans would reduce the incidence of youth smoking, a World Health Organization study found no systematic differences between the smoking habits of youth in countries where tobacco advertising is completely banned and in countries where it is not.⁴
 - Other studies have indicated that the incidence of youth smoking increased, rather than decreased, after advertising was banned.
 - For example, "In Finland, tobacco product advertising has been banned since 1978. Nevertheless, University of Helsinki researchers have found that smoking among juveniles increased after imposition of the ban (Rimpela et al., 1987; Rimpela et al., 1989, p 3); and 1989-1990 smoking statistics for 13 to 15-year-olds were the highest among eleven European countries and Canada (Rimpela, 1992, p. 285). The incidence of smoking among 12 to 18-year-olds of both sexes had had been declining sharply in the period preceding the ban in 1978, but it stabilized generally between 1979 and 1985. Then, between 1985 and 1987, the evidence showed 'a clear increase in smoking ... among adolescents' (Rimpela et al., 1987, p. 4)."⁵
 - Some experts have indicated that bans actually encourage youth to smoke because youth are often attracted to forbidden practices and products.

(Following is a chart prepared by the Tobacco Documentation Centre that summarizes the status of advertising and smoking bans and restrictions in major markets worldwide.)

⁴ Aaro, Wold, Kannas and Rimpelä (1986), "Health Behaviour in Schoolchildren: A WHO Cross-National Survey", Health Promotion, vol. 1(1), p. 17.

⁵ Boddewyn, J. (1994) "Cigarette Advertising Bans and Smoking: The Flawed Policy Connection," *International Journal of Advertising*, 13(4), at p. 319.

Advertising and Promotion

Tax Deductibility

KEY POINTS

- Proposed legislation that would deny tobacco manufacturers tax deductions for advertising and promotion expenses is aimed at eliminating the advertising of tobacco products. This is a clear example of back-door prohibition.
 - Efforts to eliminate tax deductions for tobacco advertising expenses are discriminatory because they judge tobacco by a different standard from the one that is applied to other legal products.
 - It is unfair to single out the tobacco industry from other consumer products companies, which are allowed to deduct their advertising expenses.
- Eliminating the tax deductibility of cigarette advertising would make it more expensive for tobacco companies to advertise and would, effectively, restrict advertising while calling it something else. This could discourage product development and innovation.
 - Efforts of this type constitute censorship because they would make "politically incorrect" speech more expensive than speech approved of by the government.
- Eliminating the tax deduction on cigarette advertising will serve no societal benefit; it will only placate those groups who are trying to eliminate completely cigarette advertising.

Advertising and Promotion

Tax Deductibility

BACKGROUND AND ADDITIONAL POINTS

- If the tax deduction is eliminated, cigarette manufacturers will undoubtedly run less advertising. This, in turn, will decrease the amount of product information available to consumers.
 - Advertising lets Reynolds Tobacco and other companies make the public aware of new products and product innovations. If the deduction for advertising expenses is eliminated, increasing the net cost of advertising, product innovations and improvements will be discouraged.
- Because of the competition it helps create, advertising helps lower prices and increase quality. If advertising costs are increased, consumers may lose these benefits.

Advertising and Promotion

Youth Smoking

KEY POINTS

- Our policy on youth smoking is clear:
 - Reynolds Tobacco believes underage people should not smoke.
 - Our company does not engage in any activities whatsoever designed to encourage underage persons, or for that matter, adult nonsmokers, to become smokers.
 - Our company's goal is to provide adult smokers with reasons to purchase our products instead of those of our competitors.
 - We advertise our products not to encourage nonsmokers to start smoking, but, rather to reinforce brand loyalty among existing smokers and to encourage smokers of competitive products to try our brands.
- There are two primary reasons why we don't want underage people to smoke:
 - First, smoking is, and should be, an adult custom because it has been associated with an increased risk for a variety of diseases.
 - Second, operating our business would be much less complicated if only adults smoked.
 - Every time a child smokes, we are blamed and there are calls for an end to tobacco advertising and the prohibition of other marketing efforts, which means an end to our ability to communicate with our adult customers and an end to our ability to take market share from our competitors.
- For a number of years, our company has been actively involved in major efforts to reduce youth smoking, including in-school programs that teach children how to resist peer pressure and in-store programs to help reduce youth access to cigarettes.
 - We are working to expand these programs to additional markets worldwide.
- Claims that banning cigarette advertising will eliminate youth smoking are wrong.

- "There is no evidence in any of the studies to suggest that, if advertising were banned, it would make the least difference to the propensity of children to smoke."¹
- Advertising has little, if any, effect on a person's decision to start smoking.²
 - "[A]dvertising does not cause adolescents to start smoking."³
 - "[A]dvertising was hardly mentioned as a potential reason for starting to smoke by children who had tried a cigarette. In relation to personal, familial and socio-cultural factors, advertising was found to be insignificantly related to smoking initiation."⁴
 - The Gallup Organization reported in 1991 and 1993 in two surveys conducted on behalf of "health interests" that the principal influence in the decision to smoke was peer pressure and family influence (74% of respondents in 1993). Advertising was listed by 1% in 1991; it was not listed at all in 1993.⁵
 - "The view that advertising can create some kind of irresistible desire and can change otherwise intelligent consumers into robots that advertisers can manipulate is far removed from the real world of advertising communications."⁶
- The most important factors influencing youth smoking are peer influence, the example of family members, and the accessibility of cigarettes.⁷

¹ McDonald, C. (1993) "Children, Smoking and Advertising: What Does the Research Really Tell Us?" *International Journal of Advertising*, vol. 2, no. 3, pp. 279-287.

² Smith, G. (1990), "The Effect of Advertising on Juvenile Smoking Behaviour," *International Journal of Advertising*, vol. 9, pp. 57-79; Smith, G. (1989) "The Effects of Tobacco Advertising on Children" *Brit J. Addict* vol. 84, pp. 1275-1277; The Children's Research Unit, London (1989) "Juvenile Smoking Initiation & Advertising" (a 16-country study of the perceived role of advertising and other factors bearing on juvenile smoking initiation in Argentina, Australia, Canada, Hong Kong, Italy, Japan, Kenya, Kuwait, New Zealand, Norway, The Philippines, Spain, Sweden, Switzerland, Turkey, and the United Kingdom), ed. Boddewyn, J.J.. (International Advertising Association, New York); Statement of Roger Blackwell, Professor of Marketing, Ohio State University, Advertising of Tobacco Products: Hearing before the Subcommittee on Health and the Environment of the House Committee on Energy and Commerce, 99th Cong., 2d Sess. 484 (1986)

³ Van Raaij, F.W. (1990) "The Effect of Marketing Communication on the Initiation of Juvenile Smoking," *International Journal of Advertising*, special report, pp. 15-36.

⁴ Smith, G. (1990), "The Effect of Advertising on Juvenile Smoking Behaviour," *International Journal of Advertising*, vol. 9, pp. 57-79

⁵ Hugick, L., Leonard, J. (1991) "Despite Increasing Hostility, One in Four Americans Still Smokes," *The Gallup Poll News Service* vol. 56, no. 29., p. 3.; Thomas, R.M., Larsen, M.D. (1993) "Smoking Prevalence, Beliefs, and Activities By Gender and Other Demographic Indicators," Presented at the 1993 AAPOR Annual Convention in St. Charles, Ill., May 20-23, 1993, The Gallup Organization, Inc.

⁶ Darmon, R., Laroche, M. *Advertising Management in Canada* (John Wiley & Sons, 1984)

⁷ See, e.g., Begin M. "Address to the Fifth World Conference on Smoking and Health." Proceedings on the 5th World Conference on Smoking and Health 26 (Winnipeg, 1983); Moore T.E. Antecedents of Smoking Onset in Children and Adolescents: A Review 19-22 (Department of Psychology, Glendon College, York University, Toronto Canada, Apr. 2, 1987 (quoting McAlister A.L., Korosnick J.A., Milburn M.A. "Cause of Adolescent Cigarette Smoking: Tests of a Structural Equation Model." *Soc. Psychol. Q.*

- "If advertising does 'cause' smoking it clearly fails to work in most cases, since most children, even when they enjoy advertising, seem to be unaffected by it. It seems much more likely that children become interested in smoking through family background, peer pressure, etc."⁸
- "[T]he smoking behavior of best friends turned out to be the strongest social environmental risk factor for both male and female adolescent smoking throughout the 14 to 18 year old age levels. This is especially so when adolescents report that three or four of their best male or female friends smoke."⁹
- In 1995, the Children's Research Unit in London released a study¹⁰ **NEED FULL CITE** of smoking among 7-15 year olds in Hong Kong, which has few advertising restrictions. It found that:
 - 95.8% had never smoked.
 - The primary reasons the children cited for starting to smoke were:
 - "To see what it was like" (44%),
 - "Someone I know gave me one" (24%), and
 - "All my friends smoke" (12%).
 - Most said they got their first cigarette from either friends (52%) or their father (12%).
 - Most (94%) were aware of government health warnings.
- Even the U.S. FDA, citing findings from focus groups among underage smokers conducted in October and November, 1995, reported that: "Most of the participants indicated that they did not believe that they were influenced by cigarette advertisements ... [It] has nothing to do with the ads."¹¹

47: 24-36 (1984); Pederson L.L., Lefcoe N.M. "Cross-Sectional Analysis of Variables Related to Cigarette Smoking in Late Adolescence" *J. Drug Educ.* 15(3): 225, 230-234 (1985) (Study funded by National Health Research and Development Program, Health and Welfare Canada); Rabier J. "Young Europeans and Tobacco: A Sample Survey of 11-to 15-year-olds in the Member States of the European Community," The 44th E.S.O.N.A.R. Marketing Research Congress 363-387 (Luxembourg 1991); Goddard E. "Why children start smoking." *Brit. J. Addiction* 87(1): 17-25 (1992); Isohanni M., Moilanen I., Rantakallio P. "Determinants of teenage smoking, with special reference to non-standard family background." *Brit. J. Addiction* (86) 391-398 (1991).

⁸ McDonald, C. (1993) "Children, Smoking and Advertising: What Does the Research Really Tell Us?" *International Journal of Advertising*, vol. 2, no. 3, pp. 279-287.

⁹ Wang, M.Q., et al. (1995) "Family and Peer Influences on Smoking Behavior Among American Adolescents: an Age Trend" *Journal of Adolescent Health* vol. 16, No. 3, pp. 200-203.

¹⁰ NEED FULL CITE -- Children's Research Unit, London.

¹¹ "Findings of the Focus Group Testing of Brief Statements for Cigarette Advertisements, General Findings II, 3." 60 Fed Reg 61,670, 61,674 (Dec. 1, 1995).

- A U.S. study indicated that better voluntary enforcement of minimum-age-purchase laws currently on the books can reduce youth smoking by at least half.¹²
- Youth smoking exists, and in some cases has increased, in countries where cigarette advertising is totally banned.
 - "Cross-national studies on smoking indicate that the prevalence of smoking is high in countries with an almost complete ban on tobacco advertising (Australia, Canada, Norway and Sweden)."¹³
 - An analysis of annual tobacco consumption in 22 countries assessing the likely effect of a cigarette advertising ban on consumption indicates that a ban may have the opposite of the desired effect -- it may increase consumption.¹⁴
 - The authors suggest that a plausible interpretation may be that without cigarette advertising, health warning labels have reduced exposure.
 - "Although teenage smoking remains a concern, the facts suggest that the long-standing policy of educating teens as well as adults about the risks of smoking is working and is resulting in significant declines in smoking."¹⁵
- Reynolds Tobacco does not want promotional items to fall into the hands of young people.
 - In the United States, all promotional items are tested and selected for their appeal among adult smokers, 21 years of age and older. Order forms for continuity programs require a certification that the orderer is a smoker at least 21 years old.
 - In other markets, we do not promote our brands to anyone under 18. If the legal age for smoking in a country is greater than 18, we use the higher age as the minimum.

¹² Jason, L., *et al.* (1991), "Active Enforcement of Cigarette Control Laws in the Prevention of Cigarette Sales to Minors." *J. Amer. Med. Assoc.* vol. 266, p. 3159.

¹³ Van Raaij, F.W. (1990) "The Effect of Marketing Communication on the Initiation of Juvenile Smoking," *International Journal of Advertising*, special report, pp. 15-36.

¹⁴ Stewart, M.J. (1993) "The Effect on Tobacco Consumption of Advertising Bans in OECD Countries," *International Journal of Advertising*, vol. 12, pp. 155-180.

¹⁵ Beales, J.H. (1994), "Teenage Smoking: Fact and Fiction." *The American Enterprise*, March/April 1994 p. 20-25.

Advertising and Promotion

Youth Smoking

BACKGROUND AND ADDITIONAL POINTS

- Members of the anti-smoking movement claim that tobacco companies not only actively encourage young people to smoke, but that we "must" do so in order to replace the smokers who are "lost every day to death and quitting." This is untrue.
 - Reynolds Tobacco brands account for only about a quarter of the U.S. market and lower shares in most other markets, so there are more than enough competitive adult smokers to provide all the new business Reynolds Tobacco will ever need.
 - Contrary to what some anti-smokers argue, brand switching among adult smokers provides significant growth opportunities for RJR and other companies. Advertising, promotion and pricing play important roles in a smoker's decision to switch.
 - "Given that no statistical relationship appears to exist between aggregate advertising expenditures and total cigarette consumption over the past 30 years, the position that advertising expenditures may contribute to inter brand competition is supported."¹⁶
 - Based on marketing surveys conducted by RJRT in 1991 and 1993:
 - 10.3% of adult smokers say they have switched from one preferred (usual) brand to another.
 - 25% of adult smokers regularly buy more than one brand each month (i.e., they are regularly -- for whatever reasons -- multiple brand buyers).
 - 70% of all adult smokers have a second-choice brand that they purchase from time to time, or when their first choice is not available.
- Youth smoking is on the decline in many markets. For example:

¹⁶ Wilcox, G., Vacker, B. (1992), "Cigarette Advertising and Consumption in the USA, 1961-1990," *International Journal of Advertising*, vol. 11, pp. 269-278.

- Data from the U.S. Department of Health and Human Services (the Center for Disease Control's TAPS survey) indicate that only 8.0% of all 10-17 year olds smoke (based on an extremely over-inclusive definition of a "smoker" as someone who has smoked one cigarette in the past month). The TAPS survey further indicates that the younger the age, the less likely a young person is to smoke (at 10 years of age, only 0.11% smoked at least once in the past 30 days). Only 4.9% of 10-to-17 year olds claim to usually buy their own cigarettes, and 85% of that group say their parents are aware that they smoke.

ADD NON-US EXAMPLES OF YOUTH SMOKING ON THE DECLINE FROM ADAM

- Our company and our industry are actively involved in a wide variety of programs to reduce the incidence of youth smoking in markets throughout the world. In all of these efforts, the main focus is on education and access: teaching young people how to resist peer pressure, teaching retailers about laws governing sales to minors, and working to reduce the opportunities for minors to acquire cigarettes. For example:
 - In the United States:
 - *We Card* is an industrywide, training and educational program designed to help retailers and their employees comply with minimum-age laws on tobacco and other age-restricted products.
 - More than 250,000 *We Card* retailer kits have been distributed in the United States.
 - *Right Decisions, Right Now* is an in-school program that uses a variety of materials to help middle-school and junior-high-school students learn how to make the right decisions about important lifestyle choices, including not smoking.
 - The materials include wall posters and student brochures designed to challenge the effects of peer influence and a curriculum series that helps young people learn how to make the right decisions regarding smoking, drinking, and other issues they may face as adolescents.
 - Various *Right Decisions, Right Now* materials are distributed each semester to more than half of the middle schools and junior high schools in the United States. We are now working to expand this program into other countries.
 - In Canada:

- Since 1988, the Canadian Tobacco Manufacturers Council, in conjunction with the Retail Council and the Association of Chiefs of Police has provided educational material to retailers about the laws governing the sale of tobacco to minors. Each year, the campaign has become more sophisticated, and now includes tips on handling customers and verifying customer age.
 - The latest version, called *Operation I.D.* is similar to the U.S. *We Card* program, but uses language more appropriate to Canadian retailers and young people. This program was developed in cooperation with the Canadian Coalition for Responsible Tobacco Retailing. The *Operation I.D.* kit contains: poster, window sticker, law reminder tearsheet pads, counter cards, age of purchase dangle, training manual and order form for additional materials.
 - Discussions are in progress to have the *Operation I.D.* program adopted by the Canadian Junior Chamber of Commers as part of their JAYS program.

(For information about campaigns in the European Union, Finland, Hong Kong, Japan, Norway, Puerto Rico, Taiwan and the United States, see the Public Affairs Manual produced in 1996 by RJRI.)

- The tobacco industry follows strict, voluntary advertising and marketing guidelines that emphasize the industry's belief that children should not smoke. For example:
 - Advertising is not placed in publications directed primarily to those under 21, and models in ads must be and look at least 25.
 - Outdoor ads are not placed within 500 feet of any school below college level, or any children's playground.
 - Sampling must be confined to adult-based venues, and those people who receive samples must certify that they are smokers who are 21 years or older.
 - Clothing bearing cigarette names and logos are produced in adult sizes (L, XL) only.

Advertising and Promotion

Youth Smoking

YOUTH NON-SMOKING PROGRAM SUMMARY

Campaigns to discourage youth smoking have been an increasingly important part of the industry's efforts. These campaigns have been developed and implemented by tobacco trade associations and by individual companies.

The most popular type of campaign is one in which stickers and pamphlets are distributed to retailers reminding them and their customers of the laws governing sales of tobacco to minors. This has been used successfully in a number of countries, including Australia, Canada, Malta, Mauritius, the United Kingdom and the United States.

Other campaigns use posters that encourage children not to smoke. Such campaigns have been launched in Hong Kong, Finland, Japan, Singapore and Moscow.

In the United States, Reynolds Tobacco's Right Decisions, Right Now program helps adolescents resist peer pressure and make the right decision -- not to smoke.

In Ecuador, Proesa has used television spots featuring a popular young actor to communicate its message.

Following, in chronological order, is brief background information on some of the many campaigns that have been developed by the tobacco industry worldwide to discourage youth smoking. {PRIVATE }

Tobacco Advisory Council (United Kingdom) 1981 onwards: Stickers campaign for retailers.

Tobacco Institute (United States) USA 1984: Responsible Living Program. [The booklets used in this programme, such as *Helping Youth Decide* and *Helping Youth Say No* were regularly updated and reissued for a number of years. In 1992, the U.S. Tobacco Institute updated *Young People - Where the Tobacco Industry Stands*.] The U.S. TI also ran an *It's the Law* stickers campaign reminding retailers of the laws on cigarette sales to minors.

Tobacco Institute of Australia 1985: Signage campaign on prohibition of cigarette sales to minors.

Canadian Tobacco Manufacturers' Council 1988: We don't sell tobacco products to minors' stickers campaign. [Information kit explaining law on sales to minors in Manitoba produced with retailers in Nov. 1991.] Updates/improvements to program each year. (See *Advertising and Promotion: Youth Smoking -- Background and Additional Points Section*)

Tobacco Institute of Japan 1989: "You may not smoke until you are 20 years old" poster campaign. [The TIOJ has been providing stickers for vending machines since 1992. This campaign is regularly updated: in March 1994 a leaflet was distributed to all tobacco retailers explaining why they should help discourage smoking by young people.]

Tobacco Institute of Hong Kong 1990: "If you're not old enough to drive, you're not old enough to smoke" campaign. [Poster campaign carried out in May 1993 with Hong Kong Government Education Department and a number of community bodies.]

Tobacco Industry Advisory Council (Malta) 1990: "We don't sell cigarettes to under-16's" stickers campaign. [Campaign relaunched for a month in 1991.]

British-American Tobacco (Mauritius) 1990: Stickers campaign to discourage minors from smoking. [Campaign relaunched in 1993.]

Tobacco Manufacturers & Importers Association of Singapore 1990: "Children, don't smoke" poster campaign.

Proesa (Ecuador) 1990: "Smoking is an adult decision" television campaign.

R.J. Reynolds Tobacco Company 1991 onward: *Right Decisions, Right Now.*

Amer-Tupakka (Finland) 1992: Poster campaign.

Svenska Tobaks 1993: *Fordel Rok-Fritt! En Latrok om Tobak* [Advantage smoke-free! A primer on tobacco] Forlagshuset Gothia with Svenska Tobaks (1993) 32 pp.

Tobacco Institute of Taiwan 1993: Stickers campaign for retailers.

Tobacco Institute of Australia 1994: Sticker, poster and badge campaign for retailers in South Australia and Victoria.

Philip Morris and government of Moscow 1994: Poster campaign addressed at children.

Ecuadorian Association of the Tobacco Agriculture Industry 1995: "Smoker or Not, it's a question of maturity" campaign received much acclaim by the media and social commentators for its initiative.

Tobacco Institute of Hong Kong 1995: Announced the design of stickers to discourage retailers from selling cigarettes to minors.

Middle East Tobacco Association 1995: Launched a campaign to discourage minors from smoking.

Philip Morris 1995: U.S. program called "Action Against Access," designed to make it as difficult as possible for minors to purchase cigarettes.

W.D & H.O. Wills 1996: W.D & H.O. Will has joined forces with other tobacco manufacturers to launch a campaign called "It's the Law," designed to curb juvenile smoking through retailer education.

Following is more detailed information on some selected youth non-smoking campaigns:

Poster/In-school Campaign and Retailers Campaign: Reynolds Tobacco (USA)

Right Decisions, Right Now is a program Reynolds Tobacco developed and has supported since 1991 to help counter the peer pressure an adolescent may feel to smoke. The campaign's message is primarily delivered through middle and junior high schools to reach 12-15 year olds.

Right Decisions, Right Now has used a wide variety of elements, including posters, brochures, buttons, in-class curricula, cafeteria table-cards, public service announcements and billboards designed to challenge kids perceptions and help them make right decisions about a variety of issues -- including not smoking. To help parents, Reynolds Tobacco makes available (through a toll-free telephone number) two brochures. "Tobacco: Helping Your Child Say No" and "How To Talk To Your Kids About Not Smoking Even If You Do."

In an attempt to help reduce the ability of underage smokers to buy cigarettes, Reynolds Tobacco developed a retailer-access program called *Support The Law. It Works!*. This program was active from 1992 through 1995, when it was superseded by a similar, industrywide program called *We Card* (developed by the Coalition for Responsible Tobacco Retailing, a coalition of tobacco retail organizations and tobacco manufacturers that includes the National Association of Convenience Stores, the National Grocers Association and the Food Marketing Institute.). *Support the Law* used brochures, store signs, posters, training videotapes, public service announcements, advertisements and other materials to ensure awareness among retailers (store managers and their employees) and their customers about minimum-age laws and the importance of adhering to them, as well as to educate store personnel on the appropriate manner in which to enforce these laws (i.e., age identification process).

Support the Law was adopted by the U.S. Junior Chamber of Commerce (Jaycees), a prominent civic service organization, as part of their JAYS (Jaycees Against Youth Smoking) program, which was launched in 1994. The Jaycees have more than 200,000 members serving 4,000 communities nationwide. They are actively encouraging retailers to observe the legal age law for their state and to post *Support The Law* materials in their stores. The Jaycees currently support the *We Card* program.

Retailer's Campaign: United Kingdom

The Tobacco Advisory Council (TAC) in London started distributing point-of-sale material to retail outlets in 1981. From April 1986 to October 1989 it invested heavily in a campaign to encourage support for the law banning the sale of cigarettes to children under 16 years.

The multi-faceted plan included:

- Enlisting the cooperation of head offices of all major multiple retailer companies.
- Inserting packs of campaign materials in key trade journals.
- Distributing campaign materials to all retail outlets where children might try to buy cigarettes.
- Developing an advertising campaign for the trade and national press.
- Developing a public relations program.
- Carrying out research to evaluate results.

The campaign was very successful:

- The proportion of tobacco retail outlets displaying notices on the law rose from 34% in 1984 to more than 80% of principal outlets by the end of the campaign.
- More than 80% of children in the 8-15 age group and more than 90% of the 12-15 age group are aware of the law on sales of tobacco goods. Awareness among adults is also high.

The Tobacco Advisory Council has produced a comprehensive report on its campaign, from planning stage to final research results.

Retailers Campaign: Australia

The three Australian tobacco manufactures have launched a major campaign aimed at educating retailers in Victoria and South Australia that it is illegal to sell tobacco products to any person under 18 years of age. [In January 1994, the law in Victoria and South Australia changed to raise the minimum legal age to purchase tobacco products from 16 to 18 years.]

The main feature of the campaign was the distribution of an *It's the Law* kit to about 4,000 retailers in Victoria and South Australia. The kits include:

- Badges for retail staff to wear.
- A booklet explaining the new legislation, including steps to help ensure that retailers comply.
- Stickers that can be displayed at the point of sale indicating that it is illegal to sell cigarettes to under-age persons.

Poster Campaign: Japan

The Tobacco Institute of Japan (TIOJ) launched its first juvenile smoking campaign in 1989. Twice a year, posters and stickers are distributed to get across the message that smoking is an adult custom. The campaign is conducted with the cooperation of the National Federation of Tobacco Retailers of Japan.

- Posters are prominently displayed at public transport stations in major cities, in all tobacconists nationwide, on bulletin boards at public facilities, on pavements and at tobacco retailers' associations.
- Campaign pamphlets are distributed to retail shops, and stickers are available for use in retail shop windows and on vending machines.

The TIOJ's message is reinforced by a separate campaign by Japan Tobacco Inc. (JTI). JTI has been discouraging juveniles from smoking for 20 years through an annual poster campaign backed up by pamphlets for retailers.

JTI has the support of bodies such as the Ministry of Finance, the National Police Agency and the National Council for the Promotion of Prevention of Smoking by Minors.

The TIOJ and JTI coordinate the timing of their campaigns so that they are not running simultaneously.

Television Campaign: Ecuador

Proesa, the Philip Morris affiliate in Ecuador, ran a campaign to discourage juvenile smoking in 1990 with the sponsorship of the Minister of Education.

The campaign centers on a 40-second television advertisement called "Smoking is an adult decision." The young actor featured in the advertisement has a popular television program for children which, according to Proesa, contributes to the understanding of its message.

The television spot has been shown at specific times of the year: at the opening of the school term (twice a year for two weeks), during national holidays and congressional sessions.

Proesa regards the campaign as highly positive: opinion leaders have said that the television spot provides a community service in inviting young people to make responsible decisions.

The campaign continued in 1991 with new advertisements.

Booklet for young people: Sweden

In 1993, Svenska Tobaks (Swedish Tobacco) undertook a number of initiatives that concern youth smoking and courtesy.

The company sponsored a booklet to inform young people about the decision to smoke. Called *Fordel Rok-Fritt En larobok om tobak* [Advantage smoke-free! A primer on tobacco], it is aimed at 13 to 20 year olds and is distributed in schools. The booklet's cover shows two people playing tennis, and the title is a play on words in the language of tennis.

The booklet explains the history of tobacco, reasons for smoking, Sweden's goal of a smoke-free generation, smoking trends among young people, and the alleged health effects of smoking. It stresses that choosing to smoke or not is one's own responsibility, while acknowledging the influence of advertising, family and friends and role models in this decision.

The booklet is interactive, contains questions designed to test schoolchildren's awareness of issues discussed. It was written by Henrik Tibblin, former editor and information officer at the National Foreningen for Upplysning om Tobakens Skadeverkningar (NTS - National Smoking and Health Association), and currently superintendent of a high school in Stockholm.

Advertising and Promotion

VENDING SALES

KEY POINTS

- R.J. Reynolds believes that smoking is an adult custom and agrees that minimum legal purchases ages for cigarettes are appropriate. We do not, however, agree with any restrictions, including vending restrictions, that substantially limit cigarette accessibility for adult smokers.
- While vending sales are very popular in certain markets (e.g., Japan, Korea and Germany), in general, vending machines are not a major source of youth cigarette purchases.
 - There is no reliable evidence that limiting cigarette sales from vending machines will have a significant impact on youth smoking.
 - The relatively high price of products sold through vending machines makes vending an unattractive purchase option for youth, who generally do not have much pocket money.
 - Worldwide, only nine countries have banned vending machines for the sale of cigarettes.
- R.J. Reynolds is interested in observing the “vending norms” and societal dictates of each individual market.
 - In the United States, for example, the common belief is that cigarette vending machines should not be accessible to anyone under the legal age to purchase cigarettes. Consequently, in the United States:
 - We oppose the placement of vending machines in unsupervised locations readily accessible to youth.
 - We believe, however, machines that offer adults convenient purchase opportunities should not be prohibited.
 - We agree that vending operators can, and should, limit the accessibility of cigarettes, through:
 - Locking devices.
 - Vending tokens (instead of coins).

- Restricting vending machines to adult-only, or adult-supervised locations, such as bars, taverns and workplaces.
-

Advertising and Promotion

VENDING SALES

BACKGROUND AND ADDITIONAL POINTS

- The anti-smoking community has pursued legislative efforts to eliminate cigarette vending machine sales to reduce youth access and smoking. These efforts are misdirected because, in most markets, vending machines are not a major source of cigarette purchases for adults or underaged smokers. For example:
 - In the United States, the amount of cigarette sales through vending machines has steadily declined over the past decade. In 1985, vending represented 10% of all industry and Reynolds Tobacco sales; in 1995 it represented only about 1% of sales. In 1985, cigarettes were sold in 1,090,000 vending machines in the United States; in 1994, that number had dropped to 400,000.¹
 - The Teenage Attitudes and Practices Survey (TAPS) conducted in 1993 by the U.S. Centers for Disease Control (TAPS II) indicates that youth who purchased cigarettes from a vending machine in 1993 represented only 0.6% of all 10-17 year olds in the United States. In 1995, of all high school students, aged 17 or younger, who smoked, only 2.2% used vending machines as their usual source of cigarettes.²
- In the United States, Reynolds Tobacco supports legislation that limits vending machines to work environments, adult establishments such as bars with minimum age entrance requirements, and restaurants or other establishments where the machine can be supervised by staff.
 - Such vending limitations do not deprive restaurants, bars, office canteens and countless other small businesses of a legitimate source of revenue, or adults of a legitimate right to purchase cigarettes from vending machines at work or other convenient locations.

¹ Vending Times Census of the Industry, 1986; 1995.

² U.S. Centers for Disease Control, "1995 Youth Risk Behavior Survey."

Advertising and Promotion

JOE CAMEL

RJR use a variety of different advertising and promotional campaigns to support the Camel cigarette brand in various countries. In some countries, the campaign focuses on individuality and humor, while in others it features an adventure theme. The United States and a few other countries (including a few South American and Middle Eastern markets) use the "Joe Camel" campaign, which is one of the humorous campaigns. It incorporates an illustrated character called Joe Camel depicted in a variety of situations (e.g., shooting pool, playing golf, sitting in a hot tub). In recent years, Joe Camel has been the subject of considerable criticism in the United States by various anti-smoking organizations who claim that the campaign is designed to appeal to children. It is not.

KEY POINTS

- If credible evidence showed that the Joe Camel advertising campaign caused children to smoke, Reynolds Tobacco would pull that campaign immediately.
 - After an investigation that lasted several years, the United States Federal Trade Commission, which has jurisdiction over advertising, concluded in June 1994: "[a]lthough it may seem intuitive to some that the Joe Camel advertising campaign would lead more children to smoke or lead children to smoke more, the evidence to support that intuition is not there."
 - Our Camel advertising is directed toward current adult Camel smokers and smokers of competitive products, primarily Marlboro. And the advertising is effective.
 - Since the campaign began, 93% of present Camel smokers 21-24 years of age have switched from another brand, and 67% of them switched from Marlboro. The campaign is effective in standing out from tobacco advertising clutter to convey the brand's message of smooth tobacco taste to adult smokers.
- Claims that Camel uses cartoon characters to appeal to children are false.
 - Illustrations have long been successfully used for advertising numerous adult products. Examples currently in market include lotteries ("Roger Rabbit" look-alike in Illinois), insulation (Pink Panther), hotels and motels (Garfield and Bugs Bunny) and insurance (Peanuts characters), to name a few.

- Claims that Camel advertising causes children to smoke are contradicted even by the studies used to support the claims. Research conducted by our critics as well as research we have commissioned shows that 95% to 99% of those who recognize Joe Camel have a negative view of smoking. This clearly shows that recognition has no effect on an intent to smoke.
 - During pre-testing for his December 1991 article in *the Journal of the American Medical Association* (JAMA), Dr. Joseph DiFranza found that Camel ads appealed more to people in their 20s than early teens. He wrote his colleagues, "It would appear that we have just disproved our theory that the ads appeal more to kids than to adults." (emphasis added)
 - To get his final results, DiFranza changed questions that didn't produce the desired answers. He also included in the results the answers of "kids" who told him they did not smoke. And, incredibly, he counted respondents up to 21 years of age as "kids."
 - DiFranza told a newspaper reporter: "None of these studies was designed to show that these Camel ads increased smoking among kids."
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Advertising and Promotion

JOE CAMEL

BACKGROUND AND ADDITIONAL POINTS

In 1988, our Camel cigarette brand celebrated its 75th birthday with a special promotional campaign that introduced Joe Camel in the United States. Originally drawn by a British artist for a French Camel program in 1974, Joe Camel is a caricature of Old Joe, the camel featured on the pack since 1913. Except for a brand lighter promotion, the caricature had not previously been used in the United States.

After the birthday campaign, Joe Camel evolved into the brand's predominant advertising feature, later to be joined by the Hard Pack "band" -- Floyd, Eddie, Bustah and Max -- in March 1991, and by Ray, Max's alter ego, with the introduction of Camel Wides in January 1992.

- Brand promotions through the years have featured the camel characters:
- A "Smooth Moves" campaign in 1989-90 offered humorous situations with various "tips" for handling, one option always being to enjoy a Camel cigarette.
- Camel Cash "C" notes to redeem items in a catalog have been offered with the filtered styles since October 1991. Items from these catalogs have been used at various hearings and anti-smoking news conferences through the years.
- In 1993, Camel began sponsoring "Smokin' Joe's" racing in NASCAR, drag, and motorcycle events.
- In 1994, the Camel VIP club thematic for direct marketing was introduced.
- Female camels appeared in "Joe's Place" advertising early in 1994. The brand was criticized for introducing "Josephine" camel by anti-smokers.
- In 1989, the company first learned from a reporter that some people saw phallic images in the facial features of Joe Camel. Since then, there have a number of news stories and contests focusing on this claim. But the fact is, the Joe Camel caricature is just that -- a caricature, which, by definition, exaggerates facial features. A comparison to a real camel shows that Joe Camel, in fact, looks like a camel.

- In 1989, the brand ran a series of "Smooth Moves" advertisements. One of these, "Bored, Lonely and Restless," included "Smooth Move 334" which pictured a man carrying a woman out of the ocean. Led by the National Organization for Women (NOW), protesters deluged the company with calls and letters complaining about what they saw as a "sexist" ad. A letter from Chairman Jim Johnston to Congressman Sikorski in June 1989 reiterated the company's apology for the ad, stated the ad should never have run and assured the congressman it would not run again.
- Almost since Joe Camel advertising first appeared, Reynolds Tobacco has been the target of false accusations claiming Joe Camel advertising somehow causes youth to start smoking. Three articles that appeared in the Journal of the American Medical Association (JAMA) in December 1991 added fuel to these accusations.
- Headlines coming out of the JAMA news conference were that Joe Camel was as recognizable to 3-to-6 year olds as Mickey Mouse, and that since the introduction of Joe Camel, the brand's share of underage smokers had leaped from 0.5% to 32% of the youth market.
- Anti-smoking forces have continually staged events and encouraged actions that have kept the controversy in the news. The JAMA articles have been cited in various efforts to ban or restrict advertising and to justify boycotts. For example, in June 1992, the Surgeon General held a children's march through the downtown Chicago streets ending at a rally at the AMA headquarters building. Articles that year in the Weekly Reader and Scholastic News further exposed children to Joe Camel, as did a contests run by the Stop Teenage Addiction to Tobacco (STAT) anti-smoking group in 1991 and in 1993. A STAT speakers' guide on Camel was produced in 1992.
- As a result of allegations, shareholder resolutions requesting the campaign be dropped were submitted in 1992, 1993 and 1994. Twice, the company has responded to inquiries from the Investor Responsibility Research Center (IRRC).
- In February 1994, Surgeon General Elders released her report on youth smoking, joined by former Surgeon General Antonia Novello, who specifically criticized Joe Camel advertising.

Advertising and Promotion

Trademark Infringement

KEY POINTS

- Smoking is an adult practice, and Reynolds Tobacco will neither permit nor tolerate the use of its trademarks on goods designed for minors.
 - Whenever Reynolds Tobacco's trademarks are found on goods designed for minors, our company takes formal and informal actions to bring the unauthorized usage to a halt.
 - Cost is never a determining factor in the decision to take or continue legal action.
 - The unauthorized use of trademarks may result in the loss of trademark rights if appropriate action is not taken to stop the unauthorized use.
 - Despite the aggressive defense of Reynolds Tobacco's trademarks, local laws are sometimes inadequate to effectively terminate unauthorized trademark usage.
- An extensive U.S. General Accounting Office investigation of marketing practices in Asia by U.S. cigarette manufacturers failed to find any evidence that U.S. companies permit the use of their trademarks on goods with youth appeal.
- Reynolds Tobacco will continue to aggressively defend its trademarks, and will, without exception, take necessary legal action to prevent the unauthorized use of its trademarks, particularly when the goods have a youth appeal. Reynolds Tobacco supports efforts by the U.S. government to broaden the protection of trademarks in foreign markets.

Advertising and Promotion

Trademark Infringement

BACKGROUND AND ADDITIONAL POINTS

- The allegation is frequently made that U.S. cigarette manufacturers permit the use of their trademarks on goods intended for children's use. Although Reynolds Tobacco's trademarks have appeared on various items intended principally for use by minors (such as candy cigarettes, children's clothing, kites, etc.), the use of Reynolds Tobacco's trademarks in these situations has, without exception, been unauthorized, and Reynolds Tobacco has aggressively acted to stop these unauthorized uses.
 - Between 1987 and 1993, Reynolds Tobacco and other U.S. cigarette exporters brought over 500 legal actions in foreign markets to stop the unauthorized use of U.S. cigarette trademarks on collateral goods. While the legal actions are often successful, in some instances the laws of the particular country do not afford an effective remedy to bring the objectionable activity to a halt.

Advertising and Promotion

Sponsorships

KEY POINTS

- Reynolds Tobacco complies with all government regulations concerning the sponsorship of civic, cultural and entertainment events.
 - We do not direct any sponsorships toward children.
 - We do not sponsor entertainment where the entertainer or the entertainment itself appeals primarily to children.
 - We do not sponsor events where any of the entertainer(s) are children.
- The decision to accept sponsorship funding from cigarette manufacturers should be left to the discretion of the organization concerned.
 - Interference by the government is unjustified and unwarranted.
- Our company does not use sponsorships to pressure anyone to accept, endorse or promote the company's positions on any issues related to cigarettes.

(See the RJRI Cigarette Marketing Code)

Advertising and Promotion

Sponsorships

BACKGROUND AND ADDITIONAL POINTS

- Sponsorship is a way of repaying consumer loyalty, a form of good corporate citizenship and provides at-event marketing and customer relations opportunities. Companies and brands that sponsor events are entitled to be recognized as sponsors. Without sponsorship support, many sporting and cultural events might not be possible.
- Banning, or severely limiting, cigarette sponsorships could have negative consequences.
 - Worthwhile cultural and sports organizations would be denied a generous source of funding that might not be replaced easily.
 - Bans of this type constitute censorship and could send a chilling message to the manufacturers of other controversial products (e.g., wine, beer and spirits).

Advertising and Promotion

Sampling

KEY POINTS

- Reynolds Tobacco complies with all laws governing the sampling of tobacco products. We also follow strict voluntary guidelines (the Cigarette Advertising and Promotion Code in the United States, and the R.J. Reynolds International Marketing Code for other countries) that emphasize our industry's belief that smoking is, and should be, a custom reserved for adults. And we do even more to ensure that those who receive samples are smokers who are 21 or older.
- The U.S. sampling code specifies that:
 - Samplers shall refuse to give a sample to any person whom they know to be under 21 years of age or who, without reasonable identification to the contrary, appears to be less than 21 years of age.
 - Sampling shall not be conducted in or on public streets, sidewalks or parks, except in places that are open only to persons to whom cigarettes lawfully may be sold.
 - Cigarette product samples shall not otherwise be distributed in any public place within two blocks of any centers of youth activities, such as playgrounds, schools, college campuses, or fraternity or sorority houses.
 - Cigarette samples shall not be distributed by mail without written, signed certification that the addressee is 21 years of age or older, a smoker and wishes to receive a product sample.
 - Cigarette samples shall not be distributed in direct response to requests by telephone.

(See Code of Sampling Practices/Cigarette Advertising and Promotion Code)
- In other markets:
 - No sample products shall be offered to anyone under the age of 18. In countries where the legal age to purchase is higher than 18, this higher age is the minimum.

- Where there is any question concerning age, the sampler shall seek verification. If a question remains, the sample shall not be offered. Sampling will not take place at events or places which appeal primarily to children.

(See RJRI Cigarette Marketing Code)

- In all markets, marketing by direct mail shall be directed only at adult smokers. Where premiums are offered in exchange for coupons or used packages, the person requesting the premium must certify that he or she is an adult.

In addition to adhering to the above guidelines:

- In all instances in which we are interacting with a smoker face-to-face in the United States, before providing a sample, we inspect a driver's license or other official identification to ensure the prospective recipient is 21 years of age or older.
- In all other instances in the United States, we are instituting procedures which, when fully implemented, will require that, unless we have inspected an official identification document previously, we will not provide a sample to anyone whose age has not been verified by a third-party using its own verification procedures and criteria.



Advertising and Promotion

Sampling

BACKGROUND AND ADDITIONAL POINTS

- Sampling of our products to smokers on the street and in bars and clubs is a useful means of getting competitive adult smokers to try our brands. Reynolds Tobacco observes strict standards to ensure that sampling doesn't take place among underage people. Some of the same standards apply to our distribution of coupons.
- Many localities have adopted legislation to prohibit sampling of cigarettes in "public places." This usually results in a prohibition on sampling out-of-doors but in some cases can prevent sampling within, for example, a retail store or other like place of business.
- Worldwide, 30 countries have banned sampling. In the 123 countries where sampling is permitted, any restrictions that exist generally relate to age limits.

Advertising and Promotion

Premiums and Branded Items

KEY POINTS

- Reynolds Tobacco does not use its trademarks on items that are directed toward or used by children (e.g., school notebooks, kites, toy cars, games, dolls, candy "cigarettes").
 - When third parties use our trademarks on such items, our company immediately requests discontinuance.
 - If the third party refuses to comply with the request, Reynolds Tobacco takes legal action.
- Clothing that bears our cigarette names or logos is produced in adult sizes only.
- Our direct-mail efforts are directed only at adult smokers.
 - When we offer premiums in exchange for coupons or used packages, the person requesting the premium must certify that he or she is an adult.

(See Cigarette Advertising and Promotion Code and RJRI Cigarette Marketing Code)

Advertising and Promotion

Plain Packaging

KEY POINTS

- Requiring plain packaging of cigarettes will increase contraband:¹
 - "If generic packaging is introduced, an underground tobacco industry would develop as counterfeit packaging would be easily produced."²
 - "If all the packages are the same, it would be worthwhile for organized criminals to invest in an infrastructure to produce the counterfeit."³

- Requiring plain packaging of cigarettes can cost thousands of jobs -- from tobacco growers to printers to wholesalers to retail clerks :
 - "Plain packaging will cause jobs to disappear, in packaging, in manufacturing, and in legal wholesaling and retailing. Is that a desired effect - again, with no proof of its impact on consumption?"⁴
 - "Plain packaging will eliminate the dominant market for our product and will put us out of the rotogravure business in Canada."⁵
 - "We stand to lose 1,200 direct jobs in the packaging industry should the federal government proceed with plain cigarette packaging, not to mention the economic multiplier effect."⁶
 - "Between 1991 and 1993, the smuggling of tobacco products has cost 5,000 direct jobs in the wholesale and retail industries in Quebec alone."⁷

¹ From 1991 to 1994, almost half of all Canadian smokers purchased contraband cigarettes to beat excessively high taxes, creating a huge, unwelcome and unregulated underground market.

² Laurie Saywell of Kromacorp, testifying before the Canadian House of Commons Committee on the issue of plain packaging of tobacco, May 5, 1994.

³ Rod Stamler, former Royal Canadian Mounted Police Assistant Commissioner (Commercial Crime), testifying before the Canadian House of Commons Committee on the issue of plain packaging of tobacco, May 12, 1994.

⁴ Tobacco Institute of New Zealand, The Plain Facts About Plain Packs (May 1991) p. 5.

⁵ Tom Shea, Shorewood Packaging Corp., testifying before the Canadian House of Commons Committee on the issue of plain packaging of tobacco, April 19, 1994.

⁶ Gary Majesky, (Canadian) Graphic Communications Workers Union, testifying before the Canadian House of Commons Committee on the issue of plain packaging of tobacco, May 3, 1994.

⁷ Luc Dumulong, (Canadian) National Association of Tobacco and Confectionary Distributors, testifying before the Canadian House of Commons Committee on the issue of plain packaging of tobacco, May 14, 1994.

- Packaging represents "intellectual property" that is protected by international law. Plain packaging initiatives, like those being considered in Canada, Australia, New Zealand and other markets, would violate:
 - The Paris Convention for the Protection of Industrial Property;
 - The Uruguay Round Agreement on Trade-Related Aspects of Intellectual Property Rights, including Trade in Counterfeit Goods ("*TRIPs*"); and
 - The North American Free Trade Agreement ("*NAFTA*").
 - "You can't eliminate the trademark. You can't encumber the use of a trademark. That is what *NAFTA* says."⁸
- Requiring plain packaging effectively and unnecessarily confiscates the trademark rights of manufacturers and inventors. Brand names and other trademark presentations, which are integral parts of the product, could not be used in the package.
 - "Tobacco trade marks are legal, registered assets. No government should have the right to reduce the value of shareholders' assets. Such interference in legitimate commercial activity is unacceptable."⁹
 - Plain packaging would destroy the ability to easily distinguish one cigarette from another, confusing the consumer and limiting the manufacturers ability to foster brand loyalty and encourage brand switching.
 - Banning the use of any registered logo, design, pattern or trademark amounts to censorship.¹⁰
- Plain packaging initiatives deprive manufacturers of one of their most basic -- and, in some countries, their only -- tool to communicate with consumers.
 - Package trademarks are particularly essential to the marketing of premium brand cigarettes, such as Winston and other international brands.
 - There is no clear evidence that removing the trade mark, or dispensing with the pack design, as required under plain-packaging initiatives, would reduce cigarette consumption.¹¹

⁸ Robert Gould, Patent and Trademark Institute of Canada, testifying before the Canadian Parliamentary Committee on Health, May 12, 1994.

⁹ Tobacco Institute of New Zealand, *The Plain Facts About Plain Packs* (May 1991) p. 5.

¹⁰ *Ibid.*

¹¹ Tobacco Institute of New Zealand (unpublished paper) "Plain Packaging: Glamorisation of the Pack." Prepared for the Public Health Commission: Tobacco Products. (Sept, 1993) p .21-23

Advertising and Promotion

Plain Packaging

BACKGROUND AND ADDITIONAL POINTS

- Plain packaging leads to increased contraband in two ways:
 - Uniform packaging for all brands of cigarettes, with the only difference being the brand name in the same black type, will make it easier and cheaper for criminals to produce and sell virtually undetectable counterfeit packages.
 - Studies indicate that consumers prefer colorful and unique brand packages. If plain packaging is instituted in one country, colorful packages from other countries will become desirable, fueling smuggling.
- The following quotes provide additional perspective on the effects of plain packaging.
 - "Neither this study, or any other studies of which I am aware, provides any evidence to suggest that adolescents become regular smokers because of the appearance of an individual cigarette brand image." [Comments on Beede and Lawson, Otago Study, 1990]¹²
 - "Based on examination of the facts, we oppose plain packaging on the grounds that it will not decrease, and could in fact increase consumption. It will cause a resurgence of smuggling, and have at least ten other negative effects for Canada. There are numerous legal impediments to its introduction, as well as significant economic and competitive costs."¹³
 - "Moreover, plain packaging is symptomatic of a range of tobacco control measures previously introduced that share two characteristics - they do not measurably impact on consumption but instead are aimed at damaging the manufacturers."¹⁴

¹² Ibid.

¹³ Brief presented to the Canadian Parliamentary Health Committee on May 12, 1994 by Robert Parker, President and Chief Executive Officer of the Canadian Tobacco Manufacturers' Council.

¹⁴ Ibid.

- "What will plain packaging do to consumption? On the evidence so far, nothing - except perhaps increase the uptake of smoking by youth - exactly the opposite of the intended effect. ... There is extensive other evidence and commentary, all leading to the identical conclusion: packaging, and advertising, are marketing tools used for building brand share - not size of market."¹⁵
- "Teens did not believe that making cigarettes available in plain packages was the most effective way to help keep young people from smoking. Almost 1/2 believed that making cigarette packages less colourful would be the least successful..." Two-thirds of the teenagers said they didn't care if cigarettes were marketed in plain packages.¹⁶

¹⁵ Ibid.

¹⁶ Canadian House of Commons Health Committee on Plain Packaging Report, p. 154.

Taxation

General

KEY POINTS

- RJR accepts the right of government to tax cigarettes up to reasonable levels, but we are interested in using democratic processes to avert excessive levels of taxation.
- Although there are markets with similarities, every country is unique for some aspect of its cigarette market and tax structure.
 - There are legitimate roles for both specific taxes and ad valorem taxes, and there is no single tax system that would meet public interest in every market.
 - Our objective in each market is to have a tax system that does not put our company at a disadvantage.
 - When a market suffers from a tax structure that is excessively dominated with specific tax, we need to identify the effects of this and explain the reasons for making a change.
 - If the market has a very high multiplier, we need to explain the problems this presents and the possible advantages of switching some of the tax from ad valorem into specific tax.
- Within the European community, tobacco taxes are one of the most important sources of taxation, generating between \$45 and \$55 billion a year.

Taxation

General

BACKGROUND AND ADDITIONAL POINTS

Tobacco and excise duties have been entangled for hundreds of years, and cigarette taxes are now a mainstay of the revenues of many governments. It is not practical to think we can break the link.

But it is the policy of RJR to ensure that, wherever possible, unreasonable levels of cigarette taxation do not become unshakably embedded. Excessive taxation is unfair to everyone, most of all the consumer. It can also be counterproductive for the government and produce unintended and unwanted side-effects, including declines in the sale of legal, tax-paid cigarettes, with corresponding increases in the sale of non-tax-paid, contraband products.

Governments obviously have the right to levy taxes. Adults have the right to smoke. Putting a tax on our product is a confirmation of the smoker's right, as it signals an acceptance that the product is a legitimate consumable good.

But to place particularly heavy tax burdens on cigarettes can create a situation in some markets in which sections of society will be denied the right to smoke. This withdrawal of rights does not greatly concern anti-smokers, but moderate people feel that a questionable end does not justify such disproportionate means.

Taxation

Excise Taxes**KEY POINTS**

- Excessive excise taxes are unfair because excise taxes are regressive -- that is, they hit hardest those people who are least able to pay -- working men and women, and low- and middle-income families. For example:
 - In the United States, families earning less than \$30,000 pay five times as much of their income in excise taxes as families earning more than \$60,000.
- Raising cigarette excise taxes to increase revenues is ultimately self-defeating because, at some point, increased prices will result in a decline in legal, tax-paid sales. This, in turn, will eventually result in total tax revenue declines. The unintended consequences of higher taxes is an increase in cross-border sales, smuggling and encouragement of illegal distribution networks.¹
- The concept of imposing excise taxes to "pay" for lifestyle choices or personal characteristics sets a dangerous precedent of coercing behavior through taxation.
 - The "social cost" concept can be used to penalize through taxation anything from exercise habits to a genetically high cholesterol level.
- It's not fair to single out one group of taxpayers (i.e., smokers) to raise revenues that subsidize the entire population.
- Raising taxes to force smokers to quit is back-door prohibition.

¹ *Cigarette Smuggling in the United States*, a report on a three-month investigation led by Rodney Stamler, former assistant commissioner of the Royal Canadian Mounted Police, Lindquist Avey Macdonald Baskerville, Inc. (forensic financial investigators, Toronto, Canada), August, 1994.; *Cigarette Smuggling in the State of Michigan*, investigative report, Lindquist Avey Macdonald Baskerville, Inc. (forensic financial investigators, Toronto, Canada), Oct. 1995.; *Effective Contraband Tobacco Investigations: A Training Manual* Lindquist Avey Macdonald Baskerville, Inc. (forensic financial investigators, Toronto, Canada), Oct. 1995.

- Specific taxes, such as excise taxes, are good because:
 - They are simple to collect. For administrative purposes, it is only necessary to collect and control the volumes of sales to determine the amount of tax to be paid during the collection period.
 - They are fair in the sense that everyone pays the same amount of tax per unit.
 - They do not change the absolute price differences between brands.
 - They tend to restrain inflation as the tax does not automatically rise as costs rise.
 - They provide a stable and predictable revenue stream to the government.
- Specific taxes, such as excise taxes, are bad because:
 - By charging all brands the same amount of tax, a specific tax is more regressive than an ad valorem tax (assuming there are price differences).
 - They are not fair in the sense that the tax is relatively lower as a percentage on luxury brands than cheap brands.
 - They reduce the relative price differences between brands.
 - They do not keep pace with inflation. As prices rise, the tax remains a fixed sum.



Taxation

Excise Taxes

BACKGROUND AND ADDITIONAL POINTS

Proposals for excessive increases in excise taxes on cigarettes are based on various stated rationales. These include deterring youth smoking, reducing budget deficits and paying for specific government programs (e.g., health-care and tobacco education). Industry opponents claim that smokers should be required to pay more taxes based on their alleged larger financial burden on society.

Each of these rationales is flawed. In some cases, they would likely result in the reverse of what they are intended to accomplish. Attempts to raise taxes excessively on cigarettes are essentially nothing more than attempts to punish smokers and a legal industry that contributes billions of dollars to the economies of virtually every country in the world.

Solutions to fiscal problems must be equitable; all citizens should pay their fair share. Excessive excise taxes are vivid examples of short-term, unfair and unwise fiscal policy.

Taxation

Ad Valorem

KEY POINTS

Ad valorem taxes (that is, taxes that are assessed as a percentage of the pack price, rather than as a fixed amount per pack) have advantages and disadvantages when compared to specific taxes.

- Ad valorem taxes are good because:
 - They tend to be less regressive than specific taxes as cheaper brands pay less tax and poorer consumers therefore suffer less taxation.
 - They are more fair in the sense that all brands pay the same percentage of their value in tax.
 - They maintain the relative price differences between brands.
 - They keep pace with inflation. As prices rise, the tax rises automatically.
- Ad valorem taxes are bad because:
 - They are complicated to collect. As the tax is based on value, the value has to be controlled. This leads to controls on the value tax base, such as fixed retail pricing.
 - They are not fair in the sense that not all brands pay the same amount of tax.
 - They change the absolute price differences between brands.
 - They tend to fuel inflation, as the tax automatically rises as costs rise.
 - Revenue is less predictable than under specific tax as the tax base depends on consumer spending. During a price war, there could be an increase in market volume but a reduction in tax revenue.
 - They hurt the sales of imported products because foreign cigarettes are generally higher-priced than locally produced brands, so the taxes on imported products are also proportionately higher. This widens the price gap between local and imported products, and make imports less attractive.

Taxation

Ad Valorem**BACKGROUND AND ADDITIONAL POINTS**

- Ad valorem taxes are often imposed by local governments specifically to grant a sales advantage to locally manufactured products.
- As they have in the United States, sharp tax increases in Europe and Asia have hurt the industry by causing consumers to switch to lower-priced products. For example:
 - In an effort to eliminate tax differences that would create unfair price competition across borders, the European Union has adopted a minimum threshold for taxes that is 57% of the retail selling price of the most popular price class in the market.
 - That makes buying a pack of cigarettes a significant investment in many countries -- and the situation is getting worse. It also encourages consumers to seek out contraband, smuggled cigarettes.
 - Within the European community, tobacco products are among the most heavily taxed consumer goods, generating more than ECU \$50 billion for European governments in 1994.

Taxation

Earmarking**KEY POINTS**

- “Earmarking” consumer excise taxes is unsound, unwise and unfair tax policy.
 - It is unfair to ask one group of taxpayers, in this case smokers, to shoulder the burden for projects or programs that benefit all citizens.
- Earmarking shields favored, special interests from competition from groups who must vie for general fund revenues. It also ties lawmakers' hands by removing a source of revenue that could potentially be used for general funding purposes.
- Ultimately, earmarked cigarette taxes are an unreliable source of tax revenues. As cigarette taxes increase, at some point consumption will decrease. That, in turn, will eventually cause a decline in total tax revenue. So, programs funded by earmarked taxes will eventually need new sources of revenue.

Taxation

Earmarking

BACKGROUND AND ADDITIONAL POINTS

In some cases, governments target specific products, and the people who buy them, for taxation and " earmark " the revenues to pay for programs and services that benefit the general public. Although various types of taxes have been earmarked for public projects, tobacco products continue to be a frequent target. Advocates of such taxes want to make smokers society's debt-payers, continually paying the bill for programs and services that benefit smokers and nonsmokers alike.

Taxation

Smuggling

Cigarette smuggling is not a situation that is created or can be controlled by manufacturers -- it is fueled by high taxes on relatively inexpensive commodities. Nevertheless, tobacco manufacturers support various efforts to prevent contraband sales.

KEY POINTS

- Unreasonably high cigarette taxes invariably result in smuggling and increased crime. High cigarette taxation has led to an epidemic of smuggling in countries as diverse as:
 - Italy and Spain, (where contraband represents an estimated 30% of all cigarette sales).
 - Canada (where 40% of all cigarettes were purchased illegally before the Canadian government rolled back taxes to cut down on crime).
 - Taiwan (where some 15% or more of the market is contraband).
 - Ethiopia (where 50% is contraband).
 - Colombia (where as much as 50% is contraband).
 - and the United States (where some states now have as much as 30% contraband).
- RJR vigorously opposes the sale of contraband cigarettes.
 - Contraband is illegal, and RJR opposes any illegal practice in any part of the world. RJR complies with all national, state and local laws in all jurisdictions where we do business around the world. Our local offices depend exclusively on legal sales.
 - We sell our products only to licensed distributors and wholesalers, and these sales are conducted in a legal manner.
- When taxes are raised, smuggling and theft make cigarettes even more accessible to minors.

- In Canada, for example, before the 1994 tax rollback, about 40% of all cigarettes were purchased illegally -- obtained from the same people who sell drugs, from the trunks of cars and openly on the street. People selling illegal cigarettes are not going to ask for age identification.
- Contraband hurts the tobacco companies; it hurts government revenues; and it hurts jobs.
- It is the responsibility of the government, not the tobacco companies, to crack down on contraband sales.
 - Only government has the authority, properly trained people and the enforcement resources to control contraband.
 - Only the government has the power to reduce taxes to more reasonable levels which, as has happened in Canada, will help to drive contraband out of the market.
 - The cigarette brands of major manufacturers do sometimes filter into contraband markets, but that is, unfortunately, something that we cannot control.
 - Manufacturers of legal products are not required, or expected, to track all their products to their final destinations in the retail chain. To do so would be impossible.
 - We shouldn't be treated differently from the manufacturer of any other legal product.
- RJR will support any fair and non-discriminatory measures that are taken to fight contraband.
 - In an effort to educate smokers, the Spanish tobacco association (AET) has published ads that appear in newspapers, at bus stop shelters and as posters at tobacconists' shops to discourage the purchase of contraband tobacco. The ads show an enlarged photo of a cigarette tax stamp, with text indicating that "this stamp is your guarantee of freshness and quality."

- Since 1994, the Tobacco Institute of Hong Kong and the Hong Kong Customs and Excise Department have cooperated to reward informants in cigarette smuggling cases. In 1994, the Hong Kong Tobacco Institute contributed HK\$50,000 to HK Customs. In 1995, HK Customs paid out a total of HK\$140,000 in rewards in seven cases. As of August 1, 1996, the Tobacco Institute had contributed HK\$300,000 to HK Customs, which had disbursed about HK\$230,000 in payments. In June 1996, HK Customs requested -- and the Tobacco Institute approved -- an additional contribution of HK\$200,000 in support of the reward program. (Note: US\$1.00 = HK\$7.74)
 - In the United States, RJR is the major contributor to the National Coalition Against Crime and Tobacco Contraband, a non-profit organization of retailers, wholesalers and distributors. The Coalition has sponsored numerous studies and works closely with law enforcement.
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Taxation

Smuggling

BACKGROUND AND ADDITIONAL POINTS

The tax situation in Canada illustrates how efforts to decrease smoking consumption through increased taxation can backfire.

Anti-smokers trying to practice social engineering had hoped that high cigarette taxes would force consumers to stop buying tobacco products. And they were convinced the government would realize a huge tax revenue windfall. The opposite happened:

Legal cigarette sales plummeted 26% or more. But overall consumption did not decline, because of an underground market that funneled smuggled and stolen cigarettes to consumers willing to break a tax law they saw as unfair.

Gangs and organized crime found illegally obtained tobacco as profitable as drugs. In addition to breeding disrespect for the law, the government lost billions of tax dollars -- not only federal and provincial cigarette taxes, but sales and income taxes as well.

Many honest retailers and wholesalers went out of business. Many others were forced to buy and sell contraband cigarettes to stay competitive.

By the time the tax was rolled back in early February 1994 (reducing the price of a carton from Canadian \$46 to about \$23), news organizations reported that 75% of all cigarettes were being obtained illegally in such places as Quebec.

Ingredients/Constituents

General

KEY POINTS -- INGREDIENTS

- Reynolds Tobacco adds ingredients to enhance the flavor, taste and aroma of our products.
- Most ingredients are used in minuscule amounts, in parts per million. Ingredients such as cane sugar, fruit sugar, honey, cocoa, licorice and menthol are present in larger amounts.¹
- The ingredients we use in our products worldwide are of the same type and high quality as the ingredients used in foods, beverages and candies.
 - We purchase our ingredients from suppliers who also serve the food, beverage and candy industries.
 - Our ingredients comply with international standards set for the food, beverage and candy industries by the World Health Organization and other agencies.
- Reynolds Tobacco complies with all local regulations of approved ingredients worldwide.

KEY POINTS -- CONSTITUENTS

- Cigarettes exported from the United States by Reynolds Tobacco, regardless of destination, have "tar" levels that are comparable to, or lower than, the "tar" levels of leading brands sold in the United States.
 - The availability of U.S. cigarettes in world markets invariably leads to a reduction in the average "tar" and nicotine yields of other products sold in those markets.

¹ Leffingwell, J., Young, H., and Bernaset, E. (1972), Tobacco Flavorings for Smoking Products

- The introduction of American-blend cigarettes in international markets has led to the increased use of filtration, air dilution and other techniques to reduce "tar" and nicotine yields in products sold in those markets.
- 

Ingredients/Constituents

General

BACKGROUND AND ADDITIONAL POINTS

Media attention to the ingredients used in tobacco products is not new. In general, this attention is not based on scientific merit but rather upon the public's general lack of knowledge about, and consequent fear of, chemicals. Nevertheless, ingredient questions should be taken seriously. While there may be no real toxicological problem, the perception of a problem can be just as damaging. In addressing media questions about ingredients, it is important that answers are technically accurate and scientifically defensible.

It is interesting to note that after the industry's 1994 disclosure of the 599 ingredients used in cigarettes in the United States, media interest quickly died down.

- In 1990, Dr. Louis Sullivan, who was then the secretary of the U.S. Department of Health and Human Services, told the U.S. Congress that tobacco product ingredients are a "peripheral" concern.²
- Under a 1984 U.S. law, cigarette manufacturers, as a group, annually provide the federal government with a list of the ingredients added to tobacco in the manufacture of cigarettes. In 1986, U.S. cigarette manufacturers submitted the first ingredient list required by the law, and they have done so ever since.
 - Like other consumer product manufacturers (e.g., Coca Cola, Kentucky Fried Chicken) Reynolds Tobacco provides appropriate information to health and regulatory officials while maintaining the proprietary nature of our formulas.
- During the past several years, countries around the world (e.g., New Zealand, Australia, Thailand, France, Poland and other Eastern European countries, and several South American countries) have enacted regulations that address the use of various ingredients.

² Statement of Dr. Louis Sullivan, Senate Committee on Labor and Human Resources, 101st Cong., 2d Sess., 1990.

Ingredients/Constituents

Labeling Disclosure

KEY POINTS - INGREDIENTS

- Reynolds Tobacco complies with all regulations worldwide concerning the labeling of cigarette ingredients.
 - In most countries, there are no labeling requirements.
- Requirements to label products with specific ingredients and amounts could compromise blend recipes, competitive business information and other trade secrets.
 - In the U.S. and various other markets, complete disclosure of product ingredients is not required for any consumer product (e.g., foods, cosmetics, pharmaceuticals). For example, Coca Cola does not disclose its recipe anywhere in the world.
 - If we labeled our cigarettes following the U.S. laws governing food labels, our label would read: "Ingredients: tobacco, sugar, cocoa, licorice, glycerol, vanilla, (menthol), and natural and artificial flavors."
 - The U.S. government regards cigarette ingredient disclosures as an intellectual property issue, and has actively opposed efforts by the government of Thailand to force the disclosure of ingredients on a brand-by-brand basis.
- In the United States, manufacturers are required to annually submit an industrywide list of ingredients to the federal government. For competitive reasons, we do not support any disclosure that would single out the ingredients of any specific brand or company, or compromise the proprietary nature of brand formulas.
- In Canada, Reynolds Tobacco submits a quarterly list of ingredients, including exact amounts, to the government. We provided this proprietary information under strict confidentiality procedures mandated by Canadian law.
- Various lists of ingredients that are used, or that are to be used, are required in countries around the world. We comply with all of those regulations. These regulations do understand and protect the trade secrecy of our products.

KEY POINTS - CONSTITUENTS

- Our company complies with all requirements to label constituents. Many countries require "tar" and nicotine disclosures on packs and/or advertising. Some require additional information concerning carbon monoxide.
- 

Ingredients/Constituents

Labeling Disclosure

BACKGROUND AND ADDITIONAL POINTS

Key Reynolds Tobacco Markets

COUNTRY	CONSTITUENT REGULATION	INGREDIENT REGULATION
Canada	"Tar," nicotine and carbon monoxide on pack. No limits.	Quarterly disclosure to the government by brand
France	Maximum "tar" yield - 15 mg (after 1/1/98) - 12 mg	Requires products to use only ingredients from the government's approved list. Labels must state: "contains more than 5% non-tobacco ingredients" when applicable.
Germany	(Same as France)	An "approved list" is followed. Disclosure is not required.
Japan	Not regulated	Not regulated
Malaysia	Maximum "tar" yield - 20 mg	Not regulated
Philippines	Not regulated	Not regulated
Poland ¹	Maximum "tar" yield - 20 mg Maximum nicotine - 1.8 mg	Brands should contain food-type and food-quality ingredients. A proposed list of ingredients has been submitted to the Minister of Health for approval.
Russia	Not regulated	All components of imported

¹ A government proposal would reduce the maximum "tar" and nicotine yields in Poland to 15 mg and 1.5 mg in 1998 and to 12 mg and 1.2 mg in 2003.

		flavors must be certified to the government
Saudi Arabia	Maximum "tar" yield - 10 mg Maximum nicotine - 0.6 mg Maximum CO yield - 12 mg	A standard is referenced by the government, although the government has never publicly released the standard
Spain	(Same as France)	Not regulated
Turkey	Not regulated	Not regulated
United Kingdom	(Same as France)	Ingredients and amounts must comply with the government's approved list
United States	Testing and disclosure required for "tar" and nicotine	Annual disclosure to the government of all ingredients added to tobacco by the industry

Fire Safety

General

KEY POINTS

- The most effective way to reduce careless smoking fires is to focus on efforts that have already reduced the incidence of fires in many countries. These efforts include:
 - Fire-safety educational programs.
 - Smoke-detector programs (installation and maintenance).
 - Stringent building codes.
 - Furniture standards.
 - Strict insurance regulations.
 - Personal responsibility
- A four-year, pilot test project underwritten by Reynolds Tobacco in the early 1990s confirms international findings that intensive educational efforts can reduce avoidable fires.

A final report on the project has been distributed to fire officials by the Tobacco Institute.

- The project was conducted in seven geographically and demographically diverse U.S. sites.
- Reynolds Tobacco also produced a training module outlining the test-project methodology, which has become the core of the National Association of State Fire Marshals ongoing fire-safety educational program.
- The project was part of the company's larger efforts to address fire-safety issues, including fires resulting from carelessly handled cigarettes.
 - One way RJR is addressing this issue is through new technology cigarettes, like Eclipse, which are less likely than tobacco-burning cigarettes to start a fire if handled carelessly.

(See section on Second-hand Smoke: New Technology Cigarettes)

Fire Safety

General

BACKGROUND AND ADDITIONAL POINTS

The United States has one of the highest fire-death rates of any industrialized country, with careless smoking ranking as the leading cause of fire deaths. Since cigarette construction is virtually identical worldwide, social factors obviously play a key role in the differences in fire deaths among various countries

There are a number of effective ways to dramatically reduce fire death rates, including greater fire safety awareness resulting from educational programs, building code requirements and insurance regulations that deny payment for preventable fires. For example:

- In the U.S. military, fire statistics are half the rate of the rest of the U.S. population, despite the fact that smoking incidence is generally higher than that in the population as a whole. Among the differences: base housing policies require training in fire escape and fire prevention, annual wiring and smoke detector inspections and liability for damages if a preventable fire occurs.

Because of the high incidence of smoking-related fires in the United States, in 1984, the federal government began investigating the feasibility of developing cigarettes and little cigars that would be less likely to ignite upholstered furniture and mattresses. To date, no commercially feasible solutions have been found.

- For many years, Reynolds Tobacco has tried to develop a marketable product that has low ignition-propensity. None of the cigarettes we've developed to date are consumer acceptable, with the possible exceptions of Eclipse, Hi.Q and Inside, which were introduced in test markets in 1996 in the United States, Germany and Sweden, respectively.

(See section on Smoking and Health: New Technology Cigarettes)

Fire Safety

Product Development

KEY POINTS

- Reynolds Tobacco continues to research product developments that can reduce ignition propensity while delivering a consumer-acceptable product. Although critics of the industry have claimed that certain brand-styles of cigarettes are "fire-safe," tests of a broad spectrum of products using a wide variety of fabrics and other combustible materials have not borne this out.
 - There is currently no way to accurately test for differences in ignition propensity among cigarettes, because no existing test takes into consideration the full range of ignition parameters found with real-world upholstered furniture materials and the environments around them.
 - Products found to have low ignition propensity in one test are often found to have high ignition propensity in another, depending on the fabrics used in the test.
- Reynolds Tobacco does not yet know how to make a tobacco-burning cigarette that exhibits reduced ignition propensity and is consumer acceptable. We have done considerable research and development to try to come up with such a cigarette, but extensive consumer testing showed they are severely deficient.
 - The cigarette Premier, which was test marketed in 1988, when lit and lying flat was unlikely to ignite most combustible materials. This innovation was denounced by federal agencies and anti-smoking advocates, and was soundly rejected by consumers.
 - Eclipse, Hi.Q and Inside, which were introduced in test market in 1996 in the United States, Germany and Sweden, respectively, are also unlikely to ignite upholstered furniture when handled carelessly. Consumer acceptance and potential federal regulation will determine whether Eclipse remains in the marketplace.

Fire Safety

Product Development

BACKGROUND AND ADDITIONAL POINTS

- In early 1994, the U.S. Department of Justice began investigating whether cigarette companies illegally agreed not to produce or sell cigarettes that are less likely to start fires. Reynolds Tobacco Company has cooperated fully with the Justice Department investigation. Nonetheless, we believe the charge is unfounded.

Economic Impact

KEY POINTS

- Tobacco makes significant contributions to the economy of countries across the globe by generating agricultural, industrial, wholesale and retail employment, and by providing substantial tax revenues and foreign exchange earnings. For example, based on estimates by industry trade organizations, the global tobacco industry:
 - Manufactures about 5.5 trillion cigarettes each year.
 - Provides living income for between 160 and 175 million people. This estimate includes:
 - People directly employed by the tobacco industry;
 - Dependents of those employed directly by the tobacco industry; and
 - People employed in service industries (such as transportation, printing, advertising) that receive significant revenues from tobacco business.
 - Serves 1.2 billion adult smokers in 220 countries.
 - Generates retail revenues from cigarette sales exceeding \$250 billion. (*World Tobacco* magazine estimates \$263 billion in 1995; Tobacco Merchants Association estimates retail value of all tobacco products at \$350 billion.)
 - Provides governments worldwide with substantial tax revenues.
 - In the United States, taxes account for about one-third of the retail value of cigarettes.
 - Outside the United States, on average taxes represent 60 to 65% of tobacco products' retail value -- and range considerably higher in some markets.
- Tobacco is grown in more than 120 countries, with production of more than 6.4 million metric tons of leaf tobacco per year.

(See section on Agricultural: General.)
- Tobacco generates \$130 billion of the U.S. Gross National Product.
 - Tobacco is a \$50 billion industry in the United States, providing substantial economic contributions to each of the United States.
 - The sale of tobacco products contributes more than \$14 billion in annual excise and sales tax revenues to support federal, state and local governments.

- The tobacco and tobacco-worker-related sectors of the U.S. economy generate more than \$62 billion in additional tax revenue for federal, state and local treasuries each year.
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Economic Impact

BACKGROUND AND ADDITIONAL POINTS

With all the controversy surrounding cigarettes, it is easy to get wrapped up in emotionalism and lose sight of some very important facts. Like the fact that cigarettes are a legal product everywhere in the world. The fact that there are about 1.2 billion smokers -- or 21-to-22% of the world's total¹ -- continue to choose to smoke. And the fact that tobacco makes enormous economic contributions to virtually every country where tobacco and tobacco products are produced or sold.

Tobacco means jobs, retail sales and tax revenue in every country. Efforts to undermine the cigarette industry through additional sales and marketing restrictions or increased taxes ultimately result in lost jobs and lost government income.

In a broad-ranging analysis of the contribution of tobacco to developing countries, the Economic Intelligence Unit Ltd. concluded that, "if tobacco growing (and export) were entirely removed from the economy ... the local population would lose a significant source of direct and indirect income and employment with no comparable replacement."²

In addition, without cigarette taxes, all levels of government would be forced to cut programs, or to increase other taxes to make up for the shortfall.

(For example, on a volume basis, the U.S. cigarette market is only about one-fourth the size of the Chinese market. When one considers the economic contribution tobacco makes in markets that have long been open to foreign competition, the potential in more recently accessible markets becomes quite clear.)

(Country-specific economic information is available from local governments and tobacco trade organizations. Additional information might be available from the Tobacco Documentation Centre in England -- see Industry Affiliations section.)

¹ According to one industry estimate. In contrast, the World Health Organization (WHO) estimates that about one-third of the global population aged 15 and over smokes (1.1 billion smokers), 47% of men and 12% of women. (Source: Tobacco Alert, World No Tobacco Day 1996 Special Issue)

² The Economist Intelligence Unit Ltd., *Leaf Tobacco: Its Contribution to the Economic and Social Development of the Third World*, Condensed Version of an EIU Commodity Monograph, 1-72 (at 72), 1981.

International Trade

KEY POINTS

- International trade barriers are not nearly the obstacle that they were as recently as the late 1980s.
 - Six or seven years ago, international tobacco companies were limited to markets accounting for only about 40% of total worldwide volume.
 - In 1993, that number was closer to 95%-- primarily because of the lowering of trade barriers in Asia and the opening of Eastern Europe and the Former Soviet Union.¹ And today, RJR estimates that about 98% of the world market is open to foreign competition, at least to some degree.
- In some foreign markets, international tobacco companies continue to encounter significant trade barriers in attempting to compete with local cigarette manufacturers. These barriers include assorted tariff and non-tariff barriers to trade, and are almost always imposed to protect government-owned tobacco monopolies.
 - China continues to impose trade sanctions. Foreign tobacco companies have succeeded in entering this market only by joint venture with the China National Tobacco Corp.
- Under the guise of protecting "health," opponents of cigarette exports are actually promoting discriminatory trade barriers completely unrelated to "health" concerns.
 - Whether a person smokes a Japanese or a U.S. cigarette is not a "health" issue - it is a trade issue.
 - There is no evidence that eliminating a trade barrier against imported cigarettes increases the incidence of smoking within a country.
 - The introduction of U.S. cigarettes in various foreign markets has simply meant that smokers have a choice of what to smoke. It does not mean they will smoke more.
 - The introduction of U.S. cigarettes in Japan, Taiwan, South Korea and Thailand did not affect the trend in tobacco product consumption, and these markets continue to be dominated by the local monopolies.

¹ "Smoke signals in the East," *Financial Times*, Oct. 23, 1993, p. 8.

- Contrary to frequent claims by anti-smokers, U.S. government policies have never "promoted" the sale of cigarettes in any foreign country. U.S. policies have simply tried to provide U.S. cigarettes with a level playing field in foreign markets.
 - If a foreign government wishes to restrict the sale of all cigarettes, the U.S. government would not object, provided that the restrictions are not trade barriers masquerading as "health" policies, and that they equally affect foreign and locally manufactured cigarettes.
 - If cigarettes manufactured in the United States are denied access to foreign markets, smokers in those markets will not stop smoking. They will simply not smoke U.S. cigarettes, and will, instead, consume cigarettes manufactured locally or exported from countries such as Japan, Taiwan, Germany, or Great Britain.
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International Trade

BACKGROUND AND ADDITIONAL POINTS

Anti-smokers and governments interested in protecting their cigarette monopolies try to curtail further efforts by the U.S. and other governments to open foreign markets or protect existing market access for international manufacturers of American-blend cigarettes.

These actions beg the question of whether U.S.-made cigarettes -- or cigarettes manufactured in any other country -- should be permitted to compete in existing cigarette markets on the same terms and conditions as local cigarette manufacturers.

In certain countries, the U.S. government has worked to eliminate discriminatory trade barriers and achieve the same market access for U.S. manufactured cigarettes that is afforded to local tobacco companies.

For example, until the end of the 1980s and the beginning of the 1990s, the cigarette markets of Japan, Taiwan, South Korea and Thailand were closed to U.S. cigarette manufacturers by assorted tariff and non-tariff barriers to trade. These barriers included quotas, restricted product lists, price deposits, and limits on advertising and other promotion activities.

Several U.S. policies and programs have been used to help U.S. cigarette manufacturers gain access to certain markets, the most significant of which were undertaken using Section 301 of the 1974 Trade Act and its subsequent amendments. As a result, U.S. manufacturers were allowed access to the markets of Japan, Taiwan, South Korea and Thailand.

American-blend products

American cigarettes and tobacco set the standards worldwide for quality. The worldwide demand for American-blend cigarettes is increasing 3-to-4% a year -- versus 1% for the total cigarette market.

This success has made tobacco exports an integral part of the U.S. economy.

- Based on several economic impact studies, tobacco exports directly and indirectly account for well in excess of 300,000 U.S. jobs.
- Because of the increasing worldwide popularity of American-blend cigarettes, tobacco products are a very important export commodity for the U.S.

- In 1995, U.S. cigarette manufacturers exported an all-time record high of 231.1 billion units, valued at \$4.77 billion.²
- Export of U.S. leaf tobacco was \$1.4 billion in 1995.³
 - Japan was the largest buyer of U.S. leaf tobacco -- \$313.7 million.
- The U.S. industry (tobacco and tobacco products) posted a trade surplus of \$5.88 billion in 1995, placing tobacco third among all U.S. sectors in terms of a trade surplus.
- The world's ten largest cigarette markets account for about two-third of total world volume:

World's largest cigarette markets (millions of units - 1995)

China	1,760
United States	481
Former Soviet Union (15 Republics)	415
Japan	334
Indonesia	159
Germany	134
Brazil	130
Korea	105
Poland	96
<u>Italy</u>	<u>89</u>
Total	3,703

- In the years ahead, as disposable income increases throughout the world, the export of U.S. tobacco products can be expected to rise, creating even more jobs in the U.S. economy, provided those opportunities are not limited by additional trade barriers.
- RJRI is instituting voluntary warning labels on all cigarette packs for markets where warnings are not required. Implementation is being phased in to minimize unnecessary expense and market disruption.

² *Tobacco Trade Barometer* (1995) U.S. Tobacco Manufacturers Association

³ *ibid.*

Agriculture

General

KEY POINTS

- Tobacco is grown in more than 120 countries, with production of more than 6.4 million metric tons of leaf tobacco per year.
 - The top leaf producers in 1994 were China, the United States India and Brazil.
 - Many tobacco-growing nations, such as Brazil, China, Malawi and Zimbabwe rely heavily on the foreign exchange earnings the industry generates through exports.
 - In developing countries, many small tobacco growers rotate tobacco-growing with basic food crops to help generate seasonal cash.
 - As a cash crop, tobacco offers the leaf dealer more than \$4,000 per metric ton at auction, second only to cotton in its value as an agricultural commodity.

(See section on Economic Impact for additional information.)

Agriculture

U.S. Price Support Program**KEY POINTS**

- Contrary to claims by anti-smoking advocates and others, there is no tobacco subsidy.
 - Tobacco is the only agricultural commodity in the United States that pays its own way. Tobacco growers must repay loans from USDA's Commodity Credit Corporation -- both principal and interest.
 - Tobacco purchasers and producers pay an assessment on every pound of tobacco sold, ensuring that the loan program operates at "no net cost" to the U.S. taxpayer.
- Eliminating the tobacco price support program would not eliminate the growing of tobacco. Without the program, many more acres would be devoted to tobacco since there would be no limits on how much could be produced.
 - With the worldwide demand for tobacco, the lack of a tobacco price support program would result in overplanting in the U.S. and lower prices for the farmers, who could then lose their land and other capital. Such widespread financial and commercial disruptions would create regional recessions with national repercussions.
- Claims that the tobacco price support program conflicts with the federal government's efforts to discourage smoking ignore the devastating impact on growers and the fact that the tobacco program is similar to the programs for other agricultural commodities.
 - Tobacco was America's 7th-largest cash crop in 1994, behind corn, wheat, hay, soybeans, cotton and rice.
 - The tobacco crop was worth almost \$2.7 billion, representing more than 2.9% of the total for all cash crops and farm commodities.
 - Tobacco is grown on more than 124,000 farms in 23 states..
 - The cash from tobacco is not easily replaced.

- According to the USDA, the farm value for an acre of tobacco is \$4,220, significantly higher than the value for other agricultural crops such as an acre of wheat (\$133), hay (\$191), soybeans (\$226), corn (\$304), cotton (\$481) or peanuts (\$768).
 - Tobacco should not be excluded from federal support efforts because of social pressure from special interest groups.
- 

Agriculture

U.S. Price Support Program**BACKGROUND AND ADDITIONAL POINTS**

Financial Contribution: Some groups have suggested eliminating the use of federal funds to pay for, administer or support the growing of tobacco. These groups ignore the economic viability of the tobacco program and the implications of its elimination.

Tobacco growers and cigarette manufacturers are assessed a "no net cost" fee on each pound of tobacco sold that more than covers the borrowing costs of the loan program. In addition, marketing and import assessments collected on tobacco raise \$33 million, which is applied against the federal budget deficit. This additional "budget deficit assessment," more than makes up for the \$15 million in administrative costs of the program.

How the Program Operates: The tobacco price support and production control program guarantees farmers a minimum price for their tobacco in return for strict limits on production -- much as programs do for corn, rice, peanuts, cotton, and several other commodities.

To participate, tobacco growers agree to acreage and poundage allotments set annually by the U.S. Department of Agriculture, based on the amount the USDA estimates is necessary to meet the needs of the domestic tobacco industry, foreign buyers, and inventory set by law.

The program sets a minimum price for tobacco sold at auction. If a grower's tobacco fails to bring an auction bid greater than the price support minimum, the grower receives a government-backed loan based on the support price. The tobacco is taken as collateral by the grower's cooperative, processed, and stored for future sale. When the cooperative sells the tobacco, the loan is repaid to the government with interest.

Future Refinements: With the major commodity programs in the U.S. being phased out over seven years under the 1995 "Freedom to Farm" law, pressure will continue to mount for a termination of the three remaining commodity programs: sugar, peanuts and tobacco.

Agriculture

E.U. Common Agricultural Policy (CAP)

KEY POINTS

Since its reform in 1992, the E.U. Common Agricultural Policy (CAP) tobacco regime provides for guaranteed maximum quantities (GMQ) of five general types of tobacco to be produced by each named country within the scheme, and defines the rate of support applicable across those countries. (In the case of Oriental tobacco, the general type is supplemented by 3 specific varieties.)

- A periodic negotiation is conducted to set the GMQ and support level for each production season, with a view to making the regime more responsive to market conditions.
 - The GMQ for 1996 and 1997 is 350,600 tonnes (an increase of 600 tonnes to reflect the entry to the E.U. of Austria).
 - The premium level is ECU 2.70965 per kg of flue-cured tobacco.
- The regime seeks to ensure that support is paid directly to producer organizations, which are being strengthened to this effect.
 - The support can represent a substantial portion (up to 50%) of the farmers' income from this crop.
- Some 2.6% of the total 1996 CAP budget (ECU 1,043 million) is devoted to tobacco.

Agriculture

E.U. Common Agricultural Policy (CAP)

BACKGROUND AND ADDITIONAL POINTS

Program Origins: The origins of the E.U. Common Agricultural Policy (CAP) can be found in the European desire to be self-sufficient in a range of basic agricultural products -- a deep-rooted European philosophy exemplified by, for example, Napoleon in his promotion of the beet-sugar industry in France.

As a result, the Treaty of Rome includes provisions directed to the financial support of agriculture in general, and of tobacco, in particular. In addition to the general provisions of the CAP, provisions are also made for the import (at preferential prices) of defined quantities of certain commodities from erstwhile colonies of E.U. member countries. New member countries tend to negotiate similar special provisions for any parallel relationships that they may have had prior to entry.

Original Tobacco Provisions: In the case of tobacco, the earlier arrangements provided for individual premium rates to be paid for specified quantities of each of the 39 varieties of tobacco traditionally grown in the member countries (based on the production costs of those varieties in their traditional countries of cultivation). These premiums were paid to the primary processors of tobacco, against their declarations of receipts of quantities of identified varieties. This facilitated payments to farmers that were correspondingly higher than market prices.

Managing this program was difficult and hard to contain within budget because of some inherent weaknesses in the program. For example:

- Countries having low costs could produce tobaccos traditional in high-cost countries and claim the same levels of subsidy.
- Tobaccos were not readily identified to their specific variety.

1992 Reform of Tobacco Provisions: The E.U. Agricultural Commissioner reformed the tobacco regime in 1992, with three main objectives:

1. To control costs.
2. To make the system more market-oriented.
3. To simply and strengthen the administration.

One effect of these changes is to bring the policy closer to a social objective, in securing rural incomes, rather than focusing upon E.U. self-sufficiency in tobacco.

Agriculture

Tobacco Usage**KEY POINTS**

- Any change to the tobacco price support program should help make domestic tobacco more competitive on the world market, which is the U.S. growers' only future growth market.
 - The demand for American-grown tobacco is growing because of expanding overseas markets.
 - In 1994, the value of U.S. exports of leaf and manufactured tobacco products was a record \$6.7 billion, \$1 billion more than in 1993.
 - U.S. tobacco growers take well-deserved pride in the fact that American-grown leaf is generally regarded as being the finest tobacco grown anywhere in the world.
- Congress passed a domestic content requirement for cigarettes manufactured in the United States, which remained in effect for only one year - 1994. This law was replaced with a GATT-legal Article 28 tariff-rate quota on imported tobacco, implemented in September 1995.
- Reynolds Tobacco buys offshore tobacco to remain competitive in world markets and to obtain certain types and grades of tobacco that are not grown in (e.g., Oriental tobaccos) or are in short supply in the United States.
 - For specific test products a few years ago, Reynolds Tobacco experimented with the offshore production of flue-cured and burley tobacco.
 - Reynolds Tobacco does not currently have any offshore growing projects.
 - These projects were terminated because of a lack of demand for these tobaccos and because of the high cost involved.
- Although RJR's worldwide operations continue to rely very heavily on the use of U.S. tobacco, RJR also supports tobacco agronomy programs in such countries as Turkey and Vietnam.

Agriculture**Tobacco Usage****BACKGROUND AND ADDITIONAL POINTS****Imported Tobacco:**

- Reynolds Tobacco and other U.S. manufacturers purchase imported flue-cured and burley tobaccos because, as a general rule, it is considerably cheaper than domestic leaf -- sometimes costing only one-half as much.
 - Three factors in the increased use of imported leaf by domestic cigarette manufacturers in the early 1990s were:
 - The widening price gap between imported and domestic leaf.
 - The improvement in quality of imported leaf.
 - The need to control production costs in light of the rapid increase in the value-priced (generic) segment of the cigarette market.

Domestic Content:

- The domestic content law that was in effect in 1994 required all cigarettes manufactured in the United States, whether for domestic consumption or export, to contain at least 75% U.S.-grown tobacco.
 - This requirement was found "inconsistent" with GATT (General Agreement on Tariffs and Trade).

Tariff-rate Quota:

- As a replacement for the domestic content law, a GATT-legal Article 28 tariff-rate quota (TRQ) was established on flue-cured, burley and other light air-cured tobaccos that are imported for the manufacture of cigarettes.
 - Standard tariffs are applied to tobacco imports until the in-quota quantity, if filled, after which a tariff rate of 350% ad valorem is applied.
 - For the quota year beginning on Sept. 13, 1995, the in-quota quantity of the TRQ was just over 15,000 metric tons.
- The new TRQ should help domestic growers by limiting imports, while at the same time, giving cigarette manufacturers more sourcing flexibility, especially for exported cigarette products.

Agriculture

Cigarette Types and Blends

Internationally smokers enjoy a variety of cigarette types and blends, which are made from various types of tobacco. In many countries, American-blend cigarettes are steadily increasing market share at the expense of indigenous blends -- for example, in South America (Argentina, Brazil, Chile and Venezuela) and in Western Europe (France, Germany, Spain and Italy).

American-blend cigarettes account for very little of the world's largest cigarette market -- China -- which is dominated by Virginia cigarettes. In contrast, the United States, the world's second-largest cigarette market, is almost entirely American-blend.

KEY POINTS

World Cigarette Consumption by Blend Type - 1993

(Percent by volume)

American blend	33%
Virginia blend	48%
Others	19%

(Source: World Tobacco magazine from industry sources)

- Main tobacco types:
 - Oriental -- sun-cured tobacco with a distinct aroma.
 - Light air-cured -- tobacco cured under shaded cover.
 - Dark air-cured -- light air-cured that has been put through a fermenting process, and/or the addition of fire-cured.
 - Virginia -- tobacco that is cured by being hung in barns and force-dried by heaters.
- Main cigarette types:
 - American blend -- a mixture of air-cured burley, flue-cured Virginia and sun-cured Oriental tobacco with additives.
 - Virginia blend -- usually made exclusively from flue-cured tobacco, sometimes with only water used as an additive.

- Blonde -- a blend of light air-cured, flue-cured and Oriental tobacco without additives.
 - Kreteks -- cigarettes with cloves added in proportion of up to 50:50. The tips is normally coated with a sweetening agent. Produced and consumed mainly in Indonesia.
 - Bidi -- cottage-industry cigarettes made from a mixture of granulated tobacco and specially prepared tobacco stems rolled into a dried leaf from the tendu tree (which grows wild in several states in India). Mainly consumed in the Subcontinent.
 - Papirosi -- a type of cigarette common in the Former Soviet Union, characterized by a long, hollow mouthpiece that can be twisted before smoking. Usually, an Oriental blend of tobacco is used.
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Agriculture

Cigarette Types and Blends

WORLDWIDE CIGARETTE BLEND PREFERENCES

REGION	HISTORICAL PREFERENCE	NOTES
North America	Canada: Virginia blend U.S.: American blend	
Central America	Strong flavored American blend	
South America	Dark air-cured	Increasing American blend
Western Europe	Localized American blend Dark air-cured	U.K. dominated by Virginia blend Increasing American blend Decreasing dark air-cured
Central & Eastern Europe	Dark air-cured & Oriental	Increasing American blend
Africa	Virginia & local light air-cured	
Middle East	Virginia blend	Increasing American blend
Asia	Local blends	India favors Virginia blend American blend increasing elsewhere
Oceania	Virginia blend	

Agriculture

Biotechnology

KEY POINTS

Any discussions of Reynolds Tobacco's involvement in biotechnology should emphasize that this is a very small area of our operations and that any investments and relationships in that regard have not involved cigarette production. That is, our efforts in new business opportunities with regard to biotechnology have not involved the manipulation or alteration of tobacco (e.g., by genetic engineering) that is intended to be used for cigarette production. However, some of our efforts have involved investigation of herbicide resistant and virus resistant experimental tobaccos developed by third parties.

- As with any company with expertise in chemical, biological and agricultural science, Reynolds Tobacco is constantly seeking ways to apply that expertise to new business opportunities.
 - Our biotechnology laboratories, contract research and joint ventures have used state-of-the-art techniques to improve crop plants; isolate and characterize plant genes; genetically transform plants; develop new gene expression processes; and determine new ways to utilize plant biochemistry
 - Our current research program with land-grant universities includes genetic engineering of tobacco in such areas as virus resistance of tobacco.
 - Much of our interest in biotechnology involves tracking the efforts and, providing technical support upon request, to third parties (including universities) who are experimenting with new and improved tobacco varieties that may one day be commercially grown by U.S. farmers.

Agriculture**Biotechnology****BACKGROUND AND ADDITIONAL POINTS**

Reynolds Tobacco has had a long-standing interest in research involving tobacco and other agronomic crops and has had a strong commitment to the advancement of technology and scientific knowledge.

With the rapid rate of technological development and with today's competitive environment, success in business depends upon a continuous flow and evaluation of new ideas as well as upon the maintenance of an open mind toward investigating emerging fields having high-growth potential, such as biotechnology.

Reynolds Tobacco defines biotechnology as the use of plants to develop products and solve technological problems. Our interest in biotechnology research was sparked by our research programs and projects with land-grant universities, where techniques for improving tobacco have been discovered and developed.

In recent years, our work in biotechnology has led to the development of a number of new business opportunities:

- In 1994, Reynolds Technologies, Inc., a wholly-owned subsidiary of R.J. Reynolds Tobacco Co., purchased an equity interest in Biosource Technologies, Inc. The investment includes board representation, but does not involve day-to-day management. Biosource Technologies, Inc. is a privately-owned biotech company located in California. Biosource explores R&D opportunities in molecular biology and genetic engineering, primarily in the health-care field.
- In 1994, Reynolds Technologies formed a corporate joint venture with Biosource Technologies, Inc. called Sunrise Biosystems, Inc. The goal of Sunrise Biosystems is to develop and commercialize biotechnology-based products (e.g., materials used in the flavor and fragrance industries). Sunrise Biosystems has used the resources and expertise of Reynolds Tobacco and Biosource in an attempt to develop commercial products using resources at Avoca, Reynolds Tobacco's experimental farm in North Carolina.

Industry Affiliations

A wide variety of tobacco trade associations, business organizations, tobacco growers organizations, legislative associations and other organizations worldwide are valuable sources of information and support for virtually any tobacco-related issue. Following are brief backgrounders on some of the many organizations affiliated with the tobacco industry worldwide. If additional organizations should be considered for inclusion in this Issues Guide, please send information about those organizations to Seth Moskowitz at RJRT Public Affairs in Winston-Salem.

The Tobacco Documentation Centre (TDC) in England maintains a large database of information on organizations affiliated with RJR and other members of the tobacco industry. For current, complete information, contact the TDC at 44-181-569-7788.

UNITED STATES

The Tobacco Institute

1875 I Street, NW
Suite 800
Washington, D.C. 20006
Tel: (202) 457-4800

Founded in 1958 as a nonprofit, noncommercial trade organization. Its members include companies that manufacture cigarettes or other tobacco products in the United States.

The Institute's responsibilities include: increasing awareness of the historic role of tobacco and its place in the national economy, and fostering greater understanding of such tobacco-related issues as taxation, second-hand smoke and restrictions on advertising and marketing.

The Institute represents the industry's position on these and other issues to news media, government officials at the local, state and national level, and the general public. In addition to offering brochures, booklets and videotapes, the Institute provides speakers on tobacco-related subjects for adult audiences.

One of the Institute's key responsibilities has been coordination of the voluntary "Cigarette Advertising and Promotion Code," developed by the companies in 1964, and revised several times since. Code provisions dictate how and where the industry will advertise, sample and promote cigarettes.

Working with company government relations staff, the Institute helped get the minimum age to purchase cigarettes raised to 18 years of age in every state and the District of Columbia. The Institute has developed several programs to support the industry's position that youth should not smoke ("Tobacco: Helping Youth Say No," "It's the Law" and "We Card."). A leading supporter of programs in public fire safety education, the Institute provides educational resources and supports fire-prevention activities of volunteer and career firefighters and safety groups.

Tobacco Merchants Association

231 Clarksville Road
Lawrenceville, New Jersey 08648
Tel: (609) 275-4900

TMA was founded in 1915 to effectively manage economic, statistical, legislative, regulatory, media, brands, trademark, and other information bearing on the worldwide business of tobacco. TMA's tracking and reporting system provides its supporters with a single, consistent source of tobacco industry data.

Various TMA "hard-copy" publications include: Executive Summary, Tobacco Weekly, World Alert, Legislative Bulletin, Leaf Bulletin, Tobacco Trade Barometer, and Trademark Report.

TMA's electronic information system now features a product called "DeskTop TMA." This system integrates text retrieval, data base management, spreadsheets and geographic mapping software that can interact with corporate data bases. DeskTop TMA is the tobacco industry's version of the "information highway."

One of the strongest attributes of TMA is its ability to gather and disseminate information on tobacco trade data -- particularly the positive balance of trade numbers.

The American Legislative Exchange Council

910 17th Street, NW
Washington, DC 20006
Tel: (202) 466-3800

ALEC is the United States' largest bipartisan, individual membership organization of state legislators. ALEC is dedicated to developing and disseminating position papers and model legislation that expands free markets, promotes economic growth, limits government and preserves individual liberty.

More than 2,500 pro-business lawmakers from the 50 states and both political parties, working in concert with corporate sponsors and major foundations, are actively involved, making ALEC the nation's leading public policy and educational institution devoted to issues of concern to the states and the national government.

ALEC's public-private partnership ensures that the opinions and perspectives of the private sector are heard and considered in the development of model legislation and policies. The organization has supported positions on freedom of choice issues, opposition to advertising bans and punitive taxation.

Reynolds Tobacco State Government Relations supports ALEC and is represented on its Board of Directors.

The Council for Tobacco Research

900 Third Avenue
New York, New York 10022
Tel: (212) 421-8885

CTR, formerly the Tobacco Industry Research Committee, was formed in 1954, with Reynolds Tobacco as one of the founding members. Since then, CTR has contributed more than U.S. \$130 million to fund scientific and medical research by independent scientists into the claimed relationship between cigarette smoking and human disease. Reynolds Tobacco has contributed more than U.S. \$43 million of that total.

CTR grantees have investigated such fundamental research issues as the mechanism of carcinogenesis and atherogenesis. The CTR Grant-In-Aid research program has been administered by a Scientific Advisory Board comprising eminent scientists and medical doctors.

Many of the research programs that have been funded by CTR have received joint support from the National Cancer Institute, the American Cancer Society, the U.S. Public Health Service and other public health organizations.

The Center for Indoor Air Research

1099 Winterson Road
Suite 280
Linthicum, Maryland 21090
Tel: (410) 684-3780

CIAR is a non-profit corporation formed in 1988 to sponsor high-quality research on indoor air issues and to facilitate communication of research findings to the broad scientific community. Reynolds Tobacco is a charter member.

The Center has established a Science Advisory Board (SAB) that develops the research agenda for approval by the Board of Directors. The SAB recommends proposals for funding after they have been peer-reviewed by the Center's pool of reviewers. This structure ensures that only high-quality research that will contribute to the knowledge bank on indoor air quality is recommended for funding.

The US-ASEAN Council

1400 L Street NW
Suite 375
Washington, D.C. 20005
Tel: (202) 289-1911

The US-ASEAN Council is a U.S. based organization that promotes U.S. private sector interests in Southeast Asia. Membership includes about 100 major U.S. companies, as well as the governments of Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand (Vietnam has associate member status).

The objectives of the organization are: (1) remove all barriers to the expansion of trade and investment between the U.S. and the ASEAN countries; and (2) promote U.S. private sector involvement with the governments of member countries.

INTERNATIONAL

Canadian Tobacco Manufacturers Council

710-99 Bank Street
Ottawa, Ontario K1P6B9
Tel: (613) 238-2799

The Tobacco Documentation Centre

2 Thameside Centre
Kew Bridge Road
Brentford, Middlesex TW8 OHF
England
Tel: 44 (0)81 569-7021

TDC, formerly Infotab, serves as a clearinghouse for the collection, processing and dissemination of publicly available information on tobacco-related issues. Reynolds Tobacco is on the board of directors.

TDC publishes and regularly updates a five-volume Smoking Issues Status Book that is the single best source of information concerning tobacco issues worldwide, including legislation, legislative proposals, industry voluntary agreements, marketing and sale restrictions and other issues.

The Tobacco Manufacturers Association

8/96

Glen House, Stag Place
London, SW1E 5AG
England
Tel: (--44) 171 828 2041

TMA is the U.K. Industry Association for those companies that manufacture and/or market tobacco products in the U.K. Originally established during WWII as the Tobacco Research Council (TRC) in support of government-funded tobacco research programs, it became the Tobacco Advisory Council (TAC) in 1978 after these programs were discontinued and is now called (since 1994) the Tobacco Manufacturers Association.

CORESTA

(Co-operation Centre for Tobacco Scientific Research)

53 Quai d'Orsay 75347
Paris Cedex 07
France
Tel: (1) 45 56 60 19

CORESTA brings together representatives of the world's tobacco companies to perform collaborative scientific research projects. CORESTA also supports the worldwide industry's efforts to develop standard analytical methods concerning tobacco research.

Swiss Association of Cigarette Manufacturers

Association Suisse des Fabricants des Cigarettes
5 Boulevard de Perolles
CP.212
CH-1700 Fribourg, Switzerland
Tel: 037 81 41 21

Verband der Cigarettenindustrie

Königswinterer Strafe 550
D - 53227 Bonn, Germany
Tel: (+49) 228 449060

The Verband, Germany's chief tobacco trade association, is actively involved in such issues as advertising, second-hand smoke, addiction, warning labels, taxation, and science and research.

The Verband maintains a well-staffed and well-funded Scientific Department, with a research laboratory in Munich, which distinguishes it from similar associations (e.g., the U.K. Tobacco Manufacturers Association or the Communauté de l'Industrie Suisse de la Cigarette).

The Foundation "VERUM" has been set up as an independent successor organization for the former German "Research Council on Smoking and Health". The Verband has put up the capital for establishing the Foundation. Liaison and communication with the Scientific Department of the Verband is assured.

Asian Tobacco Council Ltd.

1806 Harbor Centre
25 Harbor Road
Wanchai, Hong Kong
Tel: 827 00 07

Tobacco Institute of Hong Kong Ltd.

Room 1807 Harbor Centre
25 Harbor Road
Wanchai, Hong Kong
Tel: 827 73 83

Tobacco Institute of Japan

Zenkoku Tobacco Center
16-1 Nishishinbashi, 2-Chrome
Minato-Ku
Tokyo, Japan
Tel: (81) (3) 3434-3661

8/96

Tobacco Institute of the Republic of China

620 Tun Hwa Road

Suite 6-G

Taipei, Taiwan 10661

Tel: (02) 718-8053

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Source: <https://www.industrydocuments.ucsf.edu/docs/rtby0221>

Anti-smoking Organizations

Background

The Tobacco Documentation Centre (TDC) in England maintains a large database of information on anti-smoking organizations and associations. For current, complete information, contact the TDC at 44-181-569-7788.

The intense external pressure we see today on smoking and the tobacco business in the United States did not result from a spontaneous anti-tobacco uprising among the people, as anti-smoking activists would like the public to believe. Anti-smokers have been vocal for more than three centuries, going back at least as far as King James I of England in 1604.

The influence of anti-smoking activists has waxed and waned during the centuries since. There was, for example, a substantial anti-tobacco movement in the United States from the late 1700s through the early 1850s, and another strong one from about 1875 through around 1920.

The current movement in the United States began to emerge in the late 1950s following a Readers Digest article that raised questions about the health effects of smoking, and it got its initial momentum from the first Surgeon General's report in 1964.

In the early years, the movement focused on the smoker and the act of smoking, as had earlier movements. In the late 1970s, however, the leaders decided to put emphasis on environmental tobacco smoke (second-hand smoke) to bring the otherwise disinterested nonsmoker into the fight against smoking. This has proven to be a fairly successful effort and has led to the current level of social unacceptability of smoking in the United States.

Over the past few years, the movement also focused on direct, personalized attacks on the tobacco companies and their management. This has provided the movement with what had been missing before - a tangible enemy. As a result, we now see substantial forces of the media, the government, and various segments of the health community and the public working against us. Fortunately, however, we still have considerable support remaining within each of these communities

The current anti-smoking movement is the product of a fairly small number of anti-smoking organizations dedicated to the single goal of eliminating smoking from society. These organizations began forming in the 1960s, and new groups have been organized continually since that time. The greatest increase in numbers occurred in the 1980s, and the current level of activity represents the fruit of that effort. The efforts of these organizations are abetted by elements of the government.

Anti-smoking Organizations

Key Organizations

The Tobacco Documentation Centre (TDC) in England maintains a large database of information on anti-smoking organizations and associations. For current, complete information, contact the TDC at 44-181-569-7788.

UNITED STATES

- **Action on Smoking and Health (ASH)**, formed in 1967: An organization run by John Banzhaf, a lawyer at George Washington University. Banzhaf's principal techniques are: to bring lawsuits on his issues of interest; speak out in a wide variety of forums; and issue a flurry of press releases focusing on his single-minded pursuit of regulation/legislation concerning cigarettes.
- **Group Against Smokers' Pollution (GASP)**, formed in 1971: A grass roots organization of 100 chapters spread across the country. Their objectives are to turn public opinion against the social acceptability of smoking and eliminate smoking in places used by nonsmokers.
- **Americans for Nonsmokers' Rights (ANR)**, formed in 1976: Organized by Stanton Glantz and currently run by Mark Pertschuk, son of Michael Pertschuk (see Advocacy Institute). Its focus is to maximize the "public smoking" issue to increase smoking restrictions and to concentrate on local legislation to dilute tobacco industry resources. The ANR works closely with GASP, the Advocacy Institute, the American Lung Association, the American Heart Association, and the American Cancer Society. The Board of Directors includes members of DOC, Tobacco Products Liability Project, National Cancer Institute, Advocacy Institute, and STAT.
- **Doctors Ought to Care (DOC)**, formed 1977: An activist group of medical doctors. They address various tobacco issues, but their efforts usually involve specific attacks on targeted tobacco companies. Alan Blum, a founder and currently very active member, has admitted that his objective is the destruction of the tobacco industry. He, together with John Richards, Joseph DiFranza, and Robert Jaffee, are the most active members of DOC.

- **Coalition on Smoking OR Health, (the Coalition)**, formed 1982: Established by the American Cancer Society (ACS), the American Heart Association (AHA) and the American Lung Association (ALA) to lobby federal legislators and policy makers on smoking issues. This permits the three groups to avoid duplication of effort and use their anti-smoking resources more efficiently. The Coalition is a potent force in the movement and, in effect, sets the legislative agenda for the movement as a whole. Key individuals with the Coalition are Scott Ballin and, formerly, Matthew Myers. Myers left the Coalition in 1996 to work in a paid capacity as executive vice president of the National Center for Tobacco-Free Kids (NCTFK, see below). With his departure, it is possible that the NCTFK may supplant the Coalition in activities, leadership and importance, since the group is a child of the ACS, ALA and AHA, as is the Coalition.
- **National Center for Tobacco-Free Kids (NCTFK)** is a new group that was founded in June 1996. It grew out of a similarly named Campaign for Tobacco-Free Kids, a short-lived project that has now been folded into the larger group as its "action arm." The NCTFK, based in Washington, D.C., serves as a resource and partner for more than 100 health, civic, corporate, children's and religious groups. The group's goals are to find ways to keep children from smoking through "advertisements aimed to sway public opinion towards the tobacco control effort" and to lobby Congress and federal agencies for stricter tobacco-control efforts. The center will take on the tobacco industry through strategies aimed at "curbing advertising of tobacco products to children," pressuring politicians to refuse campaign funds from the tobacco industry, helping state and local anti-smoking efforts, and supporting youth who "choose to join the fight against the tobacco industry and the politicians who embrace the industry." It will also act as a clearinghouse to help draw together the anti-smoking efforts in the United States. Executive director is William Novelli, co-founder of the PR firm Porter-Novelli, which he left in 1990. Executive vice president is Matt Myers, former executive director of the Coalition on Tobacco OR Health. Annual budget is \$6 million.
- **The Advocacy Institute**, formed 1984: A liberal activist group established to study, analyze, and teach advocacy strategies and skills to effect public policy change. While it focuses on smoking, it claims to embrace a variety of liberal causes. It was formed by Michael Pertschuk, who served as head of the FTC under President Carter. Major contribution was the establishment of the Smoking Control Advocacy Resource Center (SCARC) to serve as a communications center. Later, an on-line computer network was created. The Advocacy Institute was probably the key factor in changing the anti-smokers from a group of individual organizations into a tightly knit, well-coordinated movement.

Advisors and Directors include members from AHA, DOC, Tobacco Products Liability Project, ACS, ALA, ANR, Coalition, and STAT.

- **Tobacco Products Liability Project**, formed 1984: Founded by Richard Daynard, a law professor at Northeastern University, to encourage tobacco product liability suits. It acts as a national clearinghouse for tobacco product liability suits and provides legal research and expert witnesses when needed. Also publishes the *Tobacco Products Liability Reporter*, which reports on developments in litigation, shares information obtained in legal discovery, and assists plaintiffs' lawyers in dealing with scientific and medical issues.
- **Stop Teenage Addiction to Tobacco (STAT)**, formed 1985: Group was founded on and is dependent upon the belief that tobacco companies intentionally, deliberately, and deceitfully work to get underage people to start smoking. The founder, Joe Tye, is a tireless activist who constantly seeks media and presentation opportunities. STAT conducts an annual Community Organizers' Conference that brings together a national network of community activists, as well as a "who's who" of the anti-smoking movement. Advisors and Directors of STAT include members from DOC, GASP, Smokefree Educational Services, Tobacco Products Liability Project, ANR, ASH, and CIGLIT.
- **Infant Formula Action Coalition (INFACT)**. This group was formed in 1977, but its anti-tobacco campaign began in May, 1993. It is a grassroots organization committed to "corporate accountability." It was formed to address Nestle's "unethical" infant formula marketing practices in undeveloped countries. In 1986, it initiated a Nuclear Weaponmakers Campaign to push GE out of the nuclear weapons business. Once GE withdrew from the business in April 1993, the group switched to anti-tobacco activities. Their phase one strategy was to "educate the public about the widespread abuses of the tobacco industry." Phase two involves tobacco company boycotts.
- **The American Cancer Society (ACS), the American Heart Association (AHA) and the American Lung Association (ALA)**: These "voluntary health organizations" are also key organizations and leaders in the movement. They are very closely allied with the above organizations and, in fact, provide all the funding and support for the Coalition on Smoking OR Health. They differ from the above organizations primarily in terms of their size and wealth, and the fact that their interests range beyond anti-smoking activities. (Their total revenues range from \$391.8 million for ACS and 297.3 million for AHA to \$111.1 million for ALA¹, yet these organizations spend less on smoking and health research than the U.S. tobacco companies do.) They do, however, seem to devote a significant portion of their expenditures to anti-smoking activities, and this provides them with access and influence throughout the movement.

¹ U.S. News & World Report, 12/4/95.

- **The American Medical Association:** The AMA was criticized about 10 years ago by the other groups for not taking an active part in the anti-smoking movement. They have, however, become an important player in the intervening time. They were quite active in attacking Reynolds Tobacco's Premier, and they have been active ever since. Joe DiFranza's "research" on Joe Camel advertising was published in the Journal of the American Medical Association (JAMA). In the past year, the AMA has stepped up its attack on the tobacco industry with press releases, press statements, and articles in and special issues of JAMA focusing on such areas as political lobbying by the industry, addiction, second-hand smoke and other issues.
- **The World Health Organization:** WHO is a multilateral UN agency mandated to coordinate health and sanitation programs of UN member countries. In its coordinating capacity it ensures that the health authorities of UN member countries are aware of and implement a variety of preventative health programs (1946 WHO Constitution and 1978 Declaration of Alma Ata). WHO has established a framework for tobacco control on an international basis. Worldwide WHO's tobacco control activities (also called Tobacco or Health Program, ToH) are administered through the headquarters in Geneva and currently fall within the broad Program on the Prevention and Control of Substance Abuses. WHO has adopted a worldwide framework for tobacco control as a series of specific Action Plans at regional level.

WHO, has for many years been the international leader of worldwide anti-tobacco crusades. WHO consultants around the world have aggressively lobbied governments in recent years to adopt comprehensive tobacco control laws that usually focus on total advertising bans, public smoking restrictions, high levels of cigarette taxation and onerous ingredient disclosure requirements. Although active in most markets throughout the world, WHO achieved the greatest success in countries like China and Thailand, where their anti-tobacco agenda has indirectly benefited state-owned tobacco monopolies by decreasing competition through stringent tobacco-control measures. WHO has been the target of substantial criticism for ignoring the infectious diseases plaguing a great deal of the third world while spending a disproportionate portion of their resources on smoking, alcohol and seat-belt safety.

Federal Government Organizations:

Government also plays an important part in the anti-smoking movement. Government components of the anti-smoking movement are largely found in the U.S. Department of Health and Human Services (HHS). In addition to the following departments, there are six other government departments, four other separate agencies -- in all, some 75 government offices - involved in tobacco control in some way.

- **The Office of the Surgeon General:** The Surgeon General is charged with making a yearly report to Congress on smoking. Everett Koop used the office to become an outspoken critic of smoking and a legend in the anti-smoking movement. His successors in the office have been less effective in using the smoking issue to establish their credibility.
- **Centers for Disease Control (CDC).** This HHS unit keeps statistics on diseases claimed to be caused by smoking and serves as a central information source. The CDC has been known to join forces with private anti-smoking organizations to encourage litigation against the tobacco industry.
- **The Office on Smoking and Health (OSH)** sees its job as "educating" people about smoking, and it is charged with coordinating the government's anti-smoking programs.
- **The National Cancer Institute (NCI)** administers a huge stockpile of government funds that are given out as grants to fund cancer research, as well as smoking prevention and cessation programs.
- **The Food and Drug Administration** in 1996 issued a final rule that dramatically reversed its long-standing position that it had no authority over cigarettes that were marketed without making any therapeutic claims. The Administration issued a broad-ranging rule banning or severely restrict many forms of cigarette advertising and promotion, and to regulate cigarettes as "drug delivery devices."

(See the Regulation: Food and Drug Administration section)

- **The Environmental Protection Agency** in 1993 classified second-hand smoke as a Group A (known human) carcinogen. Many organizations in the United States and other countries have since used this classification as justification for public smoking bans or restrictions. Reynolds Tobacco and other members of the U.S. tobacco industry have sued the EPA, claiming the basis of their second-hand smoke classification is not scientifically justified.

(See the Second-hand Smoke: EPA Risk Assessment section)

- **The Occupational Safety and Health Administration** in 1994 issued a broad-ranging indoor air quality proposal that included a lengthy section on second-hand smoke. If enacted, the proposal would ban smoking in virtually every workplace in the United States. After six months of public hearings on the proposal, OSHA is currently reviewing the hundreds of thousands of pages of oral and written testimony it received.

(See the Second-hand Smoke: Indoor Air Quality section)

In Congress, there is an anti-smoking organization called "The Congressional Task Force on Tobacco and Health." This is a group of congressional members who have joined forces to support the agenda of the anti-smoking movement by introducing bills in Congress to further that agenda.

Funding:

The non-government anti-smoking organizations actively solicit funds. Some of the major groups in the movement exist almost entirely on tax-deductible contributions from individual donors. However, several foundations, including Carnegie, Kaiser, Kellogg, Robert Wood Johnson, and Rockefeller, provide funding through grants, sometimes quite large, to various of these organizations.

Despite these varied sources of income, not all anti-smoking organizations are well-financed. Some, such as the American Heart and American Lung Associations and the American Cancer Society have considerable means; others operate on minimum budgets. The dollars spent on anti-smoking activities by the above three groups, however, is closely guarded information and virtually impossible to determine with precision.

INTERNATIONAL

- **International Agency for Research on Cancer (IARC):** IARC was officially established during the 18th World Health Assembly in Geneva, as an epidemiological research institution within the framework of the World Health Organization (WHO). IARC's governing council consists of member states and the director of WHO. Some members of the governing council are leading anti-smoking activists. IARC collaborates extensively with the International Union Against Cancer (UICC), whose program it complements. IARC is funded directly by its members and receives additional funding for specific programs from the EU. One of IARC's investigations concerns the problem of carcinogens in lifestyles which, among other things, involves international multi-center studies on nutrition and cancer, alcohol and tobacco, and the alleged risks of "passive smoking."
- **International Union against Cancer (UICC):** The UICC acts as an umbrella body for national cancer charities and cancer research centers. It is based in Switzerland. It has had a Tobacco and Cancer Program since 1976, with the mandate of changing attitudes toward tobacco throughout the world and promoting comprehensive tobacco control strategies. The program operates through regional tobacco control programs that are coordinated by a network of regional chairmen, who are well-known tobacco control activists.

- **Consumers International (CI) [formerly called the International Organization of Consumers' Unions (IOCU)]:** CI is a coordinating body of consumer activists worldwide. CI's coordinating body in activism against tobacco, "Action Groups To Halt Advertising And Sponsorship By Tobacco" (AGHAST), was launched in 1984. AGHAST has acted as an important communication forum for anti-tobacco activists and initiates measures aimed at reducing the incidence of smoking worldwide. CI is headquartered in the UK and has regional offices worldwide.
- **International Agency on Tobacco and Health (IATH):** IATH was launched in 1990 as a UK charity with funding from the Cancer Research Campaign (UK) and the British Heart Foundation. IATH council members include prominent anti-smokers. IATH's stated aim is "To preserve and protect the physical and mental health of persons throughout the world." IATH aims to be an information provider on tobacco and health policy to countries poor in resources. Because of its own limited resources, IATH only serves "contact" agencies around the world, most of which are health agencies in the poorer countries. IATH collaborates closely with other organizations concerned with tobacco and health, including the Advocacy Institute (Washington, DC), the Australian Cancer Society, WHO, UICC and CI.

NORTH AMERICA (NOT USA)

- **Non-Smokers' Rights Association (NSRA):** A Canadian pan-national and North American networking organization. NSRA is Canada's major non-smokers' rights organization and an environmental health advocacy association with members in every province. The organization is financed through membership fees, voluntary contributions and the federal government through the Tobacco Demand Reduction Strategy program. With reference to the UN Universal Declaration of Human Rights, NSRA believes that "tobacco pollution" curtails the right of a person to participate in his or her daily affairs and that this constitutes a violation of human rights. NSRA insist that the "realization of the RIGHT to breathe clean air takes priority over the 'privilege' to pollute our indoor environment."
- **International Development Research Center (IDRC):** A public corporation created by the Canadian Parliament to strengthen institutional partnerships in developing countries with research communities in the public, corporate and non-governmental sectors. The Center is structured into five divisions, including health, and seven regional offices. Core-funded by the government of Canada, IDRC also receives further funds from the Canadian government through Health Canada to undertake work in tobacco research, which is administered by IDRC.

- **Canadian Council on Smoking and Health (CCSH) and the National Clearinghouse on Tobacco and Health (NCTH):** CCSH is a national, independent and non-profit non-governmental organization. The NCTH is a networking body and information center on tobacco and health administered by the CCSH since 1989. The CCSH and NCTH receive funding from membership contributions, private grants and federal government project and sustaining grants. CCSH's mission is: "To ensure coordinated and concerted action against tobacco use." NCTH aims "To provide information and networking services to tobacco and health programs, activities and resources in Canada with the purpose of contributing to the goal of a tobacco-free society on Canada."

AUSTRALIA AND NEW ZEALAND

- **Anti-Cancer Council of Victoria (ACCV):** Founded in 1936 by an act of Parliament as a volunteer-based charitable organization, ACCV is a state-wide body coordinating cancer prevention and control, medical research and education in the Australian State of Victoria. The ACCV is said to be leading the fight against cancer in Victoria. Funded through charitable giving and through taxes raised from smokers in Victoria. ACCV acts as the coordinating and planning body for the different cancer research and prevention establishments (medical, research, public health) and also the Parliament in the state of Victoria. Its mission is to prevent and reduce the incidence of cancer, and increase awareness and understanding of it.
- **ASH New Zealand:** ASH, New Zealand was founded in 1982 by the NZ Cancer Society and the National Heart Foundation. It is registered as an "incorporated society" and operates as a national pressure group engaged in "the fight against tobacco and smoking related diseases." ASH, NZ sees itself as a national advocacy group. "Political advocacy ... is the most effective way of fighting the smoking epidemic, and thus saving lives and preventing family suffering." Funded by the New Zealand Cancer Society, the National Heart Foundation, and the New Zealand Asthma Foundation, as well as subscriptions and donations. ASH, NZ involves a wide range of groups towards its main goal of ensuring that "our children can grow up in a society free from the pressure to smoke."
- **The Coalition Against Tobacco Advertising and Promotion.** This New Zealand organization hopes to end tobacco advertising and to break the alleged association between smoking and "social success, wealth and sporting prowess."

EUROPE

- **European Public Health Alliance (EPHA):** EPHA was founded in 1993 with partial funding from the European Commission. Membership is open to all organizations with a major interest in public health issues. The Alliance's aims are to promote public health in Europe and to ensure the participation of citizens and non-governmental organizations in health-related policy making at the European level. EPHA undertakes active advocacy at EC institutions.
- **Action on Smoking And Health (ASH):** ASH groups exist in a number of countries worldwide (e.g. USA, UK, NZ) and operate both at the national and regional levels. In the UK, ASH puts special emphasis on its information service, which is in charge of a database and library on all aspects of smoking (medical, social, commercial, industrial) and on tobacco control and cessation methods. The information is disseminated through the media, newsletters, other publications, workshops and also the UK National No-Smoking Day, which is organized by ASH. Publications are often jointly funded with the Health Education Council, the Coronary Prevention Group and the Europe Against Cancer Program. ASH often runs its anti-tobacco campaigns in collaboration with a large number of other organizations.
- **European Medical Association on Smoking or Health (EMASH):** EMASH was established in 1988 to stimulate the debate on smoking within the medical profession as an impetus to stimulating national smoking control policy and European policy against tobacco. It is partly funded by the EU, and members include well known anti-smoking activists and medical people. EMASH works in close collaboration with WHO headquarters in Geneva, with WHO EURO in Copenhagen, the EU and 24 European countries. EMASH cooperates with all types of existing international and national health organizations, aiming to build a trans-European network of anti-smoking campaigners in the health professions.

LATIN AMERICA

- **Coordinating Committee for Smoking Control (CLACCTA):** CLACCTA was developed by the American Cancer Society in 1985 from embryonic Latin American smoking control groups. Since then it has served as an important focus for smoking control activities among its member countries. CLACCTA has adopted the WHO practice of "twinning" its member countries with more health-conscious counterparts in Europe, particularly in Spain, Italy and Portugal. CLACCTA is funded directly by the International Union Against Cancer (UICC) and the American Cancer Society, and indirectly by the WHO Pan American Health Organization. It has also received significant technical and logistical assistance through the US Surgeon General's Office.

ASIA-PACIFIC

- **Asia-Pacific Association for the Control of Tobacco (APACT):** APACT, based at the Japan Heart Foundation, Tokyo, has significant influence over national tobacco control activities in the Asia-Pacific Region. It was founded in 1989 and acts as an umbrella group bringing together all national tobacco control interests in the region. National Association of Smoking and Health branches exist in most APACT member countries. APACT's mission statement is "To create a smoke-free Asia by the year 2000." This objective is pursued through a well-coordinated anti-tobacco program. APACT is reportedly by far the best funded, coordinated and managed of the regional groups. At the regional level, APACT is campaigning for such issues as tobacco advertising prohibitions and smoking bans in public places, and smoking and health education programs in elementary schools. APACT also coordinates quit-smoking methods for women. With the assistance of recognized "tobacco control experts" of the region, such as Judith MacKay (of Asian Consultancy for Tobacco Control) and Dr. Han (WHO W. Pacific Regional Office), APACT has high level access to ministries of health and the regional office of WHO. APACT is a powerful force on the Asia-Pacific tobacco-control scene.
- **Chinese Association for Smoking and Health (CASH):** CASH was officially established in 1990 by the Preparatory Group for the Chinese Association on Smoking and Health, which itself was founded in 1981 by the National Patriotic Health Campaign Committee (NPHCC). CASH was established "to coordinate and guide the nationwide efforts to curb smoking...." CASH is designed to make recommendations to the government and others for action on youth smoking. CASH is likely to receive funding from the Chinese Ministry of Health, which in 1990 was financially supported by the "World Bank," in achieving its Program of Research for the Strategic Target of Prevention and Health for China in the year 2000.

ARAB WORLD

- **Arab Anti-Smoking Council:** A pan-national Arab conference to combat smoking, founded at the invitation of the National Jordanian Anti-Smoking Society in cooperation with the Jordanian Ministry of Health. At the founding conference, representatives of 12 Arab countries were present: Jordan, Saudi Arabia, Syria, Palestine, Kuwait, Libya, Tunisia, Sudan, Iraq, Qatar, Egypt and Yemen. Funding sources are unknown. The council's motto is "Towards an Arab world without smoke by the year 2000," and the council works towards its goal through cooperation within Arab countries in the areas of health, youth, information, legal, religious and social sectors to combat smoking. The supreme committee meets annually, and the annual Arab Anti-Smoking Day has been organized by the committee since 1989.

Social Costs

KEY POINTS

- There is no reliable evidence to support claims that smokers impose additional costs on society.
 - According to the Congressional Research Service, the independent research arm of the U.S. Congress, one estimate suggests smoking does not impose any extra costs on nonsmokers. Rather, it provides net savings to the non-smoking population due to reduced drain on social security and pension payouts.
 - According to the (U.S.) National Bureau of Economic Research, the financial savings from premature mortality in terms of lower nursing home costs and retirement pensions exceed the higher medical care and life insurance costs generated by smokers. The bottom line: U.S. smokers do not cost society money; they, in fact, save society money, even before paying taxes on their tobacco products.²
 - Mathematical models used to generate the "social cost" of smokers (for example, the U.S. Centers for Disease Control and Prevention SAMMEC II Model) rely largely on the assumption that smokers die earlier than nonsmokers, thus losing years of work productivity.
 - If one accepts this assumption, the decreased burden on society in terms of government pensions and medical payments would need to be factored in as well. A 1989 analysis of this type conducted in the United States by Rand Corporation concluded that smokers imposed no net cost on nonsmokers.³
 - According to a report by the Netherlands Economic Institute, conducted on behalf of Philip Morris, tobacco consumption nets the government \$1.57 billion, when tax collections (\$1.97 billion) are balanced against the purported costs of smoking (estimated at \$439 million).⁴

¹ *Cigarette Taxes to Fund Health-Care Reform: An Economic Analysis*, CRS Report for Congress, March 8, 1994.

² Viscusi, K.W., "Cigarette taxation and the social consequences of smoking," National Bureau of Economic Research, Inc. Working Paper No. 4891 (Oct. 1994).

³ Manning, W., *et al.* (1989), "The Taxes of Sin: Do Smokers and Drinkers Pay Their Way?" *J. Amer. Med. Assoc.* vol. 261, p. 1604.

⁴ "Public Expenditure Balance of Smoking in the Netherlands," Netherlands Economic Institute (January 1996) 21 pp. [Netherlands]

- An 1994 study that was published in Australia concludes that smokers "more than pay their way" with a net contribution of Aus\$ 2 billion to the Australian society.⁵
- A Norwegian study indicated that smokers cost Norwegian society 3.2 billion kroner per year in health care expenditures, but those expenditures are offset by government tax revenues of 5.2 billion kroner paid on tobacco products. The net annual benefit: 2 billion kroner.⁶
- A French study concluded that tobacco contributes more to society than it costs, and that it even contributes to increasing the living standard of non-smokers through its transfers.⁷
 - The study indicates that tobacco "costs" French society FF26.7 billion (U.S.\$5.04 billion), but contributes FF44.96 billion (U.S.\$8.5 billion). This contribution pension money not paid to smokers and tax money paid by smokers.
- Researchers at Belgium's Institute for Public Health (IBES) concluded that smokers do not cost Belgium more than nonsmokers. The study says that any claimed difference in health-care costs between the two groups is compensated by the high tobacco taxes paid by smokers.⁸
- Because of excise taxes on cigarettes, smokers already bear a disproportionate tax burden. In addition, studies show that differences in absentee rates result from several key differences between smokers and nonsmokers including age, drinking behavior, job status and others.⁹
- Many lifestyle and behavioral choices carry associated risks. For example, a number of studies suggest that alcohol abuse in the United States costs society billions of dollars each year.¹⁰ Those with sedentary lifestyles, poor diets, and excess weight also statistically show elevated risk for health problems and, therefore, should show increased "costs" to society. Except for punitive purposes, there is no reason to single out smokers in this regard.

⁵ "Spending costs and Benefits for Australia. An independent economic analysis by ACIL Economics & Policy." ACIL. Economics, Policy and Strategy Consultants (March 1994) 57 pp. [Australia]

⁶ "What does smoking really cost?" *Aftenposten*, May 19, 1995, p. 1.

⁷ Rosa, J.J., (1994) "Le cout social de la consommation de tabac et l'equilibre des finances publiques: Le cas de la France" (The social costs of tobacco consumption and the equilibrium of public finances. The French case), Institut d'Etudes Politiques de Paris No. 9402.

⁸ "Raucher kosten den Staat nicht mehr als Nichtraucher" (Smokers do not cost the state more than nonsmokers), *Die Welt*, Feb. 10, 1994, p. 10.

⁹ Ault, R., *et al.* (1991), "Smoking and Absenteeism." *Applied Economics*, vol. 23, p. 743, 751-52.

¹⁰ See, e.g., Manning, W., *et al.* (1989), "The Taxes of Sin: Do Smokers and Drinkers Pay Their Way?" *J. Amer. Med. Assoc.* vol. 261, p. 1604.

- Since it is unlikely that smokers impose any additional costs on society as a whole, the alleged "social cost" of smoking does not constitute a valid basis for:
 - any legislation or regulation, including increased cigarette excise taxes, or
 - discriminating against employees who smoke in or out of the workplace.
- 

Social Costs

BACKGROUND AND ADDITIONAL POINTS

The worldwide anti-smoking industry claims that tobacco use costs the nonsmoking public hundreds of billions of dollars each year because smokers are less productive at work, have higher job absenteeism rates and use health-care programs more than nonsmokers. Their argument ignores a number of important points.

- In evaluating the "costs" smokers impose on society, the U.S. Congressional Research Service found that: "An alcohol tax would appear to be more efficient and more equitable: the best estimate of alcohol's net external cost exceeds current tax levels; alcohol taxes are also regressive, but less so than cigarette taxes."¹¹
- According to an article in "The Journal of the American Medical Association," (JAMA - 3/17/89) "... On balance, smokers probably pay their way with the current level of excise taxes on cigarettes."
 - In the United States, smokers pay \$11.3 billion in federal, state and local excise taxes and another \$2 billion in additional sales taxes, for a total of \$13.3 billion. It could be suggested that smokers subsidize nonsmokers in government sponsored health care programs, not the other way around.
- A U.S. Chamber of Commerce Chamber Foundation study concluded that smokers as a group do not have demonstrably higher absenteeism rates than nonsmokers. Other studies agree.

A comprehensive study published in 1991¹² reports that the higher incidence of absenteeism reported in previous studies is, in fact, the result of several key differences between smokers and nonsmokers including age, drinking behavior, job status and others. The study concludes that eliminating smoking in the workplace will waste resources on efforts largely unlikely to achieve the goal of reduced absenteeism.

¹¹ *Cigarette Taxes to Fund Health-Care Reform: An Economic Analysis*, CRS Report for Congress, March 8, 1994.

¹² Ault, R., et al. (1991), "Smoking and Absenteeism", *Applied Economics* vol. 23, p. 743, 751-52.

Regulation

U.S. FDA Proposal

On August 28, 1996, the U.S. Food and Drug Administration (FDA) issued a final rule in the Federal Register that would give FDA broad authority over cigarettes. Among other things, the rule includes bans on retail self-service displays and brand sponsorship of sports events and teams. The rule severely limits almost all cigarette advertising and promotions. And it classifies cigarettes as a drug delivery device that should be regulated under the Food Drug & Cosmetic Act..

At R.J. Reynolds, we don't want kids to smoke. But we don't think the government is taking the right approach. We believe that enforcement of the minimum-age laws already on the books is an effective way to keep cigarettes out of the hands of youth. There is no convincing evidence that the FDA's proposed restrictions on the advertising, marketing sale and distribution of cigarettes are likely to reduce tobacco use by young people.

It is clear, however, that the FDA's restrictions would impose very serious -- and in our opinion, unconstitutional -- limits on our ability to communicate with and sell our products to adult smokers.

KEY POINTS

- We don't want kids to smoke.
 - Reynolds Tobacco believes underage people should not smoke.
 - Our company does not engage in any activities whatsoever designed to encourage underage persons, or for that matter, adult nonsmokers, to become smokers.
 - Our company's goal is to provide adult smokers with reasons to purchase our products instead of those of our competitors.
 - We advertise our products not to encourage nonsmokers to start smoking, but, rather to reinforce brand loyalty among existing smokers and to encourage smokers of competitive products to try our brands.

(See the section on Advertising and Promotion: Youth Smoking)
- We believe that the FDA's published rule, which is purportedly based on a concern about youth smoking, is the first step in the Administration's pursuit of its real agenda -- a ban on the sale of cigarettes to adults.

- FDA declares that cigarettes are drugs, but will be regulated as medical devices. The food and drugs laws state that unless drugs and medical devices are "safe" and "effective" they cannot be sold.
 - In the FDA's efforts to squeeze cigarettes within the Federal Food, Drug & Cosmetic Act, the Administration is distorting the statute in dangerous and unprecedented ways.
 - New interpretations of the law could potentially open the door to unlimited regulation, qualifying almost anything as a drug delivery device, including spoons and straws.
- For many years, the FDA has taken the position that if cigarettes were regulated as drugs they would have to be withdrawn from the market. The FDA's regulatory efforts attempt to avoid an immediate ban on cigarettes while claiming to leave the door open for banning cigarettes in the future.
- Congress never gave the FDA power to ban cigarettes. That decision can only be made by Congress.
- Prohibition is a bad idea, no matter how it is accomplished, and the American public is overwhelmingly opposed to prohibition.
- In 1992, Congress enacted a statute that directed states to increase enforcement of minimum-age purchase requirements. In 1996, the Department of Health and Human Services implemented that congressional directive. We believe this is the appropriate way to handle this issue.
- FDA's attempt to assert jurisdiction over cigarettes is unprecedented and illegal. The FDA does not have the authority to take these actions.
 - The FDA has consistently refused to regulate cigarettes that are marketed for smoking pleasure, and Congress has, for almost 90 years, repeatedly refused to grant jurisdiction over cigarettes to the agency.
 - Congress has created a comprehensive program for cigarette regulation that excludes any role for the FDA.
 - The regulations violate the First Amendment right to advertise a legal product. They also violate the rights of adults smokers to receive information about cigarettes.
 - Immediately after the proposed rule was initially issued in August of 1995, the major U.S. cigarette manufacturers (along with an advertising agency) filed a lawsuit in North Carolina arguing that, among other things, the FDA has asserted jurisdiction in violation of the will of Congress and the Constitution.
 - When the final rule was published in 1996, the companies filed additional amendments to that suit.

- The president and the FDA's proposals clearly go far beyond teenage smoking. In fact, they seriously threaten the rights of adult smokers to have full and free access to legal products and information about those products.

Regulation

U.S. FDA Proposal**BACKGROUND AND ADDITIONAL POINTS**

- President Clinton and the FDA say their efforts are aimed at teenage smokers. We agree that kids should not smoke. But the severe restrictions they propose would, in fact, seriously affect adult smokers. For example, if these proposals take effect, adult smokers would be prohibited from:
 - Receiving discount or free-pack coupons in the mail.
 - Receiving free samples of cigarettes.
 - Participating in sweepstakes, games, contests and other programs, such as Camel Cash.
 - Earning, winning or purchasing any branded item, such as T-shirts, caps, jackets, gym bags, lighters, beverage holders, cups and playing cards. (Cigarette manufacturers would be prohibited from printing a cigarette brand name on anything except cigarette packaging.)
 - Choosing a pack or carton from a self-service display. (To buy cigarettes, smokers would have to ask a clerk to get them from behind a counter.)
 - Receiving certain types of information about cigarettes. Billboards, store signs, direct mail pieces and many newspaper and magazine ads would have to be printed in black and white, with no pictures or illustrations. Advertising couldn't even show a picture of a pack.
- In addition, the proposal would ban brand sponsorship of such sports events as the NASCAR Winston Cup Racing Series and NHRA Winston Drag Racing.

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