



EXECUTIVE SUMMARY

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President

ES97-29
July 18, 1997

SPECIAL THIS WEEK...

Tobacco Weekly 97-29
World Alert 97-29
Leaf Bulletin 97-13
Tobacco Barometer —
Smoking, Chewing, Snuff
First Quarter 1997

Dade County Circuit Court Judge Robert Kaye on July 17th denied a tobacco industry request to declare a mistrial in the *Broin* class-action case after tobacco lawyers claimed statements made by the judge may have prejudiced the jury. Tobacco company lawyers asked for a mistrial after Judge Kaye said some questioning of a witness by a R.J. Reynolds attorney were based on "unproven and unsubstantiated" premises. In refusing to block the answer of a witness, Judge Kaye said, "A lot of the premises that you have exposed him to are unproven and unsubstantiated in any manner. You just throw figures out. He says, 'I don't know what the figures are,' and you continue to use them. That's inappropriate." The witness, Ronald Davis, the former head of the US Office of Smoking and Health, testified that environmental tobacco smoke (ETS) is more dangerous on airplanes than in the home. "I would say the exposure in airplanes is much more intensive, much more serious, much more dangerous than the exposure in homes," Davis said

(Reuters 7/17). •On July 17th, Philip Morris CEO James Morgan testified in the trial that smoking could be "psychologically habit-forming" but was far from physically addictive (Reuters 7/17). •On 7/16, former US Surgeon General Julius Richmond testified during the *Broin* trial that ETS can cause lung cancer and other diseases (Dow Jones 7/16). •The tobacco industry delivered opening arguments on July 15th in the *Broin* trial, in which they said studies showing that ETS caused harm "were done poorly and were inconsistent and unreliable," with Liggett's lawyer saying "We simply don't know" about the relationship of ETS to disease. A day earlier, plaintiffs' attorney Stanley Rosenblatt denounced the cigarette manufacturers for making a "lethal" product. •A South Carolina bar owner who sued the York County jail for exposing him to ETS during a 10-minute patrol ride was awarded \$7.40 from a jury (AP 7/17). •The Veteran Affairs Department began processing the first in what is expected to be many compensation claims for alleged smoking-related illnesses and deaths; more than 4,500 veterans already have filed disability claims and VA officials estimate that 2.5 million veterans and surviving dependents could qualify for compensation under a new interpretation of VA law. •A former Brown & Williamson tobacco scientist who developed a plant with high levels of nicotine has been granted immunity from criminal prosecution; Janis Bravo testified that B&W already had a high-nicotine gene in its tobacco seed when she was hired. •Former B&W Regional Sales Manager Michael Bernstein pleaded guilty on July 16th to a Federal charge of trafficking in contraband cigarettes; he will be sentenced October 1st (Advocate 7/17). •US House of Representatives member Lloyd Doggett (D-TX) introduced legislation on July 8th that would require strict warnings on exported American cigarette packs and would prohibit the US Government from promoting the export of tobacco products. •On July 16th, Japanese lawyers met with anti-smoking and consumer advocacy groups to discuss preparations for lawsuits against tobacco companies; one possible suit involves people claiming damages from tobacco companies based on product liability laws (TW97-29, WA97-29).

White House and tobacco company officials met on July 15th to discuss the proposed tobacco settlement, although administration officials maintained that the meeting "is not a negotiating session." White House officials said they hoped to get an idea of how flexible the industry is on rewriting provisions of the deal. "We didn't expect it to get rubber-stamped," said tobacco company attorney J. Phil Carlton. He called the meeting a chance to explain the rationale behind the settlement provisions. "I remain optimistic that after... (the White House review) is done, the conclusion will be that the negotiators did a good job and we don't need to change anything," Carlton said. While the industry is open to discussing suggestions for changes in the parts of the deal governing the Food and Drug Administration's ability to regulate nicotine content in cigarettes and the penalties tobacco companies must pay if youth smoking rates do not decline, tobacco industry representatives maintained that they would not agree to changes in provisions granting cigarette manufacturers immunity from punitive damages based on past misconduct (WSJ 7/18). Meanwhile, White House domestic policy adviser Bruce Reed said, "We made clear to them that while we see the settlement as a real opportunity, we will insist that it be strengthened in some areas." •Senator Orrin Hatch (R-UT), chairman of the Senate Judiciary Committee, said on July 17th that the committee wants to examine tobacco industry documents that "shed light on cigarette makers' scientific research, marketing plans and production methods" (NYT 7/17). Bennett LeBow, chairman and CEO of Brooke Group, responded with a statement: "Liggett wholeheartedly supports the efforts of Senator Hatch...to seek to review confidential tobacco industry documents. We agree with the position...that no tobacco settlement should be enacted into law without full disclosure" (PR Newswire 7/16). •Meanwhile, House Speaker Newt Gingrich (R-GA) called the settlement "some insider deal cut in a backroom" that might "create a monopoly, suspend free speech, raise taxes and transfer wealth to trial lawyers" (WSJ 7/17). •Health and Human Services Secretary Donna Shalala defended the tax break provision of the tobacco deal, saying: "To be fair about tax deductibility, it is standard business practice in a settlement to deduct the cost of that settlement from one's business taxes.

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•Federal Trade Commission (FTC) Chairman Robert Pitofsky said a provision in the tobacco deal that exempts cigarette makers from antitrust laws should be narrowed to prevent the firms from fixing prices. "The exemption is written in such a way that I believe it may cover price-fixing," Pitofsky said. "The tobacco companies could get together and decide how much this agreement is costing them and, under that provision, I think they could agree on how much to raise the price of cigarettes."
•Rothmans of Pall Mall (Malaysia) Chairman Abu Talib Othman said the US tobacco deal would have no direct impact on his company's performance because the legal system in Malaysia is very different from the US. (TW97-29, WA97-29).

A Senate Appropriations subcommittee on July 15th voted to provide the Food and Drug Administration (FDA) with \$4.9 million to help States enforce a Federal law banning tobacco sales to minors — much less than the \$34 million President Bill Clinton requested for the effort; anti-smoking groups vowed to push senators to at least match the \$24 million that House appropriators have earmarked for the enforcement program (TW97-29).

A recent poll of Ohio State University students, faculty and staff claims that undergraduates smoke the most; 19% of undergraduates said they smoke, compared with 16% of staff, 8% of graduate students and 5% of faculty. •Philip Morris (Australia) said that recent polls claim Government campaigns to discourage smoking have not worked and that cigarette consumption has actually increased. •Massachusetts Governor William Weld (R) named Dr. Howard Kyongju Koh, an anti-smoking leader, to be his next public health commissioner. •Television talk show host Morton Downey Jr. is the new spokesman for CigArrest Smoking Cessation Gum, Gum Tech International announced on July 16th (Business Wire 7/16).
•Sir Peter Macadam, former chairman of BAT Industries, died at the age of 75 (TW97-29, WA97-29).

Many issues were tabled following a summit that included UK's Health Secretary Dobson and Public Health Minister Jowell on July 13th, including a ban on all tobacco advertising and promotion, increasing prices on tobacco products, issuing identification cards for smokers and requiring plain packaging with health warnings. •Advertising executives asked Hong Kong Chief Executive Tung Chee-hwa to repeal the recently approved tobacco ad ban. •Australia's Federal Minister of Health criticized Rothmans for the marketing of its Slimline Holiday 20's brand, which anti-smoking groups claim appeals to minors. •Price hikes are more effective than advertising restrictions in bringing about a decline in consumption, according to a survey by Canada's RJR-Macdonald, The Globe & Mail reported. •On July 17th, California launched an anti-tobacco campaign aimed at the State's large ethnic minority population that features a series of billboard ads, television commercials and radio spots. James Stratton, Deputy Director of the State's Health Department's Prevention Services, said recent focus group studies found a key message that could change behavior patterns, especially in ethnic communities, was the alleged effects of ETS to children and other family members (Reuters 7/17). •NASCAR memorabilia collectors' have been wildly buying anything with Smokin' Joe's image since R.J. Reynolds retired the Joe Camel advertising campaign (TW97-29, WA97-29).

On July 17th, Rothmans (Canada) announced financial results for the three months ended June 30th. Earnings from tobacco operations amounted to \$15.7 million, compared with \$15.8 million in the same period last year; sales totaled \$129.5 million, compared with \$131.2 million last year (Canada Newswire 7/17). •Beginning July 23rd, the American Stock Exchange (AMEX) will trade options on the AMEX-listed American Depository Shares of BAT Industries PLC (PR Newswire 7/17). •Nineteen of New England's 35 U.S. House and Senate members have never accepted tobacco company contributions, and those that have, only received token donations from the firms, according to a Boston Globe analysis of Federal Election Commission records and recent studies by Common Cause and the Center for Responsive Politics. •The board that oversees Washington State's \$39.5 billion pension system on July 17th defeated a motion to divest the State's holdings in tobacco stocks (Reuters 7/17). •The law firm that Arkansas Attorney General Winston Bryant hired to represent the State in its Medicaid lawsuit against cigarette manufacturers includes attorneys who contributed to Bryant's Senate campaign; although both Republicans and Democrats called the \$2,500 donation a non-issue. •British-American Tobacco (BAT) operations in Moscow and Saratov were renamed BAT-Yava and BAT-Saratov (TW97-29, WA97-29).

India's Enforcement Directorate (ED) issued "showcause" notices to several ITC executives for their alleged involvement in currency exchange violations and tax fraud, worth \$76.53 million; the ED will hold proceedings in August and reportedly could fine ITC as much as \$383 million for the alleged violations. •The United Arab Emirates Cabinet approved a new tax structure that will gradually increase the tariffs on both the value and quantity of imported cigarettes within four years if endorsed by the Supreme Council (Compass Newswire 7/17). •The ad valorem tax on Bulgarian cigarettes sold in Russia will remain at its current level of \$3.33 per thousand units, despite efforts by the National Importers Association to reduce the tax to 55¢. •Philippines' Department of Finance (DoF) said excise tax collection on cigarettes increased 2.15% to \$2.15 billion in the first five months of 1997 compared to the same period last year (WA97-29).

In a meeting on 7/16 with White House officials, tobacco growers demanded some type of compensation if the proposed tobacco settlement becomes law because any eventual deal reduces the number of smokers, and thus demand for their product (AP 7/17). •The House was expected to discuss a proposed amendment to the agriculture bill on 7/17 that would end an estimated \$34 million crop insurance program for tobacco growers (AP 7/17). •The Flue-Cured Tobacco Cooperation Stabilization Corporation sold 126,849 pounds of tobacco in June, raising the total sales for the year-to-date to 5,602,680 pounds. •About 17.6 million pounds of carry-over flue-cured tobacco from the 1996 crop will be sold, compared to 6.0 million pounds from 1995, according to the Federal-State Tobacco Market News Service. •Production of moist snuff increased by 3.5%, while domestic sales fell by only 6,000 pounds for 1Q97 when compared to the same period in 1996; overall chewing tobacco production and domestic sales decreased by 7.9% and 4.1%, respectively, for 1Q97 compared with the first three months of 1996; overall production in the smoking tobacco segment decreased 9.6% in 1Q97 compared with the same period of 1996 (LEAF 97-13, CCS 1Q97).