PHILIP MORRIS

Preventing youth access to cigarettes.

ACTION against ACCESS

In June of last year, Philip Morris U.S.A. introduced Action Against Access, a comprehensive voluntary program to help prevent minors from having access to cigarettes. Since last June, much has been accomplished. For your information, the status of Action Against Access is detailed below. As we continue to work to achieve our goal of implementing all of these initiatives, our commitment remains unchanged: to prevent minors from having access to cigarettes. And we stand ready to work with others on all reasonable approaches to this issue.

What Philip Morris promised to do:

Pack Notices
UNDERAGE SALE PROHIBITED
We will place a notice on all of our packs and cartons: "Underage sale prohibited."

Sampling
We will not distribute free samples of our cigarettes to consumers.

Mailing Cigarettes
We will not distribute our cigarettes to consumers through the mail

Retail Payments
RETAIL PAYMENTS
We will deny merchandising benefits to retailers who are fined for or convicted of selling cigarettes to minors.

Logo Usage
We will intensify our efforts to prevent the use of our brand names or logos on any items marketed to minors, especially video games.

Retail Compliance
IF YOU ASK WE ASK FOR I.D
We will assist retailers in complying with minimum-age laws by providing our "Ask First/It's the Law" materials and by funding retailer education programs.

Vending
We will join with others in seeking state legislation to prevent minors' access to cigarettes in vending machines.

Minimum-Age Signs
MINIMUM AGE
We will vigorously support posting of minimum-age signage in all retail outlets.

Supervised Sales
We will join with others to seek state legislation to require that all cigarettes be sold in sight of—or under the direct control of—a sales clerk.

Licensing
LICENSE
We will join with others to seek state legislation calling for reasonable cigarette retail licensing requirements in all 50 states.

What Philip Morris has done:

Pack Notices	IMPLEMENTED
Sampling	IMPLEMENTED
Mailing Cigarettes	IMPLEMENTED
Retail Payments	IMPLEMENTED
Logo Usage	IMPLEMENTED
Retail Compliance	IMPLEMENTED
Vending	IN PROGRESS
Minimum-Age Signs	IN PROGRESS
Supervised Sales	IN PROGRESS
Licensing	IN PROGRESS

Retail Payments: On January 1, 1996, we announced to all of our customers a new program to reward retailers who comply with the law and to withhold merchandising benefits from those who don't. We also communicated with all 50 states regarding their systems to track retail compliance. This effort is ongoing.

Logo Usage: We have initiated a reward program for those who report and help stop the illegal use of our logos on items intended for use by children.

Retail Compliance: Philip Morris is giving its full support to the "We Card" education program developed by the Coalition for Responsible Tobacco Retailing which provides retailers with minimum-age signage and training materials to help prevent the sale of tobacco products to underage customers. To date, over 178,000 retailers have subscribed and the number is growing daily.

Vending, Minimum-Age Signs, Supervised Sales, Licensing: We are currently supporting efforts during the 1996 state legislative sessions to pass statewide laws that would effectively restrict access to cigarettes by minors at the point of sale and through vending machines, require the posting of minimum-age signs and provide for strict enforcement of the law.

The best way to keep kids away from cigarettes is to keep cigarettes away from kids.

PM
PHILIP MORRIS U.S.A.

UNDERAGE USE OF TOBACCO:

Recently, the President challenged the tobacco industry on the issue of underage use of tobacco products, saying, "Do not stay outside and apart from this debate... Join with us. Do the right thing."

Philip Morris USA has accepted the President's challenge. We are proposing comprehensive federal legislation on the issue of underage use of tobacco.

We believe this proposal offers common ground for all sides to come together and take action now.

A COMMON GROUND SOLUTION WE ALL CAN SUPPORT.

A BLUEPRINT FOR FEDERAL LEGISLATION

Our proposal is similar to the Food and Drug Administration's regulations; in some cases, it goes even further. However, our proposal is consistent with Congress's long-held view, and the view of courts, that the FDA does not have authority to regulate the tobacco industry.

Unlike the FDA regulatory approach, our proposal can be enacted without delay. And it incorporates ideas from many sources. Some ideas are ours, some came from the President, some from members of Congress, some from the Institute of Medicine, and some from anti-smoking groups.

But this is not about ownership of ideas. It's about solving a problem that concerns us all.

The government and the tobacco industry cannot do it alone. Families, educators, retailers and others can and must do their part, too.

We may not be able to completely solve the problem, but working together is our best chance for success.

IT'S TIME TO MOVE FORWARD.

So, from the common ground we share, let's act now to make a real difference in underage use of tobacco.

We all agree that minors should not use tobacco products. And we all agree that more needs to be done to prevent kids from using and having access to tobacco products.

We urge everyone concerned about this issue—including our critics—to support this common ground solution. For all the right reasons, it's the right thing to do.

PHILIP MORRIS

PHILIP MORRIS USA

The Philip Morris USA proposal for federal legislation to end underage use of tobacco includes the following:

NEW FEDERAL AGE RESTRICTION
- Establish a federal minimum age of 18 for the sale of tobacco products.

PROPOSED BANS
- Ban cigarette vending machines.
- Ban all outdoor tobacco product advertising within 1,000 feet of schools or playgrounds.
- Ban tobacco advertising on outward-facing retail window displays within 1,000 feet of schools or playgrounds
- Ban brand names, logos, characters or selling messages on nontobacco-related items, such as caps, T-shirts, jackets or gym bags
- Ban mass transit advertising.
- Ban all sales and distribution of tobacco products to consumers through the mail.
- Ban permanent tobacco product advertising in virtually all sports stadiums.
- Ban the sale of individual cigarettes.
- Ban packs of fewer than 20 cigarettes.
- Ban sampling except in locations where minors are denied access.
- Ban payments for product placements in movies and television
- Ban billboards of less than 225 square feet — the type typically used in urban neighborhoods.
- Ban advertising in family amusement centers, video arcades and video games except those located in areas where minors are denied access.

PROPOSED LIMITATIONS
- Limit tobacco product sponsorship of events to motorsports and rodeo productions and other events where the promoter, arena or stadium manager certifies that at least 75% of those in attendance are expected to be 18 years or older. Ban all other tobacco product sponsorship of events.
- Limit tobacco advertising in publications to those whose publisher certifies that adults account for 85% or more of the publication's subscribers.

PROPOSED REQUIREMENTS
- Require minimum-age signage at tobacco retail outlets
- Require tobacco products to be displayed only under the control or within the line of sight of the retailer.
- Require picture ID for those appearing to be under 21.
- Require retailers and their employees to certify that they understand and will comply with minimum-age laws.
- Require a tobacco-industry-funded program of $250 million over five years to fund retailer compliance and oversight by the Department of Health and Human Services and the Federal Trade Commission.

PROPOSED PENALTIES
- Provide a system of civil penalties against manufacturers, including fines of up to $50,000 for violations, as well as a system of graduated civil penalties against retailers who sell tobacco products to minors.

NEWS CONFERENCE WITH MAJORITY LEADER TOM DASCHLE (D-SD)
S-224 THE CAPITOL 9:30 A.M. EDT FRIDAY, JUNE 14, 1996
XD-14-04 page# 1

dest=usag,tobacco,ky,fda,elecus,cks,senminld,conglead,csd,notvpol
data

[unrelated topic]

Q Senator, tobacco country this morning is talking about Bob Dole's comments there yesterday and that the FDA doesn't have the authority to regulate cigarettes. First of all, do you think the FDA has that right and that responsibility? And do you -- are you also -- with agreeance to the White House Bob Dole made those comments to pander to big tobacco to fill his campaign coffers?

SEN. DASCHLE: Well I won't try to prejudge Bob Dole's motivation. I will say this, that while I think the FDA has the authority, in some cases I think that legislative remedies are far better in a situation like this. As you know, the regulatory framework can be easily changed and challenged in many ways. Our view is that a legislative remedy is a much more important and likely way to resolve the matter once and for all. That is why I've indicated my preference for legislation from the beginning.

Q Do you find it interesting that he said cigarettes aren't addictive, though?

SEN. DASCHLE: Yes. That was -- I'm not sure he -- I don't know how he could have made that statement with all of the factual information available to anybody today. I don't know whether he was misquoted or whether he actually said it. But I don't know of anybody who would agree with him on that fact.

Q Do you think making a comment like that in Louisville, Kentucky is kind of interesting in this campaign time?

SEN. DASCHLE: Interesting to say the least, yeah. I think there are better ways to win votes than to pander to tobacco companies.

[Topic changes]

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THE WALL STREET JOURNAL FRIDAY, MAY 17, 1996

Clinton Says Tobacco Plan Has Potential

By MICHAEL K. FRISBY
And TIMOTHY NOAH
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—President Clinton signaled a willingness to negotiate with tobacco companies on legislation to curb teenage smoking, but any agreement must overcome steep hurdles in Congress and within the administration.

The president yesterday applauded a new proposal by Philip Morris Cos. and UST Inc.'s U.S. Tobacco Co. that would adopt some but not all of the restrictions proposed last summer by the Food and Drug Administration to curb tobacco marketing to minors. But he also said the tobacco company plan, which is aimed at supplanting the FDA's proposed rule, didn't go far enough.

"We got some indication [Wednesday] that we may even wind up with an agreement with the private sector in this effort," Mr. Clinton told chief executive officers at his conference on corporate responsibility. "I don't think it's enough, but I do believe that it's an indication that there may be some way that we can agree on legislation to do this."

But first, Mr. Clinton may need to convince his own FDA. After the industry proposal was announced, the FDA was more pessimistic about the prospects of striking a deal than the White House. In fact, Clinton aides yesterday insisted the president could agree to a legislative approach that accomplishes his goals but also meets the industry's demand that it avoid FDA oversight. FDA officials, though, are more intent on establishing the agency as a tobacco regulator, as is its chief congressional ally, Rep. Henry Waxman, (D., Calif.).

"Cigarettes are a delivery system for the drug nicotine. They ought to be regulated by the FDA," said Mr. Waxman, adding that the agency should "have the power to adjust" antismoking regulations, "or to adopt new ones as they may be needed in the future."

Inside the White House, Chief of Staff Leon Panetta is seen as the person most willing to push for a legislative solution. That may explain why Philip Morris officials called on Mr. Panetta a few weeks ago to give him a preview of their proposal. Mr. Panetta told them that the White House wouldn't endorse their plan because it didn't go far enough, but said it was a step in the right direction.

Despite White House insistence that this issue will be decided on substance, not politics, the presidential campaign will nevertheless enter the equation. Surprisingly, Mr. Clinton has made fighting the tobacco companies a political plus, not a minus. At the outset, even his own aides thought the stance might be unpopular. But the president now enjoys a 14-percentage-point lead, in some polls, over Senate Majority Leader Robert Dole in Kentucky, a tobacco state. The problem for the White House is: What happens if Mr. Clinton switches gears and negotiates a deal? Will he look like a waffler?

The antismoking community believes strongly that the president has more to lose than gain. It argues that voters upset with the president over his tough stance on smoking won't be at all appeased if a

Please Turn to Page A6, Column 1

Clinton Applauds Tobacco Plan

Continued From Page A3

legislative agreement is struck, while those who see his antismoking crusade as courageous might see him as buckling.

What's certain is that Mr. Clinton faces intense pressure from both sides. Just yesterday, Democratic Party Chairman Sen. Christopher Dodd expressed disappointment that the White House on Wednesday hadn't been more upbeat toward the industry proposal. "It's an opportunity to get this done rather than getting bogged down" in a legal battle, the Connecticut senator said.

Mr. Dodd, however, has tobacco interests in his state. U.S. Tobacco has headquarters in Greenwich, Conn., and Mr. Dodd has received at least $14,000 in contributions from its political action committee since 1991.

Opposing tobacco companies still makes some congressional Democrats nervous. For the Democrats to win back control of the House or Senate, they must find ways to win seats in the South, where regulating tobacco is often unpopular.

In an expression of his concern, Senate Minority Leader Thomas Daschle quietly sent a message to the White House that he didn't want it making any moves without consulting Democrats in Congress. Sen. Daschle last year signed a letter to the FDA opposing its proposed tobacco rule.

In response to the president's olive branch, Steve Parrish, Philip Morris's senior vice president for corporate affairs, said, "obviously we're pleased he recognized that we made a good faith effort to attack the problem. . . . We look forward to continuing the dialogue."

Lobbyists for Philip Morris were meeting with members of Congress yesterday to try to sell them on their bill. Rep. Thomas Bliley (R., Va.), who was briefed on the Philip Morris plan before it was unveiled Wednesday, has indicated he won't push the bill in the House "unless and until" the Senate passes it.

That approach, however, poses problems. Seven Democratic senators, including Frank Lautenberg of New Jersey, Paul Simon of Illinois and Barbara Boxer of California, pledged in a letter to Mr. Daschle in March that they would filibuster any bill "to overturn any element of the president's proposal." Sen. Lautenberg renewed that threat yesterday, citing as a deal-breaker Philip Morris's rejection of the FDA as a tobacco regulator.