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Horace R. Kornegay speech

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Tobacco Institute Annual Meeting

January 10, 1980
New York, New York

Whoever wrote that what comes in like a lion goes out like a lamb; or what starts with a bang ends with a whimper, did not work at The Tobacco Institute. 1979 rushed in at a hectic pace, maintained full speed, and is departing in the same way. Like previous years, it was a year of intense activity and high pressure--externally and internally.

But 1979 was different in one respect. We were better prepared. Because we had worked hard on our internal organization, we were able to deal more effectively with our external pressures. We were even able to spare some extra time to orchestrate our individual efforts, to move toward an overall strategy, to set goals and objectives, to plan ahead.

A review of the projects completed this year may justify your confidence in our ability to achieve the objectives in our business plan.

You directed us to improve industry intelligence, develop our support capabilities, and to improve scientific information services. And we have made gains.

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You mandated strengthened state and local activities, strengthened Federal relations, and improved public understanding and communication. And we have made strides.

You also asked us to strengthen Institute direction and control. And we have made progress.

As a result, some notable achievements were registered this year.

● The Surgeon General's media event was pre-empted by an Institute first-strike news conference. For the first time in the history of the cigarette controversy, a Secretary of HEW had to share the spotlight. In fact, we won top billing that night on all networks.

● After a two-and-one-half year hiatus, the President of the Institute has reopened face-to-face talks with a Secretary of HEW. Most credit for this must go to President Carter for removing the obstacle to direct contact. In fact, good contacts have been re-established with the Executive Branch.

● The Federal Trade Commission reign of regulatory terror may be nearing an end, thanks to the restraining hand of the Senate Commerce Committee. The Commission's ability to invoke the highly subjective concept of "unfairness" as an independent basis for regulating commercial advertising is under increasing attack by industry and the Congress.

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● The voters of Dade County defeated an anti-smoking referendum. An expensive campaign fight culminated in a narrow victory, but a victory nevertheless, in a highstakes political contest with great political consequences.

● Our State legislative scorecard showed many more victories than defeats. Out of 113 bills introduced, 8 were enacted, 49 were defeated, and 56 are still pending. In New Jersey, we helped enact an amendment preventing such agencies as the Public Health Council from running wild with public smoking regulations.

● Another first was registered with completion of a program of mass-media magazine advertising. Pre-publication research showed a good likelihood of favorable opinion change, and post-publication research has provided help in planning future ad campaigns.

● TAN, which undergirds so much of our state activity, moved up in the charts. *Enrollment doubled last year to 15,000; our goal this year is redouble it* ~~Our goal this year is to redouble enrollment to 15,000;~~ to 30,000. TAN now stands on the threshold of becoming an effective counterforce to the weight of adverse legislation.

● TAN successfully complemented our Federal relations effort directed at the CAB. We added to congressional and airline comments with a barrage of letters. For the first time, "our mail" outnumbered the opposition's--by a 2-to-1 margin as well. The CAB proposal meanwhile still is marking time.

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● Communications have been on the uptrend this year. Our four speakers covered a quarter of a million miles, logging nearly 800 appearances, including 300 hours on the air. Our new publications unit turned out a dozen new publications and distributed about a quarter of a million copies. The Tobacco Observer has reached a circulation of 86,000. Our films have been seen by about 750,000 people this year--for a cumulative audience of 3½ million.

● Recognition of the industry's economic impact has been enhanced with completion and widespread distribution of the Wharton study. Further development of this economic data bank is underway.

● Coalitions and alliance building has received attention. Our ties with labor, business, the black caucus, and urban interests are becoming stronger and mutually rewarding.

● Our contacts with Congress, which have always been good, are now even better. Through a systematic program of Hill coverage, we can now count nearly 300 Representatives and 75 Senators as grade "A" contacts, which means that we know them--but more importantly, they know us.

● Our legal defense against smoking restrictions was bolstered when the Institute's outside counsel won a test case in Virginia, where the State Supreme Court struck down a local anti-smoking ordinance as "an unconstitutional exercise of the city's policy power."

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● We were involved internationally, now that ICOSI was established and in operation. In cooperation with trade association executives from other countries, TI staff

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participated as team members in the reporting from Stockholm of the proceedings of the Fourth World Conference on Smoking and Health last June. Earlier, we attended an international tobacco industry conference at Zurich to compare notes on so-called countermeasures in various countries.

While the Institute's record of accomplishment in 1979 has been substantial, so have its problems. We have made progress in resolving many of them. But problems do not disappear with the year's end. They persist.

Hopefully, continued improvement of our internal operations, in accordance with our business plan objectives, will increase our capacity to more effectively deal with the external environment. We will soon have a test of our capability. In the next few days, the Surgeon General will release yet another report, this time on women and smoking. We have completed a plan for getting our share of the press coverage surrounding this media event.

Here is the inventory of the issues which will demand our best effort throughout 1980:

1. Increasing smoking restriction activity. The number of state bills has increased about 10 percent over the last year. On the local level, our field staff, TAN volunteers, and others report 130 local restrictive measures--a sharp increase in activity. Referenda battles are also looming, in California, in Dade County, and a new state--Oregon.

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Other State legislation affecting the tobacco industry is also up for consideration: 160 bills pertaining to advertising, insurance, health research, minors, tar and nicotine.

A significant emerging problem is statewide sampling legislation with 7 bills introduced this year, over 5 last year. Minneapolis and St. Paul passed sampling restrictions this year, and bans are pending in Chicago and Seattle.

2. A deceptive calm blankets the Federal front, due largely to pre-election year preparation. Not one of the 21 anti-tobacco bills has moved beyond the introduction stage.

Neither Rep. Waxman or Sen. Kennedy has had time for tobacco. Sen. Hart has even consulted us on an asbestos compensation bill. Rep. Johnson of Colorado, who mounted several frontal attacks on the tobacco support program, is stepping down. To these glad tidings we can add the possibility of favorable legislation as a wave of regulatory reform sweeps over the Federal Trade Commission.

But we cannot afford to be lulled into a false sense of security. Several threats do indeed exist; they can be fueled by adverse publicity; they can lead to legislation or regulation. For example:

--Self-extinguishing cigarettes.

--The social cost of smoking impacts national health insurance, social security disability payments, and most recently has been used by some insurance companies as a sales promotion gimmick.

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--The blame-tobacco-tactic used by embattled industries, such as asbestos and chemicals, will increase along with their problems.

--The inevitable inclusion of smoking in the government's expanding health promotion and disease prevention programs will call attention to smoking among teens and pregnant women.

--Cigarette excise problems will return with pressure from States to collect revenue lost to contraband traffic.

Success in dealing with these emerging problems will depend, in large measure, on our success in improving industry credibility. This is the linchpin of our efforts, for our credibility stands or falls on both what we say and what we do--as a trade association and as an industry.

Credibility is an integrating concept, requiring us to combine our resources, our resourcefulness, and our will to create in the minds of others the expectation that we will act responsibly--delivering what we promise and promising no more than we can deliver.

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Achieving industry credibility, therefore, involves all individuals and all departments of The Tobacco Institute: state activities, federal relations, public relations, professional and administrative, headquarters staff and field personnel. And most importantly, you--the leaders of our member companies. It is no longer sufficient to have a superior lobbying effort in Washington and in the states, or to possess an effective public communications apparatus, or to command skilled professional experts. What is required

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now is an industry strategy based on industry credibility.

Accordingly, the Institute will propose positions on each emerging issue. We will give you our analysis, present alternatives, and make recommendations for policy decisions-- your decisions. We will approach government regulation of the tobacco business in a business-like manner, tempered by our political, PR, and professional judgment and expertise.

In the year ahead, we intend to carry out our mission of leadership and direction by a concentrated and coordinated effort to increase our credibility.

- We intend to install and implement an effective, highly sophisticated information system.
- We intend to build a five-year industry communications program to include a new national advertising campaign.
- We intend to expand our spokespersons program, targeting their audiences and messages, and including many more tobacco company employee information forums.
- We intend to maintain surveillance over the results of the independent scientific research in which the tobacco industry has invested over \$80 million to date.
- We will optimize tobacco industry economic data through the project we are conducting with the Wharton Business School.
- We intend, through the effective deployment of TAN, to mobilize substantial support throughout the nation.
- We certainly intend to increase the collaboration and provide closer communications between TAN and our state

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lobbying corps.

● On the federal level, we intend to improve what Senator Ted Kennedy has described as "probably the most effective lobby on Capitol Hill." With the availability of effective support from TAN and our state lobbyists, we are confident of attaining this objective.

Let me stop at this point before I overload you with more good intentions and solemn promises than the 10 presidential candidates we will be hearing so much from in 1980.

We may be taking on too much--but then I have always believed that a man's reach should be greater than his grasp.

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