

ACTION AGAINST ACCESS

Leader's Guide

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Background:

- Philip Morris has over the course of time worked with our Trade Partners to minimize youth access to cigarettes
 - It's the Law
 - Ask First - It's the Law
- Other interests outside of our industry have tried to address youth access
 - Over 100 communities nationally have enacted some form of NSS legislation
 - In 1994 the FDA indicated it's desire to assert control over cigarettes
 - In 1994 the National Association of Attorneys General concluded that minors were able to obtain cigarettes at Retail and that Retail efforts to prevent youth access were inadequate

Working with trade associations, etc. we have always been pro-active with regard to the youth access issue.

Youth access is a growing public policy issue and many of the initiatives enacted are a result of anti-tobacco groups influence.

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Background:

- In June of '95 Philip Morris announced the Action Against Access program

Why?

- Outside interest was accelerating
 - proposals for legislation were far too restrictive
- AAA is an opportunity to demonstrate our industry is willing to be pro-active and responsible
- AAA supports legislation that is fair to the industry

Rumors of the FDA's interest in asserting control over tobacco were rampant. Our critics grew louder and policy makers were riding on the wave of perceived public support in great numbers.

Philip Morris fully supports limiting access of cigarettes to minors but many of the proposals, initiatives ,etc. being considered or enacted were being done so without the voice of the industry. We felt it was time to get ahead of the curve and support legislation that was fair to our industry.

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What have we learned since the AAA announcement...

- The trade in general viewed the AAA initiative as self-serving
- August 11, 1995 FDA announces its proposed regulations
- Working with our trade partners support for the AAA initiative has grown significantly

The AAA initiative was not received favorably by the trade as it was viewed that Philip Morris was working independently of our long time trade partners.

As events evolved, particularly the FDA announcement in August, and through a great deal of dialog the trade began to accept AAA as an initiative that favorably supports the industry.

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WHAT'S NEXT

Philip Morris USA's stated objective...

- "Deny merchandising benefits to stores that do not comply fully with state minimum age requirements"

Why Deny Merchandising Benefits?

- Our industry has been criticized for some time with regard to a perceived lack of credibility in our willingness to deal with the Youth Access issue head on
- By denying merchandising benefits to retailers who repeatedly break the law, we are demonstrating our serious commitment to the cause
- Under no circumstances, do we want to deny merchandising benefits to those retailers who, in good faith, are complying with state minimum age laws. In fact:
 - Penalizing retailers who repeatedly break state minimum age laws will benefit retailers who are pro-actively complying with the law

Retailers who are pro-actively working to prevent the sale of cigarettes to minors are at a competitive disadvantage to retailers who circumvent minimum age state laws. By denying merchandising benefits to those who circumvent the law the playing field becomes even.

Anti-tobacco groups claim the industry is not interested in resolving the youth access issue. They rationalize unfair restrictions as a way for government to take matters into their own hands. Our industry needs to demonstrate our commitment. Denying merchandising benefits is painful for both the retailer and Philip Morris but we view it as a necessary step.

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KEY ISSUE

How will we deny merchandising benefits in an equitable and reasonable manner when a store is convicted or fined of violating state minimum age laws?

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HERE'S HOW IT WORKS...

- Retailers sign a Letter of Understanding
 - Retailer agrees to:
 - 1) Sign letter of understanding
 - 2) Comply with state minimum age laws
- Philip Morris obtains certified notification of retail fines and convictions from a state level agency
- Philip Morris will develop a tracking system to record retail compliance violations and notify retailers of merchandising benefits withheld

HERE'S HOW IT WORKS...

We are asking all our workload retailers to sign the letter of understanding acknowledging that they will comply with state minimum age laws.

We are currently working with the states to develop a reporting system of fines/convictions to Philip Morris. All reports submitted to us must be certified and before any action is taken on the part of Philip Morris affecting a retailer our Legal department will review the documentation for authenticity.

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HERE'S HOW IT WORKS...

Penalties

- Retail Masters accounts
 - Refusal to sign Letter of Understanding
 - 1) Normal noncompliance procedures
 - Fine or conviction
 - 1) 30 days suspension, 1st offense within two years
 - 2) 60 days suspension, 2nd offense within two years
 - 3) 1 year suspension, 3rd offense within two years
 - May apply for reinstatement within one year (conditional upon no additional fines or convictions)
- Non-Retail Masters accounts
 - Refusal to sign Letter of Understanding
 - 1) Deny promotions, POS, fixtures
 - Fine or conviction
 - 1) 30 days suspension, 1st offense within two years
 - 2) 60 days suspension, 2nd offense within two years
 - 3) 1 year suspension, 3rd offense within two years
 - May apply for reinstatement within one year (conditional upon no additional fines or convictions)

All workload accounts who are convicted or fined will be subject to the above compliance requirements.

Any Retailer who refuses to sign the letter of understanding or is convicted or fined will be subject to non-compliance. Retail Masters accounts will lose Retail Masters payments according to the above and all non-Retail Masters outlets will lose the benefit of professional contact, promotions, POS and fixtures according to the above.

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BENEFITS

- Retailer demonstrates responsible tobacco retailing to community
- Avoid fines or penalties (education vs. enforcement)
- Continued support of PM programs
- Demonstrate to lawmakers that our industry is able to police itself without legislative intervention

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NEXT STEPS

- Sign letter of understanding

- Post state approved, Ask First, or other Retailer designed signs visible to:
 - customers
 - employees