



PHILIP MORRIS U.S.A.

Inter Office Correspondence

TO: All Philip Morris U.S.A. Employees

DATE: May 15, 1996

FROM: James J. Morgan

SUBJECT: Legislative Solution to the Youth Smoking Issue

Philip Morris U.S.A. has a long record of leadership in helping to keep cigarettes away from kids, and everyone in our company should be proud of that record. Our Action Against Access initiative has been producing results across the country. For example, since we announced AAA last summer, seven states have passed legislation we supported to reduce youth access to tobacco, and 10 more are now considering similar legislation.

Today, in our role as industry leader, we are taking another major step by proposing sweeping federal legislation to attack underage smoking. We encourage Congress to pass it swiftly.

President Clinton has said he would welcome a legislative solution to the youth smoking issue. We offer this comprehensive plan in response to the President's challenge, and in the hope that Americans can join together to act against youth smoking now, rather than continue to debate about it. While we still believe that access is the major issue, we are proposing an even more sweeping initiative in an effort to find a common ground with the President and others. Federal legislation -- which will avoid protracted litigation against the FDA's illegal attempt to regulate cigarettes -- can result in immediate action to help keep cigarettes away from kids.

In the wake of today's announcement, some may say that we have given in to our opponents. They will be wrong. Bringing the country together to address an important issue -- underage smoking -- requires leadership, not surrender. Our proposal demonstrates the seriousness of our commitment. Let our adversaries say what they will. If our proposal helps further reduce underage smoking, everyone wins.

This plan is specific, sweeping, direct, and it has teeth. But let me assure you, we are totally committed to opposing any attempt to provide the FDA with authority over tobacco products. We believe FDA regulation of tobacco would inevitably affect the

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rights of adults and would be the first step down the road to Prohibition. And we remain confident that, if necessary, we will prevail in our litigation against the FDA.

Here are the chief elements of the legislative plan that we have announced:

Proposed Bans

Ban all cigarette vending machines.

Ban all outdoor tobacco product advertising within 1,000 feet of elementary or secondary schools or public playgrounds.

Ban all tobacco advertising in outward-facing retail window displays within 1,000 feet of elementary or secondary schools or public playgrounds.

Ban brand names, logos, characters or selling messages on non-tobacco items such as caps, T-shirts, jackets or gym bags.

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 transit advertising in or on trains, buses, subways and taxis that are available for use by fare-paying passengers, and in terminals, stations, platforms and stops.

Ban sampling in all locations accessible to minors.

Ban payments for product placement 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 motor sports and rodeo productions and other events where the promoter, arena or stadium manager certifies that at least 75 percent of those in attendance are expected to be 18 or older. Ban all other tobacco product sponsorship of events.

Limit tobacco advertising in publications to those whose publishers certify that adults account for 85 percent or more of 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 the minimum-age laws.

Require a tobacco industry funded program of \$250 million over five years to fund signage, retailer training and oversight by the Federal Trade Commission and Department of Health and Human Services.

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 cigarettes to minors.

Once again, the time has come for action, and once again, we have stepped forward. I believe that all of us at Philip Morris U.S.A. can take pride in our continued leadership in helping to prevent underage access to cigarettes.

John Magee

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