

Mr. Chairman and Members of the Committee:

My name is Jack Dillard. I am Director of Government Affairs for Philip Morris U.S.A in Texas with offices here in Austin.

Philip Morris is a consumer packaged products company with over 6,000 employees at 61 facilities in 20 communities throughout Texas. Our tobacco division manufacturers Marlboro and other well known cigarette brands.

Philip Morris strongly supports the current state law prohibiting the sale of cigarettes to minors. In 1989, we advocated the passage of legislation in Texas which raised the legal age for purchasing cigarettes from 16 to 18 years of age. We firmly believe that a decision to smoke, or not to smoke, is a choice which should be made only by adults.

Along with wholesalers and retailers of tobacco products, we are also concerned about some of the broad language in S.B. 373. In particular, we believe that the section of the bill which would prohibit the distribution of samples or the redemption of coupons would place an unreasonable burden on retailers and manufacturers without reducing access to tobacco products by minors.

Sampling and couponing are marketing practices directed at adults who already smoke. If a person is a non-smoker, they are not likely to be interested in acquiring a sample or a coupon to purchase cigarettes at a discount. Furthermore, since retailers may lawfully sell tobacco products to adults, there is no reason why they should not be allowed to redeem coupons to adults. There

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is no rational basis to treat coupon redemption differently from product sales.

The use of coupons and sample products are an important tool for almost any consumer products business in a highly competitive marketplace. In the cigarette industry, approximately 25% of all smokers switch brands every year -- 30,000 every day. Like other companies, Philip Morris uses coupons and samples to attract consumers to our brands.

We primarily distribute coupons either at the point of sale or through the print media. On each coupon it is plainly stated that the offer is limited to adult smokers only. In all coupon sales, as in all other sales of the product, the retailer must comply with the law by verifying that the purchaser meets state minimum age requirements.

In regard to product sampling, we require that the independent companies who distribute cigarette samples comply with our Industry Code. This means they may not distribute samples within two blocks of schools, playgrounds or any other center of youth activities. In addition, we distribute samples in locations where access is limited to persons 21 years of age or older.

In all of our marketing practices, we are committed to acting responsibly and keeping tobacco products out of the hands of minors. In cooperation with the National Association of Convenience Stores we have designed an education program for retailers which alerts them to the age restrictions in their state. Titled "It's the Law", this program has been implemented throughout Texas and in thousands of stores nationwide.

Philip Morris believes that existing laws against distributing cigarettes to minors in Texas and other states will work if they are aggressively enforced. We have consistently supported minimum age laws for tobacco

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products and their tough enforcement. However, no state legislature has banned sampling and couponing. If S.B. 373 were enacted, it would be a radical departure from the current laws and practices in all 50 states and unfairly penalize both the retailer and the adult consumer of tobacco products in Texas. For these, as well as other reasons mentioned by witnesses opposed to this bill, I urge this committee not to advance S.B. 373 to the Senate floor.

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