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MARKET POTENTIAL OF A HEALTH CIGARETTE

CONFIDENTIAL

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Approved by W. L. Dunn, Jr.

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I. CONCLUSIONS

As a result of the investigations summarized in this report I have reached the following conclusions:

1. A large proportion of smokers are concerned about the relationship of cigarette smoking to health (see Appendix).

2. The anti-cigarette propaganda will probably be more effective in reducing the rate of smoker recruitment than in stimulating smokers to quit or switch.

3. The market share of health cigarettes increases rapidly for a brief period during each health scare and quickly stabilizes at a new and higher level of market penetration.

4. The Surgeon General's Report had markedly less effect on the demand for health cigarettes than the first health scare in the 1950's. Any future health scares will probably have even less effect.

5. Thus a new health cigarette entry could not rely on increased demand for health cigarettes, but would have to take its place at the expense of existing brands of health cigarettes. However,

6. the health cigarette market is characterized by low brand loyalty, and should be fairly easy to penetrate.

7. Women, and particularly young women, would constitute the greatest potential market for a health cigarette.
8. There is a growing willingness on the part of smokers, particularly women, to accept nontobacco flavor.

9. Mere reduction in nicotine and TPM deliveries by conventional methods of filtration would not be a sufficient basis for launching a new cigarette, and to attempt it would be to court disaster.

10. The illusion of filtration is as important as the fact of filtration.

11. Therefore any entry should be by a radically different method of filtration but need not be any more effective.

12. Advertising should be directed to both sexes but in such a way as to have the greater appeal to women.
II. RECOMMENDATIONS

Our posture with regard to a health cigarette entry should be determined by anticipated political and market conditions.

All indications are that 1966 elections will result in a Congress more sympathetic to business and less inclined than the present Congress to pass restrictive legislation.

My recommendation is that we not introduce a new health cigarette unless there is another health scare or additional restrictive legislation is passed. In the event of another health scare or restrictive legislation our entry should be determined by the form of the scare or legislation.

In the event of a resumption of the tar derby or the passage of legislation requiring a statement of "tar" and nicotine content on the pack, the delayed dilution cigarette could be a formidable entry as a full tobacco flavored cigarette. It could compare favorably with any health cigarette currently on the market yet deliver full flavor throughout the crucial first 40 mm of the rod. I am of the opinion that we should press development of this concept.

In the absence of legislation or a resumption of the tar derby, LongPar would probably be the best entry, since it is without question a radically different method of filtration and can be made to give the illusion of filtration without impairing the tobacco flavor. It is a unique concept that could catch on, but would probably have trouble reaching five billion in the absence of another health scare.
III. ANALYSIS

Available evidence from surveys shows conclusively that smokers are concerned about the relationship of cigarette smoking to health but that they do not want to quit smoking. They are, however, changing their smoking habits, generally toward higher filtration, even at the expense of a loss of some tobacco flavor. That these changes are health motivated is clear from the timing of the shifts: The boom in filters came on the heels of the first health scare, and the Surgeon General's Report stimulated the shift to charcoal filters. The acceptance of menthol cigarettes and Lark indicates a willingness to accept nontobacco flavor as a substitute for tobacco flavor. There is some evidence that the anti-cigarette propaganda is more effective in reducing the rate of smoker recruitment than in changing the habits of smokers.

It should be noted that this report is an evaluation of the market potential of a "healthier" cigarette rather than a "healthy" cigarette. If we could develop a medically and governmentally endorsed "healthy" cigarette that tasted exactly like a Marlboro, delivered the nicotine of a Marlboro, and was called Marlboro, it would probably become the best selling brand. There is, of course, considerable doubt as to whether the medical profession and the federal government would ever endorse any cigarette.

Since any health cigarette we might develop would have to compete with the alleged "health cigarettes" now on the market, I have accepted as a working definition of a health cigarette the definition commonly used in the Research Center: All cigarettes about which health claims have been made or implied (charcoal filter...
cigarettes; Kent and Parliament; and minor brands such as Duke, Life, Sano, and True). L & M is a borderline case: At one time it was the major health cigarette entry and its sales patterns are described in this report, but it is not included in the definition of health cigarettes. Similarly, Philip Morris Menthol and Montclair are not included in this definition, although they could be considered health cigarettes by virtue of their charcoal filters. Since their combined sales constitute only 0.6% of the total cigarette market, however, their inclusion would in no way affect the analysis.

I have assumed that any health cigarette must compromise between health implications on the one hand and flavor and nicotine on the other. It seems clear from the performance of existing health cigarette entries that flavor and nicotine are both necessary to sell a cigarette. A cigarette that does not deliver nicotine cannot satisfy the habituated smoker and cannot lead to habituation, and would therefore almost certainly fail. Health claims alone without flavor or nicotine cannot sell cigarettes—most smokers would rather quit than switch.

A. Sales Patterns

The health scare in the 1950's was accompanied by a decline in cigarette sales (see Fig. 1), although the health scare was only one of many reasons for the decline. Of greater importance, probably, were the end of the Korean War and the accompanying recession, cigarette tax increases, and changes in the age composition of the population. The increase in sales of king-size cigarettes during this period also contributed to the overall decline in sales, since fewer king-size cigarettes are necessary to provide the same amount of tobacco. The health scare undoubtedly
figure 1
CIGARETTE SALES BY TYPE, 1946-65

Health Filters (incl. menthol)
Other Filter (incl. menthol)
King
Regular

Source: https://www.industrydocuments.ucsf.edu/docs/knnn0226
was responsible for the rapid increase in filter cigarette sales, and contributed to the rise in king-size cigarettes (see Fig. 2). Apparently, however, the illusion of filtration was more important than the fact of filtration, and consumers were still most interested in flavor.

It is possible that the tar derby in the 1950's was a major factor in arousing concern over the question of smoking and health. L & M sales began a marked rise in 1955 after the favorable coverage in Consumer Reports that year and received an additional boost from Consumer Reports in 1957. The most spectacular performer in the 50's, of course, was Kent, which introduced the "Micronite filter" in July 1957, immediately after the release of the final report of the American Cancer Society study of smoking and health, and received rave reviews from Reader's Digest in July and August 1957 (see Fig. 3). It seems more than mere coincidence that Parliament experienced a three-fold increase in sales after favorable reports on the new filter in both Reader's Digest and Consumer Reports in early 1958. By 1959, smokers had apparently become inured to competing health claims and to the health scare in general. Duke of Durham and Life were both colossal flops, in spite of favorable reports in both Reader's Digest and Consumer Reports, and sales of Kent and L & M began to decline.

The health scare in 1964 was undoubtedly the cause of the cigarette sales decline, the accelerated shift to filters, and the 126% increase in sales of charcoal filters. The indirect approval given Lark by the Surgeon General's office probably helped all charcoal filters.
figure 2
SHARE OF MARKET
BY CIGARETTE TYPES

Regular

King-Size

Regular Filters

Health Filters

Source: https://www.industrydocuments.ucsf.edu/docs/knnn0226
Figure 3
SHARE OF MARKET-HEALTH CIGARETTES

All Health Cigarettes
( Menthol included?)

Kent

Lark

Source: https://www.industrydocuments.ucsf.edu/docs/knnn0226
Health scares seem to have the effect of disturbing sales patterns after which the market adjusts to the disturbance and settles down to a new equilibrium. After the health scare in the 1950's, sales of health cigarettes rose from practically nothing in 1956 to nearly 12% of the market by late 1958. They maintained that market share until early 1964, when the market share jumped abruptly to slightly less than 15% and stabilized at that level. (See Figs. 2 and 3.)

Curiously, the greatest losers among filter cigarette during the recent health scare were the already established entries in the health cigarette market. Kent, L & M, and Parliament all experienced declines in market share from 1962 to 1964, while some full-flavor filter cigarettes (Winston, Viceroy, Raleigh) were increasing market penetration and others (notably Marlboro) were holding their own. Even Pall Mall and Raleigh nonfilters managed to increase their market share from 1963 to 1964. Switching patterns shed some light upon this phenomenon. During this period Pall Mall lost smokers largely to regular and menthol filters but picked up smokers of regular cigarettes. Winston, Viceroy, Raleigh and Marlboro lost smokers to menthol and health filters but gained even more smokers from nonfilter brands. Health cigarettes, and particularly charcoal filter cigarettes, cut very deeply into Kent and L & M.

All of this suggests that the health cigarette market becomes relatively stable after a sustained period of exposure to a given level of anti-cigarette propaganda. Thus the success of a health cigarette entry probably depends partly on timing. Kent, Newport, Carlton, Lark, Tareyton, and our own entries were all able to capitalize on the periods of rapid increase in the health
cigarette market, while other cigarettes were poorly timed and notably unsuccessful. To the extent that success depends on timing, the success or failure of a health cigarette is tied to the intensity of anti-cigarette propaganda, which is a random variable and unpredictable.

B. The Beginning Smoker

Persons under 25 years of age constitute over one-fourth of the total number of smokers. Of greater importance is the fact that this group will increase by about 18% between now and 1971. This is over three times the rate of increase in the population aged 25 and over. Any intensification of the anti-cigarette propaganda will almost certainly be aimed largely at this group. Indeed, there is evidence that the health scare has already had an effect on the rate of smoker recruitment and on the smoking habits of the under-25 group (see Item 13 in Appendix).

It seems highly unlikely that the availability of a demonstrably healthier cigarette would result in a change in the form of the anti-cigarette propaganda: It is difficult to conceive of the propagandists changing their injunction from "Don't smoke!" to "If you must smoke, smoke a health cigarette." If the anti-cigarette drive continues to have an effect on young people, it will probably be to dissuade them from smoking altogether rather than to cause them to smoke health cigarettes.

Tobacco flavor is absent or far down in lists of reasons given for beginning to smoke, so it should be theoretically possible for a health cigarette to satisfy the most common reasons to be
like friends, to feel or look older, to combat nervousness, to be rebellious). This is apparently not the case. Young smokers are the ones most willing to accept regular filters but least likely to smoke health cigarettes (see Table I).

Apparently the reasons for beginning to smoke dictate the choice of brand as well, particularly for males. They appear to choose cigarettes that project the proper image. Males under 25 are much more likely than those over 25 to smoke Winston, Marlboro and Lucky Strike (filter and nonfilter), all of which project a male image; and less likely than their elders to smoke Kent and Lark, which are thought of (and indeed are) women's cigarettes. Young males are also more likely to follow the crowd: The top two brands among young males (Winston and Marlboro) together account for nearly 40% of this market, while for other age groups the market penetration of the top two brands is less than 22% except for those 55 and over. This tendency for young smokers to select a brand to be like their friends was also noted in a November 1961 study done for us by Opinion Research Corporation. In that study it was thought that beginning smokers would seek out a mild cigarette, since the initial act of smoking is designed to satisfy appearance rather than taste. As noted above, however, self-image extends to the choice of brand as well. This suggests that there is something of a stigma attached to smoking health cigarettes and that a health cigarette would not be well received by young males.

Young females appear to be more willing to accept health filters, and for them the health filter may have some prestige value. They also are more willing to accept nontobacco flavors such as Lark and menthol brands. With young women it may be true that the fact
TABLE I
CIGARETTE TYPE PREFERENCES BY AGE AND SEX, 1965

<table>
<thead>
<tr>
<th>Male</th>
<th>Age</th>
<th>Nonfilter</th>
<th>Menthol Filter</th>
<th>Health Filter</th>
<th>Other Filter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18-24</td>
<td>28%</td>
<td>13%</td>
<td>6%</td>
<td>53%</td>
</tr>
<tr>
<td></td>
<td>25-34</td>
<td>37%</td>
<td>16%</td>
<td>13%</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>35-44</td>
<td>36%</td>
<td>14%</td>
<td>16%</td>
<td>33%</td>
</tr>
<tr>
<td></td>
<td>45-54</td>
<td>39%</td>
<td>11%</td>
<td>18%</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td>55 and over</td>
<td>40%</td>
<td>16%</td>
<td>15%</td>
<td>30%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Female</th>
<th>Age</th>
<th>Nonfilter</th>
<th>Menthol Filter</th>
<th>Health Filter</th>
<th>Other Filter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18-24</td>
<td>18%</td>
<td>29%</td>
<td>19%</td>
<td>34%</td>
</tr>
<tr>
<td></td>
<td>25-34</td>
<td>17%</td>
<td>30%</td>
<td>23%</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>35-44</td>
<td>22%</td>
<td>27%</td>
<td>23%</td>
<td>29%</td>
</tr>
<tr>
<td></td>
<td>45 and over*</td>
<td>26%</td>
<td>28%</td>
<td>22%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: 1965 HTI Report. Data from other sources show essentially the same pattern.

*Females 55 and over have been combined with those age 45-54 because of the small size of the sample.
of smoking is the major motivation and that a mild cigarette would be acceptable. Their willingness to accept health filters may increase now that the American Cancer Society purports to have found a relationship between smoking and health for women as well as for men. This group could provide a market for a health cigarette.

C. Potential Switchers

Since beginning smokers do not constitute a particularly good market for a health cigarette, we must look to potential switchers for a market. As shown below, the magnitude of switching both between and within cigarette types is directly related to the intensity of the health scare:

<table>
<thead>
<tr>
<th>Period</th>
<th>To a Different Cigarette Type</th>
<th>To a Different Brand of the Same Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 1957-Feb. 1958</td>
<td>21</td>
<td>10</td>
</tr>
<tr>
<td>June 1960-June 1961</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>May 1964-May 1965</td>
<td>17</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: HTI Reports

It appears from these data and those cited above that the effect of the health scares on present smokers is to loosen brand loyalty and cause smokers to shift back and forth between brands and types of cigarettes in proportion to the intensity of the anti-cigarette.
propaganda, with an overall shift toward filter cigarettes and nontobacco flavors. Several studies have shown that a large proportion of smokers believe that any filter reduces the health hazard, and a much smaller proportion believe that charcoal filters afford more protection.

Smokers seem to be able to justify continuing to smoke whatever type they happen to prefer: Nonfilter smokers question the efficacy of filters altogether; smokers of regular filters question the value of charcoal filters; and smokers of charcoal filters tend to believe that charcoal filters are healthier.

As mentioned above, an effect of the health scare in the 1950's was to increase the market penetration of health cigarettes from practically nothing in 1956 to about 12% by late 1958, and the release of the Surgeon General's Report was followed by an abrupt increase to just under 15%. It is clear from these data and from switching patterns that the shifts to health filters occur concurrently with health scares, and further that the effect of the first scare was much greater than the effect of the Surgeon General's Report (see Figs. 2 and 3). On the basis of these data we might reasonably expect that any future health scares will have even less effect on sales of health filters.

Thus, indications are that health cigarettes will maintain a fairly constant share of the market even in the event of an intensification of anti-smoking propaganda. A new entry, therefore, would have to take its place at the expense of existing health filter brands. This, however, should not be particularly difficult. Health cigarette smokers seem to be an unusually fickle lot and there is a considerable amount of switching among brands on their part. This
probably results in part from the newness of the entries and the low degree of brand loyalty, and in part from attempts of smokers to find a health cigarette with a satisfactory taste level. The acceptance of Lark, as well as menthol cigarettes, suggests that nontobacco taste is acceptable to a segment of the market in lieu of tobacco flavor.

The speed with which charcoal filters penetrated the health cigarette market shows the effectiveness of a new concept. The public had been conditioned to accept the filtering effects of charcoal in other fields, and when charcoal was added to cigarette filters it proved to be an effective advertising gimmick. The main beneficiary, of course, was Tareyton, which was the first entry in the market.
Summarized below are some of the surveys concerned with public reaction to the relationship between cigarette smoking and health.

1. In a 1955 Survey Research Center survey of Ann Arbor, Michigan, half of the smokers interviewed said they had changed their smoking habits during the previous year. Of these, 40% said the change resulted from the smoking and cancer scare, but only 8% had stopped smoking.

2. A 1959 survey of Italian smokers showed that 70% of smokers believed filter tips to be less injurious to health than nonfilters, but only about 10% smoked filters.

3. A study done for us in 1961 by Opinion Research Corporation showed that smokers are concerned about the fact that they smoke, largely because of the fear of a link between smoking and cancer. Few of the interviewees, however, had attempted to stop or planned to do so.

4. In 1962, 1100 students in a New York City high school answered a questionnaire after seeing a film on smoking and health. Seventy-five per cent reported that they smoked, and half of the smokers said they planned to cut down or stop. In Baltimore, however, after a year of intensive anti-smoking propaganda, students were smoking as much as before, and more than students in the control group.

5. In 1963, the New York Times reported a study in which only 14% of regular cigarette smokers considered the habit "pleasurable, safe and worth the cost." Cigarette sales in 1963 were up 2.7% from 1962.
6. In mid-1964, a survey in West Germany revealed that 98% of the smokers queried had heard of the U. S. Surgeon General's Report. Sixty-three per cent believed it, ninety-two per cent smoked as much as before, five per cent smoked less, three per cent smoked much less. In June 1964 cigarette sales reached an all-time high. Most cigarettes had lower nicotine and tar than before the report. In the first quarter of 1965, cigarette sales were 6% above 1964 and 17% above 1963. By early 1965 about 7% of West German cigarettes were "free from nicotine and also mostly free from tar."

7. Throughout Europe the proportion of filter tip cigarettes increased from 1963 to 1964: From 80 to 82% in West Germany, 81 to 84% in Switzerland, 42 to 47% in Belgium. In Sweden, filter tips increased from 17% of the market in 1963 to 29% in 1965. Increases in the proportion of filters were also recorded in Austria and the Netherlands.

8. In late 1964 a Public Health Service survey showed that "a large majority of the cigarette smokers surveyed indicated they believed smoking to be harmful." Eighty per cent of all respondents (and 70% of smokers) thought a statement of tar and nicotine content should be required on the pack. Sixty-nine per cent of all respondents thought cigarettes caused lung cancer and ninety per cent favored public education on health hazards of smoking. At this time, according to the Surgeon General, 18 million Americans had sworn off cigarettes.

9. In a January 1965 survey of 21,000 Pittsburgh students, 78% of high school students and 87% of junior high students said the anti-smoking propaganda they received in health classes was sufficient to deter them from smoking.
10. In February 1965, Samuel Lubell published the results of interviews with "a cross-section of randomly selected smokers." Slightly more than half of the interviewees were sufficiently worried that they tried to quit smoking within the previous year. Of the remainder, over half were convinced that cigarettes are harmful.

11. In February 1966, when Lorillard was rumored to have developed a new and improved filter, their stock jumped ten points. When the rumor was denied, the stock lost only five points of the gain.

12. In May 1966, Luther Terry, former Surgeon General, opined that 18 million Americans had quit smoking in the 28 months since the Surgeon General's Report. He also estimated that 4500 youngsters begin smoking every day. If this is true it means that 45-50% of potential new smokers are smoking, and does not imply a significant reduction in the rate of smoker recruitment. Curiously, 18 million quitters was precisely the figure he used a year and a half earlier (see Item 8 above) and suggests either that the earlier estimate was an exaggeration or that no smokers have quit since late 1964.

13. In a March 1965 survey done for Philip Morris by Elmo Roper, only 14% of the people who had tried new brands of cigarettes did so for health reasons. However, fewer people than expected had begun to smoke within the previous year, and the proportion of 18-20 year-olds smoking fell from 50% in 1963 to 40% in 1965. This suggests that the Surgeon General's Report is more effective in reducing the rate of smoker recruitment than in stimulating switching. That younger people are most susceptible to anti-smoking propaganda is suggested by the per cent of smokers in each age group who indicated that they had given up smoking for at least two weeks during the previous year:
<table>
<thead>
<tr>
<th>Age</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-20</td>
<td>42</td>
</tr>
<tr>
<td>21-24</td>
<td>45</td>
</tr>
<tr>
<td>25-34</td>
<td>30</td>
</tr>
<tr>
<td>35-49</td>
<td>24</td>
</tr>
<tr>
<td>50 and over</td>
<td>22</td>
</tr>
<tr>
<td>Total, all ages</td>
<td>28</td>
</tr>
</tbody>
</table>

That men are more susceptible than women is suggested by the percent of each sex who reported that they smoke in three successive Roper studies:

<table>
<thead>
<tr>
<th>% Who Smoke Cigarettes:</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>52</td>
<td>32</td>
</tr>
<tr>
<td>1963</td>
<td>50</td>
<td>35</td>
</tr>
<tr>
<td>1965</td>
<td>47</td>
<td>36</td>
</tr>
</tbody>
</table>

While these year to year changes are not statistically significant, other sources, notably HTI, show the same trend, and this trend bears watching.

In the 1960 and 1965 studies smokers were asked to indicate which of four statements best expressed their feelings about cigarettes and cancer, with the following results:
It didn't bother me at first but this continuing talk of cigarettes and cancer is beginning to really worry me.

It didn't bother me at first and this continuing talk of cigarettes and cancer still doesn't really worry me.

It did bother me at first and this continuing talk of cigarettes and cancer is making me more worried.

It did bother me at first, but this continuing talk of cigarettes and cancer doesn't seem to bother me as much any more.

Don't know or no answer

Total becoming more worried

Total not worried and less worried

This implied no significant difference in concern.

It should be noted, however, that these questions were asked only of smokers. If ex-smokers had been included, the proportion indicating concern would undoubtedly have been higher.
December 17, 1953

Mr. Hoover:

Re: Disclosure of Invention

Subject: Filter Tip Materials Undergoing Color Change on Contact with Tobacco Smoke.

I have observed, and believe it to be generally true, that the cigarette smoking public attaches great significance to visual examination of the filter material in filter tip cigarettes after smoking the cigarettes. A before and after smoking visual comparison is usually made and if the filter tip material, after smoking, is darkened, the tip is automatically judged to be effective, the degree of darkening being considered as a criterion of filter efficiency. There is, incidentally, some merit in this type of qualitative test, though it is far from accurate. Because the smoking public attaches significance to this visual inspection, the possibility of incorporating chemicals into filter tip materials that would darken or otherwise change color on contact with smoke appears attractive.

It is proposed that filter tip materials, such as cotton, tobacco stem pulp, and the like, be treated with appropriate amounts of suitable pH indicator dyes, or other materials capable of color change on contact with smoke. Preferably the indicator dye, or material, should be colorless on contact with the filter tip material, which should also be light in color, and should undergo color change to a dark color, preferably brown, on contact with tobacco smoke. Other color changes, or combinations of color changes, could also be used. Filter tip material might be treated with mixed indicators, so as to be one color initially, changing to another on contact with smoke; a change from blue to red for example. Many modifications of the basic idea are possible.

While use of such color change materials would probably have little or no effect on the actual efficiency of the filter tip material, the advertising and sales advantages are obvious.

Signature: Claude E. Brown
Date: December 17, 1953

Witnesses:

(1) Clark H. Hendry
Date: December 17, 1953

(2) Carroll E. Pompey
Date: December 17, 1953

(3) Murray Senkus
Date: December 17, 1953

From manuscript: bbb

Cc: Dr. Murray Senkus

51123 5573

Source: https://www.industrydocuments.ucsf.edu/docs/fpvq0092
BEACH ANTI-LITTER PROGRAM
Expansion of Daytona Beach Program

Background:

Program was tested in March 1991 in Daytona Beach, Fla. A mobile billboard and table tentcards available to local businesses encompassed program.

Expansion program will use two billboards in select markets and the table tentcards for area businesses.

1. What is this beach program Reynolds is offering in my beach community?

The program is a public awareness campaign that we hope will raise overall awareness of proper litter disposal. Proper disposal of cigarette butts is mentioned specifically since Reynolds Tobacco manufactures cigarettes. The issue, however, is broad-based and encompasses the overall litter problem.

2. How does the program work?

Two billboards located in select areas display the "Keep Our Beaches Clean" message. In addition, your beach area chamber of commerce and local hotels/motels have been contacted about displaying free tent cards in their establishments. These tent cards also carry the "clean up" message.

3. Where else is this program taking place?

Specific market list attached but general run-down includes beach communities in California, Texas, Mississippi, North Carolina, Virginia, Alabama, Georgia, South Carolina, Delaware, Rhode Island, Oregon, Florida, Washington, and New Jersey.

4. Why is RJR initiating such a program?

In light of our concern about the environment and litter, we feel we should encourage proper disposal of litter, specifically cigarette butts.

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5. But cigarette butts are found everywhere, not just on beaches. Do you plan to expand the program to other areas?

At this time, I can't speculate on the expansion of the program. We will assess the impact of the beach area program to determine if an informational campaign of this type is both effective and practical.

6. So you admit your product causes environmental problems?

No. Cigarette butts are not harmful to the environment, but all litter, including cigarette butts, needs to be disposed of properly. The materials contained in a cigarette filter are degradable.

7. If they are degradable, then why do I see discarded cigarette butts everywhere?

We hope that this public awareness campaign will encourage proper disposal of cigarettes.

8. How long does it take a cigarette butt to degrade?

Dependent upon the environment, on average, a cigarette filter could degrade in approximately six (6) months.

9. What do the billboards and tentcards look like?

The boards depict a beach scene and carry the message:

"Don't leave your butt on the beach ... keep our beach clean!"

The broader theme of the program is proper disposal of all litter, including cigarette butts.

10. How much is this program costing RJR?

That information is proprietary.
11. I think it's kind of ironic that you're running this promotion to coincide with summer fun and families. Is this because most of your customers are young kids?

The program is not for children. (NOTE: As information, the average age of American smokers is 41.) The program is intended to create awareness by informing smokers about proper disposal of cigarettes. Beach sites were chosen because so many people visit them during the summer months, maximizing the billboards' exposure.

Reynolds Tobacco does not market its products to minors. (Reference the TI Youth Initiative Program.)

12. What are the tentcards made of?

The tentcards are made from a heavy stock made from recycled paper. They are intended for long-term use throughout the high-traffic times of the year.

13. When will the billboards be seen in the area?

The billboards are posted from mid-May to mid-August.

14. Can I get a sample of the tentcards/artwork?

Samples available to send to media.

15. Don't you think your customers -- smokers -- will be offended by this campaign? After all, it seems like just another sanctimonious message to infringe on smokers.

Not at all. This is an awareness campaign. All of us, smokers and non-smokers, need to address the litter problem more aggressively.

Our research shows that most smokers are very careful to properly dispose of their cigarette. Smokers have told us that they feel that improperly discarded cigarettes reflect negatively on them as smokers.

###

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**SUMMER RESORT LOCATIONS**
*Mid-May Through Mid-August*

<table>
<thead>
<tr>
<th>Billboard &amp; Table Tent Cards</th>
<th>Table Tent Cards Only*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bellingham, WA</td>
<td>Coos Bay, OR</td>
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<tr>
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"LITTER"

(A Proposal for TI Policy)

SCOPE AND PURPOSE

One SOSAS Recommendation dealing with the Annoyance/Courtesy Issue calls for the Tobacco Institute to:

"Gain courtesy credibility by the creation and implementation of programs such as a no litter program as part of the courtesy campaign."

Before such planning takes place, however, we believe the industry should establish a policy regarding the concept of "litter." Without one, we run the risk of drifting into another controversy, which is already active on the Federal and State levels.

Our best course of action may be maintaining a low profile while working to exempt cigarettes from coverage of pending litter control legislation. This report presents an analysis and preliminary conclusions on this emerging issue.

BACKGROUND

Litter is a highly visible but relatively unimportant part of the solid waste problem. While litter comprises less than 1 percent of the over 144 million tons of material that consumers discard each year, it possesses a high annoyance factor. In many sections of the U.S., according to a Census Bureau survey, litter is considered a more serious neighborhood problem than crime. In addition, highway litter is a growing irritant that evokes public pressure for political action. Clean up, however, is expensive.
Political efforts to deal with the problem have centered around "bottle bills," i.e. mandatory beverage container deposit legislation. The Environmental Protection Agency sees a substantial reduction in litter as one of the major projected benefits of a national deposit law. EPA estimates that beverage containers comprise up to 30 percent of all litter on an item-count basis and as high as 50 percent on a volume basis.

The beverage container industry has a better idea: a uniform ad valorem tax on consumer products found in the litter stream, with revenues used to finance litter control and collection programs. Such litter tax measures have been enacted in Washington, Virginia, Colorado, California and Kentucky.

Typical of these laws is the Washington state "Model Litter Control Act." It assesses a tax of $150 per million of gross sales value on goods manufactured and sold in the state. (The Kentucky tax is $300 per million.) The tax is levied on manufacturers, wholesalers and retailers of a wide variety of products including food, groceries, tobacco, soft drinks and beer, newspapers, beverage containers, and paper products. Fines for littering are included.
FUTURE TRENDS: State and Federal

The litter problem apparently will not disappear; the annoyance level is too high and national rubbish production is booming. On the other hand, the cost of cleanup is growing even faster. An EPA study placed the theoretical cost of all litter collection in the United States as high as $13 billion. So, pressure will step up to solve the problem either through a deposit approach or a litter tax approach. There are already 22 litter tax bills pending in 13 states; Federal bottle deposit legislation has been introduced, and a national litter tax is being studied by the Resources Conservation Council, a government body.

Increasing pressure for an expanded federal role is likely for several reasons:

- Litter is perceived as a nationwide problem. Despite widespread public concern, most state and local governments are unwilling or unable to provide a comprehensive solution.

- The federal government will be able to raise funds more effectively, since many litter items are produced and marketed in interstate commerce.

- The federal government might be able to conduct a more equitable program, as well as provide uniformity on receptacle symbols, media coverage for deposit legislation or litter taxes.
Militating against federal intervention is the argument that the problem is really a state and local responsibility. But this "states rights" theory is unlikely to be pushed by local elected officials who would prefer to shift this hot potato onto Uncle Sam. Whatever the legislative arena, the controversy will rage on.

CONCLUSIONS

The deposit approach does not involve tobacco. The litter tax approach does involve tobacco, however, and requires a policy. Since we would instinctively oppose legislation that levies a tax on tobacco products, let us consider the pros and cons of supporting litter tax legislation, which is implicit in the SOSAS recommendation.

Pro:
- Good will to the industry and member companies in terms of corporate responsibility.
- Show that smokers are courteous and considerate citizens.
- Gain credibility for smoker courtesy.
- Long term protection against expansion of "deposit approach" beyond beverage containers to other non-degradable packaging.

Con:
Involvement, even by implication, in support of state or federal litter tax activity would:
- Undercut our arguments in opposing behavior control taxation, such as the Kennedy bill, excise tax
increases to pay for the "social cost" of smoking, such as the Drinan bill, and state cigarette taxes.

- Associate us with potentially unpopular legislation. The Washington state Model Litter Act, for example, calls for enforcement via fines. Can we support measures which would fine smokers for failing to discard an empty pack of cigarettes in an official receptacle.

- Tie us in with increased taxes and higher government spending. Litter taxes falling on wholesalers and retailers could strain manufacturer-distributor relations. In addition, litter-collection bureaucracy, following Parkinson's Law, would soon expand to absorb present litter tax revenues and clamor for more.

RECOMMENDATION

1) The Institute should keep out of pending litter tax activity.

2) In order to avoid any misconception, the concept of courtesy should be limited to the smoking of -- rather than the disposal of -- tobacco products.
3) Public affairs activity, state and federal, should be conducted in a low-profile manner and follow a policy of exemption.

4) In view of the possibility that some member companies may have a differing position on litter with respect to non-tobacco products, coordination with TI should be maintained to avoid the presentation of contrasting views to the same elected officials.

5) In states which have enacted litter tax laws, "no-litter" campaigns might be useful; but they should not be implemented before cost/benefit and political analysis has been completed.