

*Air Tobacco:
Campaign Travel on Tobacco Industry Jets*

**Minority Staff Report
Committee on Government Reform and Oversight
U.S. House of Representatives**

July 20, 1998

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EXECUTIVE SUMMARY

This report investigates the tobacco industry's practice of providing its corporate aircraft to congressional leaders and political parties for campaign activities. It finds: (1) the tobacco industry provides more subsidized campaign travel to congressional leaders and political parties than any other corporate special interest; and (2) the beneficiary of subsidized campaign travel from the tobacco industry is the Republican congressional leadership and Republican party organizations.

It has previously been reported in the media that congressional leaders have flown tobacco industry jets for campaign and fundraising purposes. For example, the Associated Press reported that on September 17, 1997, Speaker Newt Gingrich and other Republican leaders were flown on tobacco industry jets from Washington to a \$1 million fund raiser in New York City.¹ This report, however, is the first comprehensive analysis of the extent of congressional reliance on the tobacco industry as a source of subsidized campaign travel.

When a tobacco company provides a corporate jet to a member of Congress or a political party for campaign purposes, FEC regulations require the recipient to reimburse the company for only the cost of a first-class ticket. The actual cost of chartering the jet, however, can be many times the cost of the first-class air travel. The result is a de facto corporate contribution and a tremendous benefit to the member or political party.

The tobacco industry has provided extensive campaign travel to members of Congress and political parties. According to FEC disclosure reports, the leadership of Congress and the national political parties reported 84 separate disbursements to the tobacco industry for campaign travel from January 1, 1997, through May 31, 1998.

No other industry has provided nearly as much subsidized campaign travel as the tobacco industry. The second biggest provider of subsidized travel to the leaders of Congress and political parties during the 1998 election cycle was the health care industry, which received 36 disbursements for travel -- less than one-half of the number of disbursements received for travel by the tobacco industry.

Republicans are the beneficiary of the subsidized campaign travel from the tobacco industry. According to FEC disclosure reports, the Republican National Committee, the National Republican Senatorial Committee, the National Republican Congressional Committee, and the Republican congressional leadership and their PACs were responsible for all 84 disbursements to the tobacco industry examined in this report. The Republican leadership and committees paid the tobacco industry \$178,000 to \$244,000 for this travel.

¹"Jets to Ferry GOP to \$1M in Funds," *A.P. Online* (September 17, 1997). See also "Firms Fly Politicians in Return for Favors," *Associated Press* (May 29, 1997); "Leadership PACs Promote Campaigning in High Style," *The Hill* (September 3, 1997).

The report could not determine the precise value of the travel provided to the Republican leadership and committees by the tobacco industry because the tobacco companies that provided the travel refused to provide information on the details of the travel. It is clear, however, that the value of the travel is likely to far exceed the amount actually paid by the Republican leadership and committees for the travel. A comparison between the costs of chartering two common tobacco industry jets and the costs of purchasing first-class airfare showed that the costs of chartering the tobacco industry jets can be 15 to 45 times greater than the costs of the first-class airfare.

I. METHODOLOGY

Federal campaign finance laws prohibit corporations from making contributions in connection with federal elections.² Therefore, if a corporation provides goods or services to a political party for campaign purposes, the campaign or party must pay the corporation the “normal and usual charge” for those goods or services.³

An exception in the federal election regulations, however, allows a candidate or political committee to repay a corporation that provides travel services an amount significantly below the fair market value of the services. This exception provides that the candidate or party representative traveling on a luxury corporate jet is required to reimburse the corporation for only the cost of regularly scheduled first-class travel -- far below the “normal and usual” cost of chartering these jets.⁴

In order to determine the extent of campaign travel by members and committees subsidized by the tobacco industry, Federal Election Commission filings for the 1998 election cycle were reviewed for the congressional leadership,⁵ leadership political action committees,⁶ the national political parties,⁷ and the congressional campaign committees.⁸

²“It is unlawful . . . for any corporation . . . to make a contribution or expenditure in connection with any [federal] election . . . or for a candidate, political committee, or other person knowingly to accept or receive any contribution prohibited by this section.” 2 USC §441(b)(a).

³11 CFR §114.9.

⁴11 CFR §114.9(e). This regulation also provides that if the route is not serviced by a regularly scheduled commercial flight, the candidate or person traveling on behalf of the candidate is required to reimburse the corporation for the cost of the “usual charter rate.”

⁵The House leaders whose FEC filings were reviewed were: Speaker Newt Gingrich, Majority Leader Dick Armey, Minority Leader Dick Gephardt, Majority Whip Tom DeLay, Minority Whip David Bonior, Republican Conference Chairman John Boehner, and Democratic Caucus Chairman Vic Fazio. The Senate leaders whose FEC filings were reviewed were: Majority Leader Trent Lott, Minority Leader Tom Daschle, Assistant Majority Leader Don Nickles, and Minority Whip Wendell Ford.

⁶The Congressional leadership PACs whose FEC filings were reviewed were: the Monday Morning PAC (Rep. Gingrich), the Majority Leader’s Fund (Rep. Armey), Americans for a Republican Majority (Rep. DeLay), the Freedom Project (Rep. Boehner), the Effective Government Committee (Rep. Gephardt), Victory USA (Rep. Fazio), the New Republican Majority Fund (Sen. Lott), and the Republican Majority Fund (Sen. Nickles). Rep. Bonior and Sens. Daschle and Ford did not have registered leadership PACs during the time period covered by this report.

⁷The national political parties whose FEC filings were reviewed were the Republican National Committee (“RNC”) and the Democratic National Committee (“DNC”).

⁸The congressional campaign committees whose FEC filings were reviewed were the National Republican Senatorial Committee (“NRSC”), the National Republican Congressional Committee (“NRCC”), the Democratic Senatorial Campaign Committee (“DSCC”), and the Democratic Congressional Campaign Committee (“DCCC”).

The disbursements examined in this report are those paid to tobacco companies or other corporations and characterized in the “event/purpose” category by such terms as “airfare,” “airplane charter,” “travel,” or “transportation.” To avoid including disbursements for minor travel expenses, such as car fare, travel disbursements of less than \$250 were excluded from this analysis.⁹

The tobacco industry also provides travel to members of Congress for noncampaign purposes, such as to attend “fact finding” meetings or “legislative conferences.” These meetings are often held at luxurious resorts such as The Phoenician in Scottsdale, Arizona.¹⁰ This noncampaign travel was not included in this report.

II. FINDINGS

A. The Tobacco Industry Is the Biggest Provider of Subsidized Campaign Travel

FEC disclosure reports for the congressional leadership, the leadership PACs, and the national parties and campaign committees were reviewed for the 1998 federal election cycle from January 1, 1997, through May 31, 1998. These filings revealed a total of 259 travel disbursements.

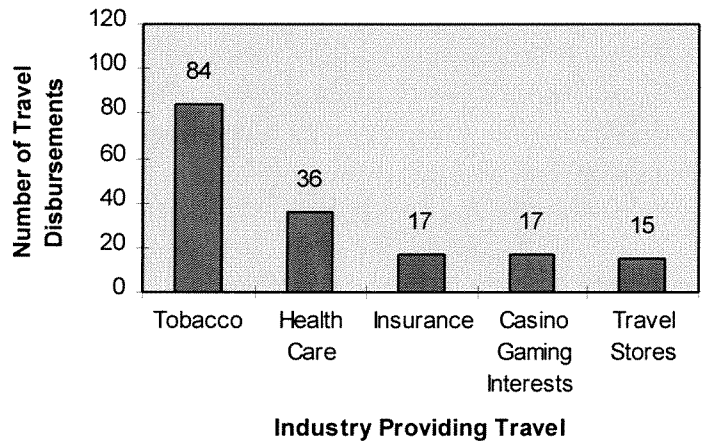
The largest provider of subsidized campaign travel was the tobacco industry. According to FEC reports, 84 of the travel disbursements were to tobacco companies. See Appendix 1. In total, more than 30% of the travel disbursements were made to the tobacco industry.

The next largest provider of subsidized campaign travel was the health care industry, which received 36 travel disbursements. This is less than one-half the number of disbursements received by the tobacco industry. Other industries that received a significant number of travel disbursements included: the insurance industry (17); casino gaming interests (17); and travel stores (15). See Figure 1.

⁹In some instances, the FEC filings of the NRCC reported travel refunds from tobacco companies or other special interests, along with the notation “void check.” Where these refunds corresponded with a disbursement, neither the disbursement nor the refund was included in this report.

¹⁰See “The Gravy Train Never Stops,” *Time* (January 19, 1998). See also Center for Responsive Politics, 1997-98 House Travel Expenses Database (www.crp.org).

Figure 1: The Tobacco Industry Is the Largest Provider of Subsidized Campaign Travel



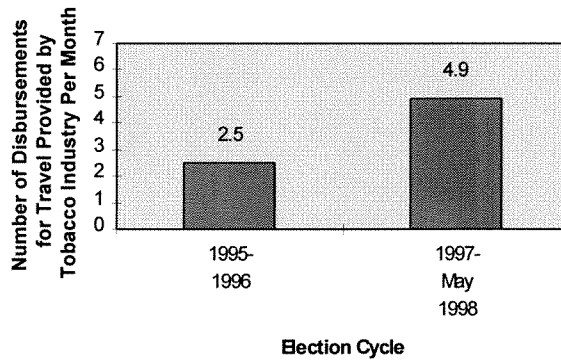
The largest single corporate provider of subsidized campaign travel was UST, Inc., which manufactures smokeless tobacco products. UST received 54 travel disbursements. This represents 20% of all travel disbursements during this time period. Tobacco companies R.J.R. Nabisco/R.J. Reynolds Tobacco Co. (23 travel disbursements) and Philip Morris Companies (4 travel disbursements) were also among the top corporate recipients of campaign travel disbursements. Other top travel disbursements recipients included: Health South (27); AFLAC (17); The Interface Group (15); Cracker Barrel Country Stores (15); and Federal Express (9).

B. Subsidized Campaign Travel from the Tobacco Industry Is Increasing

FEC reports show that subsidized campaign travel from the tobacco industry is increasing. During the entire 1996 election cycle, from January 1, 1995, through December 31, 1996, the national political parties, congressional leadership, and leadership PACs reported 60 separate disbursements for travel to the tobacco industry. This is an average of 2.5 travel disbursements each month.

During the 1998 election cycle, this number has increased significantly. In the first 17 months of the current election cycle, from January 1, 1997, through May 31, 1998, the same entities reported 84 separate disbursements for travel to the tobacco industry. This is an average of 4.9 travel disbursements each month. In other words, the rate of disbursements for travel on tobacco industry jets nearly doubled since the last election cycle. See Figure 2.

Figure 2: Campaign Travel Provided by the Tobacco Industry Is Increasing

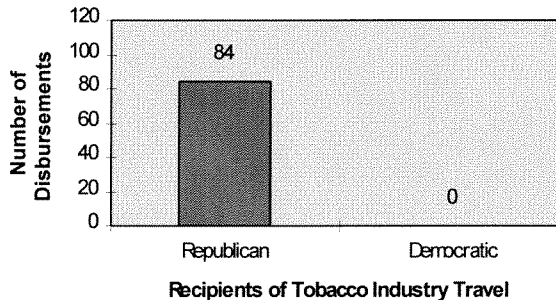


C. Republicans Are the Beneficiary of Campaign Travel Provided by the Tobacco Industry

The vast majority of subsidized corporate campaign travel is taken by Republican committees and members. Of the 259 travel disbursements reported to the FEC, 236 disbursements were made by Republican entities while only 23 disbursements were made by Democratic entities. In percentage terms, Republican disbursements for subsidized corporate campaign travel accounted for over 90% of the total disbursements.

In the case of disbursements for travel to the tobacco industry, all campaign travel in the 1998 election cycle has been taken by Republican committees and members. Since 1997, 84 disbursements to the tobacco industry have come from Republican entities, while no disbursements have come from Democratic entities. See Figure 3. In dollar amounts, disbursements to the tobacco industry from Republicans totaled \$177,985.65 to \$243,739.27.¹¹

Figure 3: Tobacco-Subsidized Travel During the 1998 Election Cycle Benefits Republican



¹¹A range of total payments is provided because the report could not determine how to account for certain NRCC entries. See Part II.E.

By far the single biggest recipient of subsidized travel from the tobacco industry is the NRCC, which is the Republican party organization devoted to electing Republicans to the House of Representatives. The NRCC was responsible for 66 out of the 84 Republican disbursements for travel to the tobacco industry. The other disbursements were made by Sen. Lott's New Republican Majority Fund (8); Sen. Lott's re-election campaign committee (4); Rep. DeLay's Americans for a Republican Majority (4); and Rep. Armev's Majority Leader's Fund (2).

D. The Value of the Campaign Travel Provided by the Tobacco Industry Is Likely to Far Exceed What Was Paid for the Travel

In order to estimate the value of the campaign travel on tobacco industry jets, Representative Henry Waxman, the ranking member of the Committee on Government Reform and Oversight, wrote the tobacco companies that provided campaign travel to a congressional leader or a political party prior to April 30, 1998. Rep. Waxman's letters sought detailed information on each reported disbursement, such as the dates and destination of the travel, the names of the passengers transported, and the actual cost of the travel to the tobacco company.¹²

None of the companies provided the information requested by Rep. Waxman.¹³ Because the tobacco industry did not provide this information, the report could not determine the precise value of the travel provided to the Republican leadership and committees by the tobacco industry.

This report does, however, compare the fair market value of a chartered flight on the types of aircraft owned by tobacco companies with the cost of a first-class ticket on a commercial aircraft. The cost of a first-class ticket -- not the fair market value -- is the amount that FEC regulations require members and political parties to pay for chartered flights on corporate aircraft.

To make this comparison, Federal Aviation Administration registrations for corporate aircraft were examined to determine the types of company jets owned and operated by the tobacco industry. The most common corporate jets owned and operated by the two largest tobacco companies, Philip Morris and R.J. Reynolds Tobacco Co., are the Gulfstream G-IV (5 jets) and the Canadair Challenger CL-600 (4 jets).

The fair market value of a chartered flight on these aircraft was determined by contacting air charter services that rent these aircraft. According to information provided by these charter

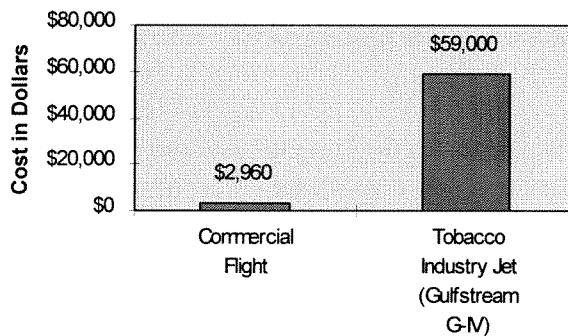
¹²See July 7, 1998, letters from Rep. Henry A. Waxman to: Geoffrey C. Bible, Chairman, Philip Morris Companies, Inc.; Steve Goldstone, Chairman, RJR-Nabisco Inc.; Vincent A. Gierer, Jr., Chief Executive Officer, UST, Inc.; and Samuel Chilcote, Jr., President, Tobacco Institute.

¹³See, e.g., July 10, 1998, letter from Howard S. Liebengood, Vice President, Government Affairs, Philip Morris Companies, Inc., to Rep. Henry A. Waxman.

services, these aircraft are configured to accommodate corporate executives and provide a level of luxury not provided by commercial airlines. According to one charter service, a chartered round-trip flight from Washington to Los Angeles on the Gulfstream G-IV would cost \$59,000. The same flight on the Canadair Challenger CL-600 would cost \$43,600.¹⁴ According to another charter service, a chartered round-trip flight from Washington to New York City on the Gulfstream G-IV would cost a minimum of \$18,700. The same flight on the Canadair Challenger CL-600 would cost a minimum of \$12,000.¹⁵

The fair market value of chartering these tobacco industry jets was then compared with the cost of a first-class round-trip ticket. This comparison showed that a first-class round-trip flight from Washington to Los Angeles on United Airlines would cost the traveler \$2,960.¹⁶ This means that a congressional leader flying one of Philip Morris's or RJR's most common jets to a Los Angeles fundraiser would receive travel benefits which are 15 to 20 times greater than the amount FEC regulations require the member to pay for the travel. See Figure 4(a).

**Figure 4a: Cost Comparison for Travel
Between Washington, DC, and
Los Angeles**



In the case of travel between Washington and New York, a round-trip flight on the Delta Shuttle would cost the traveler only \$404.¹⁷ This means that a congressional leader flying one of Philip Morris's or RJR's most common jets to a New York City fundraiser would receive travel

¹⁴Charter cost quoted for round-trip flight between Washington and Los Angeles by the Air Group, Inc. of Teterboro, New Jersey, on June 19, 1998.

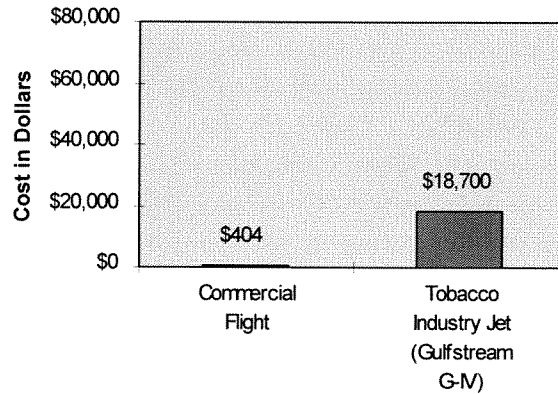
¹⁵Charter cost quoted for round-trip flight between Washington and New York City by IdealAir, Inc. on July 8, 1998.

¹⁶First-class round-trip flight between Washington-Dulles and Los Angeles quoted by United Airlines on June 30, 1998.

¹⁷Round-trip flight between Washington-National and New York City-LaGuardia quoted by Delta Airlines on July 8, 1998.

benefits which are 30 to 45 times greater than the amount FEC regulations require the member to pay for the travel. See Figure 4(b).

**Figure 4b: Cost Comparison for Travel
Between Washington, DC, and New York**



Without information from the tobacco industry about travel itineraries, the number of paying passengers, and other details, the report could not quantify the precise value of the tobacco industry flights received by the Republican leaders and campaign committees. Based on the comparison between the costs of chartering common tobacco industry jets and the costs of first-class air travel, however, it is clear that the actual value of the chartered flights is likely to substantially exceed the amount that the Republican leaders and committees paid as disbursements to the tobacco industry.

The Center for Responsive Politics has calculated that the tobacco industry contributed \$1,002,418 in “hard” money and \$3.2 million in “soft” money to Republican candidates and committees between January 1, 1997, and May 31, 1998.¹⁸ When these figures are compared to the \$177,985.65 to \$243,739.27 that Republican leaders and committees paid to the tobacco industry as travel disbursements from January 1, 1997, through May 31, 1998, it appears possible that the actual value to Republican leaders and committees of the subsidized campaign flights on tobacco industry jets could rival, if not exceed, the amount of the industry’s hard and/or soft money contributions.

E. Unaccounted Entries

On three days, the FEC filings of the NRCC list negative disbursements to UST for travel. These negative disbursements do not correspond in amount to any other disbursements to UST reported by the NRCC. Because the tobacco companies did not respond to Rep. Waxman’s

¹⁸Center for Responsive Politics, June 18, 1998 (based on FEC reports).

request for information, it was impossible to determine what these entries represented. It is possible that these negative disbursements are partial refunds for flights on which fewer passengers than expected flew. If this is the explanation for these negative disbursements, the total amount that Republican leaders and committees paid to the tobacco industry as travel disbursements would be \$177,985.65. If these negative disbursements are not refunds for other travel disbursements, the total amount that Republican leaders and committees paid to the tobacco industry as travel disbursements would be \$243,739.27.

Appendix: Travel Disbursements to the Tobacco Industry
January 1, 1997 - May 31, 1998

Committee	Member	Recipient	Date	Amount
ARMPAC	DeLay	R.J. Reynolds Tobacco Co.	6/27/97	\$ 7,606.00
ARMPAC	DeLay	R.J. Reynolds Tobacco Co.	6/27/97	\$ 7,606.00
ARMPAC	DeLay	R.J. Reynolds Tobacco Co.	12/10/97	\$ 1,374.00
ARMPAC	DeLay	R.J. Reynolds Tobacco Co.	5/28/98	\$ 1,110.00
Majority Leader's Fund	Armey	Philip Morris Companies, Inc.	2/18/98	\$ 2,688.00
Majority Leader's Fund	Armey	UST, Inc.	3/16/98	\$ 6,045.00
New Republican Majority Fund	Lott	R.J. Reynolds Tobacco Co.	7/9/97	\$ 2,008.15
New Republican Majority Fund	Lott	R.J. Reynolds Tobacco Co.	7/30/97	\$ 6,448.20
New Republican Majority Fund	Lott	UST, Inc.	10/23/97	\$ 5,655.74
New Republican Majority Fund	Lott	R.J. Reynolds Tobacco Co.	11/17/97	\$ 3,420.24
New Republican Majority Fund	Lott	UST, Inc.	1/14/98	\$ 2,193.08
New Republican Majority Fund	Lott	R.J. Reynolds Tobacco Co.	1/28/98	\$ 1,297.66
New Republican Majority Fund	Lott	Brown & Williamson	5/1/98	\$ 1,780.00
New Republican Majority Fund	Lott	Brown & Williamson	5/5/98	\$ 1,100.00
NRCC		UST, Inc.	1/23/97	\$ 2,853.00
NRCC		R.J. Reynolds Tobacco Co.	6/6/97	\$ 2,722.00
NRCC		R.J. Reynolds Tobacco Co.	6/25/97	\$ 350.00
NRCC		R.J. Reynolds Tobacco Co.	6/25/97	\$ 351.00
NRCC		UST, Inc.	6/25/97	\$ 420.00
NRCC		R.J. Reynolds Tobacco Co.	6/25/97	\$ 703.00
NRCC		UST, Inc.	6/25/97	\$ 840.40
NRCC		UST, Inc.	6/25/97	\$ 840.40
NRCC		UST, Inc.	6/26/97	\$ 1,150.60
NRCC		UST, Inc.	7/18/97	\$ 420.00
NRCC		UST, Inc.	7/18/97	\$ 840.40
NRCC		UST, Inc.	7/18/97	\$ 840.40
NRCC		UST, Inc.	8/14/97	\$ 3,735.00
NRCC		UST, Inc.	8/14/97	\$ 6,114.00
NRCC		UST, Inc.	8/14/97	\$ 6,935.00
NRCC		UST, Inc.	8/14/97	\$ 10,440.00
NRCC		UST, Inc.	9/17/97	\$ 3,735.00
NRCC		UST, Inc.	9/17/97	\$ 6,114.00
NRCC		UST, Inc.	9/17/97	\$ 6,935.00
NRCC		UST, Inc.	9/17/97	\$ 7,200.00
NRCC		UST, Inc.	9/17/97	\$ 10,440.00
NRCC		UST, Inc.	10/1/97	\$ 1,017.00
NRCC		Philip Morris Companies, Inc.	10/23/97	\$ 2,076.00
NRCC		Philip Morris Companies, Inc.	10/23/97	\$ 3,480.00
NRCC		UST, Inc.	11/14/97	\$ 2,595.00
NRCC		UST, Inc.	11/14/97	\$ 3,712.00
NRCC		R.J. Reynolds Tobacco Co.	12/5/97	\$ 443.00
NRCC		R.J. Reynolds Tobacco Co.	12/5/97	\$ 523.00
NRCC		Tobacco Institute	12/10/97	\$ 9,709.00
NRCC		UST, Inc.	1/8/98	\$ 427.20
NRCC		UST, Inc.	1/8/98	\$ 962.00
NRCC		UST, Inc.	1/8/98	\$ 1,048.00
NRCC		UST, Inc.	1/8/98	\$ 1,200.00

Appendix: Travel Disbursements to the Tobacco Industry
January 1, 1997 - May 31, 1998

NRCC		UST, Inc.	1/8/98	\$ 1,360.00
NRCC		UST, Inc.	1/8/98	\$ 1,865.00
NRCC		UST, Inc.	1/8/98	\$ 1,930.00
NRCC		UST, Inc.	1/8/98	\$ 2,262.00
NRCC		UST, Inc.	1/8/98	\$ 2,975.00
NRCC		UST, Inc.	1/8/98	\$ 3,135.00
NRCC		UST, Inc.	1/8/98	\$ 3,590.00
NRCC		UST, Inc.	1/8/98	\$ 4,386.00
NRCC		UST, Inc.	1/8/98	\$ 4,405.00
NRCC		UST, Inc.	1/8/98	\$ 4,536.00
NRCC		UST, Inc.	1/8/98	\$ 6,425.00
NRCC		R.J. Reynolds Tobacco Co.	1/14/98	\$ 852.00
NRCC		R.J. Reynolds Tobacco Co.	1/14/98	\$ 1,062.00
NRCC		R.J. Reynolds Tobacco Co.	1/14/98	\$ 1,065.00
NRCC		R.J. Reynolds Tobacco Co.	1/14/98	\$ 1,575.00
NRCC		R.J. Reynolds Tobacco Co.	1/23/98	\$ 1,175.00
NRCC		R.J. Reynolds Tobacco Co.	1/23/98	\$ 1,175.00
NRCC		R.J. Reynolds Tobacco Co.	1/23/98	\$ 2,350.00
NRCC		R.J. Reynolds Tobacco Co.	1/23/98	\$ 2,350.00
NRCC		UST, Inc.	2/12/98	\$ 2,230.00
NRCC		UST, Inc.	2/12/98	\$ 2,230.00
NRCC		UST, Inc.	2/13/98	\$ 1,993.00
NRCC		UST, Inc.	2/13/98	\$ 3,413.00
NRCC		UST, Inc.	2/27/98	\$ 1,750.00
NRCC		UST, Inc.	2/27/98	\$ 1,986.00
NRCC		UST, Inc.	2/27/98	\$ 2,180.00
NRCC		UST, Inc.	2/27/98	\$ 2,330.00
NRCC		UST, Inc.	2/27/98	\$ 2,688.00
NRCC		UST, Inc.	2/27/98	\$ 2,805.00
NRCC		UST, Inc.	2/27/98	\$ 2,994.00
NRCC		UST, Inc.	2/27/98	\$ 3,590.00
NRCC		UST, Inc.	4/29/98	\$ 4,660.00
NRCC		UST, Inc.	4/29/98	\$ 4,660.00
Trent Lott for Mississippi	Lott	R.J. Reynolds Tobacco Co.	2/12/97	\$ 1,216.00
Trent Lott for Mississippi	Lott	Philip Morris Companies, Inc.	5/9/97	\$ 1,030.00
Trent Lott for Mississippi	Lott	UST, Inc.	6/9/97	\$ 701.80
Trent Lott for Mississippi	Lott	UST, Inc.	7/16/97	\$ 1,306.00