

2204 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-0529
(202) 225-3976

DISTRICT OFFICE:
8436 WEST 3D STREET
SUITE 600
LOS ANGELES, CA 90048-4183
(213) 651-1040

RANKING MEMBER
COMMITTEE ON GOVERNMENT
REFORM AND OVERSIGHT
MEMBER
COMMITTEE ON COMMERCE
DEMOCRATIC STEERING COMMITTEE

Congress of the United States
House of Representatives
Washington, DC 20515-0529

HENRY A. WAXMAN
29TH DISTRICT, CALIFORNIA

January 14, 1998

The Honorable Tom Bliley
Chairman, Committee on Commerce
2125 Rayburn House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Bliley:

With the cooperation of the plaintiffs and their attorneys in the Mangini litigation in California, I have obtained over a thousand of pages of previously secret documents from the R.J. Reynolds Tobacco Co. These documents address one of the most important public health questions facing our nation: Have the U.S. tobacco companies deliberately marketed tobacco products to our children? These documents show that at least one major company, RJR, has in fact sought to market its tobacco products to children for decades.

In recent years, there has been considerable disclosure of documents from Philip Morris and Brown & Williamson. These documents have primarily addressed tobacco industry manipulation of nicotine and suppression of health information. There has been little disclosure of documents from RJR and little disclosure of documents discussing tobacco industry efforts to market to children. The Mangini documents thus have special significance: they are the first detailed window into RJR and the first detailed revelations of a tobacco company's efforts to exploit children.

I am transmitting with this letter over 80 documents from RJR, along with a legal analysis of the documents prepared by the lawyers for the Mangini plaintiffs. The vast majority of the documents have never been previously been disclosed to the public.¹ This letter summarizes some of the most important new documents and conveys my thoughts about their legal and policy significance.

¹Of the 81 documents being transmitted with this letter, it appears that fewer than 10 have been previously disclosed to the public.

RJR's Public Statements on Youth Smoking

Senior RJR executives have testified before the Commerce Committee that RJR does not market cigarettes to children. On April 14, 1994, the chairman and chief executive officer of R.J. Reynolds Tobacco Co., James W. Johnston, testified that "we do not market to children and will not." He also testified that "[w]e do not survey anyone under the age of 18." More than a decade earlier, on March 12, 1982, the then chairman and chief executive officer of R.J. Reynolds Tobacco Co., Edward A. Horrigan, testified that "our advertising is not designed to attract new smokers of any age and is not having that effect."

In 1995, a few internal RJR documents began to surface that suggested that RJR has in fact targeted children. News reports disclosed that an RJR researcher named Claude Teague had written a 1973 memorandum that stated that "if our Company is to survive and prosper, over the long-term we must get our share of the youth market." RJR, however, continued to deny that these documents reflected corporate policy. In their 1996 submission to the Food and Drug Administration, RJR stated that the Teague memorandum was not evidence of RJR corporate policy because Teague "was never an officer of RJRT," "never had responsibility for marketing," and was expressing only "his personal thought processes -- not institutional positions of RJRT." RJR reiterated to FDA what the company had told our Committee: that they "never 'targeted' underage individuals."

Summary of the Mangini Documents

The Mangini documents portray a vastly different picture of RJR's activities than conveyed in the company's testimony to this Committee and its comments to FDA. They show (1) that RJR has extensively surveyed teenage smoking behavior, (2) that RJR has designed and implemented marketing programs to increase its share of the youth market, and (3) that RJR executives at the most senior levels of the company -- including its board of directors -- had detailed knowledge of these activities.

The legal analysis prepared by the lawyers for the Mangini plaintiffs summarize each of the RJR documents being transmitted to you. Rather than repeat this detailed analysis, this letter will highlight a few of the many significant new documents obtained through the Mangini litigation.

1. Presentation from C.A. Tucker, Vice President of Marketing, to the Board of Directors of RJR Industries (Sept. 30, 1974) (Mangini exhibit 1)

This document contains an extensive discussion of the importance of the youth market and RJR's intentional efforts to increase its share of this underage market. Because the document is a presentation from RJR's most senior marketing executive to the board of directors of RJR

Industries, the parent corporation, it reveals that RJR's efforts to market to children were not the "personal thought processes" of rogue employees -- but rather deliberate corporate policy endorsed by the company's top officials.

Specifically, the 1974 board presentation:

- o States that "this young adult market, the 14-24 age group, ... represent[s] tomorrow's cigarette business. As this 14-24 age group matures, they will account for a key share of the total cigarette volume -- for at least the next 25 years." (p. 1)
- o Describes how "[b]oth Philip Morris and Brown & Williamson ... have shown unusual strength among these younger smokers," which "suggests continued growth for Philip Morris and B&W as their smokers mature," while "[o]ur two major brands, Winston and Salem, show comparative weakness ... among these younger smokers," which "suggests slow market share erosion for us in the years to come unless the situation is corrected." The document specifically reports that "Winston is at 14% in the 14-24 age group versus Marlboro at 33%. Salem is at 9% versus Kool at 17%." (p. 2)
- o Reaches the conclusion that "our strategy becomes clear for our established brands: 1. Direct advertising appeal to the younger smokers." (p. 3)

The board presentation also describes steps that RJR has already taken to market its product to "young adults," which are defined on the first page of the document as "the 14-24 age group." For example, the document states:

- o "For Salem, significant improvements have been made in the advertising, designed for more young adult appeal under its greenery/refreshment theme. These include: More true-to-life young adult situations. More dominant male visuals. A greater spirit of fun." (pp. 3-4)
- o "We have also increased our media efforts toward young adults for our brands. These include: Increased advertising insertions in traditional young adult magazines like Sports Illustrated, Playboy and Ms. Have added new young adult special interest magazines like Road and Track and Motorcycling. Expanded outdoor with selective locations for maximum young adult exposure -- e.g., posters in Greenwich Village and in areas with large college student populations." (p. 6)
- o "For Camel Filter, we ... will have pinpointed efforts against young adults through

its sponsorship of sports car racing and motorcycling.” (p. 7)

- o “Our special merchandising division is in its second year with its successful wholesale operation of premiums at beaches. ... We anticipate selling over a million items in 1975 -- a million ‘walking billboards’ for our brands.” (p. 10)

2. Memorandum from G.H. Long, Executive Vice President of Marketing, to E.A. Horrigan, Chairman of R.J. Reynolds Tobacco Co. (July 22, 1980) (Mangini exhibit 26)

This document confirms the essential point made in the 1974 board presentation -- namely, that increasing the company’s share of the underage market has been an important objective of RJR’s most senior management. The person who prepared the 1980 memorandum was RJR’s vice president of marketing, G.H. Long, who subsequently became the company’s chief executive officer. The recipient of the memorandum was the then chairman of R.J. Reynolds Tobacco Co., Edward A. Horrigan. The title of the memorandum is “Report on Teenage Smokers (14-17).”

Like the 1974 board presentation, the document describes how RJR was losing the youth market to Philip Morris. The memorandum states:

Last January, a report was issued ... that indicated that Philip Morris had a total share of 59 among 14-17 year old smokers, and specifically, Marlboro had a 52 share. This latest report indicates that Philip Morris’ corporate share has increased by about 4 points. ... Importantly, the report further indicates that RJR continues to gradually decline, and between the spring and fall 1979 periods, RJR’s total share declined from 21.3 to 19.9.”

And like the 1974 board presentation, the memorandum demonstrates that RJR was taking steps to increase the number of teenagers smoking its brands. G.H. Long, the company’s senior marketing executive, expresses the view that “[h]opefully, our various planned activities that will be implemented this fall will aid in some way in reducing or correcting these trends.”

3. “Smokers Screening Profile (14-17), Conducted for R.J. Reynolds Tobacco Co. by National Family Opinion, Inc. (April 1976) (Mangini exhibit 14)

The Mangini documents demonstrate that RJR has been secretly conducting extensive surveys of the smoking habits of teenagers for decades. The “Smokers Screening Profile (14-17)” from April 1976 is a representative example of these surveys. In this survey, the contractor hired by RJR, National Family Opinion, analyzed the smoking habits of over 11,000 teenagers aged 14-17.

The survey collected comprehensive data on the smoking habits and demographics of these teenagers, including data on their brand of cigarette; cigarette consumption; cigarette

purchasing habits; age; sex; religion; household income; education and occupation of parents; and residence. This raw data was then compiled into hundreds of pages of detailed tables on youth smoking habits. One typical table (Table 20) shows (1) the percentage of Newport and Kool smokers who were male or female teenagers; (2) the subbrands these teenagers smoked (such as Newport Soft or Newport King Box); (3) whether these teen smokers were light, average, or heavy smokers; (4) whether Newport and Kool were smoked more heavily by young teenagers (ages 14-15) or older teenagers (ages 16-17); (5) the occupation, education level, and income level of the parents of the teen smokers; (6) the religion of the teen smokers; and (7) and the city size and census region of the teen smokers.

The existence of detailed youth smoking surveys like the "Smokers Screening Profile (14-17)" underscores the importance of the youth market to RJR. It also raises serious questions about the veracity of RJR's 1994 testimony to our Committee and RJR's 1996 submission to FDA. For example, in the company's FDA comments, RJR stated:

As a matter of corporate policy, Reynolds conducts its brand market research only among those aged 21 or older -- and then only if they smoke. Reynolds has taken this conservative approach since 1992. Prior to 1992, at all relevant times, Reynolds' policy was to conduct brand market research on all lawful smokers aged 18 and older.

4. Memorandum on "Teenage Smokers (14-17) and New Adult Smokers and Quitters" (Feb. 1, 1980) (Mangini exhibit 17)

This 1980 document is representative of the types of documents prepared by RJR to summarize the youth smoking data collected for RJR by National Family Opinion. The document states that "many adult smokers have already formed consistent smoking patterns by the time they enter the market at age 18" (p. 1). It then explains that "[t]o improve our ability to forecast future trends, this report examines the demographics and smoking behavior of 14-17 year old smokers" (p. 1). Like many other RJR documents, this document again finds that "RJR's share of teenager smokers has declined" while "[t]he share of teenagers ... who smoke[] P. Morris brands has increased" (p. 4).

5. Documents Relating Specifically to Camel Cigarettes

Many of the Mangini documents describe RJR's plans for marketing Camel cigarettes to underage smokers, including the development of the "Joe Camel" campaign. These documents include the following:

- o A 1973 RJR marketing document states that "[i]n view of the need to reverse the preference for Marlboros among younger smokers, ... [a] comic strip type copy might get a much higher readership among younger people than any other type of

copy. It would certainly seem worth testing a heavy dose of this type of copy in a test market to get a research reading on percentage of readership and copy recall.” (Mangini exhibit 8, p. 5)

- o A 1975 memorandum to C.A. Tucker, the vice president for marketing, states that “[t]o ensure increased and longer-term growth for Camel Filter, the brand must increase its share penetration among the 14-24 age group which have a new set of more liberal values and which represent tomorrow’s cigarette business.” (Mangini exhibit 13)
- o A 1990 document on “Camel Brand Promotion Opportunities” states that “[t]arget smokers are approaching adulthood. ... Their key interests include girls, cars, music, sports and dancing.” (Mangini exhibit 69)

In public statements, RJR has continually emphasized that peer pressure -- not advertising -- causes children to smoke. In the company’s 1982 testimony to the Committee, Edward Horrigan testified that “[p]eer pressure and not our advertising provides the impetus for smoking among young people.” Twelve years later, James Johnston made the same point, testifying that “the driving force in an underage person starting to smoke is peer pressure.” What the Mangini documents show, however, is that RJR deliberately tried to capitalize on peer pressures to increase teen smoking of Camel cigarettes. For example, a 1986 memorandum on the new Joe Camel advertising campaign states:

Camel advertising will be directed toward using peer acceptance/influence to provide the motivation for target smokers to select Camel. Specifically, advertising will be developed with the objective of convincing target smokers that by selecting Camel as their usual brand they will project an image that will enhance their acceptance among their peers. (Mangini exhibit 58, p. 1)

6. Documents Relating to “Young Adult Smokers”

The Mangini documents contain numerous references to targeting “young adult smokers.” RJR has publicly asserted that these “young adult smokers” are smokers 18 years old and older. As the Mangini lawyers demonstrate in their comprehensive analysis, however, the term “young adult smokers” became a company code-word for teen smokers. For example, one 1987 document discussing “Project LF,” the code-name for Camel Wides, states “Project LF is a wider circumference non-menthol cigarette targeted at younger adult male smoker (primarily 13-24 year old male Marlboro smokers)” (Mangini exhibit 41).

The Legal and Policy Significance of the Mangini Documents

The Mangini documents have obvious legal significance. In the recent criminal information against DNA Plant Technology, Justice Department lawyers stated that they had found evidence that a tobacco company "knowingly concealed" material information from FDA. The Mangini documents raise similar issues. They reveal corporate activities that appear to conflict directly with the testimony of RJR executives before this Committee and the company's comments to FDA. Whether the executives committed perjury or otherwise made illegal false statements to this Committee or FDA is a matter that the Justice Department should thoroughly investigate.

The Mangini documents also have major policy significance. The documents reveal that tobacco companies have an enormous financial stake in attracting teen smokers. As the 1974 board presentation recognized, "the 14-24 age group ... represent[s] tomorrow's cigarette business." Congress's efforts to restrict youth smoking will be doomed to failure unless we grasp this point and create a legal framework that removes the companies' incentives to exploit our children.

It will not be enough for Congress to pass laws that restrict tobacco advertising and marketing. As they have in the past, the companies will find ways to circumvent these laws. Indeed, one of the Mangini documents, an RJR report prepared in the early 1990s entitled "Operating in a Restricted Environment," presents "sales/marketing recommendations" for minimizing the impact of advertising bans. It recommends that RJR "[p]lace even greater priority on direct marketing," "more thoroughly develop" the "retail environment," and preserve the gains from its Camel campaign by "transfer[ing] Old Joe's irreverent, fun loving personality to other creative properties which do not rely on models or cartoon depictions." Indeed, the analysis sees benefits for RJR in advertising restrictions, stating "[w]hile we would stand to lose minor brand styles, with five of the top ten brands currently, RJR could benefit from this type of industry profile change on a relative basis" (Mangini exhibit 61, pp. 1, 4, 5, 9).

The lesson in the Mangini documents is that Congress must enact a new approach. We must set targets for reducing youth smoking rates and hold the tobacco companies individually accountable for achieving these reductions. RJR needs to know that if it does not reduce the number of children smoking its products, it will face additional restrictions, such as significant price increases, that will place the company at a competitive disadvantage. Only this kind of approach will fundamentally change the tobacco company's economic incentives.

The Mangini documents thus underscore one of the central policy recommendations of the Koop-Kessler Committee and, more recently, the Institute of Medicine: the need for company-specific performance standards for reducing youth smoking. As the IOM recognized earlier this month in its most recent tobacco report, "[i]ncentives to reduce youth tobacco use will be most

The Honorable Tom Bliley

January 14, 1998

Page 8

powerful if penalties for failure to achieve goals fall hardest on those firms making brands attractive to underage users.”

Mr. Chairman, I know you sincerely want to reduce the incidence of youth tobacco use in the United States. The documents that I am transmitting to you today emphasize the importance of this goal and provide insights on how we can best achieve it. I value your leadership on this issue and look forward to working with you to achieve our common goal this year.

Sincerely,

A handwritten signature in black ink, appearing to read 'H. Waxman', with a stylized flourish at the end.

Henry A. Waxman
Member of Congress

cc: Members of the Committee on Commerce