

PHILIP MORRIS CORPORATE AFFAIRS EUROPE
SMOKING RESTRICTIONS 3 YEAR PLAN 1994-1996

I. SITUATION ANALYSIS:

The present Plan takes into consideration two major surveys which reveal current public attitudes in Europe towards smoking in general and smoking restrictions:

a) The EC Commission-funded Eurobarometer survey (March 1993) shows that 52% of Europeans believe ETS poses a health risk. "Passive smoking" is a problem which concerns the majority of Europeans: 79% claimed to be exposed often or sometimes, and 83% of non-smokers are bothered by other people's tobacco smoke. Europeans are highly in favor of smoking restrictions in public places (82%) and 88% are in favor of clear separation in the workplace.

b) The results of the PM Benchmark survey (end 1992) show that smokers are under high and increasing degree of social pressure: 57% of smokers feel uncomfortable when they smoke around non-smokers. Also, 86% of population believes ETS to be harmful. There is a growing support for restrictions in public places: 79% support bans and 60% favor legislative restrictions.

1. European Community

Existing legislation

In 1989 the Council adopted a Resolution recommending banning smoking in public places. This Resolution serves as an invitation to national governments to ban smoking in establishments such as shops, hospitals, schools, entertainment facilities, sports facilities and enclosed areas of undergrounds, railway stations, ports and airports as well as all forms of public transport. Although resolutions are non-binding, political pressure may be applied by the Commission to encourage compliance. However, Member States are under no legal obligation to act. Under the 1989 Resolution, Member States are required to report to the Commission bi-annually on measures they have introduced to comply with this Resolution.

Also in 1989, a Directive on health and safety in the workplace was adopted, in line with the EC framework programme on worker protection. This Directive, which like all Directives is legally binding, is relevant due to the following provision which requires that "in rest rooms and rest areas appropriate measures must be introduced for the protection of non-smokers against the discomfort caused by tobacco smoke". "Rest areas" in this context refers essentially to canteens and lounges away from the factory floor. This Directive was due to be implemented into Member State legislation by 31 December 1992 with the exception of Greece which has a 2 year derogation. The majority of Member States have yet to transpose the requirements into national law.

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Proposed legislation

A proposed directive was issued in early 1993 with the aim of the protecting transport worker's health and safety. The European Parliament in July 1993, amended this proposal to require that "appropriate measures must be taken for the protection of workers who are non-smokers against discomfort and health risks caused by tobacco smoke through the provision of separate enclosed areas for smokers and non-smokers. Where this provision is not possible or available, smoking must be prohibited." The scope of this proposal covers all forms of public transport. This is the biggest threat at European Community level which needs to be addressed.

We can also envisage at earliest 1995, a proposal for a stricter Resolution on public place smoking which may be extended to include the HORECA sector. Also during the course of 1995 we can expect a proposed directive (legally binding) specifically related to smoking in the workplace; severe restrictions or potentially a total ban may be proposed. We predict 1995 for both of these initiatives because the new 5 year term college of Commissioners will be in place. With both the Maastricht debate and the main part of enlargement negotiations behind them, the Commission will again be forward looking and confident to introduce new measures. Furthermore, the effects of the EPA classification as well as the IARC ETS Study will have filtered through to provide further justification for Community-level initiatives.

2. Member States

Legislative activity

Leading up to the Plan period there has been a gradual trend at the national level toward regulating smoking in both the workplace and in public places.

- In 1987 a Royal Decree was enacted in Belgium banning smoking in certain public places. The law has not been actively enforced. As the Plan indicates this has presented an unusual opportunity for PM to take a proactive role.

- In 1992 the U.K. implemented the 1989 EC Directive on Health and Safety in the Workplace. Today, most large U.K. companies have not only adhered to the law by adopting smoking policies but some have banned smoking entirely. One survey of workplace smoking practices indicates that of all Member States the U.K. has the highest proportion of employees covered by a smoking policy.

- Probably the single most significant event setting the stage for the Plan period was the implementation of the Loi Evin in France on November 1, 1992 and its first year anniversary in 1993. This legislation was conceived in France, rather than in response specifically to the '89 EC Directive, and places limits on smoking both the workplace and public places, most notably including restaurants and cafes. Adherence to and acceptance of the law in large workplaces appears high. However, both in survey research and media reflect consistent resistance to mandated restrictions in the hospitality sector. An October 1993 survey by SOFRES for the French tobacco trade association (CDIT) reported that 71% of those surveyed felt

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that smoker/non-smoker conflicts should be resolved privately, relying on courtesy and tolerance, and that legislation was not necessary.

There are two implications of the Loi Evin. The adverse publicity stemming from restrictions in restaurants and cafes has undermined the relevance of the law. However, the workplace provisions and the fact that a leading member of the EC adopted such a law in the first place establish an unfortunate precedent for the remainder of the Community

- On March 31, 1993 Belgium enacted a Royal Decree affecting smoking in the workplace. The legislation is quite favorable as it stipulates only that employers "establish conditions for tobacco use during work hours" and that these be based on "reciprocal needs of smokers and non-smokers ... (and in) respect of individual liberties, courtesy and tolerance." In contrast to the Loi Evin, the Belgian law sets a favorable precedent for legislative solutions in other Member States.

- There has been legislative activity elsewhere in the EC. In Italy six bills were proposed between 1990-1993 which would restrict smoking. In Spain there have been restrictions enacted at the regional level. And in Germany some regional governments have imposed smoking restrictions in government owned premises.

Private workplace initiatives

- Trends toward regulating smoking in the workplace in the absence of legislative requirements are still modest. The most severe restrictions on smoking on the job still are in response to legislation such as in the U.K. and France. However, where there are laws, and more importantly where there are none, the challenge is to assist employers to develop smoking policies which accommodate smoking. Thus, even the U.K. offers an opportunity to work within the framework of existing law to assist employers accommodate, rather than ban, smoking.

- Threats to workplace smoking also reflect pressure from the insurance sector which is increasingly offering lower rates to non-smokers. Work compensation claims by non-smokers exposed to ETS also affect employers' insurance costs and may prejudice them to ban smoking rather than face higher insurance costs to cover worker compensation claims. Again, the U.K. has set the pace in the EC with recent landmark cases.

- Employee complaints may also stimulate purely voluntary initiatives to restrict or ban smoking. Rather than mediate the differences between smokers and non-smokers, if the social acceptability of smoking is on the decline, the employer may opt for a severe restriction or ban rather than accommodate.

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3. International

There are three events which are international in scope but which are expected to have an immediate effect on the EC during the Plan period.

- The International Agency for Research on Cancer (IARC) is undertaking an 11 country study to examine the health effects of ETS on non-smokers. IARC is affiliated with the WHO which indicates the strong possibility that the findings will likely be critical of ETS and receive significant publicity. The epidemiological study is original research based on a survey questionnaire. Preliminary data may be available as early as summer 1994 with published findings expected to be released towards summer 1995. IARC has significant standing among public health professionals and regulators around the world. Therefore, it is expected that IARC's conclusions will provide an impetus for further smoking restrictions internationally in the same way that the U.S. Environmental Protection Agency's study on ETS did in the U.S.

- The "IX World Conference on Smoking or Health" will take place in October 1994 in Paris. It is anticipated that the meeting will call for increased tobacco regulations overall, including more stringent smoking restrictions. It is also possible that national health ministers will feel compelled to introduce measures beforehand in order to demonstrate their commitment to the anti-tobacco agenda of the conference.

- In 1992 the International Civil Aviation Organization (ICAO), a U.N. agency, adopted a resolution urging its member countries to ban smoking on passenger airlines by July 1, 1996. This timetable was recently moved up to December 7, 1994. While the resolution is not binding, the resolution does put pressure on individual countries to restrict smoking.

- U.S. trends restricting smoking in general and U.S. corporate policies that apply to their international offices will also affect developments at the Member State level.

II. OVERALL OBJECTIVES

- Protect our consumers ability to smoke in the workplace and in public places
- Prevent adverse legislation either through advocating model/reasonable legislation where conditions permit or by acting on legislative initiatives to ensure that the impact is as favorable as possible
- Promote private sector policies in both the workplace and in public places that accommodate smokers
- Mitigate the impact of the IARC ETS Study

The objectives relate to impact on consumption as well as public sensitivity to social acceptability.

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III. IARC ETS STUDY

OBJECTIVES

- Seek the most accurate and objective wording of the study conclusions and official statement results
- Mitigate potential negative bodies
 - ✓ Regulatory and legislative bodies
 - ✓ Media
 - ✓ Private sector workplace policies
 - ✓ General public's perceptions about ETS

STRATEGY

The study will be addressed from two perspectives. From the perspective of the scientific outcome of the study, we will attempt to establish relations with the IARC researchers both in an effort to seek a balanced assessment of the issue and to track the status and likely outcome of the study. Simultaneously, we will develop communications and government relations activities that will seek to mitigate the impact and influence the study may have on public policy and public opinion.

ACTION PLAN

- PM will take the initiative to manage the industry's plan to deal with the ETS study. We have established an internal team and through it will coordinate not only PM's worldwide plan but also the intra-industry task force set up to coordinate efforts on IARC.
- Relations with IARC headquarters in Lyon and in the 11 participating countries will be established in an effort to communicate to the researchers relevant information on ETS science and the methodological issues surrounding the use of epidemiology. Contacts will also be used to follow the progress of the study so that our communications strategy will be well informed.
- We will also consider a proactive initiative with IARC in Lyon whereby we would collaborate on a full blown risk assessment regarding ETS.
- Communications activities will be designed to offset the adverse consequences that are anticipated from the completed study. In conjunction with S&T (Neuchatel) background information on IARC, ETS and epidemiology in general and specific to the 11 collaborating countries will be compiled and made available to the media, policy makers and opinion leaders. The inapplicability of using spousal studies, which is the approach IARC is taking, as a basis for workplace and public place restrictions will also be emphasized. As appropriate, media briefings will be conducted in key markets prior to the study release to educate social and scientific

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journalists about the science of ETS and the shortcomings of basing public policy on epidemiological data.

- In markets where tougher smoking restrictions are expected in response to the IARC study, government contacts will be briefed before and after the study is released in an effort to prevent new restrictions.

- Allies in the unions, employer organizations and the Horeca sector will also be briefed to secure their opposition to additional restrictions.

IV. SMOKING RESTRICTIONS IN THE WORKPLACE

1. OBJECTIVES

- Promote voluntary workplace policies based on accommodation
- Lock in model legislation where conditions are appropriate thereby preventing adverse legislation
- Delay EC action

2. STRATEGY

The Plan requires a mix of voluntary and legislated options to secure reasonable workplace smoking policies at the Member State level and which together would also delay any Community legislation. In some markets, the adoption of voluntary workplace smoking policies may alone be sufficient to prevent or substitute for national legislation. In other cases, reasonable national legislation may be sought to lock in favorable terms in markets where smoking remains socially acceptable and the legislative timing is right to make that sentiment a statutory requirement. In the latter case, support from employer organization will still be necessary. In either case, timing is key in being sensitive to opportunities to shift the emphasis between voluntary and legislative solutions.

3. ACTION PLAN

Following an analysis of implementation into Member State law of the 1989 Directive's requirements for protection of non-smokers in rest rooms, we will focus on those countries where the Directive has not been implemented to advocate and lock in reasonable legislation following the example of Belgium, based on the evaluation of threat and timing in those Member States. Where unreasonable legislation is being introduced at regional level within Member States, we shall supersede this with reasonable national legislation again based on the Belgian workplace law.

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We shall mobilise Unions and Employers to oppose unreasonable legislative restrictions and to promote local solutions based on accommodation. The focus will be on members of national bodies who are represented on influential EC-Committees (EC Advisory Committee on Health and Safety, ECOSOC, and the European Confederations of Employers and of Unions)

Concurrently, we shall encourage the adoption of reasonable voluntary smoking policies in privately owned offices and factories to avoid, if possible, restrictive legislative action. In the majority of state-owned companies, smoking bans are already the norm.

Ventilation standards must continue to support smoking, to avoid de facto smoking bans. Thus, we will establish relationships with EC and national standard bodies, to ensure their activities are not detrimental.

Because severe legislation is often a reaction to anti-pressure, we shall make a concerted effort to counteract the pressure of the antis, particularly BASP, by creating a Brussels-based Tobacco Information Office based on the effective national examples whose task will be to disseminate "favourable" and balanced pro-industry messages, findings and studies.

To implement the above action points, it will be necessary to prepare "model" legislation appropriate to those Member States where legislation is not currently on the books as well for the EC level.

To implement the actions identified above, contacts will be established with a number of government bodies, allies and third parties. Following are some of the key groups that have been targeted and who we will communicate with during the Plan period

Brussels based EC Institutions:

We shall continue to work the European Parliament encouraging MEPs to pose favourable questions to the EC Commission (anti-ban, pro-accommodation, pro-subsidiarity). We shall also continue efforts to establish close working relationships with relevant European Commission officials to avoid unreasonable EC legislation. At such time as an EC proposal for a workplace smoking ban becomes inevitable we shall dialogue closely with relevant officials during the drafting stage and encourage unions and employers in particular, to act in concert. At such time as a formal proposal is issued, we shall work closely with the European Parliament Rapporteur and key coordinators as well as with Social Affairs attachés of the Permanent Representations to either encourage withdrawal as of the proposal under subsidiarity or, failing that, to ensure the proposal is amended in line with our objectives.

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- National Employment/Health and Safety Policy Makers:

In order to delay EC action we shall dialogue with supportive governments (UK, Germany, Holland and Denmark) to encourage their opposition to EC legislation on the grounds of subsidiarity. At the same time we shall work with those governments where the 1989 Directive has not been implemented to ensure favorable national legislation (Belgian example) is adopted, coupled with guidelines for effective implementation. At such time as an EC proposal is unavoidable we shall seek to shape the EC initiative by promoting the Belgian model as the EC "solution" and demonstrating that accommodation works and can be implemented effectively (versus bans which are often ignored)

- Employers:

Employers and employer organizations are players in securing our objectives during the Plan period. Employers are the locus of any activity related to smoking policies - voluntary or in adherence to legislation - that can accommodate smoking. Employers also can and should help influence the legislative process. Communications with employers consists of three elements.

1. Human resource managers will be surveyed to ascertain their attitudes toward smoking related issues in their companies and to identify elements of a workplace smoking policy that would work. Surveys will be undertaken in countries which both do (U.K , Belgium and France) and do not (Holland) currently require policies.

2. Based on the survey data noted above, we would develop a model workplace policy for employers that would be applicable in offices and factories. Using the national tobacco manufacturers association, PM or a human resource consultancy, that policy would then be promoted to human resource professionals through a combination of options including direct mail, trade press advertising and commentary, and presentation to employers in professional organizations. The model policy would be supported by evidence that smoking bans will decrease employee productivity, evidence accommodation works, and that without employers' opposition an EC Directive mandating smoking bans would be imminent.

3. As part of our ongoing dialogue with Employers' Associations we shall encourage their preemptive opposition to EC action, on the ground that self-regulation based on accommodation works, both with national ministries and direct to the EC Commission via relevant EC Committees.

- Unions:

Unions are important allies to support the adoption of policies accommodating smoking in the workplace. Their support will be secured directly at the national level and, through the national bodies to their EC representation via European Trade Union Confederation (ETUC). Access to national union leadership will be made through both the national tobacco workers unions and the national tobacco growers unions, where feasible. Alliances may also be established via the building construction sector where jobs may be created by retrofitting

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existing buildings to improve ventilation systems in response to requirements for improved indoor air quality.

Unions will be approached with a variety of arguments responsive to their interests including:

- Excessive government and management intervention in general is contrary to labor's interests
- Smoking bans set a precedent for prohibitions on other matters of personal choice
- Banning smoking is a scapegoat that allows management to avoid addressing the real indoor air quality problems in the workplace that should be addressed
- Smoking bans discriminate against one group of employees, disproportionately affecting blue collar workers
- Smoking bans can be abused by management as an excuse for disciplinary action
- Smoking is one of many lifestyle choices that should be free of external control
- EC and/or national smoking bans/restrictions may be imminent unless action is taken

Smokers Rights Groups:

Smokers' Rights Groups (SRG's) are an essential medium for presenting views in favor of reasonable solutions because a) they have no commercial interest and, as such, are more credible voice than the tobacco industry and b) they are able to position themselves as a large but discriminated "minority" of individuals who have rights.

- The Plan foresees continued support provided by PM/industry to the groups in Italy, Spain, France, the Netherlands and Greece to help them expand in both number of members and in influence. Increased assistance is needed to SRG in Denmark and to the UK SRG which needs to continue with its recent but more effective moderate approach.

- In the context of the next EC elections in '94, we will encourage and assist SRG's to become more politically active. Currently, their activities are essentially media-oriented.

- The real weakness of the SRG network is the absence of any co-ordinating body or secretariat which can share information, techniques and ideas between the various SRG's. We should examine the feasibility of creating a pan-European SRG secretariat or Smokers' movement to a) improve communication between the groups and b) to have an organization that can rightly claim to represent 100 million European smokers (and voters) which could function as a central media and lobbying "voice". Rothmans Int. have expressed their interest in this project and would co-fund with us.

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Media:

- Working with the media is key to maintaining the social acceptability of smoking. Europeans believe that Americans tend to be fanatical extremists when it comes to public health issues. We shall take this opportunity to use US-sourced "ETS excess stories" (dismissal from work over smoking, career discrimination due to smoking, etc.) to help discredit all anti-smoking initiatives - American as well as European. The Plan calls for using libertarian groups (e.g., Social Affairs Unit, Arise) whenever possible to communicate this message.
- Identifying opportunities/events to criticize the "EC Brussels" interference into national sovereignty and promoting the Maastricht principle of subsidiarity will help us achieve our main objective which is to delay any EC action.
- Expand the ARISE scientific/libertarian group and assist them to gain more credibility by seeking the support of companies in the coffee, chocolate and alcohol business; thus, help ARISE to get more publicity and become more influential.
- We shall educate the media and particularly the social and scientific journalists. Social (society/economic issues) journalists need to be briefed to call their attention on examples of workplace policies which accommodate both smokers and non-smokers. In parallel, selected top 50 scientific/health journalists in the general news media need to be briefed on scientific deficiencies of many ETS studies prior to the release of the IARC study results. The program involves extensive collaboration with S&T.

Opinion leaders:

Although several National Manufacturers Associations (NMA's) communicate effectively on a number of issues, there is at present no organisation acting as a counter-balance to the anti-tobacco activists (particularly the Commission-funded BASP organization) which targets its publications at key Brussels and pan-European opinion leaders. Both CECCM and the TDC are prevented from doing so by virtue of their mandates or structures. As a result, policy makers and the media get only one side of the story, which is prejudicial to the industry and to smokers.

- There is an urgent need to start examining the creation of a Brussels-based Tobacco Information Office to regularly publicize favourable news to our key audiences (policy makers and media) on various topics such as scientific information, public opinion data, favourable legislative/voluntary developments and libertarian opinions/events.

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- Public opinion surveys constitute an important tool used by anti-smoking organisations and policy makers to demonstrate the need for smoking restrictions/legislation (e.g., the Commission's Eurobarometer survey in March 1993 which shows a public support for smoking bans in the workplace and public places). By co-sponsoring public opinion surveys, PM or the Brussels Tobacco Information Office could fill the gap and demonstrate to policy makers and the media that the European public opinion does not favor discrimination against smokers.

General public

In order to maintain a favorable social environment and to promote smoking as a custom still socially acceptable in Europe versus the US, Philip Morris will develop in the appropriate markets courtesy/tolerance campaigns and encourage implementation via the NMA's. The campaigns should seek a) reduce conflicts between smokers and non-smokers and therefore create increased receptivity to the accommodation programmes and b) ultimately, reduce pressure for any legislative action. The '93 Belgian law on workplace - which incorporates the principles of courtesy and tolerance - illustrates the impact of such campaigns in legislation.

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V. SMOKING RESTRICTIONS IN PUBLIC PLACES

1. OBJECTIVES

- Defeat EC proposal to ban smoking on public transport.
- Prevent extension of the EC resolution on public places to apply to the HORECA sector which is currently excluded.
- Encourage voluntary policies based on accommodation in the HORECA sector to:
 - . Avoid legislated restrictions
 - . Overall minimize smoker/non-smoker conflict
- Pass reasonable national legislation where appropriate and secure favourable implementation

2. STRATEGY

We shall work together with industry associations via allies (Employers, Unions) to prevent adverse legislation and to encourage voluntary solutions at the lowest level. We shall also continue to work favourable contacts within Government circles both at EC and national level and in the media, directly and through Smokers' Rights Groups activities. At the same time we should continue our efforts to calm the debate at grass roots level through rolling out the more effective courtesy and accommodation campaigns in Member States with the most serious conditions.

3. ACTION PLAN

TRANSPORT:

- To defeat the EC proposal on public transport smoking, we shall work with allies to delete or modify those damaging amendments introduced by the European Parliament, if possible before the IARC ETS Study is published, working through Social Affairs attachés in the Permanent Representations and the relevant national officials and Ministers. When the proposal returns to the European Parliament for second reading, our objective will be to delete the damaging amendment to ensure the final legislation is acceptable.

- At the Member State level measures will continue to be taken to prevent smoking bans on EC-based airlines. Efforts to introduce or extend bans by EC-based carriers are expected in response to consumer preference and national regulation, in part in response to ICAO's Resolution. Although the time a smoker may spend in the air and at the airport may not constitute a large amount of time relative to the amount of time spent in the workplace for example, bans on airlines are highly visible and may disproportionately contribute to the deterioration of the social acceptability of smoking.

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Specific measures in this regard include:

1. Taking steps to prevent bans on leading carriers including Alitalia, Lufthansa, Sabena and Iberia. Actions will include direct communications with airline management concerning air quality issues and ventilation alternatives in lieu of bans, as well as mobilization of consumers and Smokers' Rights Groups members.
2. The Brussels airport is being expanded and will be showcased as the gateway to the EC given Brussels' location as the base of many EC governmental institutions. This provides an opportunity to work with the airport management to help them adopt and implement a smoking policy for public areas as well as in the workplace for airport staff. The policy could then be used as a prototype for adoption at other EC airports.
3. Consider creating a series of smoking lounges that would be "branded" with point of sale material in an airport contemplating a smoking ban or severe restrictions. The lounges would offer superior ventilation and amenities to accommodate smoking, as well as provide a competitive advantage to PM by displaying brand related communications.

HORECA

- In order to avoid adverse national legislation affecting public places and especially the HORECA sector, in the Member States which have not yet introduced any legislation, we shall prepare together with the industry associations preemptive national legislation and/or voluntary measures and encourage adoption via the Horeca Associations.

- Together with the National Manufacturers Associations, we should prepare and implement restaurant accommodation programs in all EC markets drawing upon the successful programs underway in the UK, France, Belgium and Italy. These accommodation programs should be directed to the restaurants owners via the Horeca associations to promote reasonable voluntary smoking policies based on principles of accommodation and good ventilation.

- The '87 Belgian Royal Decree has not been actively enforced by the Horeca sector. Philip Morris has turned this into an opportunity -serving both public affairs and marketing objectives- to help the Horeca sector comply with the Belgian law by offering to selected outlets good ventilation systems. This project will help position Philip Morris as a responsible company, and also achieve a competitive advantage by receiving the exclusivity on its products. The pilot ventilation project will be implemented by end of '93 and will be expanded in '94 to a greater number of outlets if the first stage of implementation succeeds. The project has the potential to set a precedent for adoption in other EC markets.

- We shall continue to work with the HORECA associations at the EC level to register their opposition to any EC resolution on public places which would include the Horeca sector, and at the national level to communicate the economic adverse consequences of legislated bans and the preferability of accommodation solutions.

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