ATTORNEYS GENERAL ANNOUNCE TOBACCO SETTLEMENT PROPOSAL

November 16, 1998 - WASHINGTON, D.C.

A historic settlement proposal, that mandates the most significant legal reform in the tobacco industry and the largest financial recovery in the nation's history, was released today. The proposal was negotiated by a team of eight established by the state Attorneys General.

Under the settlement proposal, tobacco companies would agree to significant curbs on their advertising and marketing campaigns, fund a $1.5 billion anti-smoking campaign, open previously secret industry documents, and disband industry trade groups which Attorneys General maintain conspired to conceal damaging research from the public.

In announcing the settlement, the Attorneys General said it should be viewed as the beginning, not the end, of tobacco reform in this country. The Attorneys General said "this is litigation, not legislation. Congress should pass legislation to provide essential reforms – including full Food and Drug Administration authority over tobacco -- we pledge to help them."

The settlement has numerous provisions aimed at protecting kids. In filing their lawsuits, state Attorneys General contended the industry was targeting children. In this nation, about 3,000 kids a day start smoking, and a third of them will die prematurely as a result of that decision.

Noting it would take years to complete all the state lawsuits and even longer to exhaust the inevitable appeals, the AGs said the settlement, "moves the fight out of courtroom and onto the streets so we can begin protecting kids now."

Under the settlement proposal, the tobacco industry would contribute $1.5 billion over the next five years for a national public education fund which would carry out a massive education and advertising campaign. It also would pay $250 million for a foundation dedicated to reducing teen smoking.

Other provisions in the settlement would ban cartoon characters in tobacco advertising, prohibit the industry from targeting youth in ads and marketing, prohibit billboards and transit advertising, and ban the sale and distribution of apparel, backpacks and other merchandise which bear brandname logos and become, in effect, walking billboards.

The AGs said the settlement won't end youth smoking in America, but it does provide "realistic, workable steps to stop the addiction of our children."

Under the settlement, tobacco companies would pay the states more than $9 billion a year beginning in the year 2008. Total payments through the year 2025 would be $206 billion. This does not include settlements already reached with four other states totaling over $40 billion in the same period of time.

States spend billions each year on medical care for smoking related illnesses and the industry payments, which will be made in perpetuity, will relieve taxpayers of the costs from future smoking-related illnesses.

Terms of the settlement call for the industry to pay the states $12 billion in "up-front" money over five years.

The annual payments will be adjusted annually based on inflation and volume adjustments based on future sales of cigarettes.

More than 40 states sued tobacco companies, alleging, among other things, that the industry violated antitrust, and consumer protection laws. In addition, states alleged the companies conspired to withhold information about adverse health effects of tobacco, that they manipulated nicotine levels to keep smokers addicted and that they conspired to withhold less risk products from the market.

To settle the lawsuits, the industry has agreed to dozens of new restrictions and public health initiatives which are aimed at changing the way it does business. The Attorneys General said the ability to force a change in tobacco industry conduct was an important factor in their settlement decision. "Attorneys General must determine whether the economic and non-economic terms of this settlement are equal to or greater than the uncertain results they could achieve in court," they said.

The Attorneys General said they believe strong state cases against the tobacco industry led to the settlement proposal and that a national settlement will avoid a patchwork of reform which could result if each state individually pursued its lawsuit.

The industry would pay all attorney fees – both state and private counsel – and reimburse states for their costs.

Four states – Mississippi, Florida, Texas and Minnesota – already have settled with tobacco companies. The new settlement builds on the previous settlements and provides the most comprehensive package of public health reforms to date.

To ensure the industry lives up to the agreement, the settlement would be enforceable through consent decrees which will be entered in each state court. In addition, the industry will provide $50 million for an enforcement fund which states could use to pursue violations of the settlement.

The settlement proposal was negotiated with the industry by Attorneys General Drew Edmondson of Oklahoma, Mike Fisher of Pennsylvania, Christine Gregoire of Washington, Heidi Heitkamp of North Dakota, Dan Lungren of California, Mike Easley of North Carolina, Gale Norton of Colorado, and Dennis Vacco of New York.

The settlement proposal, that was negotiated over the last five months, now will be sent to all other Attorneys General for their review. It will not be final until agreed to by an as-yet unspecified number of states. A decision is expected November 23.