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NEWS RELEASE

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Cigarette Sales in U.S. Reach Historic 55-year Low

Attorneys General: Fewer Americans Smoking since Implementing MSA Public Health Restrictions

WASHINGTON, D.C. --- Members of the National Association of Attorneys General Tobacco Committee announced today a historic drop in the number of cigarettes sold in the United States last year. According to figures compiled by the Tobacco Tax Bureau of the United States Department of the Treasury, cigarette sales in 2005 declined by 4.2% from 2004 levels, marking the largest one-year percentage decrease in cigarette sales since 1999.

More important, the 2005 sales figures continue the unprecedented long-term decline in cigarette smoking that began with the settlement of lawsuits brought by state Attorneys General against the major tobacco companies. Cigarette sales in the United States have fallen by more than 21% since the state Attorneys General negotiated the landmark 1998 tobacco Master Settlement Agreement (MSA), which imposed public health restrictions on the advertising, promotion and marketing of cigarettes by tobacco companies.

The 378 billion cigarettes sold in the United States in 2005 represented the lowest number of cigarettes sold in the United States since 1951. This decline is even more impressive because the United States population has more than doubled since that time.

“The work of the Attorneys General in negotiating the tobacco MSA focused attention on the conduct of the tobacco companies and the dangers of cigarette smoking,” said Iowa Attorney General Tom Miller, co-chairman of the National Association of Attorneys General Tobacco Committee. “The continued enforcement efforts of the MSA’s provisions by Attorneys General, along with other health advocates, have made a marked difference in the number of smokers across the country, particularly among youth.”

The continuing long-term decline shows that we are winning the battle against cigarette smoking and that the MSA and the other tobacco state settlement agreements have made a difference, according to the Attorneys General of Iowa, Idaho, California and Utah, who were meeting in Washington, D.C. for the Association's annual spring meeting conference. The decline in 2005 was one of the largest single-year declines in history and is evidence that the long-term downward trend is continuing.

The decline in cigarette sales and overall smoking prevalence is a huge public health success, the Attorneys General said. In the years immediately prior to the states' settlement agreements with the tobacco companies, cigarette sales in the United States had reached a plateau. By contrast, the eight-year decline in cigarette sales of 21.1% since the MSA is unprecedented.

The MSA created a broad array of restrictions on the advertising, marketing and promotion of cigarettes. For example, it prohibited the targeting of youth in cigarette advertising. It also prohibited outdoor advertising of cigarettes and the advertising of cigarettes in public transit facilities, as well as the use of cigarette brand names on merchandise, and a host of other restrictions. The payment provisions of the MSA were designed to compensate the states in part for the billions dollars in health care costs associated with treating tobacco-related diseases under state Medicaid programs.

Tobacco is the number one cause of preventable death in the United States. As advocates for the public interest, Attorneys General across the country are actively and successfully working to enforce the provisions of the MSA to reduce tobacco use and protect consumers from its deadly toll.

“The States have been accused of becoming addicted to tobacco settlement money and wanting to keep cigarette sales high in order to maximize their revenues,” Attorney General Miller said, “but nothing could be farther from the truth. In fact, the costs imposed on the States to treat cigarette-related diseases far exceeds the revenues the States get from the settlement proceeds and taxes. The States applaud the decline in cigarette sales and have worked hard and effectively to bring this result about.”

Attorneys General have also directly addressed the issue of youth tobacco use aggressively enforcing the settlement agreements against violations by the tobacco companies – such as Brown & Williamson's “Kool Mixx” marketing campaign that sought to use hip-hop culture to promote cigarettes; pursuing agreements with major retailers to ensure that they do not sell tobacco products to underage persons; and suing Internet tobacco vendors who sell tobacco products without verifying the age of their purchasers. Recently, the State of Vermont sued Reynolds American Tobacco Company, alleging that advertising of its Eclipse brand was making health claims that could not be substantiated. That suit is pending.

“In addition, through the combined efforts of our public health community and the work of the American Legacy Foundation and its truth campaign, we're seeing increased public awareness through vigorous anti-smoking campaign advertising and educational outreach,” said Idaho Attorney General Lawrence Wasden, co-chair of the NAAG Tobacco Committee and Treasurer of the American Legacy Foundation. The MSA created the American Legacy Foundation, funded by payments from the tobacco companies, to promote awareness of the health effects of tobacco.

“It is not a coincidence that cigarette sales are down and fewer people are smoking. The Master

Settlement Agreement was designed to protect the public and reduce cigarette consumption – and it does just that,” said Vermont Attorney General Bill Sorrell, Chair of the American Legacy Foundation, a national public health organization committed to building a world where young people reject tobacco and anyone can quit.

"The Master Settlement Agreement placed significant restrictions on the advertising and marketing practices of the tobacco companies, and also provided funding for an effective anti-smoking public education campaign targeted directly at youth," said Cheryl Healton, Dr. P.H., President and CEO of the American Legacy Foundation. "These new numbers conclusively demonstrate that the combination of these two factors --- together with the hard work of the Attorneys General and the public health community --- has resulted in major reduction in smoking rates since the MSA was signed."

TOBACCO-RELATED ATTORNEY GENERAL PUBLIC HEALTH INITIATIVES

In the past year, Attorneys General:

- armed with a new study that demonstrates that “exposure to movie smoking has a strong association with smoking initiation” by adolescents, have challenged Hollywood movie studios to reduce smoking depictions in movies and to include an anti-smoking public service announcement on all videos and DVDs with movies that depict smoking.
- concluded an agreement with Time, Inc. (which publishes *Time*, *People* and *Sports Illustrated*), and Newsweek, Inc. (which publishes *Newsweek*) to eliminate tobacco advertising from school library editions of those four major magazines, which have significant youth readerships.
- obtained a commitment by several major credit card companies and carriers that they would not provide their services in connection with the illegal sale of cigarettes over the Internet.
- entered into a Protocol with Philip Morris, the largest manufacturer of cigarettes in the United States, that would combat the illegal sales of its cigarettes over the Internet by having Philip Morris suspend shipments to, or incentive programs with, its distributors or retailers found to be engaging in illegal Internet sales or selling to those who make such sales.
- after multi-state investigations, brought two actions to enforce the Master Settlement Agreement and Smokeless Tobacco Master Settlement Agreement: (1) Vermont sued R.J. Reynolds Tobacco Company alleging material misrepresentations of fact by making express and implied health claims in its advertising for “Eclipse” cigarettes; and (2) California sued U.S. Smokeless Tobacco Company for various violations of the Brand Name Sponsorship limitations in its “Skoal Racing” sponsorship in the National Hot Rod Association.
- secured R.J. Reynolds’ agreement to cease and desist its “Camel Coasters” promotion, which encouraged binge drinking by young adults by mailing them coasters with recipes for mixed drinks with high alcohol content and tag lines that promoted excessive and irresponsible drinking.

The National Association of Attorneys General (NAAG) was founded in 1907 to help Attorneys General fulfill the responsibilities of their office and to assist in the delivery of high quality legal services to the states and territorial jurisdictions. The Association fosters interstate cooperation on legal and law enforcement issues, conducts policy research and analysis of issues, and facilitates communication between the states' chief legal officers and all levels of government. The Association's members are the Attorneys General of the 50 states and the District of Columbia, the Commonwealths of Puerto Rico (Secretary of Justice) and the Northern Mariana Islands, and the territories of American Samoa, Guam, and the Virgin Islands. The U.S. Attorney General is an honorary member.