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June 4th, 2002

The Honorable Carla Stovall  
President  
National Association of Attorneys General  
750 First St., N.E., Suite 1100  
Washington, D.C. 20002

Dear Attorney General Stovall:

On November 23, 1998, 44 State Attorneys General reached a settlement with United States Smokeless Tobacco Company (UST) with respect to the health costs incurred by the States' Medicaid programs due to the use of smokeless tobacco products. We applaud the laudable goal of the Attorneys General of holding the industry accountable for the harm it has caused. We are concerned that the leading smokeless tobacco company may not be abiding by its commitment.

As part of the settlement, UST agreed to a prohibition on targeting youth with advertisements that promote smokeless tobacco. The agreement stipulated that "no participating manufacturer may take any action, directly, or indirectly, to target youth within any Settling State in the advertising, promotion, or marketing of tobacco products, or take any action the primary purpose of which is to initiate, maintain, or increase the incidence of use of tobacco products by youth within any Settling State."

The Massachusetts Department of Public Health has recently been studying the advertising expenditures of UST before and after the Smokeless Tobacco Master Settlement Agreement (STMSA). In a report to be released on June 5th, the Department demonstrates that rather than decreasing their expenditures in youth-oriented magazines, UST since signing the Master Settlement has increased its expenditures in these magazines. Whereas UST spent approximately \$3.6 million on advertising in youth-oriented magazines in 1997, the expenditures climbed to approximately \$9.4 million in the same magazines in 2001. This represents a 161% increase in spending targeted toward youth. UST placed nearly half (45%) of their advertising in youth-oriented magazines in the time period 1999-2001. This behavior contrasts with three other manufacturers of smokeless tobacco products, Swisher, Conwood, and Swedish Match, whose expenditures decreased by 11% in youth magazines over the same time period and whose expenditures in youth-oriented magazines decreased as a percentage of their advertising budget from 53% to 29%.

These results are troubling and indicate to us that UST is not in compliance with the agreement that it signed with the State Attorneys General. We urge the State Attorneys

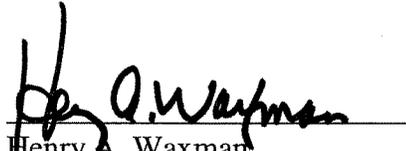
2.

General to examine this new report and take the necessary steps to enforce this important agreement.

Sincerely,



Richard J. Durbin  
Chairman  
Senate Subcommittee on Oversight  
of Government Management, Restructuring,  
and the District of Columbia



Henry A. Waxman  
Ranking Minority Member  
House Committee on  
Government Reform