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May 22, 2012

U.S. CHAMBER TO CONGRESS ON TRANSPORTATION BILL: YOU'RE DOING IT WRONG

By David Grant
Christian Science Monitor
May 21, 2012

The US Chamber of Commerce expressed its exasperation with lawmakers for the way Congress is attempting to fund a transportation bill crucial to highway projects and repairs.

The Chamber of Commerce's top brass has a message for Congress on transportation: You're doing it wrong.

"What we lack is anybody of any party willing to address the fundamental problem called money," said Bruce Josten, the chamber's executive vice president for government affairs, during a breakfast for reporters sponsored by the Monitor Monday.

Mr. Josten and Chamber CEO Tom Donohue expressed exasperation at how Congress has attempted to fund long-term investments in America's infrastructure and said congressional delay is costing jobs.

Members of the House and Senate are currently attempting to put together a compromise bill to extend transportation funding before a 90-day funding fix lapses at the end of June.

"Nothing happens in the states and in the communities when you've got a 90-day or a 120-day extension," Mr. Donohue said. Governors and mayors "can't write a contract [to build transportation infrastructure] in that amount of time, and jobs that could be had are not going to be had."

While congressional staffers have been meeting to lay the groundwork for a deal, Josten said that Congress would likely seek another, longer extension to push the bill to year's end or beyond.

The Senate passed a two year, $109 billion transportation bill by a 74-to-22 margin in March. The bill relies on a hodge podge of funding measures, such as tapping a trust fund for cleaning up leaks from underground storage tanks, to make ends meet.

House Speaker John Boehner (R) of Ohio favored a five-year transportation measure linking transportation to increased energy production. When House Republicans balked at the bill's cost, they instead passed a 90-day extension of current transportation funding levels. The measure was little more than a vehicle to get the two houses to a conference committee.

"These guys and gals are all doing this because they're afraid to face the fundamental issues of where we get the revenue," Donohue said. "We haven't had an increase in the federal fuel tax in 18 years."

The federal gas tax is a primary means of funding highway construction and maintenance. The problem is that it is not indexed for inflation, so while road repair costs creep upward, the gas tax stays the same. The tax was last increased in 1993 to $0.184, meaning that drivers are paying more than a third less into the Highway Trust Fund than they were at the beginning of the Clinton administration.

Moreover, the sluggish economy, high gas prices, and environmental concerns have led Americans to drive less and to buy more efficient vehicles.

And that brings up the another issue nobody wants to talk about, Josten said: a vehicle miles traveled system that taxes drivers for the distances they drive. In an era of increasingly fuel-efficient vehicles, many transportation experts consider this a necessary evolution to sustainably support the nation's bridges and roads.

"Everybody wants the [transportation bill] to be fixed because they need roads and bridges to be fixed, and everybody wants the money and everybody knows [transportation] needs the money," Donohue said, but "nobody wants to take a vote on this."

Originally published here: http://www.csmonitor.com/USA/Politics/monitor_breakfast/2012/0521/US-Chamber-to-Congress-on-transportation-bill-You-re-doing-it-wrong

ALTRIA CEO CONDUCTS HIS FINAL SHAREHOLDER MEETING

By Michael Felderbaum
Bloomberg Businessweek
May 17, 2012

Outgoing Altria Group Inc. CEO Michael E. Szymanczyk finished his final shareholder meeting on Thursday much the same way as his first -- fielding attacks against the nation's largest tobacco company.

The owner of top-selling Marlboro cigarette maker, Philip Morris USA, held its annual meeting Thursday in its headquarters city of Richmond. It marked the last day for Szymanczyk, who has served as chairman and CEO since March 2008 and in the same capacity for Philip Morris USA from August 2002 through July 2008 before the company spun off Philip Morris International Inc.

"It has been an honor to lead the reshaping of Altria," said Szymanczyk, who got choked up during his closing remarks about his 23-year career. "Altria and its companies have experienced significant change since I first joined the company. Change is not new for our companies. They have been successful for more than a century because they have demonstrated the ability to adapt in dynamic industries and to the world around them."

Martin J. Barrington will replace Szymanczyk as CEO and chairman, and David R. Beran will serve as president and chief operating officer.

During his presentation to shareholders, Szymanczyk touted Altria's premium brands like Marlboro and said the company is well-positioned for future growth in a changing industry. In addition to Philip Morris USA, Altria owns U.S. Smokeless Tobacco Co., maker of brands such as Copenhagen and Skoal, and Black & Mild cigar maker John Middleton Co. The company also owns a wine business and holds a voting stake in brewer SABMiller.

In 2011, the company saw its net income fall 13 percent to $3.39 billion on lease, legal and restructuring charges. Its net revenue excluding excise taxes fell nearly 2 percent to $16.62 billion. Shipments fell 4 percent to 135.1 billion cigarettes, largely on declines from its premium brands.

However its 2012 first-quarter profit rose almost 4 percent as higher prices and cost-cutting helped offset declines in cigarette volumes. Shipments fell 2.6 percent to 31.1 billion cigarettes, but the Marlboro brand gained market share and ended the period with a 42.3 percent of the U.S. retail market.

"For nearly 60 years, Marlboro has been the cigarette that men smoke for flavor, and adult smokers have been invited to `Come to where the flavor is. Come to Marlboro Country,'" Szymanczyk said, adding that the company is evolving the brand to try to keep it growing and steal smokers from its competitors.

Like other tobacco companies, Altria is focusing on cigarette alternatives -- such as cigars, snuff and chewing tobacco -- for future sales growth because the decline in cigarette smoking is expected to continue.

Altria also has been forced to cut costs as tax hikes, smoking bans, health concerns and social stigma make the cigarette business tougher. After completing a $1.5 billion multiyear cost savings program last year, the company rolled out a plan to cut $400 million in "cigarette-related infrastructure costs" by the end of 2013 in advance of anticipated cigarette volume declines.

Szymanczyk said cost-cutting "continues to be a priority."

Over the years, the question-and-answer sessions of tobacco company annual meetings typically feature various groups attacking them for selling products that are responsible for about 443,000 deaths a year in the U.S. Szymanczyk's final shareholder gathering was no exception.

"With your retirement, I'm sure you look at your legacy. Certainly you and the company have a passion for success. I'm not sure about satisfying your customers and their preferences unless they all have a death wish," Anne Morrow Donley, co-founder of the Virginia Group to Alleviate Smoking in Public, told Szymanczyk. "At some point in the future, you and the company may indeed be charged with crimes against humanity -- I look forward to that."

The 63-year-old Szymanczyk did not respond to those remarks. He also has declined numerous requests for an interview with The Associated Press.

Shareholders on Thursday elected 11 directors to the company's board and rejected a shareholder proposal to have the company disclose its lobbying policies and practices.

Altria on Thursday also reaffirmed its full-year adjusted earnings guidance of between $2.17 and $2.23 per share. It also announced that its board declared a regular quarterly dividend of 41 cents per share. The dividend is payable July 10 to shareholders of record on June 15.

Originally published here: http://www.businessweek.com/ap/2012-05/D9UQJLCO0.htm

ARE YOU SAFE ON THAT SOFA?

Opinion by Nicholas D. Kristof
New York Times
May 21, 2012

If you want a case study of everything that is wrong with money politics, this is it.

Chances are that if you're sitting on a couch right now, it contains flame retardants. This will probably do no good if your house catches fire - although it may release toxic smoke. There is growing concern that the chemicals are hazardous, with evidence mounting of links to cancer, fetal impairment and reproductive problems.

For years, I've written about this type of chemical, endocrine disruptors, but The Chicago Tribune has just published a devastating investigative series called "Playing With Fire" that breaks vast new ground. It is superb journalism.

It turns out that our furniture first became full of flame retardants because of the tobacco industry, according to internal cigarette company documents examined by The Tribune. A generation ago, tobacco companies were facing growing pressure to produce fire-safe cigarettes, because so many house fires started with smoldering cigarettes. So tobacco companies mounted a surreptitious campaign for flame retardant furniture, rather than safe cigarettes, as the best way to reduce house fires.

The documents show that cigarette lobbyists secretly organized the National Association of State Fire Marshals and then guided its agenda so that it pushed for flame retardants in furniture. The fire marshals seem to have been well intentioned, but utterly manipulated.

An advocacy group called Citizens for Fire Safety later pushed for laws requiring fire retardants in furniture. It describes itself as "a coalition of fire professionals, educators, community activists, burn centers, doctors, fire departments and industry leaders."

But Citizens for Fire Safety has only three members, which also happen to be the three major companies that manufacture flame retardants: Albemarle Corp., ICL Industrial Products and Chemtura Corp.

Citizens for Fire Safety paid a prominent Seattle physician, Dr. David Heimbach, who testified in some states in favor of flame retardants. Heimbach, the former president of the American Burn Association, told lawmakers stories of children who had burned to death on cushioning that lacked flame retardants.

According to The Tribune, Heimbach made these stories up. Heimbach told me that the stories were real, with details changed to protect the survivors' privacy. He said he testified for flame retardants because he believed in them, not because of money he received.

The problem with flame retardants is that they migrate into dust that is ingested, particularly by children playing on the floor. R. Thomas Zoeller, a biologist at the University of Massachusetts, told me that while there have been many studies on animals, there is still uncertainty about the impact of flame retardants on humans. But he said that some retardants were very similar to banned PCBs, which have been linked to everything from lower IQ to diabetes, and that it was reasonable to expect certain flame retardants to have similar consequences.

"Despite all that we have learned about PCBs, we are making the same mistakes with flame retardants," he said.

Linda Birnbaum, the top toxicologist at the National Institutes of Health, put it to me this way: "If flame retardants really provided fire safety, there would be reason for them in certain circumstances, like on an airplane. But there's growing evidence that they don't provide safety and may increase harm."

Arlene Blum, a chemist at the University of California, Berkeley, told me, "For pregnant women, they can alter brain development in the fetus." Her research decades ago led to the removal of a flame retardant, chlorinated Tris, from children's pajamas. But chlorinated Tris is still used in couches and nursing pillows (without any warning labels).

The European Union has banned one common flame retardant, Deca BDE, and has generally been more willing to regulate endocrine disruptors than the United States. Why the difference?

"The money is jingling," notes Sen. Frank Lautenberg, D-N.J. Lautenberg has introduced legislation, the Safe Chemicals Act, that would tighten controls - but it has gotten nowhere.

It's not easy for a democracy to regulate technical products like endocrine disruptors that may offer great benefits as well as complex risks, especially when the hazards remain uncertain. A generation ago, Big Tobacco played the system like a violin, and now Big Chem is doing the same thing.

This campaign season, you'll hear fervent denunciations of "burdensome government regulation." When you do, think of the other side of the story: your home is filled with toxic flame retardants that serve no higher purpose than enriching three companies. The lesson is that we need not only safer couches but also a political system less distorted by toxic money.

Originally published here: http://www.jsonline.com/news/opinion/are-you-safe-on-that-sofa-hd5frh7-152346075.html

NEW FROM ALTRIA: A NICOTINE LOZENGE

By Mike Esterl
Wall Street Journal
May 22, 2012

U.S. tobacco giant Altria Group Inc. MO +0.02% is moving into uncharted territory: the tobacco-less nicotine product.

The maker of Marlboro will launch a nondissolving, lozenge-shaped nicotine disc called Verve in coming days, the latest foray by Big Tobacco into experimental smokeless products amid falling sales for traditional cigarettes.

Unlike the smokeless products sold by Altria and its chief U.S. tobacco rival, Reynolds American Inc., RAI -0.24% Verve won't contain tobacco. Instead, the chewable, mint-flavored disc will provide nicotine extracted from tobacco.

This is a crucial distinction. Richmond, Va.-based Altria is betting that approach will permit it to market the product with milder health-warning labels than those affixed to cigarettes and smokeless tobacco.

Nicotine is addictive and has been tied to cardiovascular problems, high blood pressure and diabetes. But unlike tobacco, it hasn't been linked to cancer.

Government-mandated labels on mainstream smokeless tobacco products such as moist snuff and chewing tobacco highlight the risks of cancer, tooth decay and gum disease, warning consumers, "This is not a safe alternative to cigarettes."

Altria plans to begin selling Verve in more than 50 stores in Virginia by early June, but it hasn't decided whether to roll out the product nationally.

Smokeless products represent less than one-tenth of tobacco-industry sales, but they are an increasingly important battleground. The smokeless category is growing at about 7% annually, while U.S. cigarette volume has been contracting at roughly 4% a year.

Altria, the largest U.S. tobacco company by sales, already boasts a roughly 55% share of the smokeless-product market based on its Copenhagen and Skoal moist snuff brands.

Reynolds, the maker of Camel cigarettes and Grizzly moist snuff, controls about a third of the country's smokeless market.

Smokeless product makers are hunting for the next big thing because snuff is messy, requiring users to spit out loose tobacco after placing it between their cheek and gums.

In recent years, big tobacco companies have marketed alternative smokeless products such as snus, a spit-less tobacco pouch, and dissolvable tobacco "sticks,'' "strips'' and "orbs'' that also don't require spitting.

Lorillard Inc., LO -0.11% the maker of Newport cigarettes and the third-largest U.S. tobacco company, said last month that it will acquire electronic cigarette company Blu ECigs. E-cigarettes, a growing niche product, turn nicotine-laced liquid into vapor.

"I don't think anyone's found the magic smoke-free product,'' said John R. Nelson, Altria's chief technology officer.

A Verve disc, which resembles a cough drop, releases nicotine over roughly 15 minutes as a user sucks or chews on it. It doesn't require spitting to avoid swallowing tobacco. But the disc of cellulose fibers and a polymer also doesn't dissolve, so users will have to throw it away after use.

The new product will be sold in a package of 16 discs, each containing about 1.5 milligrams of nicotine, less than many other smokeless products contain. It will sell for about $3 in stores in Virginia, where a pack of 20 Marlboro cigarettes retails for around $4.50. The product will be sold to adults only.

Altria is rolling Verve out as the U.S. Food and Drug Administration is trying to slap larger, more graphic warning labels on cigarettes, including an image of a person smoking through a hole in the neck. A federal judge recently put those plans on hold after some cigarette companies sued the FDA, arguing the labels went too far.

Altria says it has shared its new product plans with the FDA. The government agency confirmed it had been contacted by Altria but declined to comment on how it might regulate such a product.

The new product in some ways resembles gum and lozenges that contain nicotine but no tobacco and are sold by pharmaceutical companies to help wean smokers off cigarettes. But such pharmaceutical aids, also called nicotine-replacement therapies, are meant to be used for only a few months.

Matthew Myers, president of Campaign for Tobacco-Free Kids, an anti-smoking group, said the health impact from long-term use of nicotine isn't known.

Altria will include a warning label on the new product, telling consumers that nicotine can increase "heart rate, blood pressure and aggravate diabetes.''

The label will also warn nicotine "can harm your baby if you are pregnant or nursing'' and "cause dizziness, nausea and stomach pain.''

Originally published here:
http://online.wsj.com/article/SB10001424052702304019404577418651103755194.html