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BOXER SOUNDS CONFIDENT NOTE ON HIGHWAY BILL NEGOTIATIONS

By Nathan Hurst

CQ Politics

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Negotiations on a surface transportation reauthorization are on track to produce a conference report before the June 30 deadline, Sen. Barbara Boxer said Wednesday, after speaking with Speaker John A. Boehner.

The conference chairwoman called their Tuesday telephone conversation “the best news I’ve had in a long time.”

The Ohio Republican told Boxer, D-Calif., that he has “met with leaders on his side and told leaders to get the conference report done” in time to have President Obama sign it into law by the end of next month, she said.

The discussion between the two lawmakers is a far cry from earlier this year, when Boxer complained that she couldn’t get Boehner or House Majority Leader Eric Cantor, R-Va., to return her phone calls.

Despite partisan differences over provisions that would approve the Keystone XL oil pipeline and would limit the EPA from regulating coal ash as an environmental pollutant, Boxer said she was confident there are “no sticking points” that would create insurmountable hurdles for the conference committee.

In a written statement, Boehner said he remained “hopeful that the negotiators can complete work on a conference agreement that includes Keystone and other energy measures to address high gas prices and create jobs; as well as meaningful infrastructure reforms that ensure that taxpayer dollars are spent effectively and efficiently on roads and bridges across this country.”

Staffers are slogging through 10 “working group” meetings this week to hammer out a host of issues separating the parties on a comprehensive surface transportation bill. Seventeen such staff meetings were held last week.

Federal transportation programs are operating under an extension (PL 112-102) that runs through June 30. The last full reauthorization (PL 109-59), passed in 2005, expired in September 2009.

After House GOP leaders struggled to build support for a five-year, \$260 billion highway proposal (HR 7), they sent a 90-day extension (HR 4348) to conference with the Senate's two-year, \$109 billion reauthorization (S 1813), which won wide bipartisan support in a 74-22 floor vote in March.

SEN. BOXER: 'GREAT PROGRESS' ON HIGHWAY BILL NEGOTIATIONS; DEAL POSSIBLE BY END OF JUNE

By Keith Laing
The Hill
May 23, 2012

The chairwoman of the committee of lawmakers that is conferencing on a new federal surface transportation bill said Wednesday that a substantial portion of the issues that could prevent a deal between the House and Senate have already been cleared.

"I wanted to tell you were making very good progress -- I would say great progress -- on working through the various issues," Sen. Barbara Boxer (D-Calif.) said during a press conference at the Capitol.

"Approximately 80 percent of the (Environment and Public Works) title ... is non-controversial," she continued. "The EPW title makes up about 80 percent of the entire bill, so this is a very substantial report I'm giving you."

Boxer is leading a 47-member committee of lawmakers that is trying to meld a two-year, \$109-billion transportation bill that was passed by the Senate with a pair of temporary extensions of current funding that were approved by the House.

The lower chamber had sought to pass a five-year, \$260-billion measure that was funded in part by increasing domestic oil drilling, and their short-term measures mandate approve of the controversial Keystone XL oil pipeline that has been rejected by President Obama.

But Boxer said Tuesday that leaders in the Republican-led House have been willing to negotiate the differences in the chambers' respective approaches to transportation funding in good faith.

"I am particularly pleased ... by the willingness of Speaker Boehner to work with us to accomplish our mutual goal," Boxer said Tuesday. "I had a very good conversation with him yesterday, and he told me that he met with the leaders on his side and he told them to get the conference report done. He is working to make sure we get this done, and that is the best news that I had heard in a long time."

Boxer vowed the lawmakers on the conference committee would complete their negotiations before the current funding for road and transit projects runs out.

"The conferees are fully engaged, we will have our conference report ready to circulate among the various colleagues by early June and we intend to have this bill on the desk of the president before June 30," she said.

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PROGRESS ON HIGHWAY BILL BUT KEYSTONE UNRESOLVED

By Roberta Hampton

Reuters

May 23, 2012

Lawmakers on a U.S. Senate-House committee are making progress on finalizing a transportation spending bill, Senator Barbara Boxer said on Wednesday, although a provision that would fast-track the Keystone XL crude pipeline is still unresolved.

The committee's starting point is a two-year, \$106 billion bill to fund road, bridge and rail projects passed by the Senate in March.

Republicans have insisted that the legislation include approval of the Canada-to-Texas Keystone oil pipeline, which President Barack Obama put on hold earlier this year after environmentalists raised concerns.

In a weekly update on the closed-door negotiations on how to advance the bill, Boxer, the Democratic chairman of the Senate-House panel, said she was more optimistic than ever that a deal could be reached by a June deadline after discussing the bill with Republican House Speaker John Boehner on Tuesday evening.

"He (Boehner) is working to make sure we get this done, and that is the best news I have heard in a long time," Boxer said, without addressing specifics of the thorny points of the talks.

"Our conversation was really good. Nobody brought up any quote-unquote 'sticking points.'"

In a statement, Boehner said Keystone remains a priority.

"I'm hopeful that the negotiators can complete work on a conference agreement that includes Keystone and other energy measures to address high gas prices and create jobs," Boehner said.

Boxer added that she was determined to push through a bill that would pass Congress and be acceptable to Obama, who has said he would veto a bill that overturned his decision on TransCanada Corp's project, which he has said needs more environmental review before it can proceed.

"I've said from the start: I'm not going to produce a bill that's going to be vetoed, and I'm not going to produce a bill that's going to be a controversy, because it won't go through," Boxer, a Democrat,

If lawmakers cannot agree on the bill, they could craft another short-term extension of funding. But a trust fund that helps pay for highway repairs will run out of money in the fiscal year that begins Oct. 1.

Boxer said a symbolic vote held on Friday in the House of Representatives, which is controlled by Republicans, showed there was not a two-thirds majority in the House needed to overturn a presidential veto on the Keystone issue.

The non-binding vote, which passed 261-152, urged the panel to include Keystone in the highway bill. Twenty-six Democrats voted in favor of the motion, while 151 Democrats opposed it.

"I thought it was good that they had (the vote) actually, so that we can see there wasn't enough to override a veto. So it was instructional," Boxer said.

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ROLL-YOUR-OWN LAW INTRODUCED IN D.C.

By Erin Murphy
Telegraph Herald (IA)
May 23, 2012

Iowa recently passed a law that raised taxes on roll-your-own tobacco products in order to align their tax rate more closely to that of regular cigarettes.

Illinois Sen. Richard Durbin introduced a similar law in Washington on May 10.

"The current loopholes in the taxes on tobacco products encourage the use of products like pipe tobacco, smokeless tobacco, and 'nicotine candies' as a cheap source of tobacco, particularly among young people," Durbin said on his website. "This difference in tax rates doesn't make sense, and we are already seeing tobacco manufacturers abusing them by changing the labels on their products to avoid paying the higher tax. This bill will stop tobacco manufacturers from gaming the system and protect more children and teens from this dangerous habit."

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JAPAN TOBACCO BUYING EUROPEAN ROLL-YOUR-OWN COMPANY

Reuters
May 24, 2012

Tobacco Inc (JT), the world's third-largest cigarette maker, said on Thursday it will buy Belgian tobacco product maker Gryson NV for 475 million euros (\$597.7 million) to cut its reliance on the domestic market.

JT, which sells more than half the cigarettes smoked in Japan, has seen its home market shrink by almost 30 percent in the last decade and aims to complete the deal within the current calendar year.

Gryson has established stakes in the markets for individually made machine and hand-rolled cigarettes in several European countries, including France, Portugal and Spain.

JT will acquire all shares in Gryson, which produces filters, loose tobacco and rolling papers for brands like Domingo, Fleur du Pays and Orlando, from unlisted GT&Co BVBA using existing funds and loan facilities.

The purchase price values the transaction at 12.3 times Gryson's 2012 forecasted earnings before interest, tax, depreciation and amortization, JT said in a statement.

The company did not use a financial advisor on the deal, a JT spokeswoman said.

Shares of JT have surged 17.5 percent since the start of 2012, beating a 1.3 percent rise in the Nikkei 225 average , as Japan's government inches closer to selling part of its 50 percent JT stake.

Shares of JT rose 1.1 percent prior to the announcement on Thursday versus a 0.1 percent gain in the Nikkei benchmark.

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TOBACCO MONEY SWAYING CALIFORNIA VOTERS

Central Valley Business Times (CA)

May 23, 2012

Following weeks of an advertising onslaught that has seen tobacco companies dominate television with a more than \$40 million campaign against it, Proposition 29 is beginning to slide in support among likely voters, according to a new statewide poll by the nonpartisan Public Policy Institute of California.

Big tobacco has outspent proponents nearly four-to-one, according to figures compiled by the nonpartisan organization MapLight, which tracks how money buys government action or inaction.

Two weeks before the June primary, just over half of likely voters say they will vote yes on a proposition to impose an additional \$1 tax on cigarettes — a big decline in support from March, says PPIC.

Support for the cigarette tax, Proposition 29, has dropped 14 points among likely voters since March. In this most recent poll, 53 percent say they will vote yes, 42 percent say they will vote no, and 5 percent remain undecided on the measure, which would tax other tobacco products as well, with revenues going to research on cancer and other tobacco-related diseases.

In March — before the active campaign for and against the measure began — 67 percent supported it, 30 percent opposed it, and 3 percent were undecided.

When likely voters are asked a more general question about their views on increasing taxes on cigarette purchases, 63 percent say they are in favor and 33 percent are opposed. Responses to this question were similar in March (63 percent favor, 34 percent oppose).

"The large drop in support for Proposition 29 speaks loudly about how a well-funded opposition is able to raise voters' doubts and distrust in state government, even when a tax increase is viewed favorably," says Mark Baldassare, PPIC president and CEO.

About the Survey

The PPIC Statewide Survey was conducted with funding from the James Irvine Foundation. Findings are based on a telephone survey of 2,002 California adult residents interviewed on landlines and cell phones from May 14-20.

Interviews were conducted in English or Spanish according to respondents' preferences.

The sampling error, taking design effects from weighting into consideration, is ±3.4 percent for all adults, ±3.8 percent for the 1,322 registered voters, and ±4.2 percent for the 894 likely voters.

The Public Policy Institute of California was established in 1994 with an endowment from William R. Hewlett. As a private operating foundation, PPIC does not take or support positions on any ballot measure or on any local, state, or federal legislation, nor does it endorse, support, or oppose any political parties or candidates for public office.

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CALIFORNIA TOBACCO TAX PITS LANCE ARMSTRONG VERSUS ALTRIA

By Alison Vekshin

Bloomberg Business Week

May 23, 2012

Lance Armstrong, the cycling champion and cancer survivor, is putting \$1.5 million behind a ballot measure to add \$1 a pack to California's cigarette tax, even as the tobacco industry has put up most of \$40.7 million aimed at stopping it.

Voters in the June 5 presidential primary election will decide whether to raise the tax to \$1.87 a pack and steer the additional revenue toward cancer research and stop-smoking programs. Leading the opposition are Altria Group Inc. (MO) (MO) and Reynolds American Inc. (RAI) (RAI), the parent of R.J. Reynolds Tobacco, the two biggest sellers in the U.S.

"I resent the tobacco industry's ability to influence public policy in their favor, time and time again, for a product that kills when used as directed," Armstrong said through a spokeswoman, Katherine McLane.

His nonprofit cancer charity, Livestrong, is supporting Proposition 29 along with the American Cancer Society and the American Heart Association. Armstrong overcame testicular cancer to win the Tour de France seven times.

If the measure is approved, California would become the latest state using a tax increase to raise the price of tobacco products to discourage smoking. Consumers pay the highest state tax at \$4.35 a pack in New York, according to the Centers for Disease Control and Prevention. Nationally, the average state tax is \$1.46.

The proposed California increase would push the average price of a pack to about \$7.50, said Brian Miller, a spokesman for the Equalization Board, the state's tax administrator, citing the nonpartisan Legislative Analyst's Office.

Unchanged Since 1998

Smoking is the leading cause of preventable death and illness in the U.S., according to the CDC. The agency said California hasn't raised its 87-cents-a-pack tax since 1998.

Altria, through its subsidiary companies Philip Morris USA, John Middleton Co. and U.S. Smokeless Tobacco, has given a combined \$27.3 million to defeat Proposition 29, according to campaign data compiled by MapLight, a nonpartisan research organization based in Berkeley that tracks campaign donations.

"Altria opposes additional targeted tax increases on tobacco," David Sutton, a spokesman for Richmond, Virginia-based Altria, said by e-mail. He called the ballot initiative a "flawed" measure.

Reynolds American's R.J. Reynolds Tobacco, American Snuff and Santa Fe Natural Tobacco units gave \$12.1 million, according to MapLight data. Reynolds, based in Winston-Salem, North Carolina, announced in March that it plans to cut 10 percent of its U.S. workforce by the end of 2014 as demand for cigarettes wanes. A Reynolds spokesman, David P. Howard, referred questions to a coalition opposing the measure.

Republican Party Donor

The California Republican Party contributed \$1.2 million to fight the proposal, according to MapLight.

"I can think of a lot better uses for \$40 million, like saving lives from cancer and other lethal diseases caused by tobacco," Armstrong said.

Opponents say the initiative creates a nine-member committee to administer the funds that would duplicate existing programs and have little accountability to taxpayers.

"The language in the initiative is so ambiguous that it leaves opportunity for fraud and personal benefit," George Runner, a member of the Equalization Board who spoke for the opposition, said by telephone. "And there is no ability for the Legislature to step back in and correct those loopholes."

The proponents have raised about \$8.6 million, according to MapLight, including \$500,000 from New York Mayor Michael Bloomberg and \$10,000 from Marc Benioff, chief executive officer of San Francisco-based Salesforce.com Inc. (CRM) (CRM), the largest seller of online customer-management software. The mayor is founder and majority owner of Bloomberg News parent Bloomberg LP.

\$735 Million Tax

The tax would generate about \$735 million a year by fiscal 2014, the legislative analyst estimated.

The committee would be subject to audits, and there are provisions in the measure to guard against fraud and conflict of interest, said Jim Knox, vice president of legislative advocacy in the California division of the American Cancer Society, in a telephone interview.

"This is a smokescreen from the tobacco companies," Knox said. "They're donating this money because they know that increasing the tax will reduce sales and cut their profits."

The \$49.3 million raised in the cigarette-tax battle falls short of a state record, said Daniel Newman, MapLight president. Proposition 8, the 2008 measure that put an end to same-sex marriages in California, garnered nearly \$107 million, according to the Helena, Montana-based National Institute on Money in State Politics.

Financial Stakes

The amount of cash flowing into the opposition effort isn't unusual, Newman said.

"When there's a financial interest in the success or failure of the initiative, the corporation can afford to spend as much as it needs because of the financial stakes involved," Newman said.

Matthew Lanford, 41, owner of Santa Barbara Cigar & Tobacco, gave \$1,000 in March to oppose the measure.

"A dollar on a pack of cigarettes -- people will adjust to that," Lanford, who has owned his business for 16 years, said by telephone. "They are \$10 a pack in New York and people are still buying them."

Smokers will go to neighboring Nevada or Arizona and buy cartons at a time, he said. The state excise tax is 80 cents a pack in Nevada and \$2 in Arizona, according to the CDC's Office on Smoking and Health.

Test for Brown

The outcome of California's cigarette tax vote may indicate the level of support for Governor Jerry Brown's ballot initiative in November that would temporarily raise income and sales taxes to help close a \$15.7 billion budget deficit.

"We will know a lot more on June 5, when that tobacco tax measure is voted on," said Bill Whalen, a fellow at the Hoover Institution at Stanford University, near Palo Alto.

"If California voters do not sign off on an increase of cigarette taxes in a very nonsmoking state, and punishing tobacco companies that nobody likes, courtesy of ads featuring a cancer victim and Lance Armstrong, I'm not sure what tax increase can pass."

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