

Use words that real people understand, and test the words. So we built a coalition around the concept of "lawsuit abuse," and we enlarged the scope of the conflict so that people understood how it would affect their pocket book, how it would address their fear, how it would deal with their anger at the legal profession. . . .

And then we decided to use campaign tactics . . . where we could use the advertisements, television, print, . . . giving people an opportunity to pick up their phone and call an 800 number and get involved. . . . Everything we did, we did it . . . under the guidance of a lobbyist. And that's so important. If the lobbyists are not telling you who the targets are, it's going to fail. . . . So it has to be a coordinated campaign.

If you've got a coalition, you'd better have a committed leader, a spokesperson, and you'd better train that spokesperson, and it should only be one person. . . . And if you can, find somebody who has stature and is not perceived as somebody who is typical. Somebody who . . . has the stature with the legislators . . .

The other thing you have to have is some passion. . . . You're asking people to take time out of their day to write a letter or pick up the phone, and if you don't believe in the issue you're fighting for, they are not going to believe in it either. That means everything you write to them, everything you say to them, has to be injected with words that make sense to people and show that this is something [that] . . . is going to hurt them, or it's going to hurt the company, or its going to hurt the state. . . . Jobs, and competitiveness and pocketbook issues, things like that.

You need to have credibility, and that means when you pick people to join your coalition make sure they are credible and if they are not, keep them away. In a tort reform battle, if State Farm is the leader of the coalition, you're not going to pass the bill, it's not credible. OK? Because it's so self-serving.

[Y]ou just had to sign your name on a form that said you're a member . . . And we made sure that it was typical people mixed in with large employers and political contributors. . . . The problem with broad-based membership is—don't confuse that with broad-based leadership. OK? If you join a coalition and you contribute significant money to a coalition, you'd better be at the table when the decisions are made and . . . it ought to be a card table . . .

Broad-based membership is "What does the public see?" "What do the legislators see?" Decision-making is, you need a core group, three or so people, who have similar interests and are going to get the job done and not veer off.

The people you want in your coalition is not just the guy at the corner grocery store, unless the guy at the corner grocery store happens to be also among [a politician's]

inner circle, or is among the people that are good friends with the legislator . . . Start with the friends, do an analysis, don't just say "we've got to get ten people to write a letter," make sure they are the right ten people . . . "gatekeepers." . . .

We used every tactic we could think of to get a message out there. . . . We also used polls to get the media's attention . . . We did a research study using a local professor, we spent \$5,000 on a study . . . it was to get the media's attention. . . . We used television [ads] in part to get the media's attention. . . . We also did billboards [with an 800 number] . . . The media took our side, and [the trial lawyers'] money became radioactive.

[At this point, Cohen played for his audience a videotape of a local TV newscast from Jackson, MS, Channel 13, which perfectly regurgitates the message of his campaign, which the local TV newscasters say is to "to clean up the legal system." Cohen's audience hoots and howls with laughter as the newscasters plug the 800 number for Cohen's astroturf coalition: "If you want to learn more about that coalition, share your own views or make a contribution, you can call 1-800- . . ." Cohen remarks to his appreciative audience of corporate PR experts, "That's the sort of thing you like to see. Who cares what came before that 800 number when he said it?"]

Rule number one for me is stay away from substance. Don't talk about the details of legislation . . . Talk about . . . a broader issue such as . . . "lawsuit abuse," "trial lawyer greed," "increasing jobs." . . . We only used the commercials as a recruitment device, and to attract the media to our side and to scare the opposition. . . .

[The trial lawyers] didn't really know who was at the heart of everything, there were no reporting requirements, . . . and the problem they faced was we had 1,500 Mississippians mixed in with who our clients were. . . . If you look at the list, you'll see names of who some of those industries are . . . but we had broadened the issue so it was identified . . . with a much broader group, and it was focused in as a constituent grassroots issue.

Don't forget how important personalities are to politics. . . . sometimes you get so wrapped up in issues that you forget that if you find the right spokesperson the issue will become less important, the spokesperson will become the identity for the whole thing.

[Finally, Cohen reiterated when and why to develop an astroturf coalition:]

One time to do it is when the people, the key industry or corporation that wants the bill cannot pass it on its own . . . Another is when an issue has enough attractiveness to a broader mix that you are more powerful by bringing in other groups . . . I guess to simplify, one is for cover, and one is for strength. ■

# PR WATCH

PUBLIC INTEREST REPORTING ON THE PR/PUBLIC AFFAIRS INDUSTRY

VOLUME 3, NUMBER 3

THIRD QUARTER 1996

## ALSO IN THIS ISSUE:

**Why Philip Morris Hates Trial Lawyers**  
page 6

**An Open-ended Attack on the Public Interest**  
page 7

**Sex, Lies, and Audiotape: the SAC Story**  
page 9

**Radiation Therapy: Cynical Wisdom from APCO & Associates**  
page 10

## WOLVES IN SHEEP'S CLOTHING "SPECIAL-INTEREST WATCHDOGS" EXPOSED AS TOBACCO INDUSTRY FRONT GROUP

*PR Watch* has obtained documents detailing the secret relationship between Philip Morris, the tobacco-and-food conglomerate, and "Contributions Watch," a PR front group which poses as a "public interest" campaign reform organization. CW's hidden agenda is to dig up dirt at the state level for the corporate clients of its creator, a Washington, DC public relations firm called the State Affairs Company (SAC). SAC and CW work to attack the political enemies of their clients, and to smear the "hidden, undisclosed consumerist agendas" of real public interest groups like Consumers Union, the Center for Science in the Public Interest, Ralph Nader's Public Interest Research Group, and Trial Lawyers for Public Justice.

When *PR Watch* phoned CW Executive Director Warren Miller on September 26, he refused to take our call. We left a question on his voice-mail anyway: "Who funds Contributions Watch, and what is the connection between it and the State Affairs Company?" Miller never responded, but we suspect the question must have put his hair on end.

Fortunately, we knew the answer even before we asked. The State Affairs Company (SAC) is the Washington, DC-area PR firm which created Contributions Watch as a nonprofit front group with the goal of

*continued on next page*

## FLACK ATTACK

Three years ago the first issue of *PR Watch* issued this call: "Wanted: PR whistleblowers. . . . We accept unsolicited videotapes, memos, minutes of meetings, strategy plans, and other documents." In response we've received faxes, email, packages and phone calls.

"What can you tell me about Contributions Watch?" asked *Washington Post* reporter Ruth Marcus one recent Friday. "You'd be surprised," we replied.

Serendipity is essential to discovery, and her call was quite serendipitous. A PR whistleblower had just handed us a ream of documents exposing Contributions Watch as a tobacco front group, and we arranged to break the news nationally with the *Washington Post*.

The call from the *Post* was not unusual. *PR Watch* has established itself as an international information

center for journalists, citizens and academics investigating the hidden manipulations of the propaganda-for-hire industry. Thanks to our book, *Toxic Sludge Is Good For You*, inquiries are increasing, and many callers have not just questions but information to share.

It takes guts to be a whistleblower, and it is not to be considered lightly. Those who shine a lamp on the dark world of corporate and government crimes or shenanigans may be putting themselves, their careers, their friendships at risk.

*PR Watch* is committed to protecting the anonymity of the individuals who brave these risks to provide us with information. To other whistleblowers, our advice is, "Be careful, but keep those calls and letters coming!"



positioning CW in the minds of the news media and the general public as "the leading authority on money and politics in the states." Through Contributions Watch, SAC proposed to "monitor special interest group activity" and to develop Miller into "an expert source and guide to investigative reporters, editors and opinion writers."

The scope and scale of Contributions Watch is nationwide. Since its launch in early 1996, the organization has successfully fooled news media—ranging from the *Wall Street Journal* to national wire services to local papers—into running stories that either depict CW as public interest reformers, or attack the US consumer movement as a "handmaiden" of special interests, especially trial lawyers.

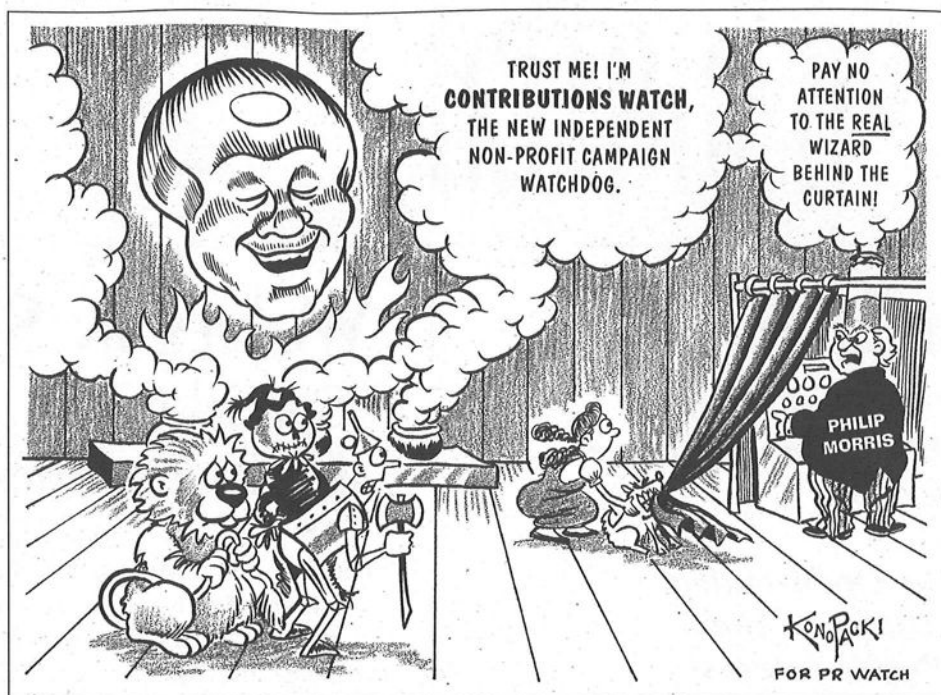
CW was even successful in deceiving the Center for Responsive Politics, one of the most respected—and genuinely independent—sources for nonpartisan information about election funding and campaigns. In June, CW lined up a meeting between Warren Miller and Center Director Ellen Miller (no relation) at which Warren pitched her with ideas for "how we might work together."

In September, when *PR Watch* informed Ellen Miller that Philip Morris was bankrolling CW, she was aghast. "It's a shocking development to portray an organization as non-partisan, non-profit, and operating in the public interest while having a very specific private interest in mind," she said. "It's one of the most outrageous things you can do! I think this will shut them down. There is no legitimacy to this group. No one would believe anything they produced. It would have absolutely no validity. No one would believe their numbers."

### BAD COMPANY

The State Affairs Company, through which money and marching orders flow to Contributions Watch, is a two-year-old PR firm based in Reston, Virginia. Prior to launching their own company, SAC's partners were top executives at Burson-Marsteller (B-M) and Hill & Knowlton, two of the world's largest PR firms, which have extensive ties to both the Democrat and Republican parties and a lengthy and lucrative history of lobbying on behalf of big tobacco and insurance interests.

SAC's internal documents state that it is a "key principle" of the company to "remain anonymous," and for good reason. The best PR is invisible, and linking SAC to



CW would begin the unravelling of CW's secret agenda. In addition, some might balk at being publicly linked to some of the company's partners, whose sordid backgrounds raise serious concerns.

Two of SAC's founding partners, David K. McCloud and Bobby L. Watson, previously worked as top aides to now-Senator Chuck Robb until they were forced to resign and plead guilty in federal court to charges stemming from a nasty scandal that involved cocaine, prostitutes, illegal phone tapping of Robb's political rivals, and even apparent death threats in a desperate attempt to cover up the scandal. (See related story on page 9.)

After copping pleas on lesser charges, McCloud went on to work as a senior vice president at Burson-Marsteller, and Bobby Watson became Chief of Staff for the Democratic National Committee. The other founding partners of SAC are John E. Davis, another former senior vice president at B-M who is a veteran of more than 25 political campaigns for Bob Dole and other Republicans, and Chuck Francis, a former speechwriter for David Rockefeller before taking charge of B-M's Financial Service Group. Other executives at the small but influential firm are Bill Timmons, Jr., a Republican consultant, and Ken Hoagland, a grassroots consultant.

In addition to the State Affairs Company, Contributions Watch receives strategic and tactical direction from the much larger APCO & Associates, another Washington PR firm which is also funded by Philip Morris and is leading a nationwide fight on behalf of tobacco and insurance companies to pass so-called "tort reform" legislation aimed at limiting the damages that consumers can collect when suing companies that manufacture defective or dangerous products.

### SMOKE TRAILS

Internal documents reveal the origins, plans and activities of Contributions Watch and place it in the larger overall context of the other work that State Affairs performs on behalf of big tobacco and big insurance interests.

CW's early "Draft Business Plan" listed "research" for Philip Morris (PM) as its primary source of income in what it called a "proposal for advocacy groups project for PM." By March 1, 1996, according to a letter from SAC's David McCloud, "The State Affairs Company has provided the initial seed money for the organization. . . . The legal work . . . was done by Henry Hart of Hazel & Thomas." In a draft letter, addressed to Stewart Gamage of the Office of Public Affairs at the College of William and Mary, McCloud attempted to recruit Gamage to join CW's board of directors. "Currently we have recruited four members of the Board. . . . Henry Hart; . . . Jim Lindheim, former World Wide Chairman of Burson-Marsteller; David Umansky, Director of Public Affairs for the Smithsonian Institute; and Fred Pownall, partner at Landles, Ripley & Diamond in Sacramento."

A more refined draft of the business plan, written in May 1996, sought to position the group as "the leading authority on money and politics . . . monitoring special interest group activity in the states." It noted that a Philip Morris-funded "ongoing project of trial lawyer contributions in the states is slated to occupy most of CW's research time over the next six months." Indeed, this PM money, moved through SAC to CW, is the phony watchdog's lifeblood.

Part of the plan entailed creating an "Advocacy Research Section" within CW, a sweeping effort to investigate legitimate consumer and environmental groups, developing and packaging information to be used against them.

Through the magical distorting lens of CW's topsy-turvy worldview, SAC proposed to transform these groups—mainstream organizations funded primarily by contributions from the public at large—into nefarious "special interests."

### EDUCATING WARREN

Warren Miller, the young executive director of Contributions Watch, worked at the Federal Elections Commission before being hired by SAC. He gives CW a veneer of independence and integrity, but in fact he reports to and is directed by his creators at State Affairs Company. SAC's Chuck Francis retained the services of the PR firm of Robert Witeck and Wesley Combs to "help with the debut of Contributions Watch."

"It was a pleasure to work directly with Warren Miller and to give him our counsel on his messages and presentation," said an April 18 letter from Witeck and Combs. "I think we made a good start. . . . there are significant opportunities to position an independent 'watchdog' organization such as Contributions Watch."

Witeck and Combs proposed that they be put on a \$2,500-a-month retainer to help with "Media Counsel and Relations-Building . . . Board and Ally Development . . . Publications and Public Events." They added, "Contributions Watch and Warren Miller, in particular, need

### PR WATCH

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to develop a reliable and reachable circle of media contacts and continued recognition. As spokesman and advocate for Contributions Watch, over time Warren should become an expert source and guide to investigative reporters, editors and opinion writers. . . . Initial targets . . . should include . . . *National Journal*, *New Republic*, *Congressional Quarterly*, *Legal Times*, *Washington Monthly*. . . . I also recommend that we continue working one-on-one with Warren Miller to build his presentation skills and confidence in talking with the media and other influentials . . . to develop a stronger, public persona to serve as spokesperson for the organization."

The proposal contained a warning, however: "Contributions Watch will also be watched by others. It will be judged most by the company it keeps and the integrity of its products. It will be important to ensure that Contributions Watch is not only perceived as independent, but that it demonstrates allegiance to no vested or partisan interests." Now that the real money and agenda behind Contributions Watch are exposed, these words have taken on an ironically prophetic quality.

#### STICK TO THE SCRIPT

As Contributions Watch began its effort to place stories in the news media, it faced an obvious dilemma: How do you pose as an idealistic crusader for full disclosure while simultaneously hiding your special-interest agenda? To resolve this dilemma, legal advisor Henry Hart outlined a two-track media strategy—one approach for spoonfeeding stories to "unequivocal supporters," and another for dealing with reporters who asked real questions.

"Charles Francis asked me to provide you with some suggested responses to public inquiries," Hart stated in a May 17 letter to Miller. "To my knowledge, the only document which is currently a matter of public record concerning Contributions Watch is the Articles of Incorporation . . . Those articles do not reveal the name of the directors or officers or of any person other than myself."

Hart gave Warren Miller a script for deflecting reporters questions, adding that "the above responses are directed at the situation where you cannot preclude the possibility that the person making the inquiry has interests hostile to Contributions Watch. I understand that if you receive an inquiry from an unequivocal supporter, you may choose to provide more detailed responses."

If asked about any relationship between SAC and CW, the script called for Miller to downplay the ties by saying, "I worked for the [Federal Elections Commission] . . . and then worked for a time at the SAC as a research wonk. Back last year, I approached the SAC with the idea of

spinning me off as a non-profit organization. I'm happy to say that CW is now an independent organization with our own offices and own board of directors."

What Warren Miller was *not* supposed to mention was the fact that he is paid with Philip Morris money from SAC and files weekly "CW activities reports" to SAC partner David McCloud, his de facto boss.

#### THE WATCHDOG'S LAPDOGS

In the summer of 1996, CW rolled out a report titled "Best and Worst Campaign Disclosure Agencies," which evaluated how each state government handled campaign funding disclosure. In his June 17 report to McCloud, Miller wrote that the report "has been an unqualified success. It was carried on AP, The Hotline and at least twenty state newspapers. The *Miami Herald* editorialized on it Sunday. I am scheduled to give an interview with NPR today."

This report was a major PR coup for Contributions Watch because it established them in the minds of many as a legitimate "non-profit citizen advocacy group" with no hidden agenda. "We continue to receive calls regarding [the study]," Miller stated in his June 24 report to McCloud, which also noted that he was feeding information to *Wall Street Journal* writer Glenn Simpson for an upcoming piece. "Please let me know if you need an invoice which details the hours spent on behalf of the *Wall Street Journal* article," Miller wrote.

The *Wall Street Journal* story ran on July 16. It described CW's second report, titled "Off the Radar Screen," as "the most comprehensive examination of trial-lawyer giving to date." As hoped, Simpson made no mention of Philip Morris or SAC, noting simply that the study was "funded by industry backers of tort reform."

Another reporter, Carolyn Lochhead of the *San Francisco Chronicle*, proved even more pliant. Miller spent all summer spoonfeeding her material for a cover story that appeared in the September 23 issue of Bill Kristol's far-right *The Weekly Standard*. Lochhead proved to be such an "unequivocal supporter" that the State Affairs Company worked with her directly, yet her article never mentioned SAC's role in feeding her the story, or the tobacco money behind the whole SAC/CW operation.

Lochhead's article, however, intrigued *Washington Post* reporter Ruth Marcus, who tried to find out who was really behind Contribution Watch but was sandbagged by Warren Miller. In her September 20th column for the *Washington Post* she wrote that *The Weekly Standard's* "editor, William Kristol, said it was a 'fair point' to ask whether the funding should have been discussed but said of the study 'if it's accurate I don't think it matters.'"

Knowingly or not, Kristol's reply parroted one of the scripted responses prepared to prevent reporters from digging deeper. If asked about SAC/CW's own source of funding, the script advised answering, "Do you have some question about the accuracy of our numbers? That is the important thing. The numbers speak for themselves."

#### BROADCAST FACTS

On August 9, SAC's John Davis sent a memo to APCO & Associates' Neal Cohen along with the data that SAC/CW had compiled on trial lawyer contributions. Copies of the memo also went to former Burson-Marsteller executive Jim Lindheim; to David Laufer, the head of Philip Morris's Corporate Communications office in New York; and to Keith Teel at PM's law firm of Covington and Burling. Cohen responded with a memo four days later outlining a strategy for packaging and releasing the data to the news media.

"In considering uses of the current Contribution Watch data," Cohen wrote, "our primary goals have been to do the following: Get the data out in the public domain quickly and with credibility prior to the elections. Utilize existing entities to ensure that the data has 'legs' beyond its initial release. Influence the debate about and understanding of the trial bar's role in the political process."

To achieve these goals, Cohen recommended "that CW release a state-by-state abstract of its information, either through a press release or through a press conference after labor Day. CW should provide the information with minimum of interpretation or commentary . . . in addition to the CW release, we believe that [American Tort

Reform Association] . . . should be encouraged to put the CW information on the Internet."

Cohen recommended a "roll-out of CW information by state", so for instance "CW holds a press conference with [Alabama Voters Against Lawsuit Abuse] to release the specifics in Alabama, providing for a second-day story. . . . In-state follow up by local activists including: letters to the editor; opinion columns; distribution of materials to key elected officials."

SAC agreed in general with Cohen's strategy, but worried that coordinating its activities so publicly with tort reform groups would undermine CW's facade of independence.

Miller expressed similar concerns in his August 15th activities report to McCloud. "CW is at a critical point right now," he wrote. "With the success of our 'Best and Worst' study we have begun to establish ourselves in this field. . . . However, when the trial lawyer stories currently in the pipeline are released, CW will become extremely vulnerable to attacks that we are nothing more than an arm of the tort-reform industry."

As these documents reveal, of course, Contributions Watch is an arm of the tort-reform industry, its work almost completely bankrolled by one company, Philip Morris. On September 13 David McCloud sent Keith Teel at the PM law firm of Covington & Burling "our two most recent studies as well as our invoice number 231 covering services conducted on behalf of Covington & Burling for the period August 1, 1996, through August 31, 1996." The one-month bill totaled \$65,547.86. ■

## Toxic Sludge Is Good For You! LIES, DAMN LIES AND THE PUBLIC RELATIONS INDUSTRY

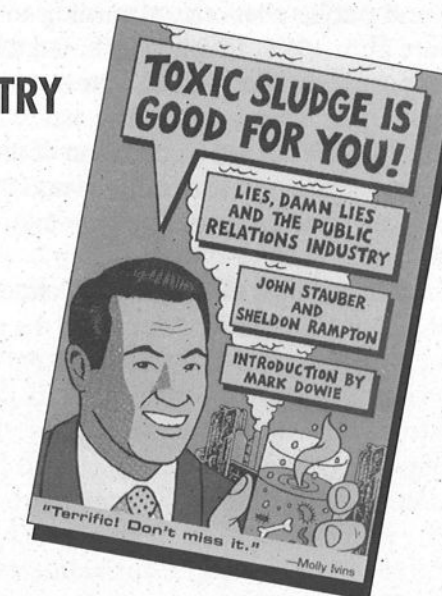
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## Why Philip Morris HATES TRIAL LAWYERS

On September 19, 1996, the widow of the original Marlboro Man filed a lawsuit in Texas charging that her husband died from using the product that made him a household word.

David McLean was hired in the early 1960s to portray the "Marlboro Man" in television and print ads. He was obligated to smoke Marlboros as he posed for television and print ads, smoking up to five packs per take in order to get the right look. Afterwards, Philip Morris continued to send him gift boxes of cigarettes.

In 1985, McLean developed emphysema, followed by lung cancer in 1993. Following unsuccessful attempts at chemotherapy and other treatments, he died on October 12, 1995. McLean's death actually made him the *second* Marlboro Man to die of lung cancer. Another actor, Wayne McLaren, died in 1992 at the age of 51.

"Even the 'Marlboro Man' was not immune from the effects of cigarette smoking," said Don Howarth of the Howarth & Smith law firm, which is representing McLean's widow in the lawsuit against Philip Morris. "Mr. McLean's widow and son hope by this action to strike a blow for the countless others whose lives have been ravaged through the tobacco industry's aggressive campaign of fraud and deceit."

Many people have sued the tobacco industry before, of course, and to date they have not collected a dollar in damages. During the second quarter of 1996, in fact, company profits were up 18% over the same quarter in 1995, making the first half of the year a "blockbuster" according to PM CEO Geoffrey Bible.

In order to maintain its profitability in a hostile environment, Philip Morris spends staggering sums on lobbying and public relations. According to an internal SAC report from 1995, PM "contributed \$50 million to tax-exempt organizations through the nation during 1992 and is the largest contributor to the arts. . . . PM also sponsored the 54th annual Convention of the National Newspapers Publishers Association" and "helps fund The American Civil Liberties Union—they gave \$100,000 in 1991 and 1992."

Among groups that reported political lobbying in the first half of 1996, Philip Morris led the pack at \$11.3 million, almost six times the amount reported by its arch-nemesis, the Association of Trial Lawyers of America. Consumers organizations and membership-funded citizen groups spent almost nothing by comparison. With the exception of the Christian Coalition, which spent \$5.9 million, virtually every big-spending lobbyist represented a corporation or wealthy financial interest—the AMA, the U.S. Chamber of Commerce, General Motors, General Electric, the Chemical Manufacturers' Association and

AT&T. By comparison, the nation's largest membership organization, the American Association of Retired Persons, spent only \$3 million.

### THE "CALIFORNIA THING"

"An interesting insight into Philip Morris's efforts comes from Victor Crawford, a former . . . lobbyist for the Tobacco Institute," observes an internal report by the State Affairs Company.

Crawford became an outspoken enemy of the tobacco lobby after developing lung cancer which led to his death earlier this year. The SAC report quotes him as saying, "If you ever want to see a bunch of cowboys work, watch Philip Morris. They are tough. I mean they shoot from the hip. It was Philip Morris who did the California thing [Proposition 188] after they were advised not to. That California thing was dumb, because they had their name attached to it. They should have never done that . . . and they're getting bolder. It's a take-no-prisoners fight. You're talking about \$100 billion a year in gross profits . . . And man, anything goes. And anything will go."

The "California thing" was PM's outrageous attempt, organized through two PR firms, the Dolphin Group and Burson-Marsteller, to sucker California voters into passing a *pro*-tobacco initiative disguised as a smoking restrictions law. "Specifically, Proposition 188 would have overturned about 300 local smoking ordinances," observed the SAC report. "Besides spending about \$15 million dollars in lobbying and expenditures in a failed effort to pass 188, PM "was responsible for the \$968,710 in independent expenditures contributed by the National Smokers Alliance."

The National Smokers Alliance is PM's version of "grassroots lobbying"—the rapidly growing practice of using advertising, fax machines, mail and telephone banks to create phony "grassroots" front groups in order to stir up public support for its corporate objectives.

SAC operates much of the National Smokers Alliance account, which PM founded with an initial contribution of \$7 million dollars to Burson-Marsteller. NAS's current budget exceeds \$10 million annually, primarily from Philip Morris.

In July, SAC led a PM-funded effort by the National Smokers Alliance in Virginia attacking the Motorola corporation's smoking policy, which they depicted as "the most mean-spirited and punitive . . . of any we have yet encountered in this country." Thomas Humber, a Burson-Marsteller executive who is the nominal head of the National Smokers Alliance, wrote to SAC's David McCloud: "Enclosed is a check for \$5,000 for the Motorola effort. . . . You are great Americans, and you understand raising hell and having fun." ■

## AN OPEN-ENDED ATTACK ON THE PUBLIC INTEREST

Over the past half century the tobacco industry, led by Philip Morris, has used front groups like the Tobacco Industry Research Committee and the National Smokers Alliance (a SAC client) to protect its \$100 billion a year in gross profits.

Philip Morris is currently a major force and financier behind "tort reform"—the big business campaign to radically reduce the damages that companies must pay for the deaths, pain and suffering caused by their products.

Tobacco, an addictive drug, kills millions world-wide every year. An internal SAC document notes that tobacco companies "have faced an explosion of litigation from 1993 to 1994. 'Tobacco makers spent \$600 million on legal fees in 1990 and the annual figure has climbed since then.' . . . As a barrage of class action lawsuits hit cigarette manufacturers, . . . PM's strategy is to challenge all efforts to regulate smoking through the courts."

In addition to tobacco, Philip Morris is a major player in the food industry. Its agenda includes not just fighting against tobacco lawsuits and trial attorneys, but also defending its agribusiness assets from real or perceived attacks on its other products. PM subsidiary Kraft, for example, manufactures cheese using cows injected with recombinant Bovine Growth Hormone. Oscar Mayer, another PM division, is sensitive to nutritional criticisms of its fatty meats.

The State Affairs Company, therefore, targets groups such as Consumers Union, the squeaky-clean publisher of *Consumer Reports* magazine; the "food police" at Michael Jacobson's Center for Science in the Public Interest; the Consumer Federation of America; the nationwide door-to-door consumer canvass group Citizen Action; and a slew of Ralph Nader-founded organizations including Public Citizen, Trial Lawyers for Public Justice, the U.S. Public Interest Research Group, and the Center for the Study of Responsive Law.

### THE SECRET CONSUMERIST CONSPIRACY

An undated document titled "Proposal for Consumer Research Project" provides insight into the strategy behind SAC/CW's research.

"Oftentimes the consumerist agenda may be a hidden one which should be disclosed," the document states. "Strategy: Working through think tank or university relationship, educate public through target media about inner workings, potential conflicts of interest and agenda of Consumers Union and its primary source of funding, *Consumer Reports*. . . . There is a need to protect the public from hidden, undisclosed consumerist agendas. . . . Release by university or think tank. . . . How does the media work with consumer advocates? In a time of intense media cyn-

icism, why do these groups receive so little scrutiny? . . . Legislative remedy: reporting and disclosure requirements . . . Introduce a series of disclosure bills at the state level, building up grassroots pressures to stimulate Congressional hearings; corrective legislation."

Before Contributions Watch, SAC had previously created "University Research," another entity which scouted at the state level for any dirty laundry on political opponents and public interest groups. The "Proposal for Consumer Research" advised on techniques for vacuuming up data at state offices while disguising SAC's involvement.

"Do all work as University Research," the proposal advised. When paying fees at state offices, "bring personal checks." To further obscure the chain of command, legal counsel Henry Hart advised that University Research should set up its own bank account. "You should not open the account using the Employer ID Number for the State Affairs Company since this would make it easier for a plaintiff to attempt to make the State Affairs Company liable for the liabilities of University Research, Inc."

SAC's strategy for investigating and attacking legitimate public interest groups was also outlined in a February 1995 SAC document titled "Advocacy Groups at the Plaintiff's Bar: The Abandonment of Membership." Apparently prepared for an overhead projector, the document sums up "The Situation: Ecocrats turning from soft path of conservation and enviro-grassroots organization go hard path of litigation and litigation journalism."

"Ecocrats" is SAC-talk for mainstream DC-based environmental groups with legal departments and the ability to sue corporations, and recoup their legal costs if successful—public interest attorneys such as "Andrew Kimbrell (Foundation on Economic Trends), . . . Eric Olson, . . . Natural Resources Defense Council; John Echeverria, counsel, National Audubon Society."

SAC's "Objective: make it increasingly difficult for plaintiff's lawyers to use environmental groups as a litigation, lobbying and media tool. Gain leverage. Drive wedge between ecocrats and grassroots organizations repelled by ties to wealthy plaintiff's lawyers. . . . Introduce and back

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a variety of state reform bill[s] across the country that require disclosure of financial ties . . . Underwrite legal research monograph that will document the financial and other ties of trial lawyers to environmental groups."

"Any coverage . . . forces advocacy groups to expose and defend financial ties to trial lawyers," the document advises. The "media tactics" recommended are to "identify and recruit surrogates; arrange exclusive with national news organization (example: Keith Schneider, New York Times); roll-out national study."

### ENEMIES LISTS

By January 1996, this strategy had evolved into the founding of Contributions Watch and a fat contract with Philip Morris. "Enclosed is the redraft of the advocacy groups research project," David McCloud wrote on January 16, 1996 to Victor Han, the PM Vice President for External Affairs. McCloud's proposal targeted 15 public interest organizations, including Consumers Union (CU), Public Citizen and Center for Science in the Public Interest (CSPI), with more to be added. A "Checklist" prepared by SAC further outlined the research process and added additional groups to the investigation including the Environmental Defense Fund, Sierra Club, Audubon Society, and Greenpeace.

Under terms of the proposal, Contributions Watch was to be a "document review team," preparing a "monthly verbal report" and "document packages" for Philip Morris, providing information about the targeted consumer groups including "IRS form 990; audited financial statements; state charitable forms; . . . annual reports/annual meeting notices; review of on-line media, internet home pages and networks; federal and state bulk mail permits; publications; . . . state trial lawyer associations; . . . research on current and former boards of directors and executive staff; court awards and settlements documents."

This work in turn provided an opportunity for the State Affairs Company to extend its client list beyond Philip Morris, offering Contributions Watch as a "public interest" front group that other companies could also use to attack citizen groups. SAC actively courted new clients, offering access to CW's mountains of data on consumer organizations in exchange for a yearly "subscription" fee of \$10,000 to Contributions Watch.

A "target subscription list" identifies the companies that Contributions Watch viewed as potential clients for its public-interest-bashing agenda: Monsanto, Texaco, WR Grace, Exxon, General Motors, Ford Motor Company, Proctor & Gamble, BlueCross/BlueShield of New Jersey, Shell Oil, Mobil Oil, Chemical Manufacturers

Association, US Chamber of Commerce, Washington Legal Foundation, and the law/lobby firms Gibson, Dunn & Crutcher; Crowell, Moring; Kirkpatrick & Lockhart; and Skadden Arps.

On September 13, for example, SAC's Chuck Francis wrote to Susan Scholle Connor, the General Counsel of BlueCross/BlueShield insurance of New Jersey, outlining the services that SAC/CW could offer: "Aggressively monitor the activities of consumer advocacy groups; . . . review public filings of such groups in New Jersey . . . to determine linkages, organization, sources of funding etc.; collect . . . copies of materials distributed by these groups; . . . monitor grassroots organizing sessions and follow their activities; . . . We are prepared to do the above program for a minimum charge of \$10,000 per month."

Francis was already working for other BlueCross/BlueShield companies to help them combat the five million member Consumers Union. BlueCross companies in many states are transforming themselves from 'non-profit' to 'for-profit' entities, and attempting to transfer into their for-profit coffers hundreds of millions of dollars in assets developed as non-profits. Consumers Union is successfully fighting this profiteering.

On August 21, Chuck Francis wrote to Mark Brooks, attorney for Honda, which manufactures vehicles that *Consumer Reports* has criticized as dangerously unstable.

"For the past several weeks we have been working closely with *The Wall Street Journal* on the major story we discussed," Francis wrote. "We have extensive research on Consumers Union. I think it would be extremely valuable for us to coordinate our efforts. . . . I hope we may meet or talk as soon as possible about the possibility of State Affairs Company becoming a part of your team on this project."

Francis used the *Wall Street Journal* article again in an August 27 pitch to Duncan MacDonald, General Counsel for Citicorp Credit Card Division. Francis even invoked the name of accused Oklahoma City bomber Timothy McVeigh as he bragged outrageously about the upcoming media blast that SAC had secretly conspired to detonate: "PS: . . . You will enjoy a major column targeting Consumers Union to appear soon on the *Wall Street Journal* editorial page. Quoting Tim McVeigh, 'something big is going to happen.'"

### THE HANDMAIDEN'S TALE

The big bang occurred on September 19 when *Wall Street Journal* deputy features editor Max Boot aired a long attack on Consumers Union titled "Guardian of the Lawyers' Honey Pot." The piece reads like it was written by Chuck Francis, and internal documents including the SAC bill to Philip Morris indicate it may as well have been.

## SEX, LIES AND AUDIOTAPE: THE SAC STORY

Two founding partners in the State Affairs Company were involved previously with sleaze and coverup as aides to now-Senator Chuck Robb (D-VA).

David McCloud served as Robb's Chief of Staff during Robb's stint as Governor of Virginia, and went on to occupy the same post after Robb's election to the Senate.

Robert L. "Bobby" Watson, an experienced political campaign manager and former executive director for the Democratic Party of Virginia, served as Robb's State Director and Political Advisor.

In the late 1980s, Robb was considered a possible future presidential candidate until stories began surfacing about his weekends at Virginia Beach, where people said that he routinely caroused at wild parties attended by drug dealers, cocaine users, prostitutes and businessmen with organized crime connections.

Watson investigated the stories himself and brought back leads indicating that Robb had attended more than 100 parties and engaged in sex with at least a dozen women, including underage girls, hookers and married women. One woman, Tai Collins, was a former Miss Virginia and was threatening to blow the story sky-high. Worse, the Republicans had gotten wind of the story and hired Billy Franklin, a private investigator to dig up dirt on Robb.

McCloud fought off the stories at first with threats and countercharges against Republicans. On one occasion, which was tape-recorded, he threatened to have the IRS harass Franklin if he continued his inquiries. Collins would later say that she had received several death threats designed to keep her from going public with stories about Robb.

In a final effort at damage control, McCloud and Watson attempted to argue that the stories were being engineered by Doug Wilder, Robb's main rival in the Virginia Democratic Party. In a move both cynical and stupid, they attempted to prove their point by releasing a transcript to reporters of a conversation on

Wilder's cellular phone in which Wilder joked about Robb's political troubles.

The fact that Robb's team possessed an illegally-obtained tape recording of Wilder's phone conversation quickly became the center of the scandal. The widening investigation showed that the Robb for Senate Committee had also secretly purchased Franklin's private phone records for \$2,375, disguising the transaction by billing it as a "legal fee" for "research services."

McCloud and Watson eventually both copped guilty pleas to lesser charges and were punished with fines and community service. Robb narrowly escaped a grand jury indictment thanks to political string-pulling by the Bush administration and a well-connected attorney at Covington & Burling, the same law firm that would later help McCloud and Philip Morris to oversee Contributions Watch.

In a sane world, McCloud and Watson would have been forced to slink out of town and get real jobs following their disgrace in the Robb scandal. Instead, it seemed to mark a stepping-stone in their careers.

Watson went to work for the National Education Association's 1992 "Clinton/Gore Rapid Response Team," followed by a stint as chief of staff and CEO for the Democratic National Committee, where he served as staff liaison to the White House and oversaw an annual budget of \$42 million and a staff of 150. After leaving the DNC to found the State Affairs Company, he retained close ties to Democratic power. In 1996 he was named one of the Rising Stars of American Politics by *Campaigns and Elections* magazine. "Life is good," he told a reporter who interviewed him in his VIP seat on the podium of the Democratic Convention in Chicago.

McCloud went on to work for the state and local public affairs unit of Burson-Marsteller PR in Washington, working for clients including DuPont, Philip

*continued on next page*

Max Boot visited the officers of *Consumer Reports* and interviewed the staff of Consumers Union. According to a CU representative, Boot's line of questioning seemed scripted, and closely mirrored points contained in internal SAC documents.

Ironically, while Boot was preparing his attack on the integrity of Consumers Union, the *Columbia Journalism Review* ran a cover story by Trudy Lieberman, the senior investigative editor at *Consumer Reports*. She specifically mentioned Max Boot, and wrote that "Unlike the [*Wall*

*Street Journal's*] meticulously researched in-depth news column . . . the editorial page rarely offers balance, is often unfair, and is riddled with . . . distortion and outright falsehoods of every kin and stripe."

*Wall Street Journal* editor Robert L. Bartley responded to Lieberman's piece by simply repeating the Philip Morris/SAC party line: "The editors of the *Columbia Journalism Review* . . . haven't noticed that the consumer movement . . . [is] among other things a handmaiden to the tort-liability bar." ■



## RADIATION THERAPY: CYNICAL WISDOM FROM APCO & ASSOCIATES

State Affairs Company isn't the only powerful DC PR/lobby outfit behind the Contributions Watch deception. So is APCO & Associates, a part of the Grey Advertising empire. APCO specializes in setting up front groups and coalitions for the tobacco and insurance industries.

APCO's vice presidents, Neal Cohen and B. Jay Cooper, work with Contributions Watch on behalf of Philip Morris. Cohen and Cooper are the PR wizards behind the so-called "tort reform movement" and groups such as the American Tort Reform Association (ATRA). Their goal is to make trial attorneys engaged in consumer lawsuits "radioactive" in the mind of the public by painting them as greedy ambulance-chasers.

In March, Public Citizen's Congress Watch, a legitimate public interest group founded by Ralph Nader, released a report titled "Smoke and Mirrors: The Tobacco Industry's Influence on the Phony 'Grassroots' Campaign for Liability Limits." The report exposes as a "sham" the tort reform movement.

"[A] nationwide movement has emerged in favor of revamping tort law—the laws which compensate people who are wrongfully injured and punish those who cause injuries," states the Nader report. "Reformers' . . . claim to speak for the average American. . . . But lurking behind the scene at American Tort Reform Association, and through the nationwide movement, are big business

groups . . . insurance companies, auto manufacturers, oil and chemical companies, and pharmaceutical firms. Another powerful actor . . . is the tobacco industry."

The tobacco industry, held in universally low esteem, hides behind groups such as Contributions Watch and the American Tort Reform Association, and it's the job of highly paid PR specialists like Neal Cohen to create front groups for tobacco's hidden political agenda.

PR firms love controlled publicity, the kind they create, package, and deliver on behalf of their clients, resulting in a carefully managed message to precisely affect policies and opinions among a recipient audience. They hate publicity of the kind that might reveal to the public how PR experts contrive to dupe them with concocted realities. Cohen in particular craves behind-the-scenes power and anonymity, typically refusing to even be photographed for puff pieces in PR trade journals.

Imagine, then, Cohen's anger when *PR Watch* obtained an insiders audio tape of a candid and highly revealing talk he gave to a group of Fortune 500 public affairs flacks at an expensive corporate gathering, in which he bragged of the clever hidden ways in which his company helps develop front groups for tobacco and other interests.

Cohen's remarks were part of the annual five-day Public Affairs Council National Grassroots Conference held each February. The event is open to PAC members

and non-members alike, with non-members paying \$1,000 to attend. Membership in PAC, the premier professional association of business PR lobbyists, costs from \$1,000 to \$12,000 a year depending on the wealth of the member firm.

Cohen was taped speaking at the February 1994 conference, which also featured the Christian Coalition's Ralph Reed who was there to "share the secrets of his organization's highly successful grassroots operation" with corporate America. Cohen, Reed and others were taped openly by conference organizers, who sold the tapes as a \$105 package titled "Fine Tuning for Grassroots Effectiveness 1994."

*PR Watch* obtained its copy of the audiotape by paying good money for it. Our copy made its way into the hands of *New York Times* political reporter Jane Fritsch, who used it as the basis for an article titled "Sometimes Lobbyists Strive to Keep Public in the Dark."

Fritsch reported that Cohen "regaled the group with tales of hapless reporters and public relations coups, but he underscored a serious theme: the importance of keeping the public in the dark about who the clients really are. Mr. Cohen is a specialist in 'grass-roots' lobbying, a Washington term for a technique often used to camouflage an unpopular or unsympathetic client. Typically the client, often a large business, hires a Washington firm to organize a coalition . . . The coalition draws public sympathy for . . . the original client, who recedes into the background."

Shortly thereafter, the Public Affairs Council stopped all further sales of the tape, and for good reason. Cohen's words provide a viewing window for citizens and journalists alike to catch a glimpse of the cold calculations and brilliant deceptions that allow industry to hide behind what appears to be a genuine grassroots movement, but is really bought, shaped and paid for by the biggest of business interests. Below are some edited excerpts:

### FINE TUNING FOR CORPORATE EFFECTIVENESS by Neal Cohen

Let me tell you about a problem that a client came to me with. It was December, 1992, and they said, "We want to pass a bill in Mississippi . . . and we've got a problem: Our industry can't pass the bill. If the legislators know we're the only industry that wants this bill, it's an automatic killer. And just to make it a little more difficult, we've joined up with one other industry to fund this effort and they are worse than us. People dislike them more intensely and in fact they don't even have any facilities in the state of Mississippi, not to mention the product they manufacture." Then they said, "The session ends in March. O.K.? So you've only got 60 days or so to do this. . . . The issue is tort reform."

Now, there's a couple problems with that issue. One is that it's not a very sexy issue. All right? "Tort" to the average person is dessert, it isn't a legal principle. The second problem with tort reform is that . . . the people who oppose tort reform in Mississippi are the largest political contributor, the trial lawyers.

I have a sort of a basic cynical view of politics which is that legislators only care about three things in life, and substance is not one of them. They care about money and where their money is going to come from to get reelected. They care about where their votes are going to come from. And they care about how the media perceives them. And as a "grassroots consultant," for any of you who work in companies, your thing is to manipulate those three things to your advantage. . . .

We had to figure out two things. One, how do you frame the issue so that a broader group of people will get into the game, because we only could rely on those two industries for any help. . . . Secondly, how do you deal with the money issue. OK? If you're a corporation and you can't compete with your opponents' contributions for any number of reasons, how do you deal with your opponents contributions. And in the case of the trial lawyers we had to figure out how to make their money *radioactive*, so their money would be a negative in the campaign.

First thing we did we took some surveys. . . . We asked a question in a poll. And I encourage anyone who is thinking of doing a grassroots campaign trying to find messages, do some polling and some focus groups. It's a very good investment. . . .

And what we asked was, "How concerned are you personally that you might be sued?" OK? Because that's what tort reform is all about—liability issues. . . . What we were trying to do to build our coalition was tap some basic emotions that real people care about, and one basic emotion that real people care about is fear. And in this case people are afraid that they're going to be sued. When they watch all those television commercials of lawyers . . . their real concern is that the system is going to be used against them.

And so when you're thinking about building a coalition, you've got to think about those basic emotions to drive them. . . . Then we wanted to make sure though of that "radioactive" quality, and that politicians would understand it. . . . And we asked the question, "Who would you be more likely to vote for, . . . a candidate that received money, campaign contributions, from personal injury lawyers? And in every case . . . it was almost 80% that they'd vote against it.

The reason why so many grassroots programs fail is that people talk about terms that only make sense in the boardrooms of corporations or in the trade associations.

## SEX, LIES AND AUDIOTAPE: THE SAC STORY *continued from previous page*

Morris, Signet Bank and the International Council of Shopping Centers.

The other partners at the State Affairs Company are equally well-connected, although their backgrounds are less colorful. Charles Francis previously worked for Gray & Company, a Reagan-era right-wing PR firm that specialized in hiring friends and family of politicians as a means of buying access to people in power. During his time at Gray & Co., Francis co-authored *The Almanac of the Unelected*, a pricey—\$250—volume offering insider profiles of more than 600 Capitol Hill aides. Francis went on to work for Hill & Knowlton before jumping ship to join Burson-Marsteller in 1992.

John Davis, another SAC partner, is a veteran of more than 25 state and local political campaigns for candidates including then-Congressman Connie Mack of Florida (now a Senator), as well as Senators Howard Baker and Bob Dole. Davis subsequently became a senior vice president at Burson-Marsteller,

where he served as a member of B-M's greenwashing Environmental Practice Group.

William Timmons, Jr. adds more Republican ballast to the SAC ship. A former lobbyist for the American Trucking Association, he served later as Policy Director for the National Policy Forum under the direction of Republican National Committee Chairman Haley Barbour. Timmons was also part of the team that staged this year's Republic Convention, along with former Reagan aides Michael Deaver and Kenneth Duberstein, the Dole campaign's Paul Manafort; and conventional manager Bill Greener.

SAC's clients include Philip Morris, the National Smokers Alliance, BlueCross/BlueShield Association, Empire BlueCross/BlueShield of New York, the Democratic National Committee, the Foundation for the Prevention and Early Resolution of Conflict, the National Education Association, the International Association of Firefighters, and Texans for Lawsuit Reform. ■