



From the desk of Attorney General Bob Cooper



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The Attorney General Cracks Down on Illegal Cigarette Sales

You may have seen recent news reports about Tennessee's effort to stop the illegal sale of cigarettes that are removed from the pack and sold individually as "loosies." These single cigarette sales pose a health threat to young people because loosies are usually easier and cheaper to acquire, at a quarter each, than a full package of cigarettes which costs more than \$5.

My office warned retailers who allegedly sold these single cigarettes that they risk prosecution and potential fines of \$1,000 per violation. This is part of a concerted effort to crack down on illegal tobacco sales and promotions targeting young people. In addition, as domestic cigarette production declines and U.S. imports of foreign made cigarettes increase significantly, the Attorney General's office is taking action against foreign and out-of-state cigarette manufacturers who fail to comply with Tennessee law and deprive the state of revenue.

Underage smoking and lost state revenue are significant problems, but they are only the tip of the iceberg of a global problem. The United States General Accounting Office reported to Congress that cigarette trafficking worldwide is a multibillion dollar criminal enterprise with some smugglers linked to terrorist groups. The report concluded that large profits in the illicit cigarette trade will attract increasing interest among organized crime and terrorist groups.

The current enforcement initiative by the Attorney General's office began in 1998 when Tennessee and 51 other states and jurisdictions entered an historic agreement with the major tobacco companies. Known as the Master Settlement Agreement (MSA), this agreement settled a lawsuit to recover costs incurred by the states as a result of smoking-related illnesses. Also at issue were the manufacturers' marketing practices and violations of consumer protection, antitrust, and other state laws. Since its creation, more than 50 tobacco companies have joined the MSA.

To date, Tennessee has received over \$1.6 billion in payments from the tobacco companies under this agreement. Tennessee is projected to receive up to \$4.8 billion through the year 2025 and additional payments in perpetuity. The MSA places significant restrictions on tobacco advertising and marketing, and it provides funding for a foundation that addresses youth tobacco use.

Cigarette manufacturers who choose not to participate in the MSA must comply with state law requiring payment into an escrow fund from which the state can seek payment for certain judgments or settlements it obtains against those manufacturers. This year, my office filed suit and obtained a \$1.2 million judgment against a Brazilian cigarette manufacturer for failing to make required payments. There are other pending cases against cigarette manufacturers in Canada and Indonesia, a Native American tribe in Oklahoma, and a South Carolina cigarette wholesaler.

The Internet poses another challenge to stopping illegal cigarette sales. My office sued two Internet cigarette vendors for selling cigarettes to Tennesseans in violation of state law. We also negotiated settlements in a number of cases resulting from illegal internet sales.

The effort to crack down on illegal cigarette sales is a team effort. The General Assembly has strengthened laws to discourage sales to minors and ensure that the state is able to collect money owed from cigarette sales. The Departments of Health, Agriculture, and Commerce and Insurance are working with my office in the effort to stop the sale of single cigarettes. The office of the Attorney General has a separate division dedicated to diligent enforcement of the MSA and related laws which works closely with the Department of Revenue.

My office is participating in a new working group on youth tobacco prevention to improve coordination among different agencies, pursue smoking prevention initiatives, and raise awareness of the health risks associated with youth tobacco use. This group will promote the American Cancer Society's Great American Smokeout on November 19, 2009 which is aimed at getting smokers to quit.

Hopefully, these efforts will help to discourage young people from using tobacco, help smokers quit, and take some of the profits out of the illicit cigarette trade.

<http://www.gao.gov/new.items/d04641.pdf>

<http://www.publicintegrity.org/investigations/tobacco/articles/entry/1530/>

<http://www.washingtonpost.com/wp-dyn/articles/A23384-2004Jun7.html>

<http://www.cancer.org>