

## Taxes, More than Cancer Scare, Bother British Tobacco Companies

By Mark Random

LONDON, June 26—It is now six years since medical researchers first reported they suspected a link between smoking and the incidence of lung cancer. And although fresh research has tended to strengthen the link, smoking in Britain has been increasing steadily year by year.

The Commissioners of Customs and Excise report that tobacco consumption in the financial year 1955-56 rose by 7,000,000 lbs. to 239,000,000 lbs.

In 1955-56, latest year for which figures are available, they collected an all-time record revenue in tobacco tax—\$1,872,000,000. This compared with a tobacco revenue of \$1,820,000,000 in 1954-55 and \$1,755,600,000 in 1953-54.

■ The British smoker is probably the highest taxed smoker in the world. Before the war, he could buy a package of 20 cigarettes for one shilling (14¢). Even then cigarettes were heavily taxed. But in successive budgets, the chancellors of the exchequer have added to the smokers' tax burden. Today, a smoker pays about 53¢ for a package of 20. And only a few pence of that represent increases imposed by manufacturers to meet rising costs.

One reason for the heavy taxation has been an attempt by the government to discourage smoking—not from health reasons but simply to conserve Britain's precious dollars rather than spending them on imports of American leaf tobacco.

The high cost of smoking has brought a wave of resolutions with each increase in the tax to give up the habit. And although some have been successful, the majority have gone back to smoking. Today British smokers average 14-15 cigarettes a day for men and 7-8 for women.

■ British smokers on the whole have taken notice of the many newspaper stories on smoking and lung cancer but the reports have had little apparent effect on tobacco consumption. There does not appear to have been a great swing to filter-tipped cigarettes, as occurred in the U. S.

The high tax tobacco carries is the cause of another anomaly. The amount of tax saved by using a filter instead of tobacco means that in Britain, filter cigarettes sell for less than the non-filter types. Rothmans of Pall Mall, for instance, recently introduced a new king-size cigarette, something of a rarity here, and by using a filter for the extra length they are able to market this brand at a price only one penny (one cent) above the most common price for ordinary non-filter cigarettes.

Most of the advertising for filter cigarettes, in fact, has concentrated on this economy aspect rather than on the other features of filter cigarettes.

■ One example of how Britons are reacting to the lung cancer scare occurred in a recent article in the Daily Express. The writer spent weeks investigating what research is going on in Britain to solve the smoking-and-cancer problem.

He said: "We, millions of us, have to decide whether or not to go on smoking. We are the undecided. Most of us carry on, saying we will wait and see."

That appears to be the general attitude of British smokers: Watchful waiting.

Dr. Thomas Day, of the Leeds University cancer research depart-

ment, believes the public is "greatly exaggerating" the danger of smoking. "That there is some sort of link between smoking and lung cancer must be taken as proved," he says, "but to say it is one of the primary direct causes of lung cancer is probably nonsense." He has been trying—and failing—for three years to produce skin cancers in mice with tobacco smoke tars. He is 50 years old and has smoked an ounce of tobacco a day since he was 18.

Another researcher, Dr. D. L. Woodhouse of Birmingham University, is slightly less encouraging. He has been a cancer researcher for 25 years and although his attempts to repeat American lung cancer experiments have failed, he does not entirely rule out the possibility of smoking causing cancer directly in some

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cases. He smokes eight or nine cigarettes a day and does not intend giving it up.

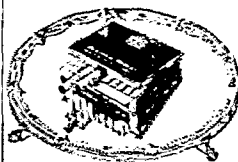
Other research is going on all the time in London and Exeter and elsewhere in Britain.

■ The government's attitude reflects that of the population as a whole. It has taken a position of watchful waiting. In the meantime, however, it has discouraged the advertising of cigarettes on commercial television when children's programs are being shown and discouraged teachers from smoking at school.

The Ministry of Education is preparing an instruction pamphlet for school teachers and youth leaders for a campaign to warn children not to start smoking too early in life.

Members of Parliament have suggested that if young people were shown that smoking at too early an age may have an effect in later life, it might bring down the

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**BENSON & HEDGES**  
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**SILVER PLATTER**—In this ad Benson & Hedges uses the snob appeal approach which abounds in British advertising.

high lung cancer death rate. Teachers are being asked to set a personal example and not to smoke in front of children.

■ The British Medical Assn. has also so far laid down no policy on the lung cancer-smoking question. Its journal still takes advertisements for cigarettes provided the copy is acceptable. This brought about the resignation from the BMA of one doctor who contended that to continue advertising cigarettes in the face of "the overwhelming medical evidence of the dangers of tobacco addiction" could only be considered "extremely reprehensible."

British cigarette manufacturers seem to be less worried about the lung cancer scare than they are about taxation and competition within the industry.

Lord Sinclair of Cleve, chairman of the Imperial Tobacco Co., Britain's largest cigarette, cigar and tobacco group, made this plain at the recent annual general meeting of the company.

■ He said British industry as a whole required a reduction in taxation to stimulate expansion of production.

He reported that the 42 cents per lb. increase imposed in the 1956 budget brought the U.K. tobacco duty to \$8.56 per lb.—more than six times the prewar rate. Lord Sinclair said this amounted

to a sales tax of 450% on tobacco goods. With the tax level much higher in Britain than in any other country it was understandable that per capita consumption is significantly lower than in other countries with corresponding living standards, he said.

Lord Sinclair reported that sales in the current year were being broadly maintained but the company must expect competition to be keener than ever. This, he said, would entail appreciable increases in selling expenses, presumably including an expansion of advertising. With no reduction expectable in manufacturing costs, he forecast a reduction in profit in the current year.

■ The theme was also taken up by Sir Edward Baron at the annual general meeting of Carreras Ltd. He reported the April, 1956, increase in the tobacco duty checked the rising tendency of consumption while the more competitive conditions involved heavier expenditure on advertising and sales promotion.

Sir Edward told shareholders the home market is now one of keener competition and the threat of price cutting and gift-coupon trading; this the company is countering by an extensive advertising program which may, however, necessitate drawing on reserves.

Since that meeting, Carreras has reintroduced a brand discontinued before the war which will contain gift coupons. This brand, Black Cat, will make six brands the company is marketing. All Carreras advertising is handled by McCann-Erickson Advertising Ltd.

■ Black Cat is the third gift-coupon cigarette to be marketed since the trade ban on this type of promotion ended last September.

First on the market was Exclusive, a new brand by a small company, Amalgamated Tobacco Corp.

J. Wix & Sons then brought out its Kensitas Extra Size brand with gift coupons in January. Trade reports say that sales of this brand have increased some eight to ten times and supplies have to be rationed to retailers until production can be stepped up.

No one, apparently, was more surprised by the success of the gift schemes than the manufacturers. Kensitas had hoped to increase sales about eight-fold in something like six months. The target was achieved in less than three months.

■ Applications for gifts are running currently at a rate of many hundreds a day and are expected to reach "many thousands a day" later.

Other manufacturers are known to be watching the situation closely. G. W. Radford, chairman of the Ardath Tobacco Co., said his company is considering a gift scheme but no decision has been made as yet.

The profit on a package of 20 cigarettes selling for 53¢ is reckoned to be 3¢. With special discounts on bulk orders, the cost of a gift works out at about 2¢. The smaller profit margin per pack is offset by increased sales.

■ For small cigarette makers, this is a prime consideration, particularly in the present competitive state of the market. But bigger producers cannot expect to boost sales sufficiently to offset the smaller profit margin per packet. On the figures just given, it would be necessary to boost the sales of a brand some 200% with a gift scheme in order to break even with the profit obtained without using a gift scheme.

A brand with a small share of the market must sales much more



**FAMILIAR REQUEST**—Top-selling cigarette brand in Britain for many years has been Imperial Tobacco's *Player's*. As in this ad, the company still is using its legendary tag line, "Player's Please."

a gift scheme, and then begin to reap the profits of its enterprise. But a brand which already enjoys a large share of the market could hardly be expected to double its share and even less to increase beyond that break-even point.

It is unlikely that gift-coupon cigarette sales have reached the level where they are really troubling the big manufacturers and requiring some counter-action. For the time being, for instance, the Imperial Tobacco Co. is only considering reintroducing cigarette cards, small illustrated pieces included with each packet. These, usually in sets of 50 or 52, were great favorites with collectors and small boys before the war.

■ The British cigarette companies are aiding the research on the lung cancer problem. Three years ago the leading manufacturers joined in placing at the disposal of the Medical Research Council a fund of \$700,000 for research into the causes of lung cancer. So far, \$196,000 of that fund has been spent.

The industry's own chemical departments are also continuing research into the constituents of tobacco and tobacco smoke and placing their findings at the disposal of the medical authorities. ■

## British Consider Ban on Smoking in Public Places

LONDON, June 28—The British cabinet was reported today to be considering a ban on smoking in public places, including movie theaters.

The action follows investigations by two medical research committees on the lung cancer-cigarette smoking link. Their findings closely parallel those reported by the American Cancer Society this week.

Health minister Dennis Vosper presented the British findings at a two-hour cabinet meeting yesterday. A statement by the cabinet is expected within the next three weeks.

The government is concerned over the effects such a statement will have on tax receipts. The tobacco tax last year yielded 14% of the total government revenue. Despite the risk of reduced revenue, the cabinet is understood to be ready to go ahead, feeling that the nation's 21,000,000 smokers should be alerted to the research findings. ■

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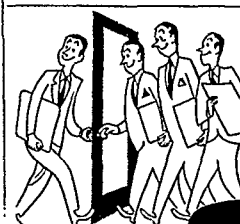
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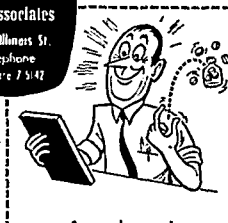
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