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GOP CONFEREES: HIGHWAY BILL ADS GALVANIZED SUPPORTERS

By Keith Laing
The Hill
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A pair of Republican highway conference members that have been targeted by an advertising campaign by construction groups said Thursday that the political ads have helped galvanize support in their districts for their positions in the contentious negotiations.

The Washington, D.C.-based Transportation Construction Coalition (TCC) said this week it was running ads arguing in favor of Congress reaching a compromise on the transportation bill targeting Reps. James Lankford (R-Okla.), Steve Southerland (R-Fla.), Dave Camp (R-Mich.), Pat Tiberi (R-Ohio).

But Lankford and Southerland, who are both freshmen lawmakers, said Thursday that the advertisements had raised the profile among their constituents about the disagreements between the chambers on the transportation funding measure

"I've yet to have a person hang up and not say stick your guns," Lankford said in a conference call with reporters. "I'm quite please that they're running these ads against us because they've emboldened our base."

The GOP members of the 47-lawmaker conference committee that has been attempting to negotiate a possible House-Senate agreement on transportation for a month said that Wednesday's finger-pointing between leaders of the panel had them concerned about the rest of the negotiations.

"I'm worried about whether Sen. [Barbara] Boxer (D-Calif.) really wants a bill," Southerland said of the chairwoman of the transportation conference, who said this week that the House lacked "urgency" about the highway bill negotiations.

Southerland said the GOP members of the highway conference would continue to insist on provisions that were included in the original five-year, \$260 billion transportation bill that was approved by the House Transportation and Infrastructure Committee, despite criticism from Democrats on the panel about the fact that the legislation was never approved by the full lower-chamber.

He also said the House would continue pushing for a mandate to force the Obama administration to approve the controversial Keystone XL oil pipeline, despite resistance to the provision thus far from Senate leaders on the highway conference committee.

"I think the American people want us to find a happy medium," Southerland said Thursday. "I don't think anything is off the table."

The TCC ads against Southerland, Lankford and the two other GOP highway conferees argued that they should help break the logjam on transportation spending. The Senate has pushed for Republicans in the House to accept a two-year, \$109 billion version of the transportation that passed the upper chamber earlier this year, although that measure would only provide funding for the next 18 months now that negotiations have stretched to the middle of the year.

But Southerland pushed back on that argument Thursday, saying the Senate should move closer to the House.

"The Senate has in fact moved inches when we're miles apart," he said. "When you do a conference, you do not need just a bipartisan bill, it requires a bicameral bill. That's the way the constitution is set up."

The leading Republican on the highway conference, House Transportation Committee Chairman Rep. John Mica (R-Fla.), also reiterated the House's opposition to accept the Senate's version of the highway bill.

"House conferees stand ready to negotiate in good faith but there must be a willingness on the part of the Senate to do the same," Mica said Thursday in a statement. "We believe our solutions are fair and practicable."

Acknowledging the specter of a continued stalemate however, Mica also said that "if an agreement cannot be reached the House will not allow these important programs to expire."

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CONFERENCE RHETORIC HEATS UP

By Adam Snyder and Burgess Everett
Politico – Excerpts from "Morning Transportation" Blog
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WORDS FLY OVER TRANSPO BILL: The finger-pointing and name-calling came out in full force yesterday. Sen. Barbara Boxer, joined by seven other Democratic senators, rallied outside the Capitol for a transportation bill before June 30. And all eight Dems blamed House Republicans (or at least part of the caucus) for holding up a bill. "Extremist" and "militant" were used to describe some Republicans in the lower chamber.

But the GOP shot right back — Rep. John Mica put out a statement an hour after the presser saying that he’s “disappointed in the fact that Senate negotiators have yet to move significantly on key House reform proposals.” And that was putting it nicely. “I would go a step further. I am extremely disappointed in Boxer’s reluctance to negotiate in good faith,” Rep. Bill Shuster told reporters on a conference call. And conferee Larry Bucshon likened the process to the health care bill. “I think it’s indicative of the way this administration and Senate Democrats do things. It’s Chicago-style thuggery politics, and they’re trying to ram this through the Congress just like they did the health care bill,” he told MT.

Scorecard: Shuster didn’t dive into details, but he outlined the Senate reactions to what he called five major issues. After the House sent counteroffers on the five big matters, the Senate gave a “flat no” on three and the other two have seen “very little movement,” he said.

Presser upset Republicans: Before the fireworks even started yesterday, the Transportation Construction Coalition launched an advertising blitz targeting four members of the conference committee: Reps. Dave Camp, James Lankford, Steve Southerland and Pat Tiberi. Then several TCC members had reps at the Boxer presser — which a GOP aide said seemed “too orchestrated” and “really rubbed most of our conferees the wrong way.” Adam brings Pros up to speed after another crazy day: <http://politico.pro/M5pSC9>

More on the ad: The radio ads say there are over 1,600 deficient bridges combined in the targets’ four districts, and though they read similarly (peep them here: <http://bit.ly/8QKQoK>), they almost sound like reverse earmark psychology: These bridges won’t improve if you don’t get this done. The ads ask if the member will “be part of the problem? Or part of [the state’s] transportation solution.” Chris Matthews suggested on Tuesday that Secretary Ray LaHood start calling out members in exactly this fashion, and it looks like stakeholders are running with the idea.

PROFESSOR INHOFE: Sen. Jim Inhofe is “anxious” with the House out of session as the clock keeps ticking but continues to make a “very strong case” to the lower chamber conferees that the Senate bill has some good stuff in it. And when it comes to transportation policy, Inhofe said he’s more aligned with House members than the Senate and continues his efforts to convince House Republicans that the Senate’s reforms are much-needed and beneficial. “For example, on [Transportation] Enhancements, I can’t imagine they’d make a big issue out of that, but I’ll find out,” he said outside the Senate chamber. “I’m on their side; I love these guys; I agree with them — I probably agree more with the House than I do the Senate, philosophically, on these things.”

WHY INVESTORS ARE NERVOUS ABOUT ALTRIA’S FUTURE

Seeking Alpha (National Stock Futures Blog)

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The tobacco industry has been incredibly popular since its inception. It is a well-known fact that people all over the world make use of, and enjoy, the easy access that they have to tobacco in its various forms. Once seen as an exotic past-time signifying wealth or travel, smoking is now a habit that transcends class, economic and cultural boundaries.

In more recent years, links between smoking and life-threatening diseases such as lung cancer have caused significant controversy, and in countries across the world, smoking in public places has been banned, and could lead to prosecution.

Additionally, health warnings have appeared on cigarette packaging, some including graphic images of diseased body parts affected by smoking. So in the modern world, when more and more people are turning away from smoking in order to improve and preserve their health, how are leading tobacco companies such as Altria (MO) faring?

Currently, Altria's stock is trading at around \$33, with strong cash flow and a lower share price in comparison to other competing companies providing 'sin' goods. Price-to-earnings ratio presently stands at 19.81, slightly behind the than the 18.55 that Reynolds American (RAI) can offer at a higher price per share. Although one of Altria's main brands, Marlboro, represents four of every 10 cigarettes bought and smoked in the US, Reynolds has an impressive stable of brands to offer. So, in a market which is seeing such widespread prosperity, will Altria be able to hold its own against its competitors?

Unfortunately, Altria has been bombarded with criticism recently after it made a decision to continue supporting the American Legislative Exchange Council (ALEC), a group which allows key figures in large corporations to have an input on state law and legal matters. Altria has come under fire because of its involvement in the ALEC, which is thought to be responsible for passing the gun law in the state of Florida which led to the shooting of Trayvon Martin earlier this year. Considering that Altria has to pay dues on an annual basis to remain a part of the ALEC, and that other key companies such as PepsiCo (NYSE: PEP) have withdrawn from the ALEC after it because the subject of severe criticism, Altria's decision to remain a member of the group may not benefit the company's public image. Whatever Altria's motivations for being a member of the ALEC, Altria needs to consider how its associations with the group will impact upon its consumer and public relations.

Additionally, Altria's leadership has come under fire recently after news reports claimed that the company's CEO received millions of dollars in a payout at the end of the financial year of 2011. The CEO, Michael E. Szymanczyk, apparently received a sum of \$10.2 million - and although this is about half of what he received the previous year, Szymanczyk and other leading figures in the company are being criticized for giving and receiving such payouts when Altria's net income has fallen by 13%.

Not only that, but Altria's leadership has faced instability since Szymanczyk retired in May, shortly after performing his last shareholder meeting. Although a new CEO has been chosen to replace Szymanczyk since, Martin J. Barrington, I expect that the loss of Szymanczyk will come both as a shock and a disruptive force to the functioning of the company, and unless the management change is handled very carefully, professionally and efficiently, Altria may lose the confidence of both its consumers and its shareholders. However, since Barrington has been with the Altria Group for the best part of 20 years (he joined in 1993,) I doubt there will be too much turbulence as he adjusts to the new role.

Altria staff has also made headlines recently after a well-known director went missing under circumstances which police are describing as "suspicious." Leyla Namiranian, the director of marketing and research at Altria, went missing earlier this month after finishing a day at work, and has not been seen since. Reports claim that Namiranian may have been planning to meet up with a man who she met online before she went missing. Of course, we all hope that Leyla is found safe and well, and I think that Altria should be doing more to publicize her disappearance.

Not only would this increase the awareness of the public to Namiranian's disappearance, and therefore increase the chances of locating her, but it would also create the impression that Altria is concerned for the well-being of its employees - which, I feel, is not the impression being created at the moment. At present, a suspect is being pursued by police, with the two cell phones used by Namiranian recovered recently by the authorities.

Finally, Altria (and its competitors) are facing increasing pressure from roll-up cigarette manufacturers. Roll-up cigarettes, which can cost as little as half as much as pre-rolled packs of cigarettes, are becoming more and more popular as the prices of packets of cigarettes increase - good news for Universal (UVV) who have seen a 16% boost in share price thanks to the demand for the tobacco leaf they source and process. Altria is currently involved in a legal and economic debate with Congress, which it hopes will lead to roll-up cigarettes being subject to the same amount of tax as packaged cigarettes and therefore more equal competition. However, I feel it is unlikely that roll-up cigarettes will come to cost the same as packaged cigarettes, and that companies such as Altria will continue to lose out.

Lorillard (LO) is making interesting steps to embrace the new technology on offer from cigarette companies, too. As sales of the company's key brand, Newport, have been on the slide, and first-quarter earnings in 2012 were down by \$9 million compared to Q1 of 2011 (presently standing at \$1.526 billion), the company has acquired an e-cigarette manufacturer in deal rumored to be worth \$135 million.

Overall, I believe the future is looking more and more bleak for Altria. Unless it makes some considerable changes in the way its management is both run and received by the public, I think that Altria will slowly but steadily lose the confidence of its consumers and investors. Throw in a little economic competition from roll-up cigarettes, and it will not take much for Altria's stock price to plummet.

Disclosure: I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.

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