

## APPENDIX D

### Economic Impact of Smoking Bans

*"There are three kinds of lies: lies, damn lies and statistics"*

Mark Twain's Autobiography (1924), quotes this as a remark attributed to Benjamin Disraeli

Smoking ban proponents often point to studies purporting to show smoking bans have little to no economic impact. However, these studies are often contradicted by many business owners' personal experiences, as well as studies and experiences indicating smoking bans are bad for business. It is ironic that ban proponents often discredit the oppositions' understanding of Environmental Tobacco Smoke (ETS) science, while professing to comprehend the potential economic impact better than those in the hospitality industry.

When looking at ban-supporters' economic claims, be aware that they will:

- Include fast-food and other locations that haven't allowed smoking for years;
- Exclude those places that have closed during the reporting period (partial-year licensees);
- Point to marginal economic growth while surrounding jurisdictions experience significantly increased business; and
- "Cherry-pick" data to support their assertions

The bottom line for economic impact is simple: smoking bans most impact businesses that serve smokers as a significant portion of their customer-base. When government-mandated smoking bans are implemented, all restaurant and bar owners suffer a loss of freedom.

Below are excerpts from a few of the more prominent and recent studies regarding the economic impact of smoking bans (see enclosed disk for full-text):

#### **Dallas Restaurant Association Study**

In January 2003 the Dallas City Council passed a smoking ban in restaurants, hotels, bowling centers and other public places effective March 1, 2003. One year later, the Dallas Restaurant Association asked two professors of applied economics at the University of North Texas in Denton to examine the effects of the smoking ban a year after implementation. The study found that the smoking ban:

- ***Contributed to an \$11.8 million decline in alcohol sales.***
- ***Restaurants experienced drops in alcohol sales ranging from 9% to 50%.***
- ***Caused at least 4 restaurant closings.***

("The Dallas Smoking Ordinance One Year Later; A Report on the Impacts of the City of Dallas Smoking Ban on Alcoholic Beverage Sales", Terry L. Clower, Ph.D. & Bernard L. Weinstein, Ph.D., October 1, 2004)

#### **New York Nightlife Association/Empire State Restaurant and Tavern Association Study**

In July 2003 the state of New York banned smoking in all enclosed public places of employment. In May 2004 Ridgewood Economic Associates, Ltd. conducted a study on the impact of the ban on bars and restaurants. The study found that that ban had cost the bar and tavern industry:

- ***2,000 jobs (10.7% of actual employment)***
- ***\$28.5 million in wages and salary payments***
- ***\$37 million in gross state product***

("Economic Impact of the New York State Smoking Ban on New York's Bars", Ridgewood Economic Associates, Ltd. May 12, 2004)

### **National Restaurant Association Study**

In 2004, the National Restaurant Association engaged Deloitte & Touche LLP to study the economic impact of smoking bans in thousands of restaurants. The study examined the impact of government-imposed smoking bans on the sales and profits of individual table service restaurants. The analysis used data from national samples of restaurants collected during five different years during the 1990 to 2000 period. The study included information on the features of the ordinances applicable to the restaurants and the economic and demographic characteristics of the communities where the restaurants were located. The research found:

- *Non-smoking ordinances have a statistically significant impact on the sales and profits of individual restaurants in certain cases.*
- *A temporary negative impact on restaurant sales was found in cases where 100 percent smoking bans (excluding the bar area) were in effect at the county level. The estimated declines in annual sales ranged from roughly 49 to 55 percent at restaurants where such bans were enacted two to three years prior to the survey.*
- *Restaurant sales declined in areas where 100 percent smoking bans (excluding the bar area) had been enacted at the place level. Annual sales declines were estimated at 36 percent at restaurants where these bans were enacted four or more years earlier.*
- *In cases where significant declines in sales were estimated, gross profit tended to decline by a somewhat greater percentage.*
- *A positive impact on total restaurant sales and gross profit was found in cases where place-level ordinances reserved the majority of seating for nonsmokers but allowed some smoking. In cases where these ordinances were enacted two to three years before the survey, sales were estimated to increase 36 percent and gross profit was up 37 percent. In cases where these ordinances went into effect four or more years ago, sales were up 43 percent and gross profit increased 42 percent.*

(“The Impact of Non-smoking Ordinances on Restaurant Financial Performance”, Deloitte & Touche LLP, February 2004)

### **Restaurant Association of Maryland Study**

In October 2003 Montgomery County passed a smoking ban in most enclosed public places, including bars and restaurants. In April 2004 Talbot County began enforcing a similar ban. The Restaurant Association of Maryland tracked tax data from the Maryland Office of the Comptroller and found:

In Montgomery County between April and December 2004:

- *Sales tax receipts for restaurants with liquor licenses grew by only \$110,480, or .025 percent, while receipts in neighboring Frederick County grew 7 percent over the same period.*
- *The number of restaurants with liquor licenses fell to 402 by the end of December 2004 from a high of 526 in March 2003.*
- *The number of beer keg sales declined by 2,366 kegs.*

In Talbot County between May 2004 and December 2004

- *Restaurant sales tax receipts fell by \$2.9 million or 11 percent, while sales for similar establishments in neighboring Caroline County increased by 36 percent and in Dorchester County by 14 percent.*
- *The number of restaurants/bars with liquor licenses remitting sales tax to the State declined from a high of 39 establishments in November of 2003 to a low of only 29 establishments by the end of December 2004.*

(Independent data analysis by the Restaurant Association of Maryland, Melvin Thompson)

## **Economic Impact of Smoking Bans in Ottawa, London, Kingston and Kitchener, Ontario**

In a February 2005 study conducted by Michael K. Evans, Ph.D of Evans, Carroll and Associates of smoking ban in bars and pubs In Ontario, Canada, the results were striking. The analysis determined:

- ***After the imposition of the smoking ban, sales at bars and pubs were 23.5% lower in Ottawa, 18.7% lower in London, 24.3% lower in Kingston, and 20.4% lower in Kitchener, than would have been the case with no smoking ban.***

("The Economic Impact of Smoking Bans in Ottawa, London, Kingston, and Kitchener, Ontario", Michael K. Evans, Ph.D., February 2005)