

Public smoking bans have a real and substantial negative impact on revenues in certain sections of the hospitality industry. Nevertheless, many regulations continue to view public smoking bans as a panacea for the perceived threat of Environmental Tobacco Smoke ("ETS"). There is no scientific consensus on the health effects of ETS. In fact, the largest study on ETS and lung cancer, undertaken by the WHO, found no meaningful increase in lung cancer risk for growing up, living, working, travelling or socialising with a smoker. The most substantial sources of data on ETS and heart disease are the databases of the American Cancer Society's Cancer Prevention Study and the database of the US National Mortality Followback Survey. Analyses of these have reported no overall association between ETS and heart disease. Regulators are, therefore, imposing draconian legislation based on misleading and inconclusive scientific studies.

This submission does not examine the science of ETS but simply demonstrates the economic impact that public smoking bans have on the hospitality industry. Regulators have stubbornly ignored these effects and imposed public smoking bans in areas such as New York, British Columbia and, most recently, Ireland. Regulators and public health authorities have sought to justify the imposition of bans by publishing studies which assert that smoking bans have no or even a positive effect on the hospitality industry. However, these studies fail to report the true impact of smoking bans. Many studies conveniently base their conclusions on consolidated statistics of hospitality industry performance, overlooking the real losses suffered by owners of businesses heavily reliant on smoker expenditure.

Representatives of the hospitality industry have continued to voice their concerns over the impact of smoking regulations. Nevertheless, many regulators have failed to understand this industry's reliance on expenditure by smokers. A number of studies have been published which seek to highlight the true impact of smoking bans and raise the regulator's awareness of the problems suffered by the hospitality industry. The studies highlight the difference between spending patterns of smokers and non-smokers and the effect a public smoking ban has on this expenditure. This submission addresses these key issues and highlights the significant losses that have already been incurred by the hospitality industry in certain countries.

PATTERNS OF EXPENDITURE: SMOKERS V. NON-SMOKERS

Public health bodies and regulatory authorities deny that public smoking bans have a negative economic impact on the hospitality sector or on the economy at large. Whilst these bodies generally accept that the expenditure of smokers will decrease in response to the ban, they claim that increased expenditure from non-smokers will cancel out any shortfall in sales revenue in the hospitality sector. However, this claim is undermined by the very different spending patterns of smokers and non-smokers. A large number of studies have found that in terms of sales revenue a smoker is worth 1.5 to 2.0 non-smokers. There is absolutely no evidence to suggest that the large reduction in smoker expenditure will be matched by increases in non-smoker spending.

A report prepared in October 1996 by CCG Consulting Group, Vancouver for the Hotel and Restaurant Employee's Union, Ontario Hotel and Motel Association and Ontario Restaurant Association looked at the impact of a Toronto Metro smoking ban on the food services and hospitality sector¹. The report found that, based on two methods of estimating customer response, a smoking ban would cause a reduction between

¹ CCG Consulting Group, Vancouver B.C. *"The Food Services and Hospitality sector and A Metro Toronto Smoking Ban – An Analysis of Economic Consequences."*

\$234 million and \$325 million in annual revenues. These decreases are 8.8% and 12.2% of total annual sales volume. The report found that these substantial losses were due to the marked difference in consumption patterns between smokers and non-smokers.

Smokers were found to frequent hospitality venues more often than non-smokers and to out-spend non-smokers at these venues. The study discovered that a smoker visits hospitality venues 50% more often in the course of the year than non-smokers. In addition, an individual smoker spends 68% more a year at these venues than a non-smoker. The ratio of smoker spend to non-smoker spend is further increased by the fact that smokers concentrate their expenditure on hospitality venues at the higher end of the price spectrum. Non-smokers direct a greater share of their total spending to lower priced facilities.

The study outlined the difference in consumption patterns as follows:-

- smokers comprise 30% of the total Toronto Metro population of 2 million ageing 15 years and older, non-smokers comprise 70%. These levels indicate a ratio of 2.3 non-smokers to every smoker;
- a typical smoker in Toronto Metro makes a total of 218 visits a year to hospitality venues compared with 145 by a non-smoker. When combined with the population distribution, the patronage ratio stands at 1.6 non-smokers for each smoker;
- smokers average spend at a venue is \$8.47 compared to \$7.62 for non-smokers. Multiplied by the number of per person visits, these levels denote annual spending of \$1,846 by each smoker compared to \$1,105 for each non-smoker; and
- each smoker is therefore worth 1.67 non-smokers in terms of annual industry revenue.

These findings are by no means unique to the Toronto Metro study. A number of studies highlight the massive contribution smokers make to the hospitality industry. A second study by CCG Consulting Group in Vancouver also found a massive gap in expenditure between smokers and non-smokers². Smokers visited all 9 types of hospitality venue surveyed more frequently than non-smokers. The Vancouver study estimates that a single smoker is worth 1.7 non-smokers in terms of customer revenue. This ratio is even more dramatic for certain venues.

A further study carried out in Hong Kong confirms that the average weekly spend of non-smoking customers is significantly less than that of a smoking customers³. In fact, according to this KPMG study, non-smokers spend 39% less per week in the hospitality sector than smokers. This gulf in expenditure is often ignored by regulators when considering regulation of public smoking.

PATTERNS OF EXPENDITURE: THE IMPACT OF A SMOKING BAN

Given the different rates of expenditure for smokers and non-smokers, the Toronto Metro study proceeded to assess the likely changes in behaviour of each group following the implementation of a smoking ban. It is generally recognised that following the imposition of such a ban, smokers will attend certain hospitality

² CCG Consulting Group Ltd, Vancouver B.C. "*The Hospitality Sector And A Vancouver Smoking Ban.*"

³ KPMG "*Proposed Smoking Ban: Impacts On Hong Kong Hospitality Businesses.*"

venues less and non-smokers more. The Toronto Metro study found that smokers would reduce their annual spending by 29.2% and non-smokers would increase their spending by 5.8%. In effect, the average sales revenue from a smoker would become eventually the same of a non-smoker. This increase in expenditure from non-smokers falls well short of compensating the hospitality industry for smoker losses and fundamentally undermines any claims by public health bodies and regulatory authorities that smoking bans will have no negative economic effect on the hospitality sector.

The Toronto Metro study is one of many studies which confirm that, as a result of a ban, smokers would spend substantially less and non-smokers would spend little more. The Toronto Metro study explains that non-smokers income and budget constraints will fundamentally limit any increase in spend by non-smokers. In order for non-smokers to increase their expenditure, they must first find this money from their available income. It is highly unlikely that non-smokers have a sufficient amount of additional disposable income to balance the decrease in spending by smokers. It is even more unlikely that this hypothetical excess would be allotted to the hospitality industry. The Toronto Metro survey highlights that smokers will have a different rationale. A reduction in spending by smokers will mean that they simply reallocate their expenditure to another industry. Smokers will continue to patronise restaurants, bars and pubs but their behaviour will become like that of non-smokers – the visits will become more infrequent for a shorter period of time and expenditure shall be reduced.

For all venues surveyed in the Toronto Metro study, the reduction in total spending would amount to a revenue loss of between CAN\$234 million and CAN\$325 million. Based on the lower estimate, the hospitality industry would face a revenue decline of CAN\$234 million and the direct loss of 6,332 jobs, along with a further 1,073 indirect jobs. The Toronto Metro study concludes:

"First, those who are the primary targets of a smoking ban (smokers) may not be the principle losers, except insofar as they may be inconvenienced. Second, those who are the winners (non-smokers) have insufficient means by which to compensate the losers who are, in this instance, third parties Some beneficiaries [non-smokers] report they would welcome smoke-free environments by increasing their frequency but, to reflect their spending hesitancy, they are constrained by household budgets and – in comparison with smokers – they are cheap.

The result is that some of the 6,500 establishments and 80,000 employees in the Toronto Metro industry stand to lose".

VARYING IMPACT OF A SMOKING BAN

The hospitality industry will have to absorb substantial losses in revenue as a result of a smoking ban. However, these losses will not be absorbed evenly across the industry. They will be concentrated on several key venues which rely heavily on smokers expenditure

The Toronto Metro study surveyed 12 venue categories including food, beverage, amusement and hospitality facilities. Visits per venue by smokers are more frequent than non-smokers, not only overall but especially in certain venues. The ratio of smoker visits to non-smoker visits is greater than 2:1 in 4 establishments: bar with meals and DJ, nightclub, bingo hall and pool hall. In addition, smokers on average spend more on each visit than non-smokers in the City of Toronto area in 10 of the 12 venue categories.

In the Toronto Metro area, the ratio of smoker average expenditure to non-smoker average expenditure exceeds 1.5:1 in 5 of the 12 categories: bar or lounge, bar with meals and DJ, nightclub, bingo hall and pool hall. The report further emphasises:

"...in three cases, bar or lounge, bar with DJ and nightclub with a combined \$508 million in pre-ban total revenue a year, total smoker annual spending actually outweighs non-smoking expenditure. In casual restaurant or pub with annual proceeds of \$375 million, total spending by smokers is 85% that of non-smokers."

A second study by CCG Consulting Group in Vancouver also found a massive difference in patronage for smokers and non-smokers. Smokers visited all 9 types of venue surveyed more frequently than non-smokers. In the five higher priced venues, smokers visit more frequently and spend more on each visit, resulting in a significant gap in annual outlay:-

"The largest [gap] is in bowling/casinos/etc. in which the average smoker spends 3.07 times more annually than his or her non-smoking counterpart. In bar and lounge, pub (with meal), nightclub and fine dining the range is annual spending by smokers of 2.6 to 2.8 times that of non-smokers."

This should be contrasted with the outlay of non-smokers which is greater per visit in the 4 lowest priced venues (food fare, fast food, coffee shops and family restaurants). The Vancouver venues with the highest smoker to non-smoker ratio of expenditure are:

- Bars and lounges 2.60:1;
- Pubs (with meals) 2.75:1;
- Nightclubs 2.78:1; and
- Bowling, casinos, etc. 3.07:1.

Studies indicate that losses resulting from a smoking ban would not be uniform across the hospitality sector. It is acknowledged that certain venues may benefit; however, venues which are most frequented by smokers would be the biggest losers. This differing impact of a smoking ban on hospitality venues highlights the fact that a credible study must distinguish between the different sectors of the hospitality industry. Any consolidation of data across the entire hospitality sector will only serve to mislead. Such a strategy was employed by the New York City Health Department in its study on the impact of the New York ban. Unsurprisingly, the study concludes that the smoking ban has had no negative impact on the hospitality industry. However, consolidating hospitality data is a very ineffective gauge of the true effect of smoking bans and overlooks the true losses experienced by owners of bars and lounges, nightclubs and all other venues reliant on smoker expenditure.

Regulator and public health authority bias

The study by the New York City Health Department highlights the pitfalls in interpreting studies on the economic impact of smoking bans. Regulators and public health bodies have been extolling the virtues of public smoking bans for years and are, therefore, reluctant to acknowledge the impact of regulation on hospitality revenue.

For example, in 2001 KPMG was engaged by the city of Ottawa to research and monitor economic and health impacts of the smoke-free by-laws covering public places and places of work that went into effect on 1st August 2001. Despite being commissioned by the State authorities, the report noted a significant economic impact on bars in the area during the period of the regulations. *"It appears bars and pubs have experienced a more difficult year than restaurants."*

Unsurprisingly, the report is reluctant to attribute this loss in revenue to the enactment of the smoke-free by-laws. However, on several occasions, the report makes it clear that this decline could be as a result of the smoke-free regulations based on the survey's limited data. The report found that insolvency arrangements for restaurants remained consistent over a 3 year period. However, there was a significant increase in insolvency arrangements entered into by owners of bars, taverns and nightclubs. The bankruptcies coincide with a decrease in Ontario domestic beer sales for the period covered. There was a decrease of 0.1% across the Ontario region; however, there was a decline of 10% in Ottawa, the area subject to the smoke-free by-laws. However, the report is reluctant to attribute this decrease to the smoke-free by-law.

This report seems to be a fair example of the possible bias that may exist in reports commissioned by regulators. Regulators have an obvious vested interest in the production of economic impact surveys. Regulators will be reluctant to publish and disseminate any study which shows that regulations have had a negative economic effect on a major industry. Many studies which illustrate a negative economic effect of public smoking bans have been undermined due to perceived links between the hospitality and tobacco industries. A review of studies on the economic impact of smoking bans by Michelle Scollo questions the reliability of certain studies which have links to the tobacco industry⁴. However, there is no discussion of the bias of the public health groups that fund a large number of studies claiming no or a positive economic impact of a ban. It is important that an even-handed approach to studies is maintained and a regulator or public health group bias is acknowledged.

THE TRUE COST OF PUBLIC SMOKING BANS

A number of regulatory authorities, notably those in New York, British Columbia and Ireland, have chosen to introduce public smoking bans. These bans vary in severity and some have had a more profound economic impact than others. Ireland, for example, relies greatly on revenue from its hospitality sector. The country is marketed to the world's tourists as a relaxed environment where conversation and social contact are centred on a lively pub culture. Ireland therefore stands to lose more than other countries from a smoking ban. Outlined below are some of the findings of studies assessing the economic impact of public smoking bans in a number of countries.

4 Michelle Scollo and Anita Lal, "Summary of Studies Assessing the Economic Impact of Smoke-Free Policies in the Hospitality Industry."

UNITED STATES

New York

A New York City smoking ban took effect on 30th March 2003 and the State law became effective on 30th July 2003. The State law superseded all local smoking laws, prohibited smoking in all work places, including bars, restaurants and nightclubs, as well as off-track betting parlours, bowling alleys and company cars. In a New York City Health Department study released on 30th March 2004, a compliance rate of 97% was reported. The report also claimed that revenues at restaurants and bars have increased, employment has risen and more liquor licences have been issued since the City's smoking ban took effect. However, these statistics have come under criticism from the hospitality industry. They say the figures are misleading as the study compares data from 2003 with 2002, when the economy was in a slump and the City was still feeling the effects of the 2001 terrorist attacks. Furthermore, the key shortcoming of this study is its failure to distinguish between bars and lounges and other hospitality venues. As outlined above, a public smoking ban does not affect the hospitality industry uniformly. A study which consolidates data across the entire hospitality industry conveniently overlooks the worst effected venues. Bars, lounges and nightclubs incur the greatest losses as a result of a smoking ban. Anecdotal evidence from representatives of New York's hospitality industry suggested that this was indeed the case.

In an effort to voice their concerns, the New York Nightlife Association and the Empire State Restaurant and Tavern Association commissioned a report from Ridgewood Economic Associates ("REA") to investigate the economic impact of the New York State smoking ban on New York's bars⁵. REA based its analysis on employment, workers compensation and other data collected by the New York State Department of Labor, the U.S. Census Bureau and the U.S. Department of Labor. The studies findings illustrated a direct economic loss in bars and taverns totalling:-

- 2000 jobs (10.7% of bar employment);
- \$28.5 million in wages and salary payments; and
- \$37 million in gross state product.

In addition, the study found that there were also indirect losses suffered by other businesses which supply and service the State's bars and taverns:-

- 650 jobs;
- 21.5 million in labour earnings; and
- \$34.5 million in gross state product.

The REA study found that New York's bars had cut employees significantly. In 2002, bars in New York State employed 19,158 workers; bars in New York City employed 6,662 bar workers. By 2003, these figures had fallen to 18,757 and 6,586 respectively. This drop is all the more dramatic when it is remembered that 2002

⁵ Ridgewood Economic Associates, Ltd. *"The Economic Impact of the New York State Smoking Ban on New York's Bars"*.

was a year of economic depression for the State and the City was still coming to terms with the 2001 terrorist attacks.

The report's conclusions were stark:

"New York State's public smoking ban has resulted in dramatic economic losses in bars and taverns across the State. This reduction translates into a negative overall economic impact in 2003 with more than \$70 million in economic activity, \$50 million in lost wages, and the elimination of more than 2,650 jobs state wide".

This was the second study to investigate the economic impact of the New York smoking ban. In early December 2003, eight months after the City's ban came into effect, International Communications Research conducted an impact study which found that:-

- one third of New York City bars, hotel and nightclubs have reduced staffing by an average of 16% since the ban took effect;
- ¾ of all effected bars and restaurants have experienced a decline in patronage averaging 30%; and
- bars and nightclubs that do not offer food reported a reduction in alcohol sales approaching 20%⁶.

The State wide smoking ban superseded a number of less draconian smoking by-laws in NY states. These by-laws had been introduced at different periods through the 1990's. A number of studies have been conducted in New York assessing the impact of these by-laws. One of these studies was carried out in 1996 by Fabrizio, McLaughlin and Associates⁷. The survey recorded the views of restaurant owners and managers over a 6-month period between September 1995 and March 1996. A smoking ban had been introduced in April 1995 (*"The Smoke Free Air Act"*) which banned smoking in almost all restaurants in the city. The study found that 67% of restauranteurs who had tracked sales since the imposition of the smoking ban stated that their sales had decreased. Of the operators in the survey who had experienced a decrease in sales, the average reported revenue loss was 19.9%. Only 4.7% of restauranteurs stated that their sales had increased since the smoking ban went into effect. Among the vast majority of restauranteurs whose sales had declined, 45.8% stated that they had been forced to lay-off employees because of the sales decline as a result of the smoking ban.

Of the restaurants surveyed across New York, decreases were reported in:-

- 70.4% of restaurants in the Bronx;
- 75.5% in Brooklyn;
- 59.0% in Manhattan;
- 75.0% in Queen's; and
- 91.7% Staten Island.

6 NEED STUDY

7 Fabrizio, McLaughlin and Associates *"Survey of New York City Restaurateurs"*

The conclusions of the study were that *"the smoking ban is having an adverse economic effect on New York City's restaurant industry."* The findings continued *"this decline in sales and revenue is not offset by the miniscule number of establishments which have experienced sales increases."*

Massachusetts

A report prepared in 1996 by InContext Inc⁸, analysed what happened to restaurant jobs in Massachusetts' communities that enacted restaurant smoking bans. These studies conclusions were drawn solely from local economic data provided by Dun & Bradstreet and the US Census. The study makes it plain that it is not based on the objective opinion of hospitality owners and managers:

"the studies conclusions do not rest in any way on economic assumptions about employer behaviour, working behaviour or customer behaviour. The study measured the number of restaurant jobs as reported by proprietors/managers to Dun & Bradstreet, for the entire three year period of 1993 through to 1995 for Massachusetts communities with smoking bans".

The overriding conclusion of the study was that any community which enacts a strict restaurant smoking ban will ultimately lose restaurant jobs. The study found that the average percentage of local jobs lost in communities that enacted restrictive smoking bans was 21%. The study also found that there was a proportional link between the number of job losses and the severity of the imposed ban.

The study assessed the varying impact of the smoking ban in reference to socio-economic or demographic characteristics of the communities adopting the bans in an attempt to understand the key causes of a negative economic impact. However, the study found that the most important criteria in assessing impact on local restaurant jobs was the severity of the ban.

"Put simply, if the ban is strict, the odds are very high that significant numbers of local restaurant jobs will be lost. Similarly, the less strict the ban, then the less impact it will have on restaurant jobs".

The same authors also carried out a study in 1996 on restaurant jobs in New York City⁹. The authors found that New York City lost 2,779 restaurant jobs between 1 January 1993 and the first quarter of 1996. Those jobs constituted 4% of the New York City restaurant job trade. It is worth noting that restaurant job losses in the city ran counter to a city and metropolitan wide tide of a rising economy and employment.

City of Mesa, Arizona

In October 1996, Applied Economics published the second phase of a study assessing the impact of Mesa's smoke-free ordinance on selected types of businesses¹⁰. The report is an analysis of changes in reported sales by Mesa's hospitality businesses following the implementation of a smoking ban.

8 William Lilley III and Laurence J. DeFranco *"Massachusetts Restaurant Smoking Bans – 23 Cities/Towns: Impact on Restaurant Jobs 1993-1995"*

9 William Lilley III and Laurence J. DeFranco *"Restaurant jobs in New York City, 1993 through first quarter 1996, and the restaurant smoking ban."*

10 Applied Economics *"Economic Impact Of The City Of Mesa Smoke Free Ordinance."*

The sales data was gathered over the period of July to August 1996 and was compared to the same two months from the previous year. The data provided by the city included all restaurants with liquor licences, bars, hotel/motel restaurants and bars, bowling centres and pool halls. There were a total of 125 businesses surveyed in the report. The study concluded that all categories of business analysed except tobacco stores and bars showed losses for the period of July to August 1996. The fact that bars did not record a loss for this period is particularly significant as the non-smoking ordinance was not to take effect in bars until September 1996 (after the dates of the study). In fact, bar sales increased by 6%; this clearly demonstrates a change in smoker behaviour brought about by the smoke-free ordinance.

The report found that sales dropped by an average of 5.2% across all establishments in July to August 1996. The report affirms that:

"this decline at the aggregate level can be attributed primarily to the impact of the smoke-free ordinance. The experience of individual establishments may have varied significantly from the average decrease. In particular, it is likely that businesses that were more dependent on alcohol sales, versus food sales, are greater than average losses."

It is interesting compare these results to the hospitality sector as a whole. Overall restaurant and bar sales increased about 2% on the previous year. However, sales for restaurants with liquor licences dropped by about 2%, illustrating the connection between the impact of smoking bans and liquor sales. It also highlights the shortcomings of any study which seeks to look at the economic impact of smoking bans on the hospitality sector as a whole. An industry wide study is likely to disguise the significant losses experienced by owners of establishments most frequented by smokers: bars and lounges, pubs and nightclubs.

San Luis Obispo, California

The city of San Luis Obispo in California imposed a ban on smoking in all enclosed public spaces late in the summer of 1990. A study by Creticos & Associates, Inc. and Northwestern University was carried out between 1990 and 1991 in the San Luis Obispo area¹¹. The study found that sales tax data from 1989 and 1990 indicated that sales in eating and drinking establishments in San Luis Obispo dropped significantly in the third and fourth quarters of 1990 when compared to the same quarters of the previous year. These losses were found to be inconsistent with trends and tax receipts in similar establishments across the state of California. They also did not match trends in sales tax receipts for other types of retail generally or in receipt for apparel and general merchandise stores.

Another key finding of the study was that there was no evidence to suggest that the revenue lost from smokers would be recouped from non-smokers.

"Although the restaurants and bars within the area affected by the ban may hope to offset their losses with non-smokers seeking a smoke-free environment, there is nothing in San Luis Obispo experience to suggest that such benefits will accrue."

11 Louis H. Masotti, Ph.D. and Peter A. Creticos "The Effects Of A Ban On Smoking In Public Places In San Luis Obispo, California"

HONG KONG

A study was carried out in 2001 by KPMG for the Hong Kong Catering Industry Association¹². In May 2001, the Hong Kong Government tabled proposals to amend the Smoking (Public Health) Ordinance. The proposals included the expansion of statutory non-smoking areas. Key features of the proposal (as they relate to the hospitality trade) were:-

- a proposed ban on smoking in all restaurants, bars, cafes and karaoke's;
- in the longer term, the ban would extend to nightclubs.

KPMG surveyed patrons of restaurants, bars, cafes and hotel food and beverage outlets to identify their current patronage and spending patterns and how these patterns may be affected if a smoking ban were imposed.

This study found that following a smoking ban patronage would change very little; however, customers spending habits would be significantly affected by the public smoking ban. The study found that customers in restaurants and bars would spend 8% less per visit and hotel F&B (food & beverage) customers would spend 20% less per visit. The overall impact would be that the average customer would spend HK\$150 less per week drinking and dining out, should there be a total ban on smoking. This would amount to a 10.6% decrease on customer spending.

The survey found that a smoking ban would have a varied effect on certain establishments in the hospitality industry. Those establishments which had greater smoker patronage would be the greatest losers.

CANADA

British Columbia

On 1st January 2000, the Workers Compensation Board of British Columbia amended its workplace smoking restrictions to include all hospitality venues in the province of British Columbia. The smoking restrictions were in effect for just over 2 months. On the 22nd March 2000, Justice Stromberg-Stein ruled that the Workers Compensation Board had failed to adequately consult stakeholders of the amendments to the workplace smoking restrictions and overturned the regulations.

The following year the Workers Compensation Board considered reintroducing the workplace smoking restrictions. Before doing so it commissioned Pacific Analytics Inc. to provide a report on what economic impacts a proposed amendment would have in hospitality businesses¹³. Despite the fact that the report was commissioned for the purposes of the Worker's Compensation Board, the report highlights a dramatic short term reduction in alcohol sales for the two months of implementation of the regulations. The study indicates that during the month of January (the first month the regulations were in force), the amendment reduced overall purchases by an estimated 12.3%:

12 KPMG "*Proposed Smoking Ban: Impacts On Hong Kong Hospitality Businesses.*"

13 Pacific Analytics Inc. "*The Economic Impacts of the Proposed Amendment to the ETS Regulation.*"

"The amendment likely reduced overall sales in the neighbourhood of \$8.25 million in the whole of the province."

The study finds a drop of 4.9% in purchases in February, this translates to a decline in sales of \$4 million. The report highlights a significant short term reduction in purchases of alcoholic goods in hotels/resorts, dining establishments and pubs.

Ontario

The Pub and Bar Coalition of Ontario released figures on the 6th August 2002, provided by the brewers of Ontario which illustrate the effects on Ottawa's hospitality industry of this smoking ban¹⁴. The ban was introduced on the 1st September 2001. Data gathered over the first 10 months of the ban illustrated an average decline in beer sales in the area subject to the ban of 10.5% when compared with the same 10 month period of the previous year. The statistics did report a 3.3% province wide average decline; however, the reduction within the areas subject to the smoking ban was more than 3 times greater. The loss to the economy of these beer sales alone was reported to be \$9.93 million. These losses did not factor in indirect losses from those industries which provide services to bar and restaurants.

Vancouver

As a result of a proposal to enact an amendment to a city of Vancouver by-law to prohibit smoking in all public places (the day proposed for application of the new ban was September 1996), a study was prepared by CCG Consulting Group Limited, Vancouver in September 1995¹⁵. The study defined the hospitality sector as consisting of 3 industries as defined by the Standard Industrial Classification Code of Canada: (1) accommodation services; (2) food and beverage services; and (3) amusement and recreation services in which food and/or beverages are served.

The study found that the intensity of response to a ban is 4 times greater among smokers than non-smokers. The study found that it would be extremely unlikely that increased non-smoker revenue would match the decrease in smoker revenue. The study anticipated a net overall reduction in annual sales revenue of \$104 million or \$69 million depending on two different sets of response assumptions. The survey estimated job losses in a range from a low of 1,937 to a high of 3,505. The study also found that 97% of revenue and job losses would occur in 5 of the total 9 hospitality categories assessed. These venues were in bars and lounges; pubs (with meals); nightclubs; fine dining restaurants and bowling, casinos, etc.

The study concluded:

"... the reaction of smokers will not only be more intense, but also more immediate. A positive response by non-smokers so they would spend more on eating and drinking outside the home would require they expend less on other services or goods in their consumer budgets. As a result, the initial short to medium term adverse impacts from the ban are likely to be larger than those estimated, as establishments undergo an absolute loss of smoking customers, that must commit time, energy and funds to new customers in a competitive environment, or induce existing non-smokers to make more frequent visits."

14 [NEED DATA FROM BREWERS OF ONTARIO]

15 CCG Consulting Group Ltd, Vancouver B.C. *"The Hospitality Sector And A Vancouver Smoking Ban."*

Ireland

BAT has commissioned a study from Ernst & Young to investigate the economic impact of the new public smoking ban on the hospitality industry within Ireland. Unfortunately, the results of that study will not be ready until the final quarter of 2004. Fortunately, there are two studies in existence which have investigated the potential economic impact and the economic impact of the public smoking ban in Ireland.

The first study was carried out by A & L Goodbody Consulting in August 2003¹⁶. The study was commissioned by the Irish Hospitality Industry Alliance. The study found:

"it is highly probable that the government's proposals will result in a fall of sales, with commensurate redundancies. The Exchequer's receipts from alcohol will fall, as will the commercial value of a large number of hospitality venues".

The study suggested that a considerable number of jobs could be lost ranging from a lower estimate of 10,700 up to a possible 64,2000. The study also predicted a compliance cost to the hospitality sector of €200m.

A more recent study has been carried out by the market research company, Behaviour and Attitudes¹⁷. The survey was commissioned by the Dublin publican representative body, the Licensed Vintners Association (LVA). The study was carried out amongst 277 pub owners/managers who represent approximately half of the Dublin trade. 63% of Dublin publicans surveyed described the smoking ban as having a major impact on their business with 55% citing a 'major decline' in trade. The survey found that the net change in turnover since the introduction of the smoking ban was a decline of 16%.

In addition, this loss of revenue was reflected in employment statistics. The Dublin licensed trade currently employs 14,000 full time and part time employees. Publicans reported numbers of part time staff employed after the ban had decreased by 19%. In combined terms, the average estimated numbers of full time and part time staff had declined by 14%. The results of the study therefore indicate that 2,000 full time and part time jobs are being lost in the Dublin pub trade alone.

Publicans are pessimistic about the future. Half of those surveyed expect a decline in turnover over the next six months, almost half of the publicans expected to decrease both full time and part time staffing over the next six month period. In response to the publication of the report, the LVA stated:

"...the smoking ban is having a disastrous impact on the majority of our members and on overall employment levels in the Dublin licensed trade."

16 A&L Goodbody Consulting "Regulatory Impact Assessment on Draft Ministerial Regulations to Ban Smoking in the Workplace, Including Hospitality Venues."

17 [NEED STUDY]

CONCLUSION

There is a significant amount of literature illustrating the negative economic impact of public smoking bans on the hospitality sector. The studies highlight the reliance the hospitality industry places upon smoker expenditure. Smokers consistently outspend non-smokers in the vast majority of hospitality venues, with bars, lounges, pubs and nightclubs the chief beneficiaries. Studies suggest that a smoker is worth 1.67 non-smokers in terms of revenue to the hospitality sector.

The imposition of a public smoking ban causes a massive decline in smoker spending. Regulators and public health authorities claim that any loss in revenue from smokers will be matched by increased revenue from non-smokers. However, the studies discussed above demonstrate that this is simply not the case. Non-smokers do not have sufficient reserves of disposable income to recompense the hospitality industry.

As a result, we continue to see large revenue and job losses in each country where a public smoking ban is introduced. Smokers are the intended target of smoking regulation; however, the true losses are the owners and employees of hospitality venues. In New York, it is estimated that there has been a loss of 2,650 jobs, \$50 million in wages and salary payments and \$71.5 million in gross state product. In Ireland, the Dublin pub trade alone has lost 2,000 jobs. Regulators have been happy for the hospitality industry to incur these losses, despite the lack of any scientific evidence that ETS poses a significant risk to health. Public health authorities continue to lobby governments to introduce further smoking bans and, if they are unsuccessful, further losses are inevitable.