

## RESPONSE TO N.S. TOURISM COALITION STATEMENT

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12 June, 2002

GPI Atlantic has just become aware of the following references to its report on *The Economic Impact of Smoke-Free Workplaces*. Quotes from the Nova Scotia Tourism Association position paper ([http://www.crfa.ca/issues/issues\\_smokingregulations\\_nsposition.htm](http://www.crfa.ca/issues/issues_smokingregulations_nsposition.htm)), are noted in italics. GPI Atlantic's response is in normal type.

GPI Atlantic wishes to emphasize that it agrees fully with the NS Tourism Coalition's emphasis on the importance of tourism to the Nova Scotia economy. In fact, GPI Atlantic reports, such as the *GPI Forest Accounts*, have highlighted and emphasized the vital importance of the tourism industry to the provincial economy, both in sales and employment. The following responses should be taken in that context.

*"N.S. TOURISM COALITION  
POSITION PAPER  
NOVA SCOTIA GOVERNMENT  
PROPOSED ANTI-SMOKING LEGISLATION  
November 20, 2001"*

*"The N.S. Tourism Coalition comprises the major tourism and hospitality associations in the province, including the Tourism Industry Association of Nova Scotia; the Canadian Restaurant and Foodservices Association; the Lounge and Beverage Room Association of Nova Scotia; the Hotel Association of Nova Scotia; Nova Scotia Regional Tourism Industry Associations; the Nova Scotia Restaurant and Foodservice Association and the Innkeepers Guild of Nova Scotia."*

According to the NS Tourism Coalition:

***"A public smoking ban will hurt Nova Scotians working in our industry.***

*The GPI Atlantic study deals with the long-term macro-economic impact of a smoking ban. However, we must not forget the impact on individual operators, particularly in certain segments of the industry. To them, the impact will be immediate and devastating and in most cases they will not survive until "the market comes back." This micro-economic impact is undeniable. Workers will lose jobs and establishments will close. It happened in British Columbia and has happened to individual operators in most jurisdictions that have introduced bans. There is no reason whatsoever to believe that it won't happen in here Nova Scotia."*

The GPI Atlantic study states explicitly that analyses of objective sales tax data prove only that aggregate hospitality industry sales are not adversely affected by smoke bans. The Tourism Coalition is correct in stating that these studies do not account for shifts within the industry (referred to by the Tourism Coalition as "micro-economic" impacts.) In other words, as the result of a smoke ban, some restaurants and bars may do better and others will do worse unless they

adapt to a large, new clientele of non-smokers. That is explicitly acknowledged in the GPI report (see for example section 6.2, page 66:)

“As noted in 5.9 above, it is proven beyond any reasonable doubt that smoking bans do not adversely affect aggregate restaurant, bar and hotel sales. Indeed, the probability that every published study analyzing verifiable sales tax receipts could be wrong is close to zero. Despite their strengths and their objectivity, however, these studies use aggregate data to assess overall business trends, but cannot reveal internal shifts in customer behaviour, nor changing sales patterns within the hospitality industry.

For that reason, any economic impact analysis of the effect of smoke-free legislation should supplement the sales tax studies with patron survey data that reveal changing customer preferences. This information can assist owners and managers in making market adjustments to adapt successfully to the smoke-free legislation, and to position themselves to take advantage of a potentially expanded client base among non-smokers.

For example, restaurant and bar owners will want to know the extent to which smokers are sufficiently inconvenienced by smoke-free legislation to alter their demand for restaurant meals and liquor, and the extent to which they adjust to the new regulations. They will also want to know the extent to which non-smokers increase their demand for restaurant meals, and the extent to which that increased demand may offset any reductions in sales among non-smokers. In addition, as the B.C. study implies (6.1 above), such shifting patterns may lead to subtle changes in *type* of consumer demand, including type of liquor consumed, and even establishment atmosphere.”

As the GPI Atlantic points out, two of the sixteen published studies that analyzed sales data before and after smoke bans indicate an immediate short-term drop in sales in the first 1-2 months following implementation of a smoke ban. However, sales quickly recover and often surpass pre-smoke ban sales, as non-smokers eat out and drink out more often, and as smokers adapt to the new rules. No published study registers a net adverse impact on sales after more than 3 months, and several studies register an increase in sales that is attributable to the smoke ban.

The fact that aggregate sales do not decline, and may increase, means that overall, a public smoking ban will not hurt Nova Scotians working in the hospitality industry. GPI Atlantic agrees with the Tourism Coalition that a public smoking ban may hurt individual operators who do not adapt to their changing clientele or circumstances. But there is no evidence to indicate that there will be any net or aggregate decline in the number of Nova Scotians working in the hospitality industry.

Since the NS Tourism Coalition is concerned about “hurting Nova Scotians working in our industry,” it is remarkable that it no mention is made of the fact that food service workers have a 50% higher rate of lung cancer than the general population. Nor is it mentioned that second-hand smoke levels in bars are 3-6 times higher than in other workplaces that do not have smoking restrictions. Nor does the coalition acknowledge that mortality rates for workers in smoking lounges, bars, restaurants, and casinos are 15-26 times higher than the “significant risk” levels of the US Occupational Health and Safety Administration. These and other data, from reputable

medical and scientific journals, should be considered by any employer concerned not to “hurt Nova Scotians working in our industry.”

*According to the NS Tourism Coalition:*

*"GPI also claims that in many cases a prohibition on smoking will increase an operator's business. Claims such as this are lunacy. Margins in our industry are razor thin at best and bankruptcies continue to soar. If increasing an operation's bottom line were as simple as going smoke free, the industry would have gone completely non-smoking a long time ago."*

GPI Atlantic does not “*claim*” that smoke bans will increase operator business. It cites highly reputable studies with impeccable methodologies, published in scientific peer-reviewed journals that *demonstrate empirically* that smoke bans may increase sales. That is rather different from a “claim.”

For example, pages 53-54 of the GPI report cite an extensive study conducted for the Massachusetts Department of Public Health. It would be hard to characterize this study and its results as “lunacy.”

“A 1997 study conducted by the Center for Health Economics Research for the Massachusetts Department of Public Health was the first to attempt a comprehensive analysis of the economic impact of smoke-free restaurant ordinances in an entire U.S. state<sup>1</sup>.... The Massachusetts study allowed the first systematic state-wide comparison of towns that adopted highly restrictive policies with those that adopted weak restrictions or none at all. Highly restrictive ordinances were classified as those that either completely eliminated smoking in restaurants, or that confined smoking entirely to separate, enclosed, and separately ventilated sections. Weak restrictions are defined as those designating a percentage of seats non-smoking.

“The researchers identified the smoking status of Massachusetts’ towns and cities representing 98% of the state’s population. The only jurisdictions omitted from the study were those that had not reported their smoking status, that did not have complete sales tax records available for the period under consideration, or that had fewer than 10 restaurants, and where confidentiality required the Massachusetts Department of Revenue to suppress data.

Inflation-adjusted taxable meal receipts data from the Department of Revenue were analyzed for 31 cities and towns that adopted highly restrictive smoke-free ordinances within a four-year time span from January 1992 through December, 1995, and for 222 control communities that had weak or non-existent restrictions. Data were analyzed for the six months immediately following adoption of a smoking ban, and for the same six-month period one year earlier, in order to control for seasonal fluctuations. Results were as follows:

“For the experimental communities as a whole [those adopting highly restrictive smoke-free ordinances], inflation-adjusted restaurant receipts were 5 percent greater in the six months following imposition of a smoke-free policy than in the same six months one year earlier, pre-ban. In contrast, there was virtually no change in sales in control communities that did not adopt smoke-free restrictions. The comparison of experimental and control communities indicates that adoption

of highly-restrictive restaurant smoking policies led to an increase of about 5 percent in restaurant receipts in the six months following the imposition of the ban.”<sup>2</sup>

These results are based on raw aggregate receipts data. The researchers then used multivariate analysis to estimate the average effect of smoke-free policies, controlling for seasonal and year effects, general economic trends, data collection methods, and other factors that vary over time across all towns. By removing the influence of these other factors, it is possible to obtain an unbiased estimate of the particular effect of smoking restrictions on restaurant sales. Three different regression models were used to assess whether results were consistent:

“All models indicate that smoke-free restaurant restrictions increased restaurant receipts in towns adopting smoke-free policies, by 5 to 9 percent. This is consistent with the descriptive results. The range of uncertainty of the estimates is 0-12 percent, indicating that the measured positive effect of smoking restrictions is unlikely to be due to random fluctuations (noise in the data). There is no support for the hypothesis that restaurant smoking restrictions reduced restaurant receipts.”<sup>3</sup>

Studies in other jurisdictions and states confirm these results, and are detailed in the GPI Atlantic report. The NS Tourism Coalition does not say why it considers such studies to be “lunacy.”

The GPI Atlantic report cites the most reputable published studies on the subject, including one in the *Cornell Hotel and Restaurant Administration Quarterly*, which concludes that New York City’s Smoke-Free Air Act did not negatively affect restaurants. On the contrary, the study found that “the increased revenue from smoke-sensitive patrons balances the decline from violators and avoiders.... Ultimately, smoke-free legislation is likely to have a positive impact on restaurant-industry revenues.... The restaurant industry collectively may experience higher revenues through smoke-free legislation.”<sup>4</sup>

Again the NS Tourism Coalition does not explain why this study, from the premier training institution for the hospitality industry, is “lunacy.” The “razor-thin margins” and “soaring bankruptcies” to which the coalition refers have nothing to do with smoke bans, and have never been empirically demonstrated to be related to smoke-free legislation.

*The NS Tourism Coalition statement continues:*

***“The GPI Atlantic report appears to be biased***

*We are business people, not scientists. However, having reviewed this report, to us it appears to be simply a compilation of every piece of evidence that its author could find to support a total smoking ban. This report is completely devoid of balance. It’s hard for us to imagine an issue in which every piece of evidence ever studied supported one side, without a single shred of evidence supporting an alternate view.”*

The Tourism Coalition produces no evidence of bias at all. It only says it is “hard for us to imagine” that all objective evidence pointing to the same conclusion.

In fact, GPI Atlantic searched extensively for *every* North American study published in peer-reviewed journals that examined objective sales data before and after smoke bans. It found 16 such studies and reported on all of them. GPI Atlantic did not know what to expect from this search. Every single one of these studies came to the same conclusion: That smoke bans do not adversely impact sales. GPI Atlantic is not the only research group to have surveyed the existing evidence and literature. Here are the conclusions of other surveys of the evidence, as cited in the GPI report:

“All the empirical evidence supports the proposition that smoke-free restaurant ordinances do not hurt the restaurant business.”<sup>5</sup>

“The conclusion of **all** published studies that used tax data in the analysis is that smoking restrictions do not impact negatively on hospitality sales and/or on employment nor on tourism activity in the long run.... The results generally are unequivocal in that the statistics indicate no negative impact on the proportion of consumer spending in restaurants.”<sup>6</sup>

Another comprehensive review of the evidence concurs:

“In one study after another, covering multiple states within the US, analysts have found no adverse effect of smoking restrictions, including complete bans, on local restaurants’ business. Indeed, several of the studies have found a tendency for smoking restrictions to increase business. Similar findings derive from analysis of the effects of smoking restrictions on bars (presumed the smoker’s sacred territory) and of the impacts of restaurant and bar restrictions on tourism.”<sup>7</sup>

The analysis notes that industry challenges to these data “have never themselves involved empirical analysis of objective experience.”<sup>8</sup>

The probability that every published study analyzing verifiable sales tax receipts could be wrong is close to zero. Are *all* these studies biased? It is incumbent on any individual or group making such a serious accusation to support that accusation with evidence, or at least to refrain from questioning the integrity of bona fide research until it can prove its claim. Every citation in the GPI report is footnoted and documented. It is not necessary for any objective observer to “believe” the GPI report. In fact, observers can check all citations for themselves.

The most rigorous of all the studies examined was an extraordinarily careful analysis conducted by the United States Department of Health and Human Services in Texas, using the highest standards of methodological integrity. The purpose of the study was to assess the economic impact of smoke-free legislation “based on the most objective, scientific evidence available” and to provide “a model for other local and state public agencies.” The study and its conclusions carry the official imprimatur of a leading U.S. government agency. It found no evidence that smoke bans decrease aggregate restaurant sales, agreeing with all other analyses of sales data before and after smoke bans.

*The NS Tourism Coalition continues:*

*"Apparently, the author of this study would have us believe that no one anywhere has ever found any evidence whatsoever that would cast any conceivable doubt as to the validity of his conclusions. Common sense tells us otherwise."*

In fact, GPI Atlantic made every effort to track down and examine evidence that "casts any conceivable doubt as to the validity" of the conclusions cited. For example, the Beverly Hills Restaurant Association (BHRA) and the California Business and Restaurant Alliance (CBRA) stated that the first 100% smoke-free restaurant ordinances in California produced a 30% drop in business. These studies are cited on page 50 of the GPI Atlantic report and elsewhere. Using these claims (never documented or substantiated), the BHRA and the CBRA succeeded in having smoke-free ordinances in Beverly Hills and Bellflower, California, repealed.

Rather than rely on "common sense," however, it is necessary to examine whether such claims are true or not. A 1994 University of California study used California State Board of Equalization sales tax data to test the BHRA and CBRA claims, and found them to be false. Indeed, evidence showed that the truth was the reverse of what had been claimed. As reported and documented on page 50 of the GPI report:

- 1) In Beverly Hills, *no* drop in restaurant sales occurred following enactment of the ordinance, let alone the 30% drop claimed. In fact, there was a slight increase in restaurant sales during the five months the by-law was in effect.
- 2) When Beverly Hills repealed its ordinance four months after enactment, *no* increase in restaurant sales occurred following repeal. In fact neither the ordinance nor its repeal had any measurable impact on sales at all.
- 3) Although the Bellflower ordinance was repealed in 1992 because of claims that business had dropped, sales tax data demonstrated that the smoke-free ordinance was actually associated with a marginally significant *increase* in restaurant sales.
- 4) After the Bellflower smoke-free ordinance was repealed, restaurant sales dropped.<sup>9</sup> Had the BHRA-CBRA argument been true, an increase in sales would be expected following repeal of both ordinances.

Later evidence found that both so-called restaurant organizations were funded by the tobacco industry and created specifically to mobilize restaurants against smoke-free ordinances.

*The NS Tourism Coalition continues:*

*"It would be virtually impossible for a layperson to analyze this report and comment on its usefulness, especially when one is faced with untraceable citations and it appears that estimates are stated as facts. These estimates are, in some cases, somehow derived from reviews of a multitude of studies. Other references quote studies that cite yet other studies. It leaves us questioning its validity."*

*We trust that the minister of health and the government of Nova Scotia are not placing all of their evidentiary eggs in this loosely woven basket."*

Which citations are untraceable? Which estimates are stated as facts? Why is impossible for a lay person to analyze the report and comment on it? What is invalid and why is it "impossible" to analyze the report? GPI Atlantic will be pleased to respond to any concrete concern of the



coalition, just as it had previously offered to sit down with tourism and hospitality representatives to review all evidence in the study (an offer that was never accepted). Instead the coalition has produced a sweeping, unsupported generalization that dismisses a careful, meticulously documented piece of research without supplying one piece of evidence to question its validity.

In fact, the GPI study contains 367 footnotes. The coalition does not need to believe GPI Atlantic, but can check any piece of evidence about which it has doubts. Every reference is traceable, and GPI Atlantic is happy to assist any coalition representative in tracing citations. In fact, GPI Atlantic did its research primarily in libraries in Halifax, especially the Dalhousie Medical Library, which stores medical journals cited in the study. Whatever evidence our researchers found can be found by anyone else. In addition we have printed out and copied most of the journal articles and citations, and we are happy to make these available to the NS tourism coalition. There is nothing “impossible” about checking references. The whole point of providing footnotes is so that objective observers can check things for themselves.

Any research basket can always be woven tighter, to use the coalition’s metaphor, and GPI Atlantic is always willing to look at and include new evidence as it becomes available. We welcome a cooperative effort with the coalition to examine all the evidence available. But that effort must include a willingness on the part of the coalition to take seriously the evidence that currently exists and that has been meticulously documented, including for example, documentation on the health impacts of second-hand smoke on its own workers.

### **Taking the High Road**

The NS Tourism Coalition’s statement does a disservice to this important industry and to its tremendous contribution to this province both now and in the future, a contribution that GPI Atlantic has publicly recognized. We suggest that the NS Tourism Coalition has missed a major marketing opportunity that could have advanced the interests of the industry, and improved prospects both for individual operators and for industry workers.

- Smoke bans are popular (76% of Nova Scotians), and protect hospitality industry employees who are most at risk from second-hand smoke. The NS Tourism Coalition could have allied itself with popular opinion in the province and taken a public stance to protect its own workers from illness and premature death.
- 97.2% of visitors to NS are from other parts of Canada and the US, where smoke-free legislation is common.
- The California Restaurant Association fully supported the smoke-free workplace law that applies to all restaurants, bars and gaming places in that state. The member organizations of the NS Tourism Coalition – the Tourism Industry Association of Nova Scotia (TIANS); the Canadian Restaurant and Foodservices Association; the Lounge and Beverage Room Association of Nova Scotia; the Hotel Association of Nova Scotia; Nova Scotia Regional

Tourism Industry Associations; the Nova Scotia Restaurant and Foodservice Association and the Innkeepers Guild of Nova Scotia – could have made a similar choice.

- Here is one response to a TIANS survey on smoke-free legislation that indicates a choice the coalition could have made: **“Why not take the high road and promote NS as a healthy, trend-setting, visionary, smoke-free environment – a marketing opportunity for the new century and new generation of visitors?”**

GPI Atlantic remains willing at any time to sit with tourism coalition representatives to review any and all of the evidence on this important subject, and to make materials available to the coalition for its own examination.

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<sup>1</sup> Pope, Gregory, and Bartosch, William (1997), *Effect of Local Smoke-Free Restaurant Policies on Restaurant Revenue in Massachusetts*, Center for Health Economics Research, submitted to Massachusetts Department of Public Health, April 22, 1997.

<sup>2</sup> Ibid., page 3.

<sup>3</sup> Ibid., page 4.

<sup>4</sup> Corsun, David, Cheri Young, and Cathy Enz (1996), in *Cornell Hotel and Restaurant Administration Quarterly*, April, 1996, page 30.

<sup>5</sup> Glantz, Stanton and Charlesworth, Annemarie (1999), “Tourism and Hotel Revenues Before and After Passage of Smoke-Free Restaurant Ordinances,” *Journal of the American Medical Association*, 281 (2), May 26, 1999, page 1911.

<sup>6</sup> Pacific Analytics, (2001), *The Economic Impacts of the Proposed Amendment to the ETS Regulation*, Prepared for The Workers Compensation Board of British Columbia, February, 2001, pages 2 and 3 (emphasis in original text).

<sup>7</sup> Warner, Kenneth, (2000), “The economics of tobacco: myths and realities,” *Tobacco Control* 9: 78-89, page 80, with reference to Alberta Tobacco Control Centre, *The economic impact of smoke-free restaurant bylaws*, Alberta, June 22, 1999.

<sup>8</sup> Warner, op. cit., page 81.

<sup>9</sup> Glantz, Stanton, and Lisa Smith (1994), “The Effect of Ordinances Requiring Smoke-Free Restaurants on Restaurant Sales”, *American Journal of Public Health* 84 (7), July, 1994, pages 1081-1085.