

ECONOMIC CONSEQUENCES OF A FULL SMOKING BAN ON NORTHERN IRELAND'S LICENSED TRADE

INTRODUCTION

The FRLT represents around 1,200 licensees in Northern Ireland – mostly pubs, bars and hotels, but also a number of restaurants and off-licences - in all around 75% of the licensed trade in Northern Ireland. Approximately 20,000 people are employed in our members' premises either full- or part-time and we are a major contributor to the economy of Northern Ireland.

We welcomed the Minister's statement, in June 2005, that he was to investigate the economic effect a full smoking ban would have on Northern Ireland's licensed trade. As the organisation which represents the majority of Northern Ireland's licensed trade, and which has close links with the trade elsewhere, we are in a unique position to put the economic case from those most affected on the ground.

This submission contains the following –

1. Effect of a ban in the Republic of Ireland
2. Effect of a ban in New York
3. FRLT members' views on the effect of a full ban in Northern Ireland
4. Other options, including ventilation
5. Environmental Tobacco Smoke
6. European comparisons
7. Other, unintended consequences of a full ban
8. Registered clubs
9. Summary

1. REPUBLIC OF IRELAND

There have been wildly varying statistics presented regarding the economic effect of the smoking ban in the Republic of Ireland, ranging from those bars which have had to close because of a downturn in business too large to make business economically viable, to the pro-ban lobby which states that overall business has not been affected at all. It is worth noting that, if the industry had evidence or experience to point to a nil economic effect on their businesses, all would voluntarily introduce a full smoking ban immediately and that any opposition to, or criticism of, the ban in the Republic by the licensed trade would cease. **Neither** has happened.

No-one likes second-hand smoke – not even smokers like sitting in a smoky atmosphere. It is because pubs have seen what has happened to the trade in the Republic that they fear a full ban, and believe that a full ban is unnecessary because of other, more proportional, steps that could be taken instead.

Given the interests of the various groups in commissioning studies to support their own propositions, we note the results of the Republic's government Office of Central Statistics. This should be regarded as an **independent** source, and certainly not one that is biased in our favour.

Retail Sales Index (Base 2000=100) by NACE Group, Month and Statistic (Source CSO)

| Average month (year from April) | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 |
|--|--------------|--------------|--------------|--------------|--------------|
| All businesses excluding motor trade | 101.8 | 111.0 | 115.2 | 119.2 | 124.2 |
| Bars | 101.0 | 105.4 | 109.2 | 110.0 | 106.5 |
| Difference (bars vs all businesses) | -0.8 | -5.6 | -5.9 | -9.2 | -17.6 |

The table above shows how sales have changed from 2000 for all businesses and for bars with the index set at 100 in the year 2000. The table shows steady growth for both bars and wider businesses with the difference that after the ban sales in bars declined whilst the rest of the economy continued to expand. The lag in performance for bars vs the rest of the industry almost doubled to 17.6% after the ban as compared to the previous year. Set against the average of the previous four years (5.4%) it more than trebled.

The CSO employment data shows the effect even more clearly. The following are the indices of sales versus the same period in the previous year (to avoid seasonality distortions).

Employment and Unemployment (ILO) '000s

| | Hotels and restaurants | Total commercial | Hotels and Restaurants vs other commercial |
|------------------|---------------------------|---------------------|---|
| 2002Q1 | 2.2% | 1.1% | 1.1% |
| 2002Q2 | 0.4% | 0.2% | 0.2% |
| 2002Q3 | 1.0% | -0.5% | 1.4% |
| 2002Q4 | 3.4% | -0.6% | 4.0% |
| 2003Q1 | 2.4% | -0.1% | 2.5% |
| 2003Q2 | 9.8% | 0.5% | 9.3% |
| 2003Q3 | 6.5% | -0.2% | 6.7% |
| 2003Q4 | 3.5% | 1.2% | 2.3% |
| 2004Q1 | 2.8% | 2.2% | 0.6% |
| 2004Q2 | -5.8% | 2.4% | -8.2% |
| 2004Q3 | -6.1% | 3.4% | -9.5% |
| 2004Q4 | -2.4% | 3.8% | -6.2% |
| 2005Q1 | -0.7% | 4.0% | -4.7% |
| Pre-ban average | 3.6% | 0.4% | 3.1% |
| Post-ban average | -3.8% | 3.4% | -7.2% |

This table shows that employment in the hospitality industry (here called 'hotels and restaurants') increased steadily for all of the nine quarters preceding the ban and then declined for all of the four quarters reported following the ban. This was at a time that employment in the commercial sector of the economy continued to grow steadily. The only significant difference was the imposition of the smoking ban. In the nine quarters before the ban the average growth in employment was 0.4%, for hospitality 3.6% - a gap in hospitality's favour of 3.2%. In the four quarters after the ban the average growth in employment was 3.4%, and the average **decline** for hospitality 3.8% - a gap of 7.2% against hospitality - an overall decline in overall employment performance of over 10%. This loss of sales and jobs has been mirrored in business closures.

The Vintners Federation of Ireland, which represents around 9,000 pubs outside Dublin, states that the smoking ban has led to "*significant closures and significant losses*". The VFI believes that between 400-500 pubs have closed since the ban – for many, the ban was the last straw.

The businesses which have been badly affected have had to lay off staff, close altogether, or move to reduced opening hours. Many publicans have taken second jobs to make up their income from the downturn/reduced hours. For example, the Vineyard Bar in Cork, whilst previously open during the day for drinks, snacks and coffees, now doesn't open until 5pm. Other examples include –

- Harry's Bar & Restaurant, Bridgend – trade decimated because of proximity to the border and customers have voted with their feet

- Mary Deeneys, Muff – up for sale because of the ban (trade down 60%)
- Ferryport Bar, Greencastle – trade down 50%, daily ferry service to Magilligan “thriving”
- Village Tavern Court Hotel, Kilmacrennan – closing because of downturn in business since the smoking ban
- Miscins Pub, Kiloogy – invested heavily in ventilation, now obsolete, as did Corrigan’s Kitchen, Castleblaney
- O’Neills, Athlone – trade down 40% - “landlocked” pub with no outside area
- Hook Reilly, Althlone – opens only 25% of the time now
- Pubs in Bawnboy, Ballyconnell, Belturbet Co Cavan – fishermen from England, Scotland and Germany don’t come any more
- Kieran’s Bar, Ballybay – doesn’t open during the day
- Ballymote, Co Sligo – 2 out of 9 pubs have closed this year
- The VFI regional representative for Cork/Kerry has a list of 95 pubs which have closed in Cork since April 2004, and 21 in Kerry and believes there to be more. He says that 98% of his publicans complain of a loss in business of anything between 15-35% since the introduction of the ban.

The list could go on and on. These are real businesses which have been affected – and it is well known that many pubs in the Republic, despite outward compliance with the ban, now allow smoking later in the evening in order to stay in business.

Our previous submission made reference to the VFI members’ survey in January 2005 which found that customers were drinking more at home, visits to pubs by regulars had decreased and that only 7% had experienced any new trade as a result. These are the underlying causes of these losses of jobs and livelihoods. They also underline the ‘hidden cost’ of the ban in increased uncontrolled drinking and smoking at home.

To end on a word of caution – some hospitality associations in the Republic have recently started to state publicly that their businesses have not suffered as much as they had first thought. Please bear in mind that these associations have much more to gain from a blanket ban in Northern Ireland and this noticeable shift comes from a desire to, as they would see it, reduce the competitive advantage of businesses in the North.

Aside from the impact on our industry it is worth noting that far from being a major public health success, it appears that very little has changed in the numbers of smokers or the amount that they smoke. The much heralded decline in tobacco sales in the 6 months after the ban of 16% has now been reversed, and sales in the following 6 months increased by 14%.

There has been a similar picture in Norway when, in the year following the ban, the incidence of daily smokers aged 16-24 actually increased by 0.9%,

according to official government figures
(<http://www.ssb.no/vis/english/subjects/03/01/royken/main.html>)

2. NEW YORK

Many who support a full ban point to the so-called up-turn in trade in New York following the ban, compared to the year before the ban. However, any increase (usually put at around 8%) has to be seen in context. The hospitality industry in New York was devastated in the year following the 9/11 Twin Towers atrocity – it is therefore not surprising that in the year following, as tourism and confidence started to pick up, that the hospitality sector saw an increase. But the increase was an increase from an extremely low, and unnatural, base – not the natural base.

I have attached (Appendix I) a list of real businesses which have been affected by the ban. The information comes from the New York Nightlife Association and gives details of some 155 businesses, their loss of business since the ban, and whether they have closed. Most revealing are the quotations from the owners. Typical of the comments is this from the Amherst Bowling Centre, Buffalo which is now closed – *“Out of business, laid off 35 employees ... went from making a steady living for 24 years to losing about \$100,000/year compliments of the ban. The government figures are lies. Tell your friends who own bars that if the ban goes in they might as well pack up and leave”*.

Also attached (Appendix II) is a report from Ridgewood Economic Associates, prepared in May 2004, 10 months after the ban came into force. It shows that the New York State smoking ban had a *“dramatic negative impact on the bar and tavern business and related businesses. The total economic impact is –*

- *2650 jobs*
- *\$50 million in worker earnings*
- *\$71.5 million in gross state produce (output)”*

3. FRLT MEMBERS' VIEWS

The Federation recently carried out a survey to ascertain its members' views on the effect a full smoking ban would have (Appendix III). We had responses from all over Northern Ireland and the main findings were as follows –

- Only 14% of our members supported a full ban.
- For most bars, smokers still make up the majority of customers and regular customers, with 65% of members stating that at least half of their **regular** customers are smokers and 58%, at least half of all their customers are smokers. More than 1 in 5 states that at least 75% of their regular customers smoke.
- The vast majority of premises (83%) have at least 2 rooms; in fact, 45% have 3 or more rooms which suggests that separate smoking

rooms would be deliverable by the vast majority of premises. This was supported as an alternative to a blanket ban by 62% of our members.

- Just under half (48%) of those which replied serve food.
- Only 1% of our members (including the restaurants which replied) think that sales will increase if there is a blanket ban and 3% would expect more customers. In contrast, 86% believe their businesses would decrease in the event of a blanket ban, and 84% believe that their customer numbers would decrease.
- 27% say that they would have to contract the business in the event of a full ban (10% say they would expand – these tend to support a full ban, serve food, have a high turnover from food, have outside areas and fewer regulars who smoke)
- 62% say that they would lay off staff (2% say they would take on staff)
- Notably, 15% state that they would shut the pub

These are the economic realities of a blanket ban; having talked to their customers and staff, and seen what has happened in the Republic, most licensees are fearful for their businesses' futures.

We know that there are members who have tried banning smoking (for example, Flamin' Jack's in Derry and Bentley's in Holywood – Flamin' Jack's stopped after 6 months of losses and Bentley's has just changed hands – the owner blamed the no smoking policy as to why he had to sell). It is also notable that Wetherspoons, which voluntarily introduced a ban in 11 of its 655 bars, has recently directly attributed a 7% reduction in turnover and drop in profits at those venues to the smoking ban. The venues saw a reduction in drinks sales at those venues but an increase in food sales. However, the higher staff costs and lower margins on food led to an overall reduction in turnover and drop in profit.

In addition to this, our staff want compromise – they have seen the job losses in the Republic and do not want to follow suit. They undoubtedly want and deserve improvements and a better working atmosphere, but want to see this introduced by way of compromise – restrictions on smoking areas and the better use of ventilation. A survey of bar staff reported in The Publican Newspaper in July 2005 showed that only 10% favoured a complete ban, whilst 76% favoured non-smoking areas. 90% believed that effective ventilation could play a similar role in managing smoke.

We believe that these views have much more relevance than the politically motivated comments of some unions with little or no involvement or membership in our members' premises.

The union Mandate in the Republic claimed to represent bar workers and supported the ban. In fact, they represent only around 5% of bar workers based in Dublin and none outside Dublin. This is similar to the TGWU in

Northern Ireland – it claims to speak for bar workers but, we believe, represents a few dozen in Belfast at best. Even a Mandate representative (at a recent Health Promotion Agency event – Park Plaza Hotel, 20 September 2005, “Smokefree Debate”) acknowledged that there has been a huge effect on bars outside Dublin, but that the ban has affected Dublin less. This is in line with our understanding of the position in the Republic. He also stated that, outside Dublin, the ban was widely flouted late at night.

4. OTHER OPTIONS

In our previous submission we proposed that a reasonable compromise would be –

- Smoking should be banned at all bar counters
- Smoking should be banned in at least 50% of any food service area
- Every hospitality venue should have one or more non-smoking areas comprising at least 50% of the indoor area
- Those who invest in effective ventilation systems (licensed and checked) for the benefit and comfort of staff should be subject to more flexible controls
- Further changes to be agreed 2 years after implementation between the government and industry in the light of altered circumstances

We still believe that an outright ban is out of all proportion to the scale of the problem.

We believe that simple, low-cost ventilation is a viable option, despite the many claims to the contrary about the need for “hurricane force” ventilation (this gives a measure of the hysterical nature of claims being made). The “hurricane force” statement is actually a sound-bite from an American physicist (James Repace) as part of a commercial and non-peer reviewed study. As an award-winning anti-tobacco campaigner his objectivity is as open to question as his science.

We set out our views on our previous submission (Appendix IV) and stand by them. A system of Workplace Exposure Limits is already in place for workers in all industries. Many of the constituents in ETS are included and we believe that workers in our industry should be treated the same as workers in any other. If the exposure breaches the WEL’s then corrective action should be taken. If not then the business should be able to continue with its lawful business uninterrupted.

We are installing such a simple pub system in a typical city centre bar to show just how effective this, in combination with no-smoking areas, can be. Full results will be sent to you within the next few weeks, and we urge you to take cognisance of them and to participate in the tests to ensure that all of your concerns are met in the methodology and reporting.

When asked in our members’ survey, 80% of members put a ventilation option as their first or second preference. All they ask for is the choice – as we see, for example, in Italy and Sweden.

5. ENVIRONMENTAL TOBACCO SMOKE

As we stated in our previous submission – so-called “evidence” of the dangers of environmental tobacco smoke (“passive smoking”) is often reported in clear and sensational terms, **but the facts remain inconclusive**. I will not repeat our submission here, but attach the relevant section (Appendix V). The main points are –

- (a) Even the highest relative risk figure quoted by SCOTH of 1.24 is at a level which, in all other cases, is regarded as a statistically weak association.
- (b) The Jamrozik study, published in March 2005, which was widely quoted as providing “evidence” for the need for a ban on smoking in public places, put 94% of exposure to ETS in the home, 6% in the workplace and, of that, only 0.5% in the hospitality sector.
- (c) Incredibly misleading figures have been quoted – for example, that a bar worker inhales the equivalent of 10 cigarettes during a shift. These have absolutely no basis in fact and come from a widely discredited report from James Repace. This report was heavily relied on by the government in the Republic of Ireland but has now been accepted as flawed (also see comments above). I have previously provided Mr Jim Gibson at the Department with full details about the report.

We fully accept and agree that there is a need to minimise involuntary exposure to ETS. However, the available evidence does not make a case for the need for a full ban. We can get rid of the smoke, and satisfy both non-smokers, smokers and staff with a range of policies including no-smoking and ventilation.

6. EUROPEAN COMPARISONS

We are members of the European Union and, with the advent of low-costs air flights, it has never been easier for us to travel to Europe or for “Europe” to come to us – something which DETI’s Air Route Development Fund has been instrumental in assisting. As founder and board members of the Northern Ireland Tourist Industry Confederation, we fully understand the need to attract tourists to NI – it is the one industry which is truly underdeveloped and which has the potential for huge growth. However, when travelling to Europe it is clear what mainland Europeans want from their hospitality venues – somewhere to smoke. This is demonstrated by the approach that our European partners have taken when introducing smoking legislation. In the year to May 2005, 16 European countries have introduced legislative restrictions on smoking, and only Norway and Ireland (and Scotland next year) have gone for a full ban in all hospitality venues. Everywhere else, whilst introducing protections and improvements for staff, have recognised the special position of hospitality. The situation in Europe is as follows –

| OPTION TAKEN | STATUS | COUNTRY |
|-----------------------------|--------------------|---|
| Hospitality self-regulation | Agreed | Germany Netherlands Austria |
| Separate areas | Enacted | Belgium Cyprus Czech Republic Estonia France Latvia Lithuania Slovakia Slovenia |
| Ventilated smoking rooms | Enacted | Italy Malta Sweden |
| Hospitality exemptions | | Greece Hungary Poland Finland Spain |
| Total smoking bans | Enacted Planned | Norway Republic of Ireland Scotland |

The situation and different approaches is well-illustrated in the map below -



Northern Ireland's tourist industry is fragile – we are beginning to make strides but it is by no means yet embedded. We have got to give our tourists what they want if we are to compete internationally and recognise our full potential.

7. OTHER, UNINTENDED CONSEQUENCES

Again, we went into significant detail on this in our original submission. The main points are –

- There will be an increase in uncontrolled at-home drinking and smoking. This is borne out by the figures from the Republic where sales in the off-trade have increased and the on-trade has declined. We believe that this will lead to even more exposure of ETS in the home environment where children are. As we have stated, cigarette sales in the Republic have not decreased significantly, so people are still smoking – but they are now having to smoke at home. 75% of members responding to our survey believed that there would be more smoking at home, and 88% believed that there would be more at-home drinking.
- Like it or not, many towns and therefore pubs in NI are still polarised by religious divides. We firmly believe that sending people out onto the street to smoke will lead to trouble in certain areas and this will further pressurise an already stretched PSNI. Almost half of those responding to our members' survey believed that a full ban would increase trouble outside pubs.
- Having crowds of smokers huddled around pub doorways is not only unpleasant for the smokers, it is intimidating and unpleasant for passers-by. 66% of respondents to our members' survey stated that they believed that a ban would increase noise outside premises.
- It is unlawful to take drinks outside licensed premises unless the outside is licensed. There are very few outside licensed areas in NI. This will mean that people won't be able to take their drinks with them and those drinks will be left unattended. We have spent years telling girls especially not to leave drinks unattended – but this is now exactly what we are proposing should happen.

8. REGISTERED CLUBS

At present, Registered Clubs are not included in any proposed arrangements. We believe that this is illogical and anti-competitive. Registered clubs are a real competitive force to pubs and, with the difficulties in and lack of enforcement, many of them now act as quasi-pubs, employing professional managers and staff, opening restaurants and bars and functions to members of the public. If clubs employ staff, they should be subject to the same stipulations as pubs.

If they were to be given the preferential decision on whether or not to ban smoking, their competitive disadvantage would be enormous and it would be the end for many pubs in Northern Ireland. How could they possibly compete? The Government would certainly be open to challenge and,

indeed, in Scotland, the Executive has now decided to subject the clubs to the same rules as pubs.

9. SUMMARY

In conclusion, we fully accept that controls are necessary, but we submit that these must be proportionate. The desire to provide a smoke-free workplace for bar staff can be achieved through the use of no-smoking areas and ventilation; indeed, why not give staff the choice? The economic effect of a blanket ban would be huge and negative. It would put many pubs out of business, put many staff on the unemployment register and damage the cohesion for many local communities – for many, the pub is the only place to socialise or have company.

We need to get a sensible balance between improving conditions for staff and customers and carrying on business and we believe that a workable and enforceable compromise can be reached.

We would be delighted to work with the Department in drawing up workable proposals for the economic benefit of all which could then be reviewed regularly as situations, and smoking habits, change.