The Economics of Tobacco Control:

Smoke-Free Air Policies and Tobacco Taxes

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Overview

- More about “Myths and Facts” about the “economic costs” of tobacco taxation and tobacco control
- Brief overview of smoke-free air policies in the US
- Discussion of the costs of smoking to businesses
- Review of evidence on the economic impact of smoke-free policies

Tobacco Taxes and Tobacco Use

- Higher taxes induce quitting, prevent relapse, reduce consumption and prevent starting.

- Estimates indicate that 10% rise in price reduces overall cigarette consumption by about 4%

- About half of impact of price increases is on smoking prevalence; remainder on consumption by smokers

- Young people and those on low incomes most responsive to tax and price increases

- Use of revenues to support comprehensive tobacco control efforts adds to impact of tax increases

Myths About Economic Impact of Tobacco Taxation and Tobacco Control

- Impact on Revenues?
- Impact on Jobs?
- Impact on Tax Evasion/Avoidance?
- Impact on the poor?

Reality is that tobacco control is one of the "best buys" among health and public health interventions

Myths About Economic Impact of Tobacco Taxation and Tobacco Control

- Impact on Revenues?

Myth: Government revenues will fall as cigarette taxes rise, since people buy fewer cigarettes

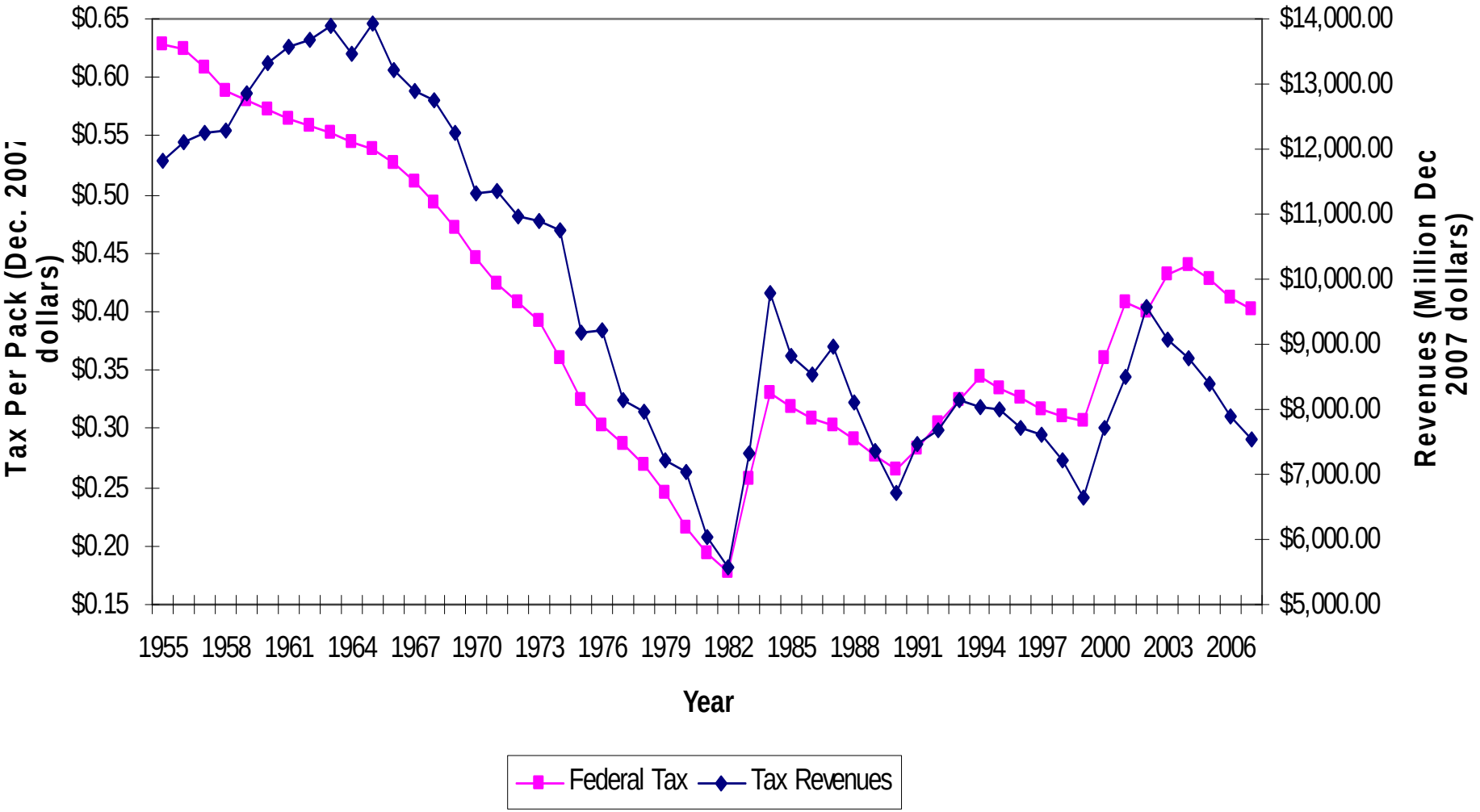
Truth: Cigarette tax revenues rise with cigarette tax rates, even as consumption declines

• With one exception, every significant increase in federal and state cigarette taxes has resulted in a significant increase in cigarette tax revenues

Sources: Sunley, *et* al., 2000; World Bank, 1999; Farrelly et al., 2003

Federal Cigarette Tax and Tax Revenues

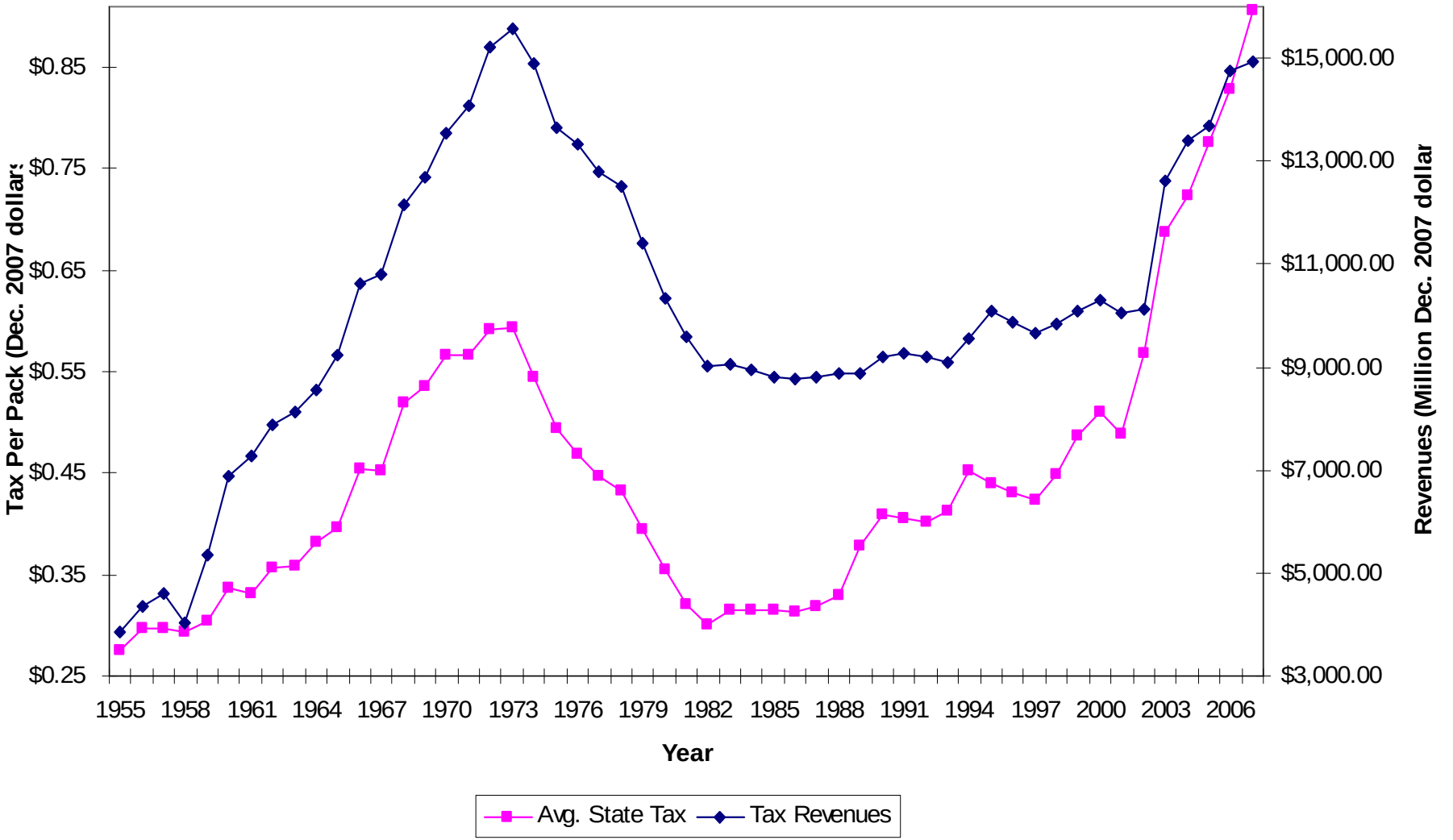
Inflation Adjusted (Dec. 2007 dollars), 1955-2007



Source: *Tax Burden on Tobacco*, 2007, and author's calculations

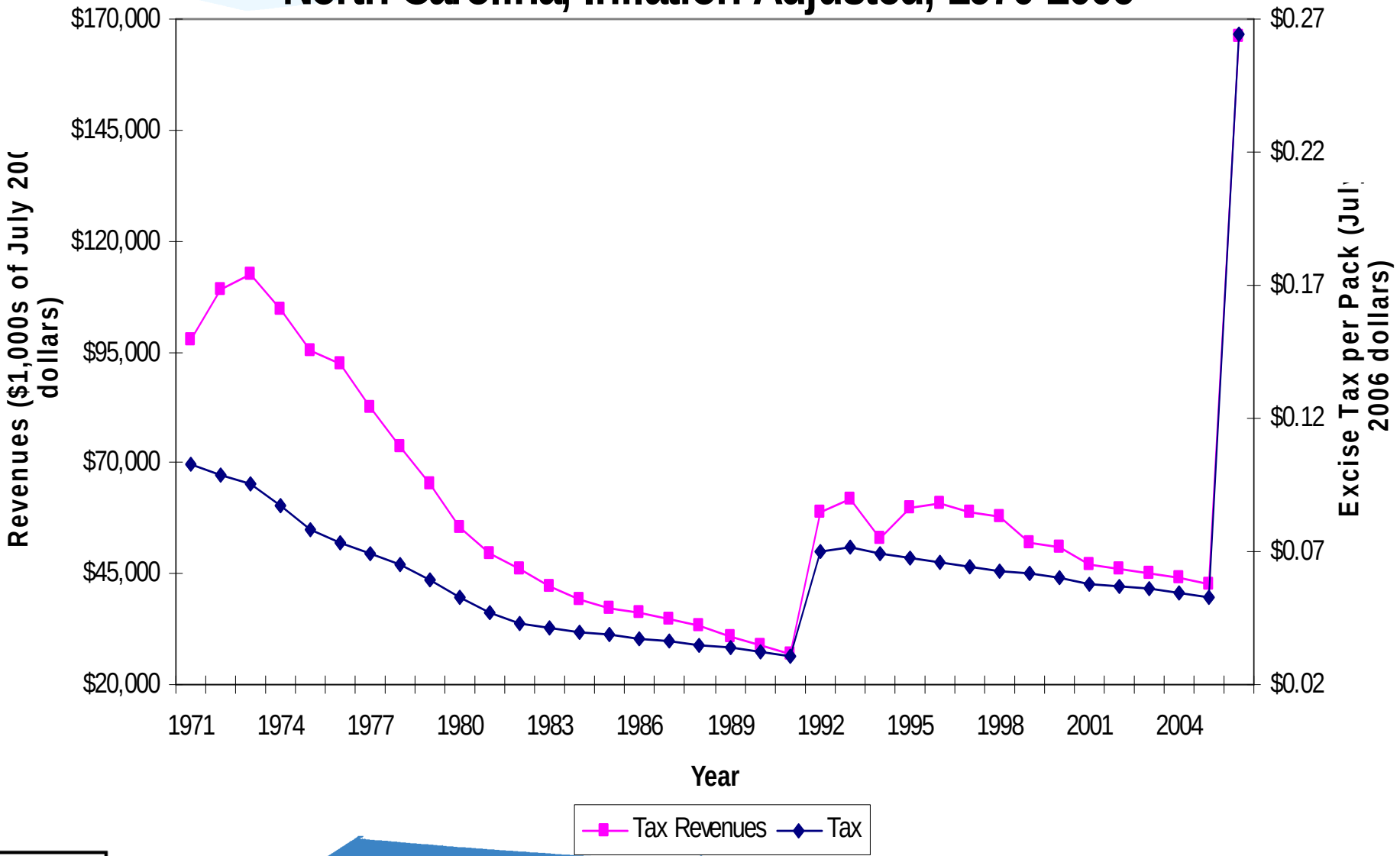
State Cigarette Taxes and Tax Revenues

Inflation Adjusted (12/07 dollars), 1955-2007



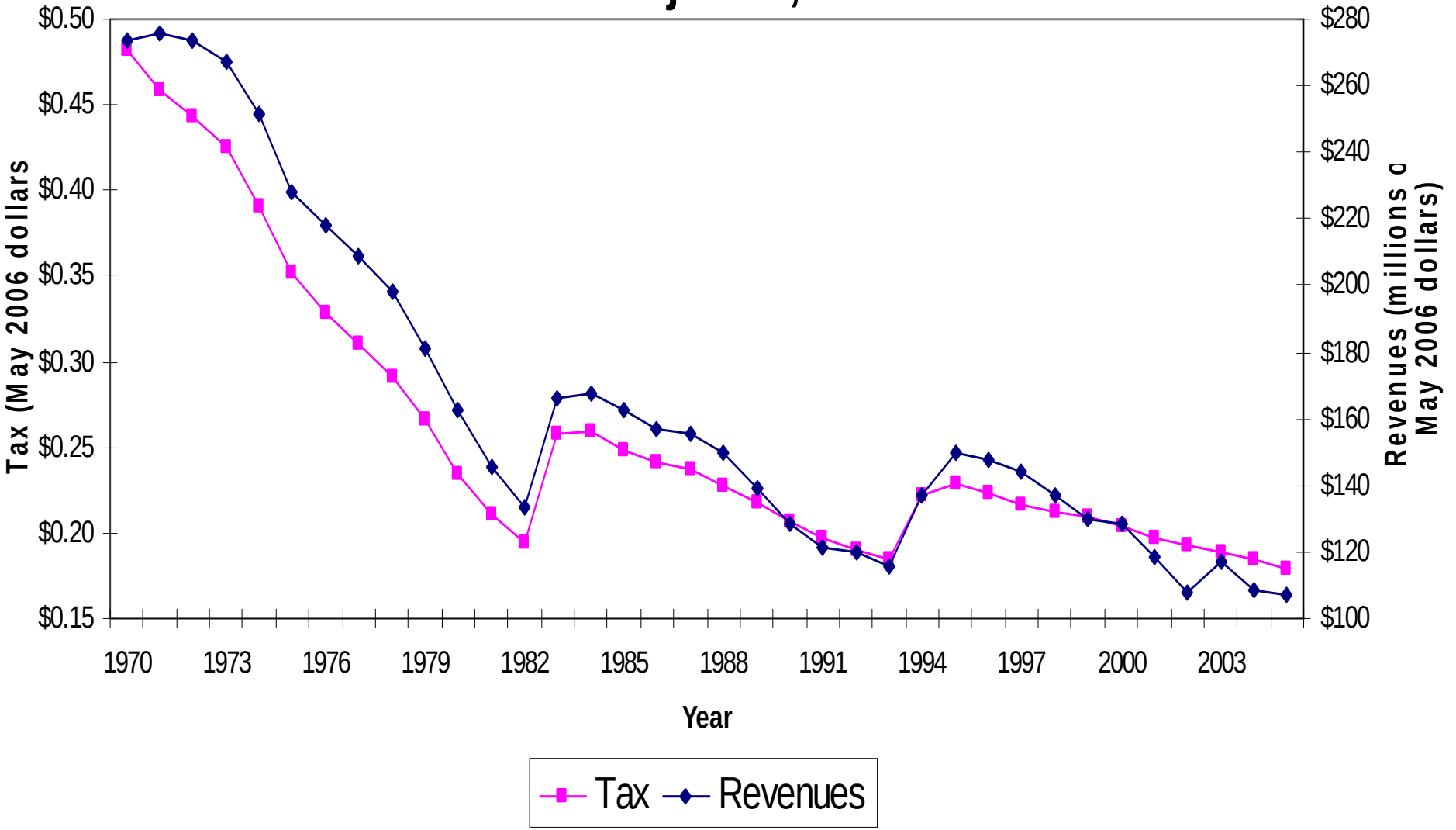
Source: *Tax Burden on Tobacco*, 2007, and author's calculations

Cigarette Excise Tax and Excise Tax Revenues, North Carolina, Inflation Adjusted, 1970-2006



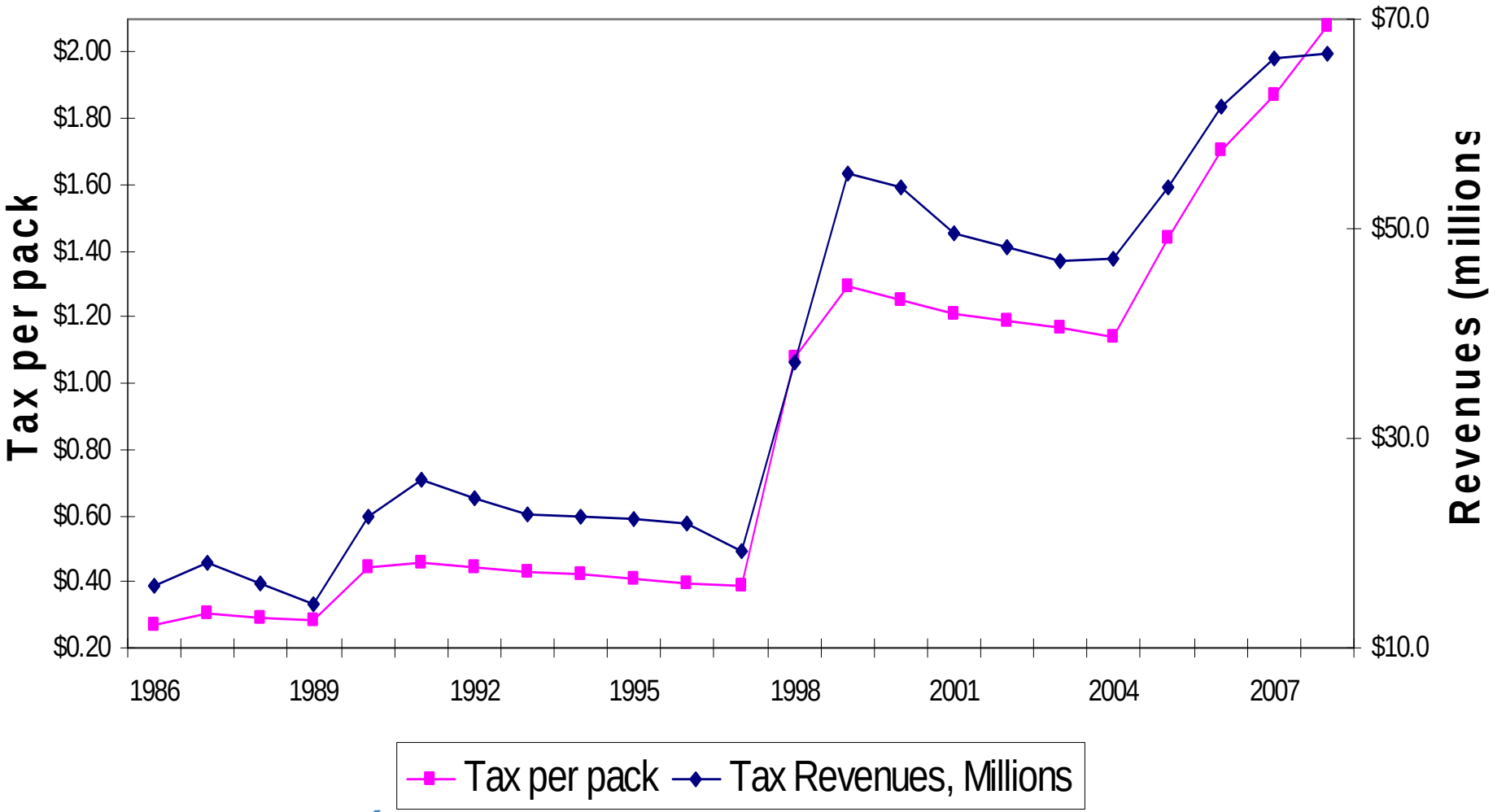
Source: *Tax Burden on Tobacco*, 2007, and author's calculations

Missouri Cigarette Tax and Tax Revenues, Inflation Adjusted, 1970-2005



Source: *Tax Burden on Tobacco*, 2007, and author's calculations

Cigarette Tax and Tax Revenues, Alaska Inflation Adjusted (2/09 $s), 1985-2008



Source: *Tax Burden on Tobacco*, 2009, and author's calculations

Positive Effect of Tax Increases on Revenues Results from:

Low share of tax in price:

- state taxes account for less than 20% of price
- total taxes account for just over 25% of price
- *Implies large tax increase has much smaller impact on price*

Less than proportionate decline in consumption:

- 10% price increase reduces consumption by 4%

Positive Effect of Tax Increases on Revenues Results from:

- *Example:*
  - Price $4.00, State tax $1.00
  - Doubling of tax raises price to $5.00
    - 100% increase in tax
    - 25% increase in price
  - 25% price increase reduces sales by 10%
    - *90% of original sales at double the tax increases revenues by 80%*

Sustainability of Cigarette Tax Revenues

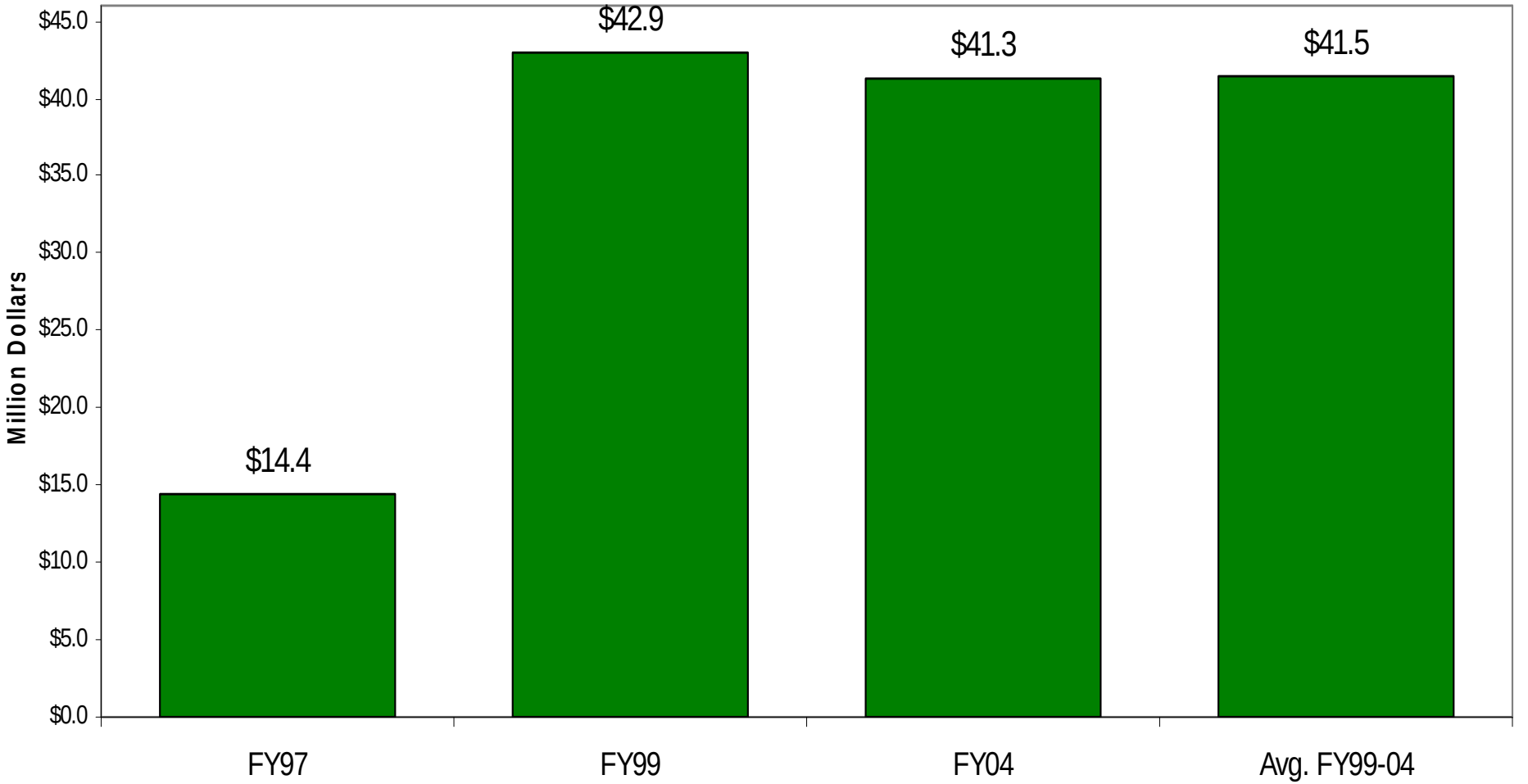
Some suggest increases in revenues won't be sustained over time as consumption declines, tax evasion increases

- Looked at significant state tax increases over past 15 years where increase was maintained for at least 5 years
  - Separately for states with major tobacco control programs

Sustainability of Cigarette Tax Revenues

- *Conclusions:*
  - All significant state tax increases resulted in significant increases in state tax revenues
    - Nominal increases in revenues sustained over time in states without tobacco control programs
    - Nominal revenues decline in states with tobacco control programs, but are significantly higher than before tax increase
      - Additional cost reductions due to declines in smoking
  - Tobacco tax revenues more predictable than other revenues

Cigarette Tax Revenues, Alaska, Various Years



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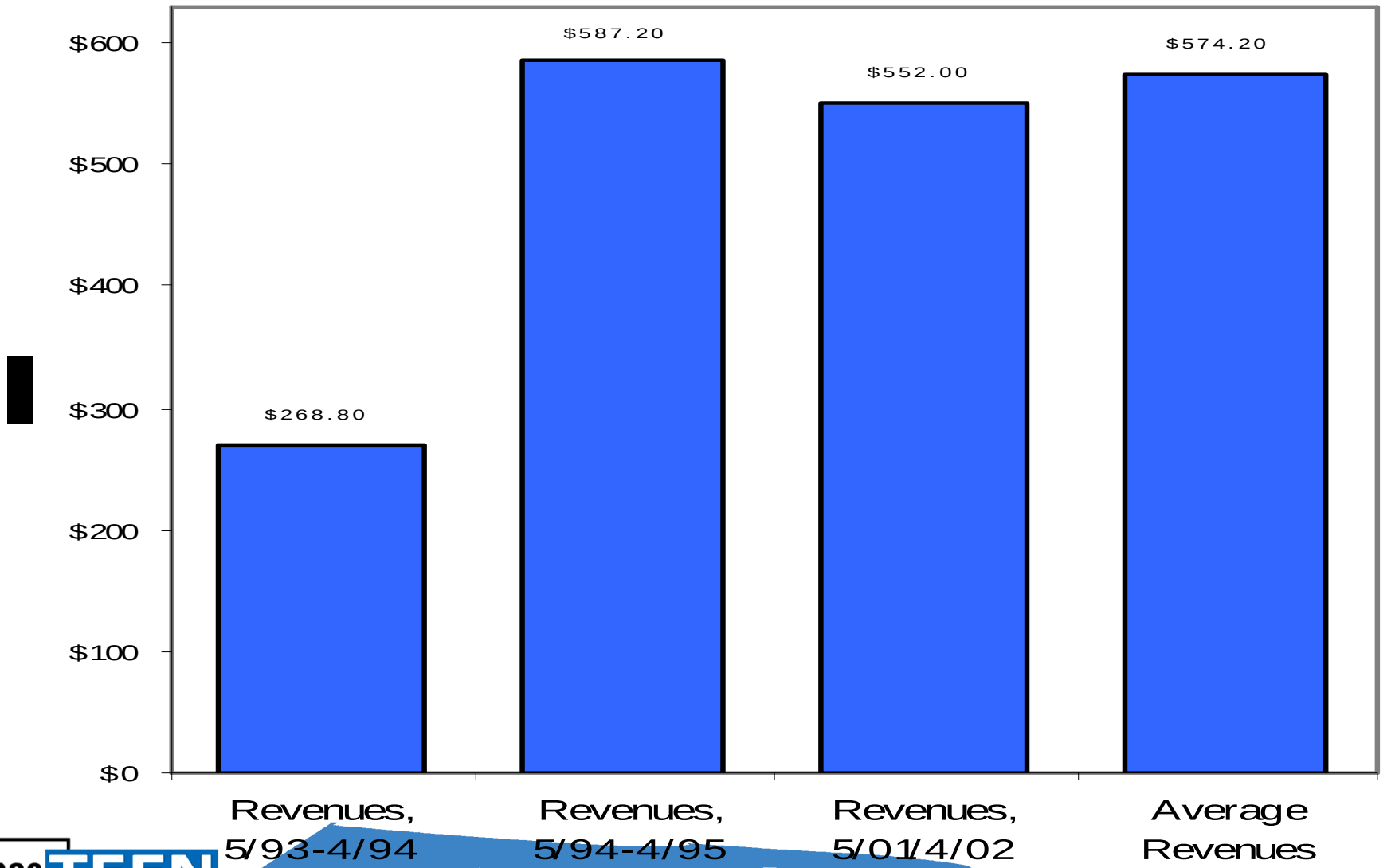
29 cents to $1.00 on 10/1/97; to $1.60 on 1/1/05

Cigarette Excise Tax Revenues, Michigan
25 cents to 75 cents, 5/1/94



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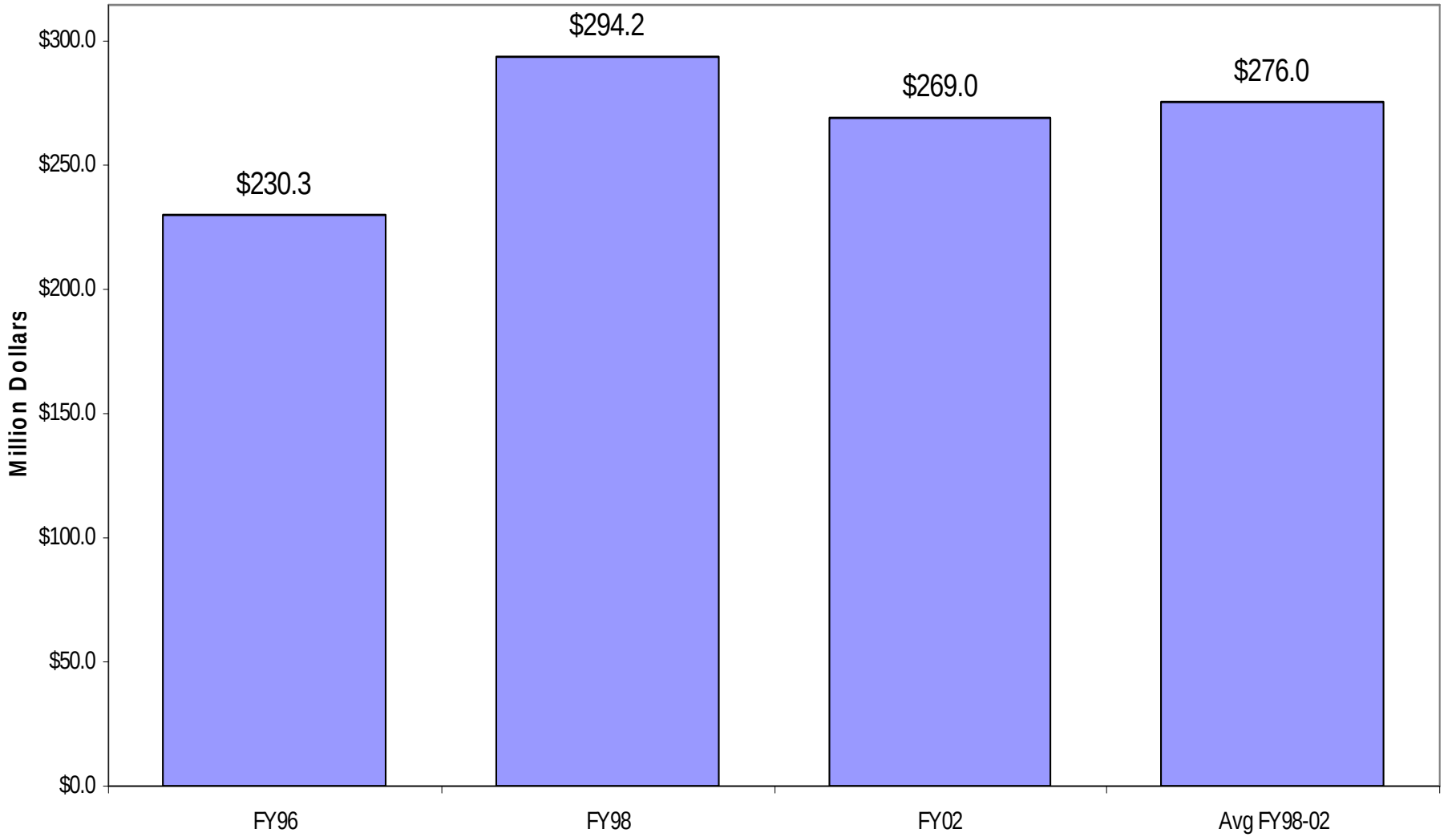
Cigarette Tax Revenues, Massachusetts, FY1996-FY2002
51 cents to 76 cents per pack, 10/1/96



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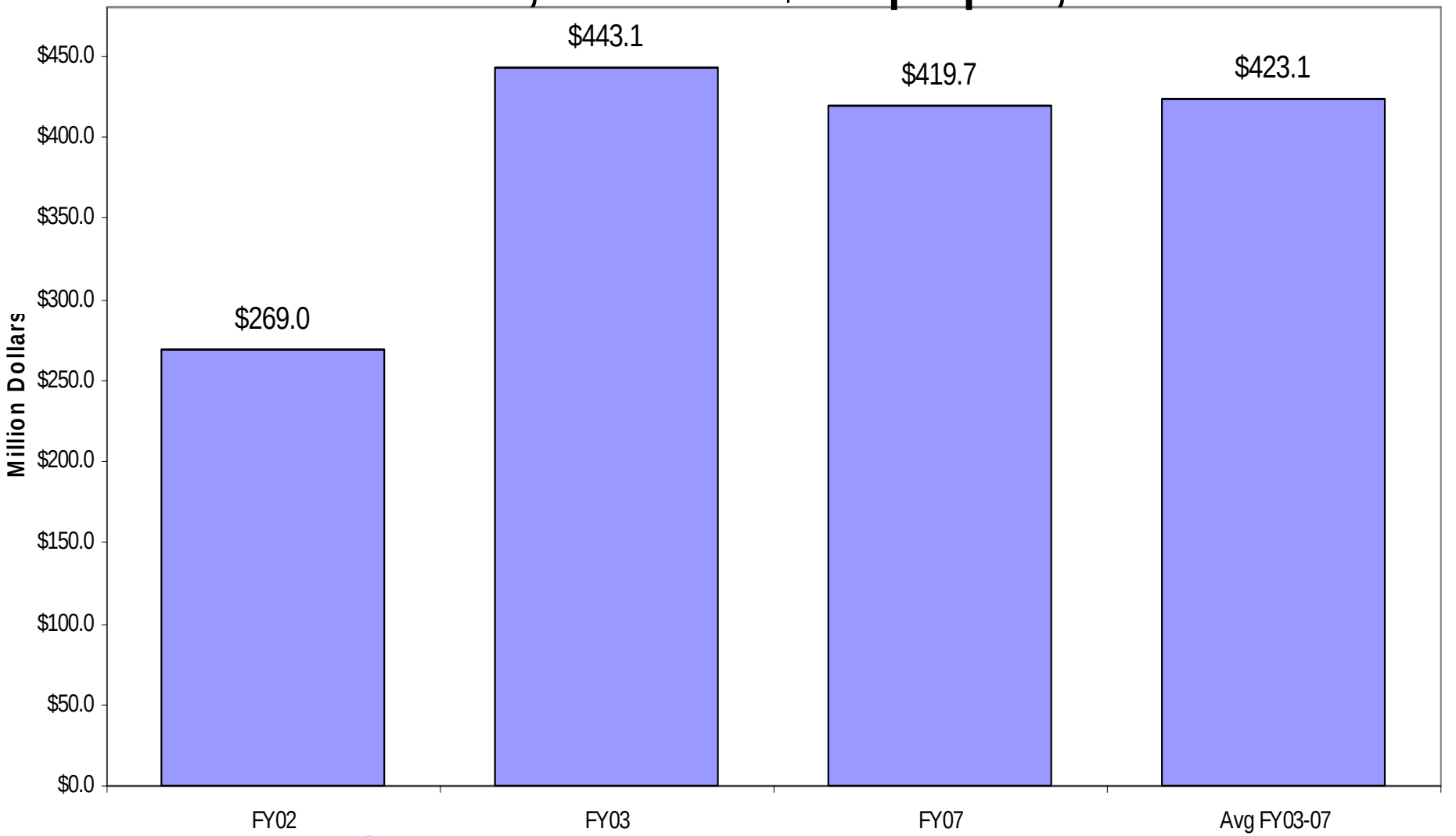
Source: *Tax Burden on Tobacco*, 2007, and author's calculations

Cigarette Tax Revenues, Massachusetts,

FY2002-FY2007, 76 cents to $1.51 per pack, 7/25/02



Source: Connolly, unpublished data, and author's calculations

Myths About Economic Impact of Tobacco Taxation and Tobacco Control

- Impact on Jobs?

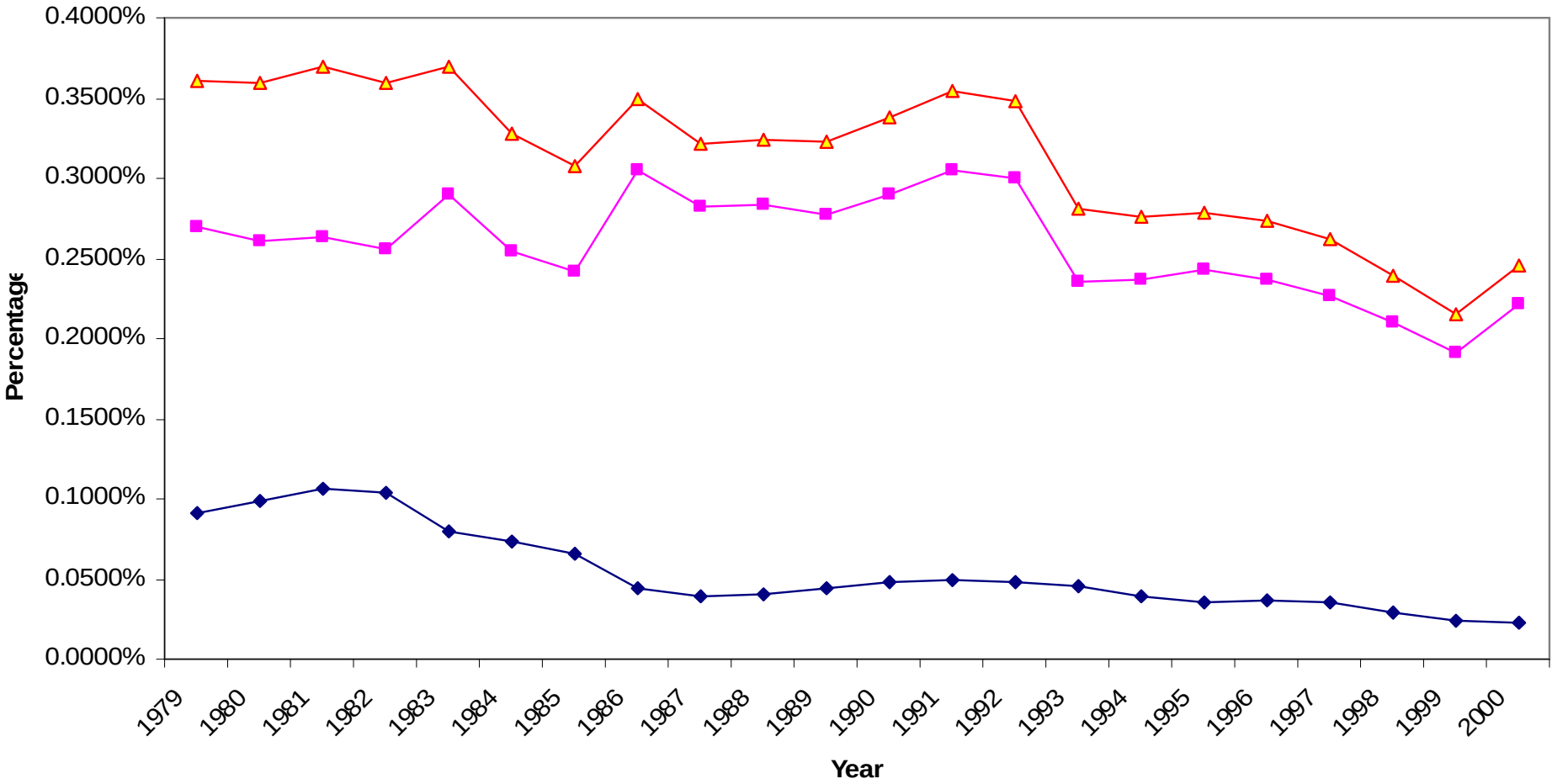
Myth: Higher tobacco taxes and tobacco control generally will result in substantial job losses

Truth: Money not spent on tobacco will be spent on other goods and services, creating alternative employment

- Presence does not imply dependence
- Many countries/states will see net gains in employment as tobacco consumption falls

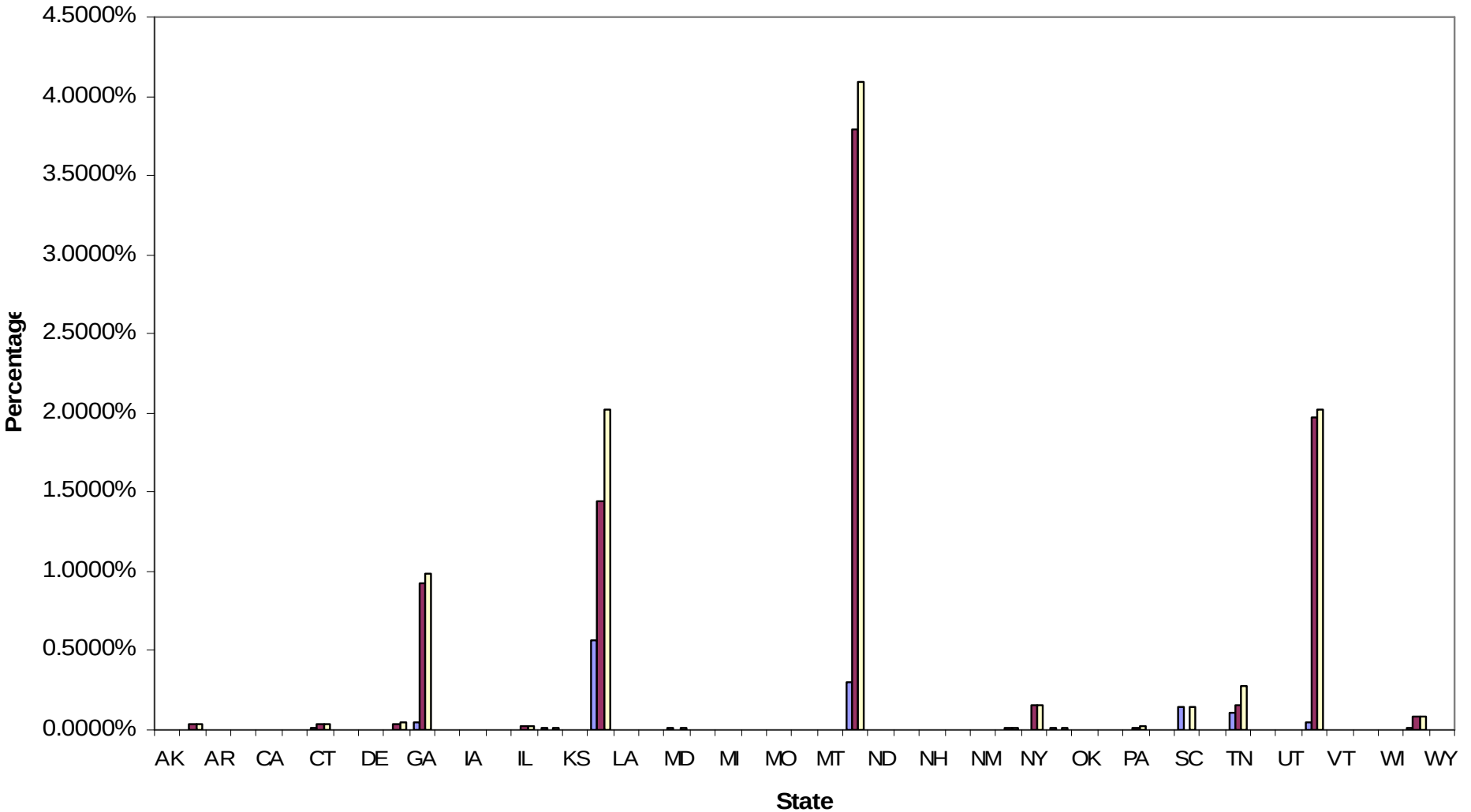
Source: Jacobs, *et al.*, 2000; Chaloupka et al., in press; Warner et al., 1994, 1996

Tobacco Farming and Manufacturing as Share of Gross Domestic Product, United States



Source: Chaloupka et al., 2007

Tobacco Farming and Manufacturing as Share of Gross State Product, 2000



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Myths About Economic Impact of Tobacco Taxation and Tobacco Control

- Impact on Jobs?

Warner et al., *JAMA*, 1996; Warner and Fulton, *JAMA,* 1994

• For Michigan (1994 study), overall employment rises as tobacco consumption falls

•For US (1996 study):

- •8 non-tobacco regions: employment rises as tobacco consumption falls
- •“Tiny” decline in employment in tobacco region as tobacco consumption falls nationally

•Several state specific studies (including NH, VA, MD) find no negative impact on employment from tobacco tax increases or other tobacco control efforts

- •Similar evidence from several other countries

Myths About Economic Impact of Tobacco Taxation and Tobacco Control

- Impact on Tax Evasion?

Myth: Tax evasion negates the effects of increases in tobacco taxes

Truth: Even in the presence of tax evasion, tax increases reduce consumption and raise revenues

- Extent of tax evasion often overstated
- Other factors important in explaining level of tax evasion
- Effective policies exist to deter tax evasion

Sources: Joossens, *et al.*, 2000; Merriman, *et al.*, 2000

Types of Illicit Trade

- Individual tax avoidance
  - Reservation, Internet and other direct, duty-free, and cross-border purchases
  - Generally not illegal, but states require local taxes to be paid
- Bootlegging
  - Small scale purchasing of cigarettes in low-tax/price jurisdictions for resale in high tax/price jurisdictions

Types of Illicit Trade

- Large scale, organized smuggling
  - Illegal transportation, distribution and sale of large consignments of tobacco products
  - Generally avoids all taxes
- Counterfeit
  - products bearing a trademark without the approval of the trademark owner
  - Often involved in organized smuggling

Determinants of Illicit Trade

- Tax and price differentials
  - More important for individual tax avoidance and bootlegging
  - Larger scale efforts avoid all taxes
- Presence of informal distribution channels
  - e.g. Street vendors, unlicensed distributors
- Presence of criminal networks
  - e.g. Organized crime, terrorist organizations

Determinants of Illicit Trade

- Weak tax administration
  - Absence of tax stamps; weak or non-existent physical controls; unlicensed manufacturers, distributors, retailers; weak customs authorities
- Poor enforcement
  - Limited resources for border patrols, customs authorities, etc; low penalties
- Corruption

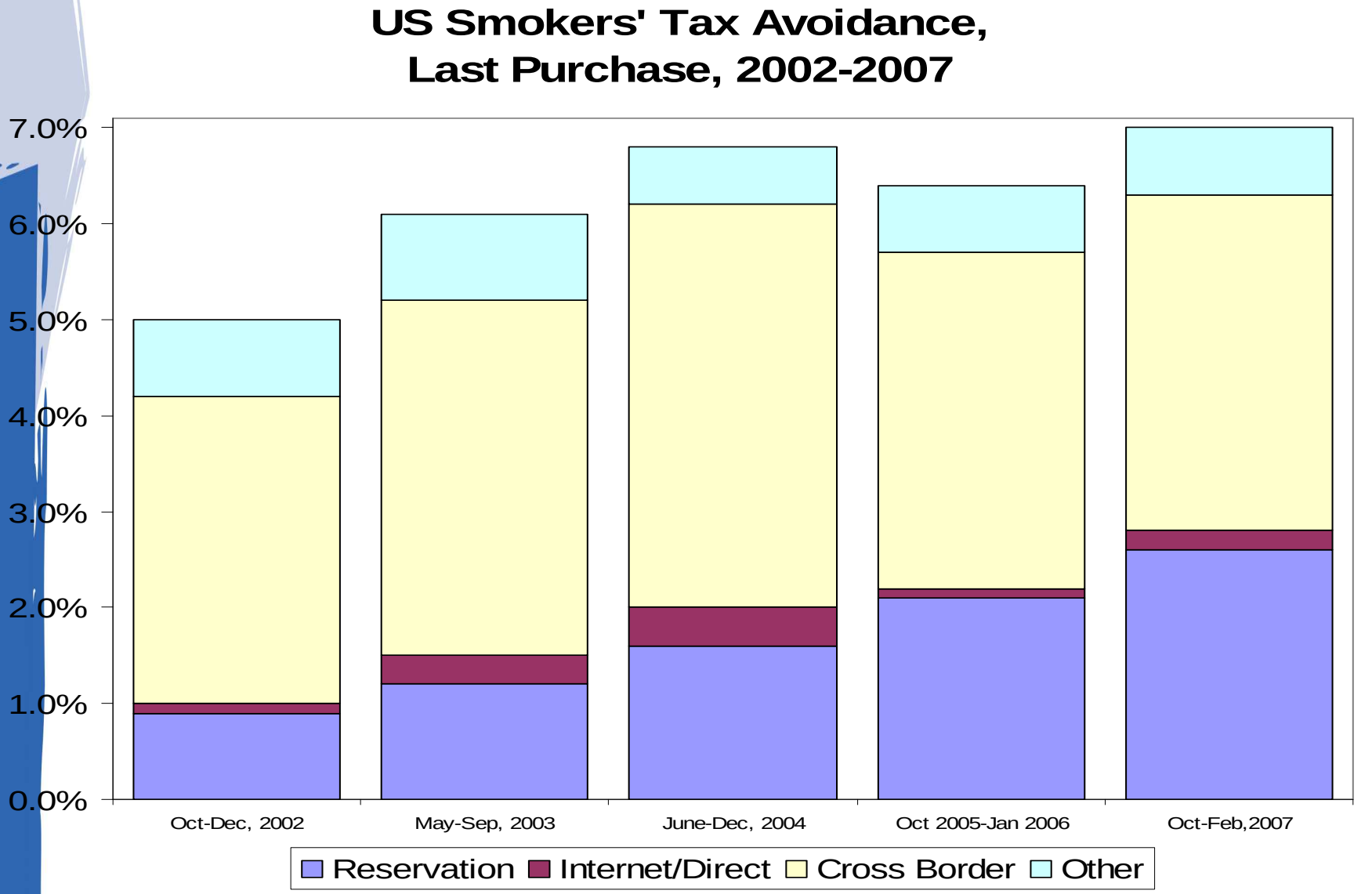
Myths About Economic Impact of Tobacco Taxation and Tobacco Control

- Extent of Tax Evasion?

International Tobacco Control Policy Evaluation Study

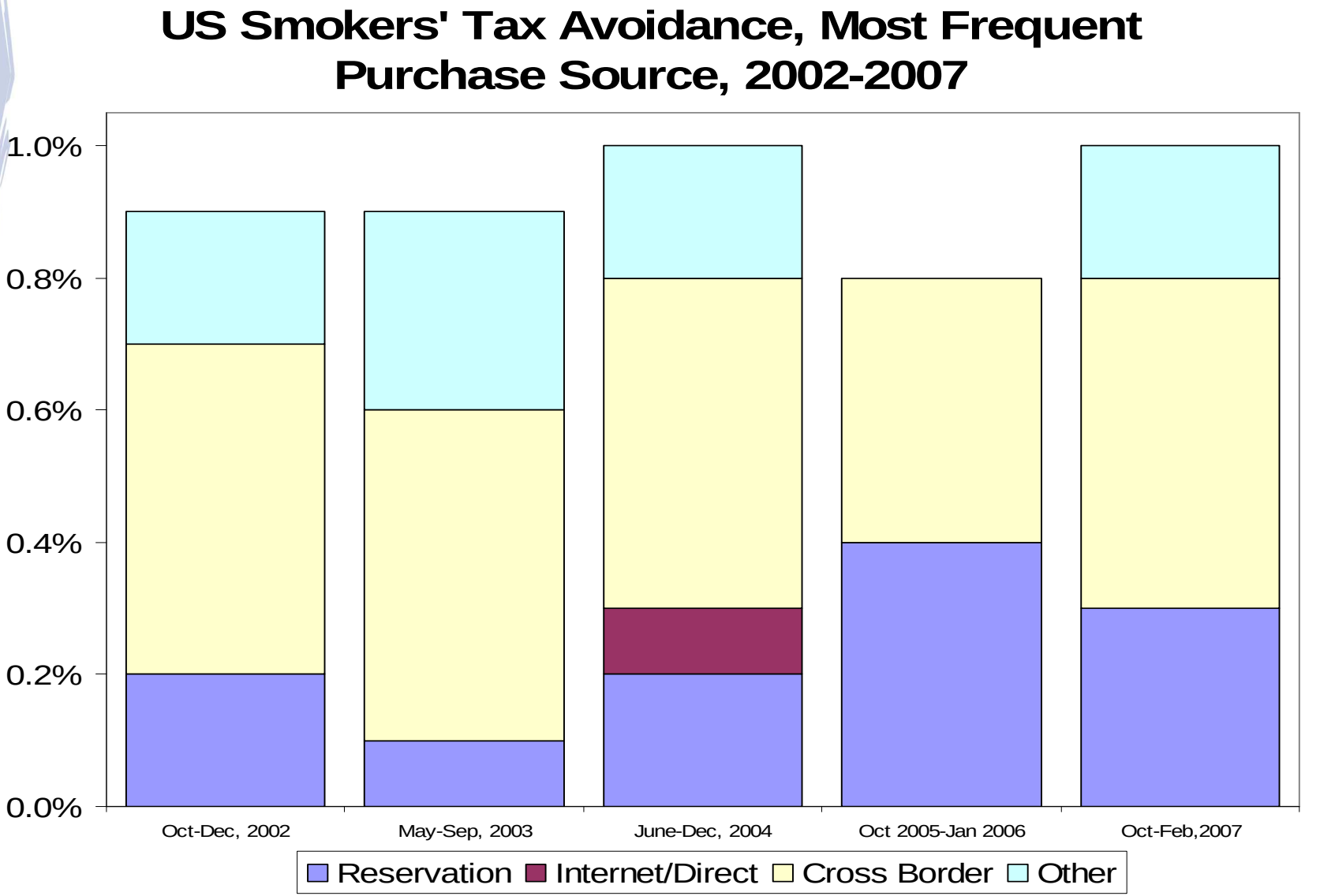
- Longitudinal cohort study of smokers in many countries
  - Original 4-country study focused on US, UK, Canada and Australia
  - Added Ireland, Malaysia, Thailand, China, Korea; others in preparation/planning
  - Approximately 2,000 smokers surveyed in each country in each wave
    - Detailed information collected on smoking behavior and variety of related issues
      - Cigarette purchase patterns/sources

Tax Avoidance and Enforcement



Source, ITC project, US survey, Waves 1-5

Tax Avoidance and Enforcement

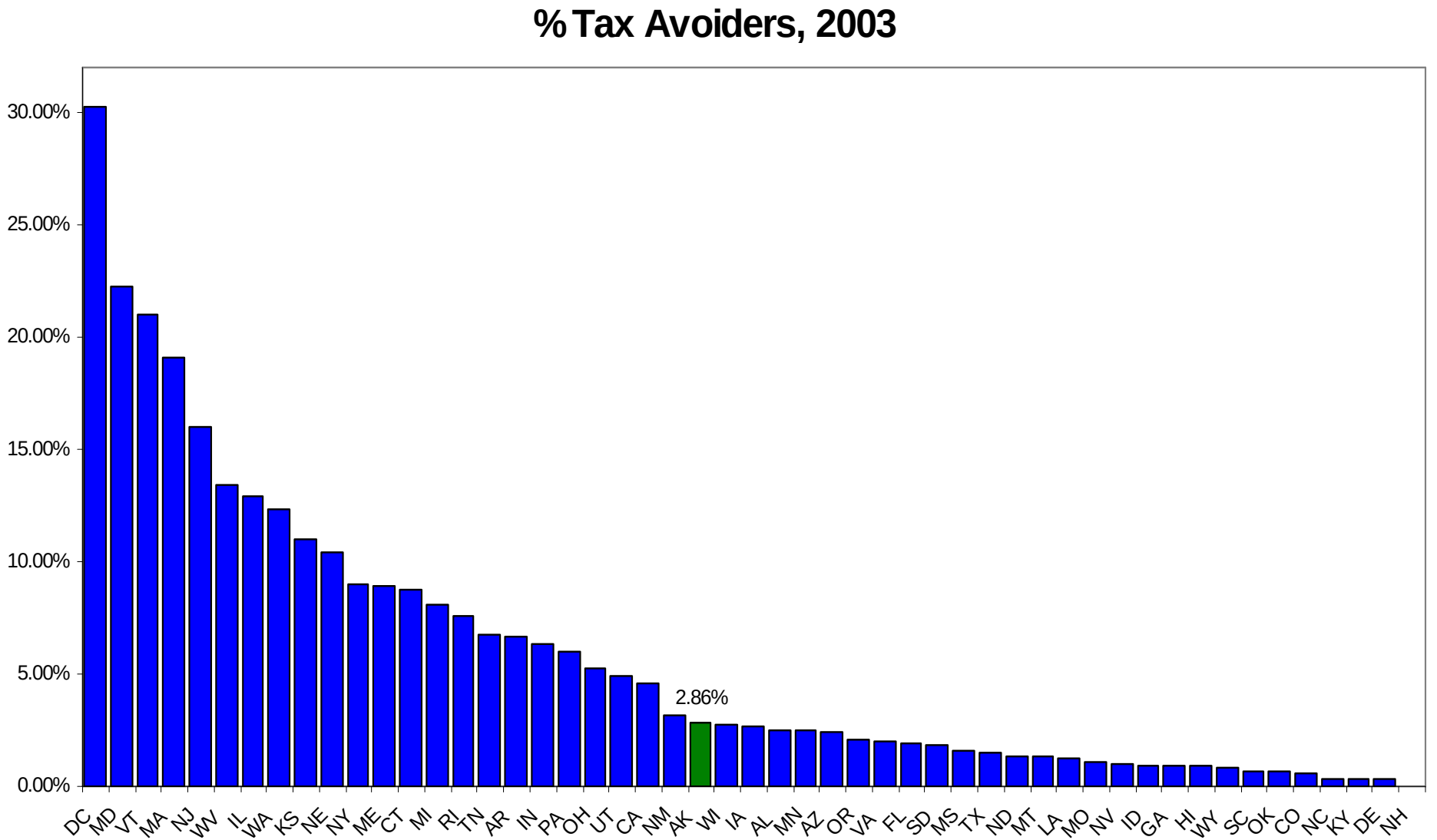


Source, ITC project, US survey, Waves 1-5

Extent of Illicit Trade

- Individual tax avoidance – self-reported data
  - Tobacco Use Supplement to the Current Population Survey
    - Periodic state representative, cross-sectional samples
    - Includes questions on price paid, whether or not purchased in own state, other state or through other channels (e.g. Internet or phone) – 2003 and 2006/07 surveys only
    - Does not pick up in-state tax avoidance (e.g. reservation purchases)
    - 2003: 5.63% 2006/07: 5.19%

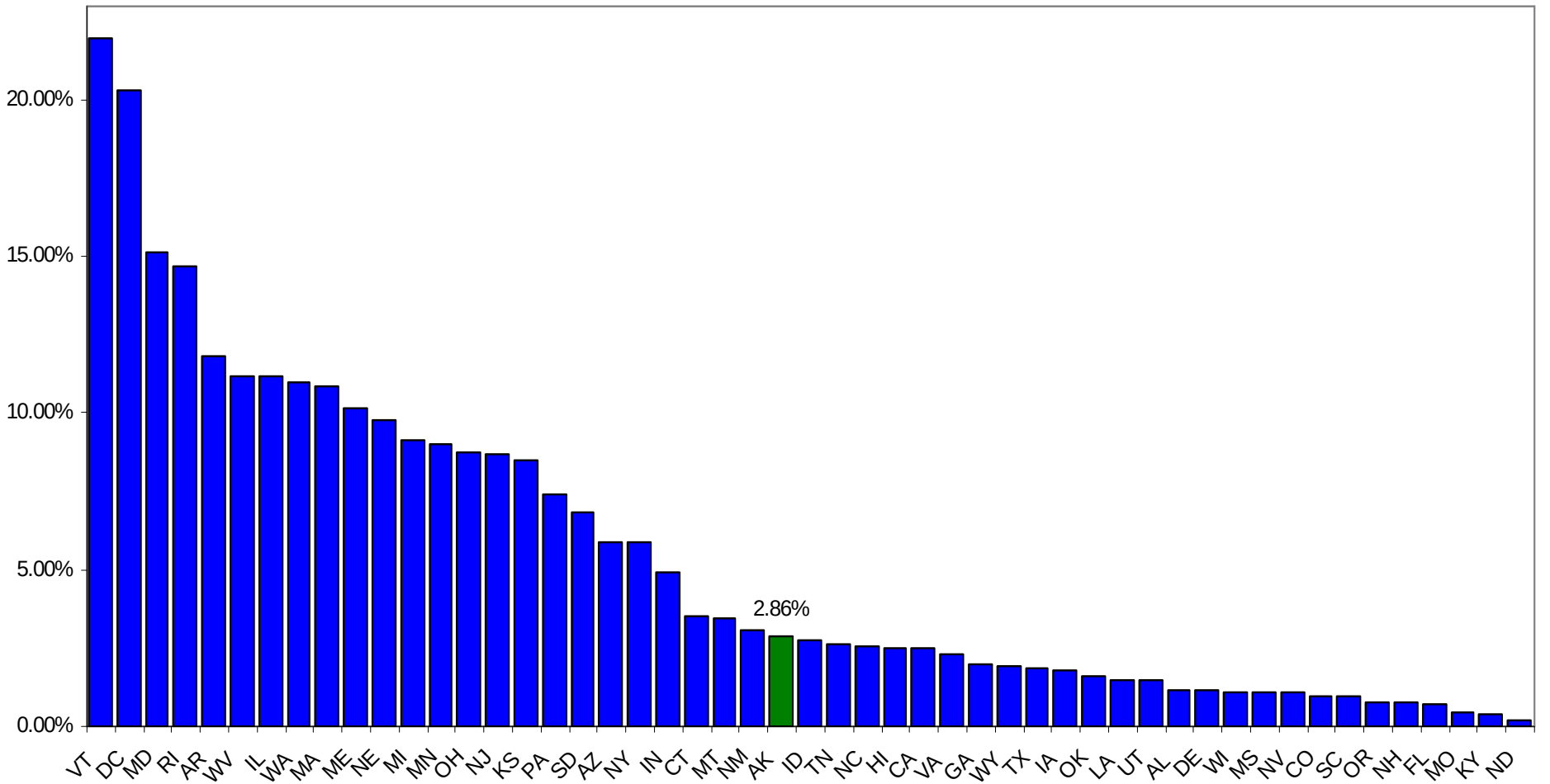
Tax Avoidance – United States



Source: Tax Burden on Tobacco, 2008 and TUS-CPS

Tax Avoidance – United States

% Tax Avoiders, 2006/07



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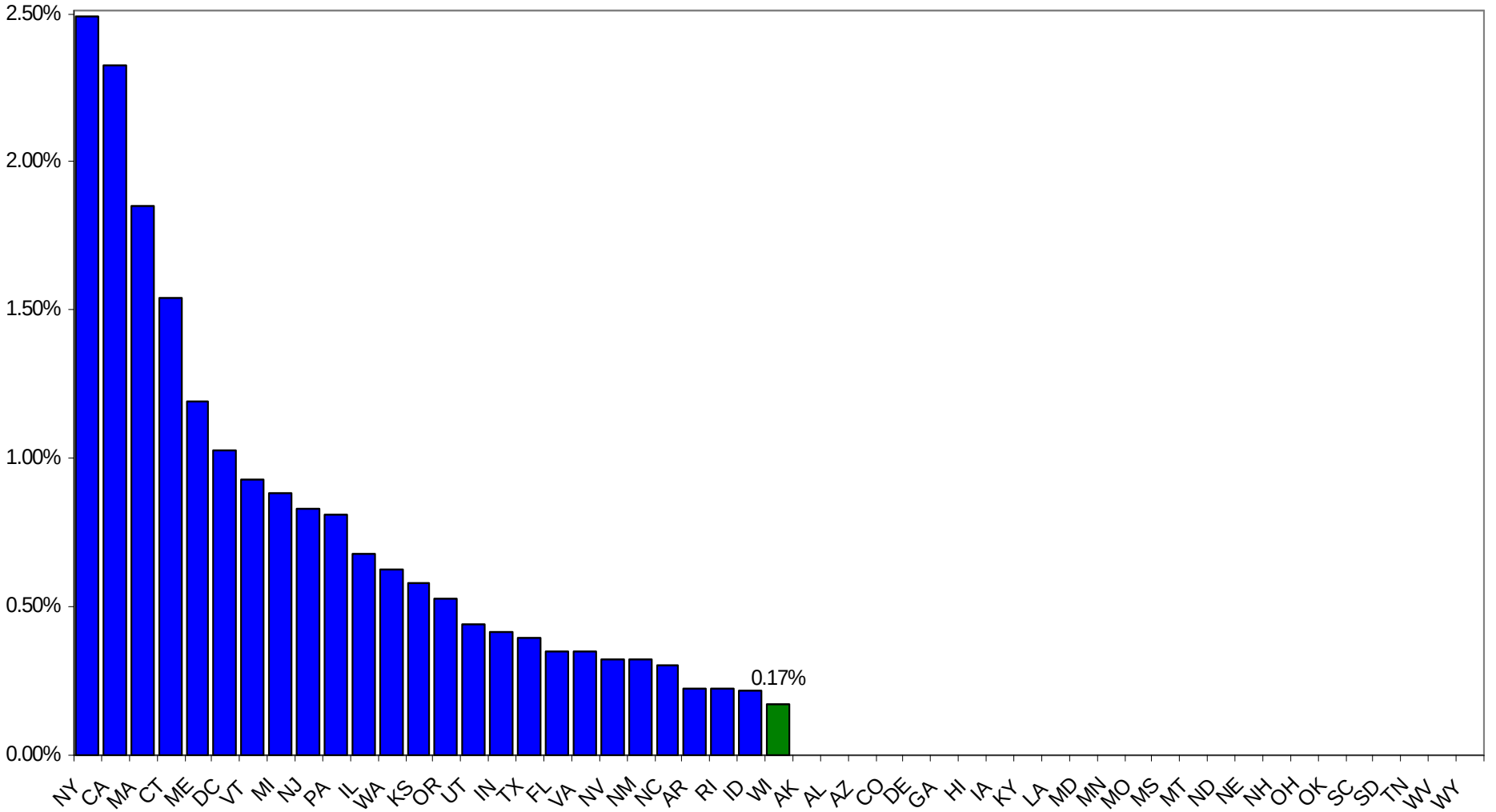

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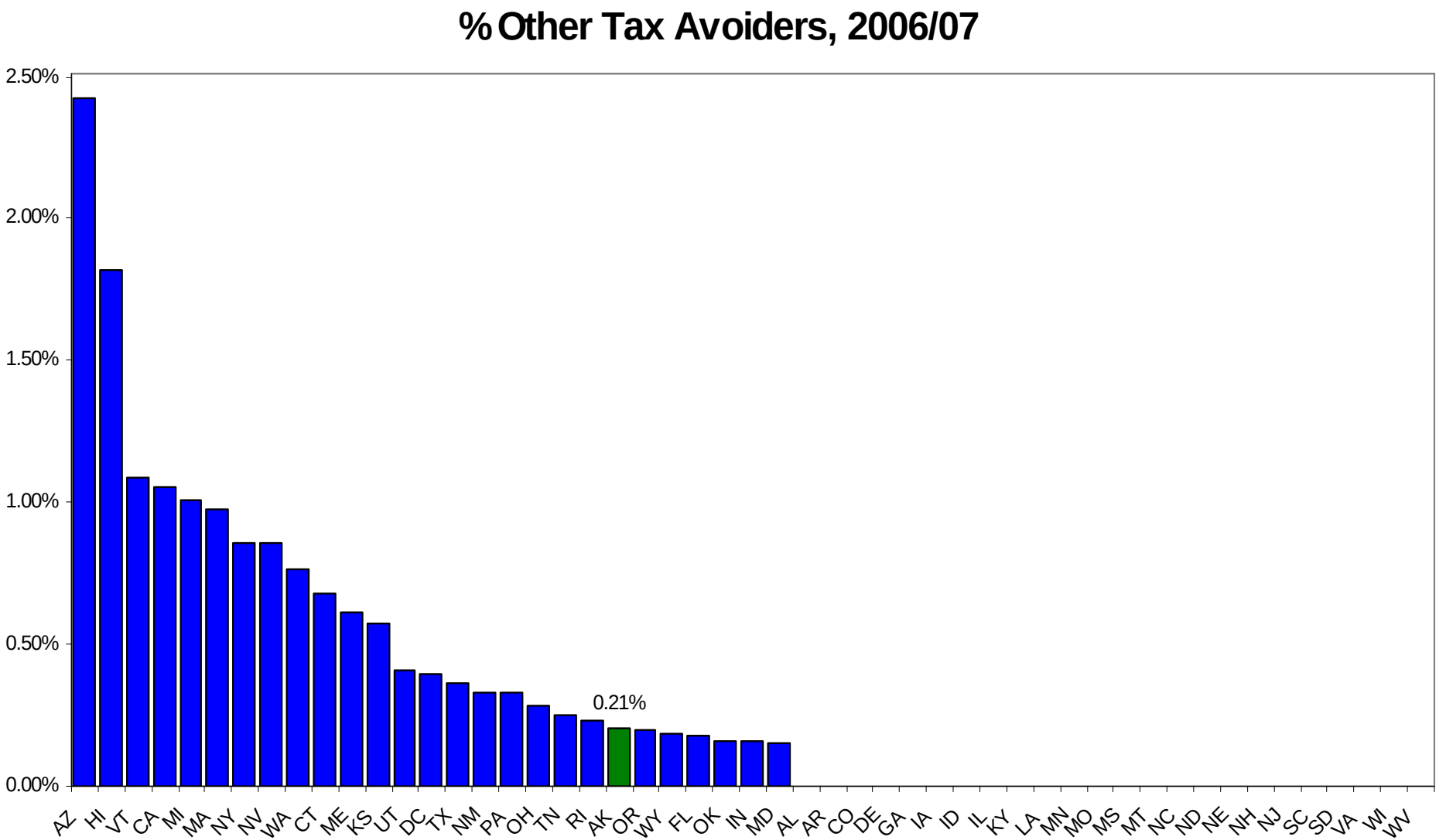
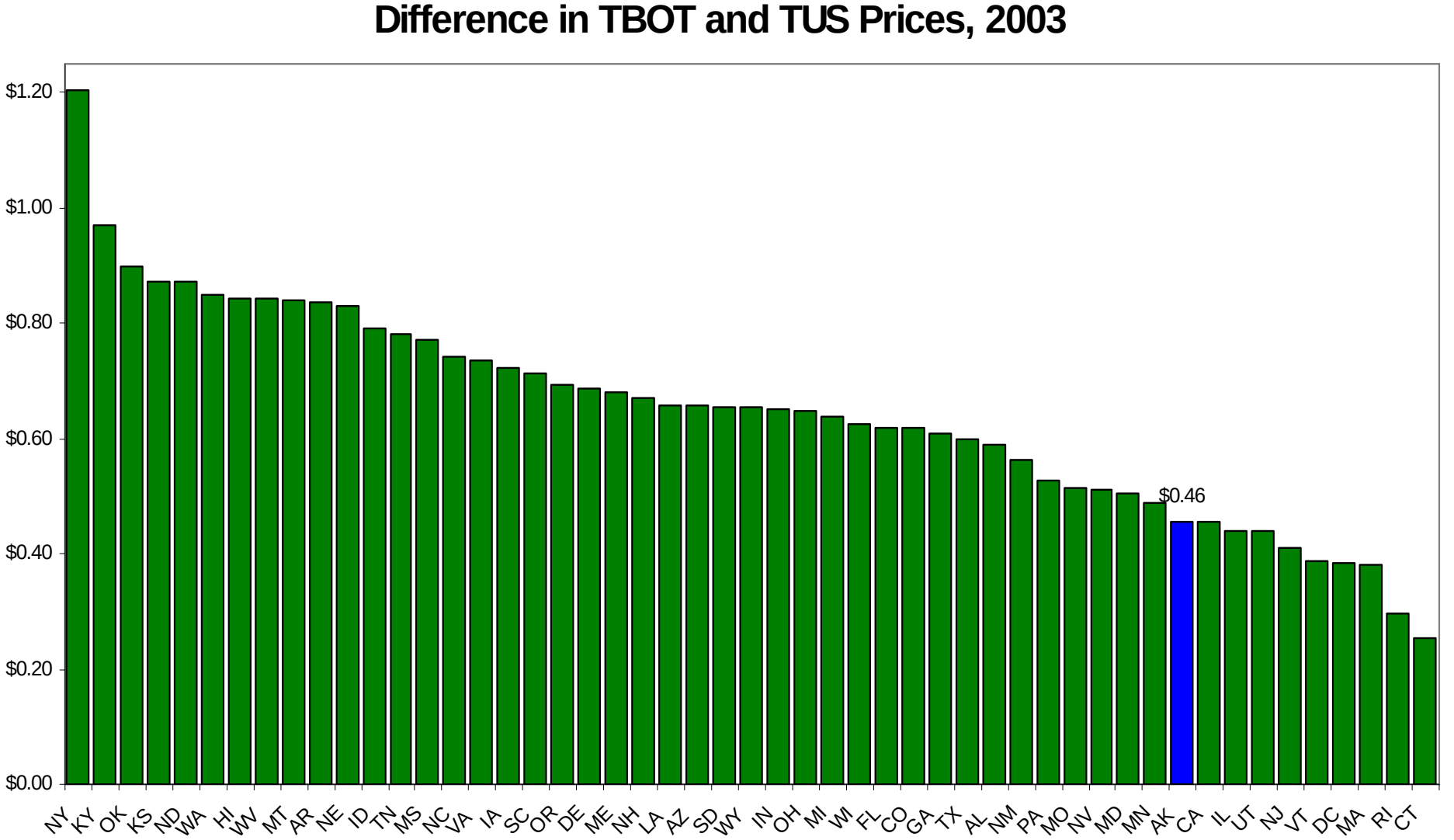


Source: Tax Burden on Tobacco, 2008 and TUS-CPS

Extent of Illicit Trade

- Individual tax avoidance – self-reported data
  - TUS-CPS
    - Does not pick up within state tax avoidance (e.g. purchases on reservations)
    - Comparison of average price paid by smokers purchasing in state from TUS to average prices reported in *Tax Burden on Tobacco*
      - » Difference accounted for by several factors, including reservation purchases

Tax Avoidance – United States



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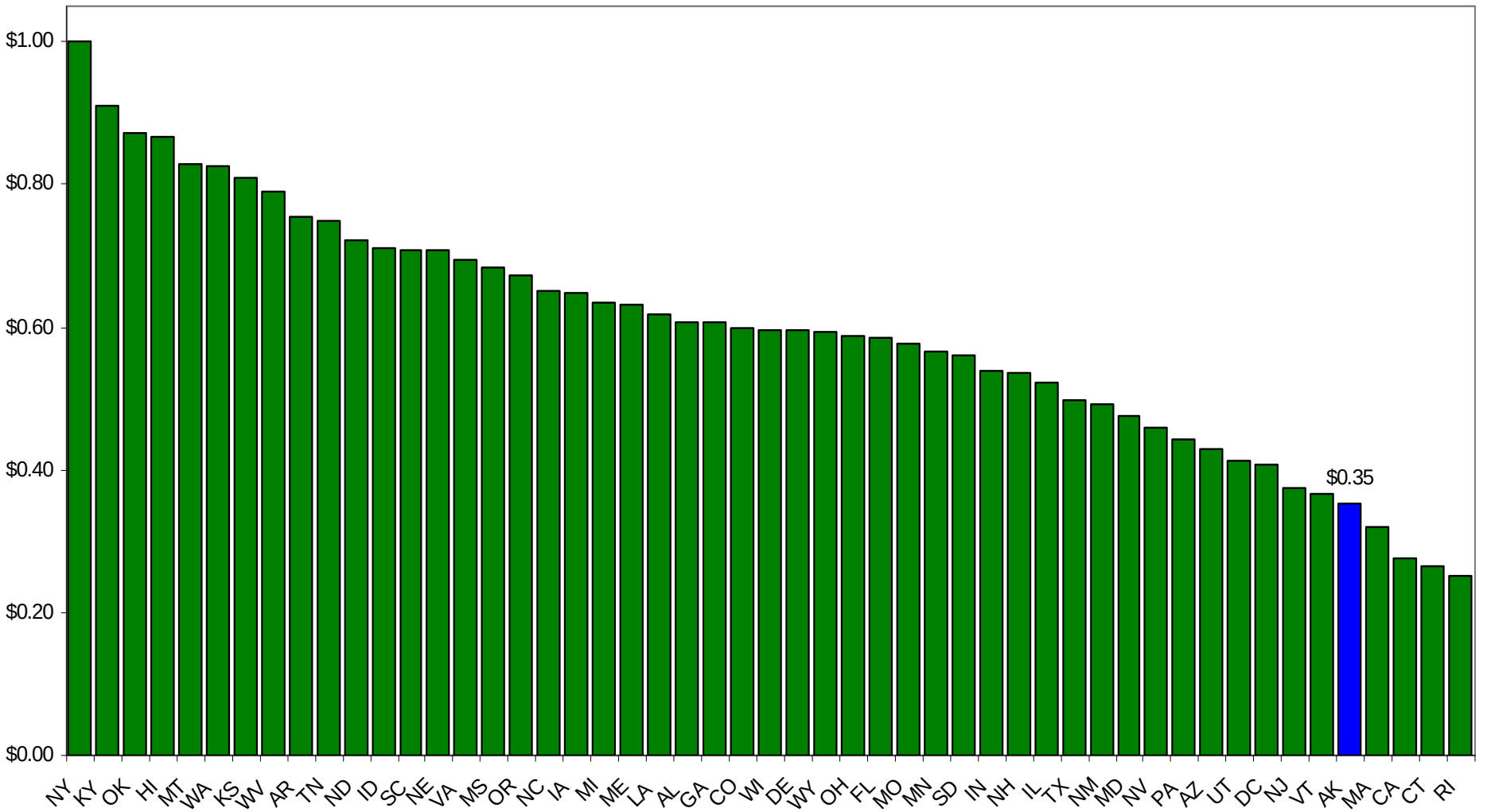
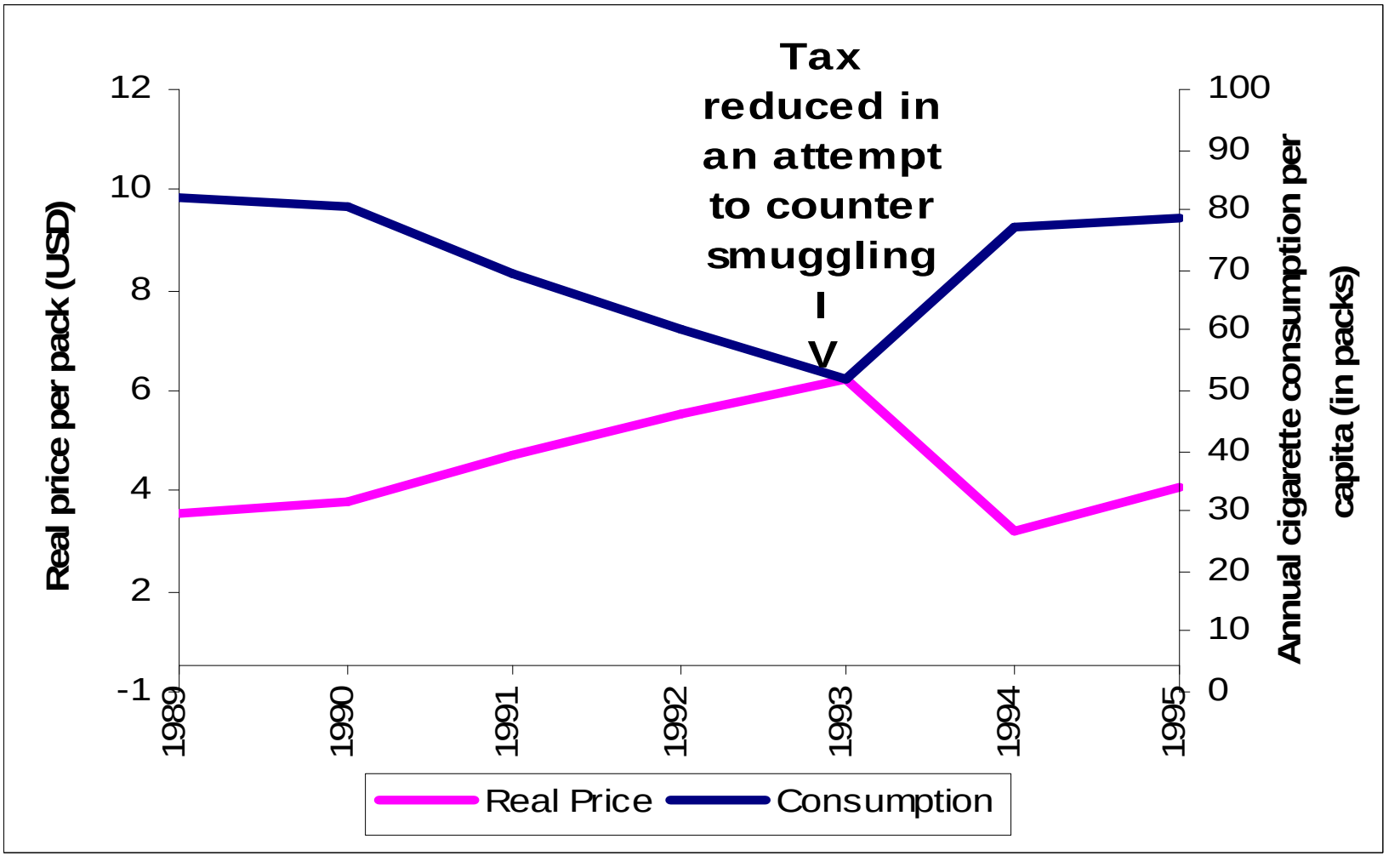


Source: Tax Burden on Tobacco, 2008 and TUS-CPS

Illicit Trade, Public Health, and Revenues

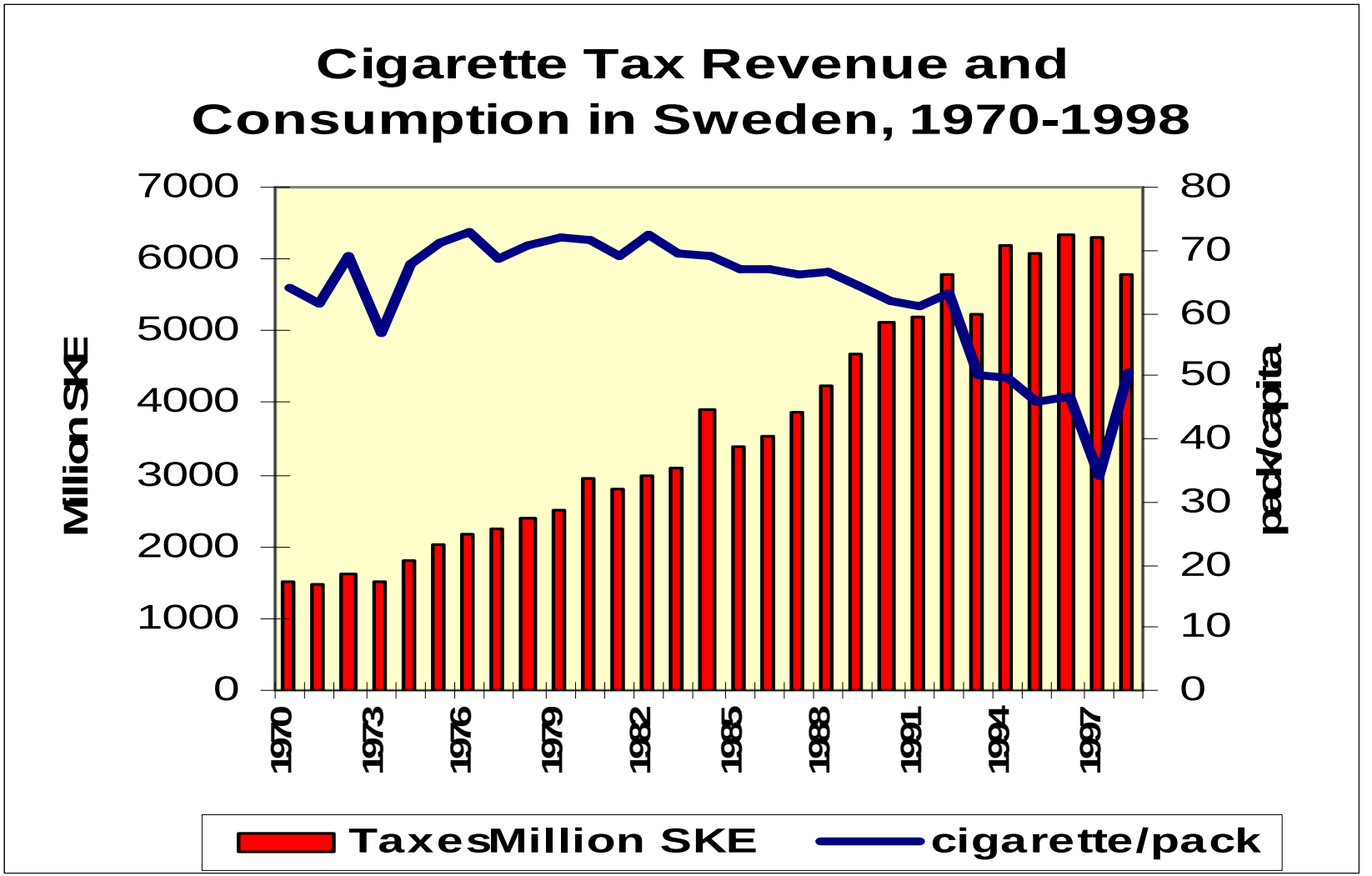
- Even in the presence of illicit trade, higher cigarette and other tobacco taxes lead to:
  - Reductions in youth and adult tobacco use
  - Increases in tobacco tax revenues
- Rather than forego tax increases, appropriate response is to crack down on illicit trade

Canada Sharply Reduced Taxes in 1993



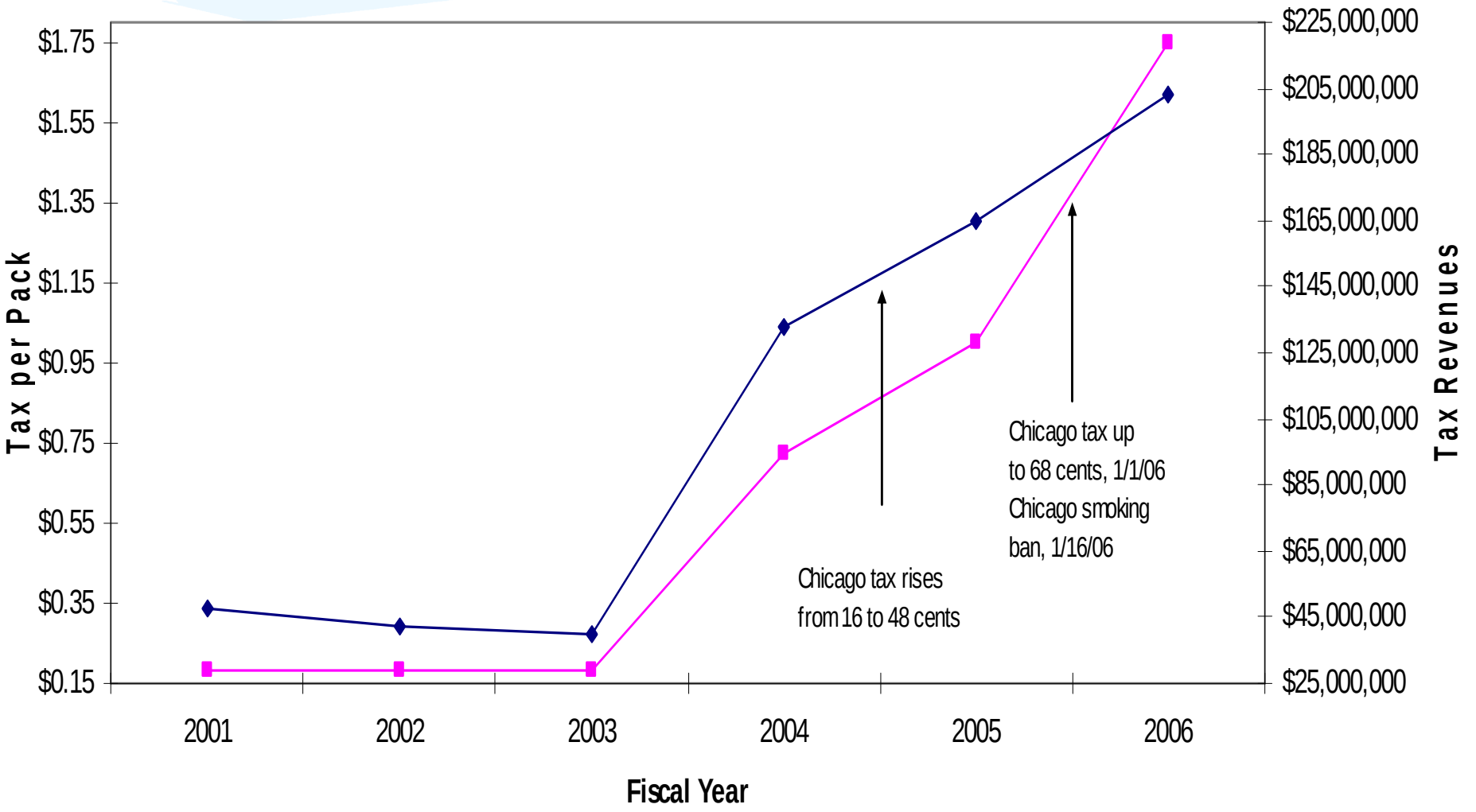
Source: World Bank, 2003

Sweden Reduced Cigarette Taxes by 17% in 1998



Source: World Bank, 2003

Cook County Cigarette Tax and Tax Revenues - FY01-FY06



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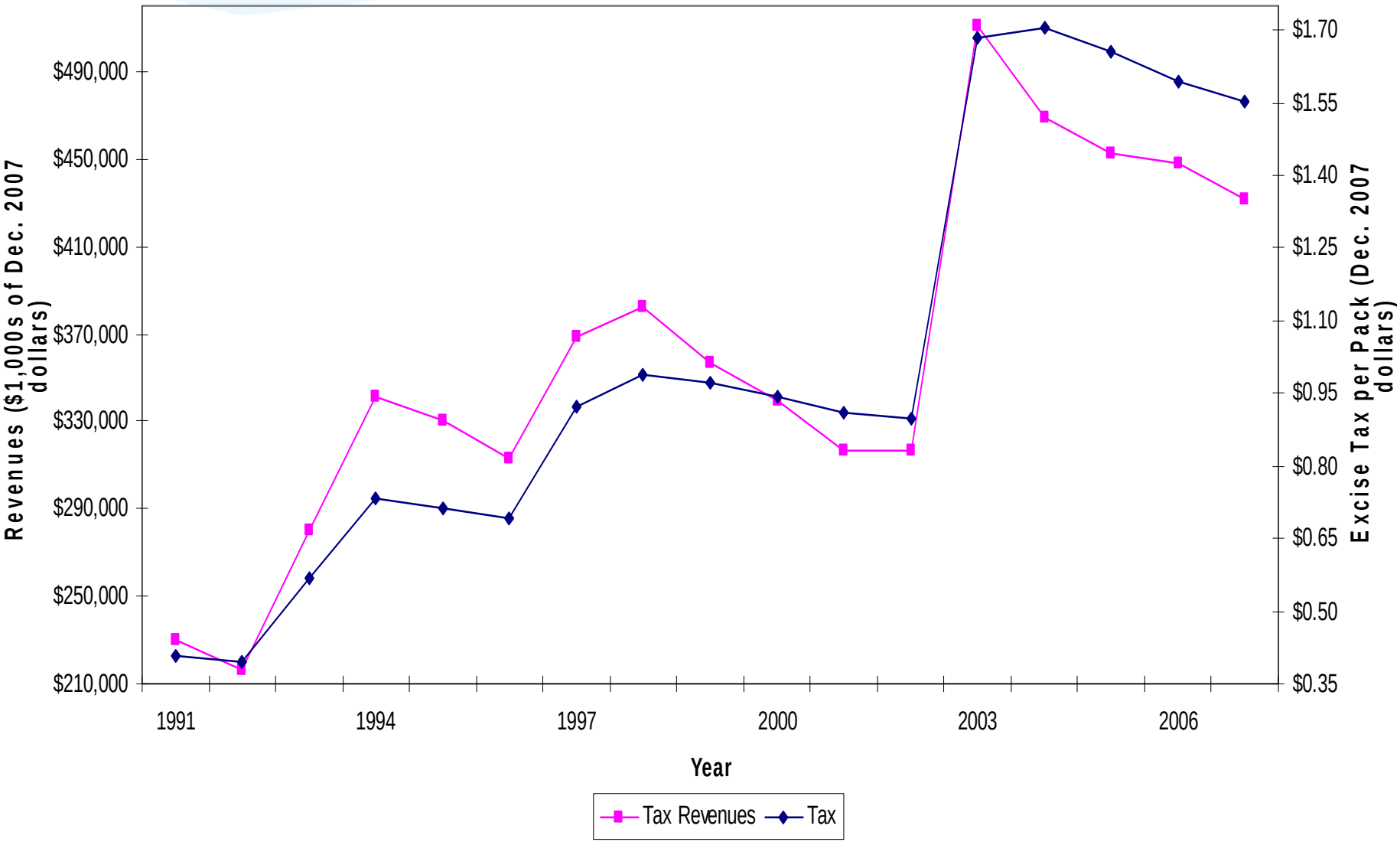
Cigarette Excise Tax and Tax Revenues in Massachusets

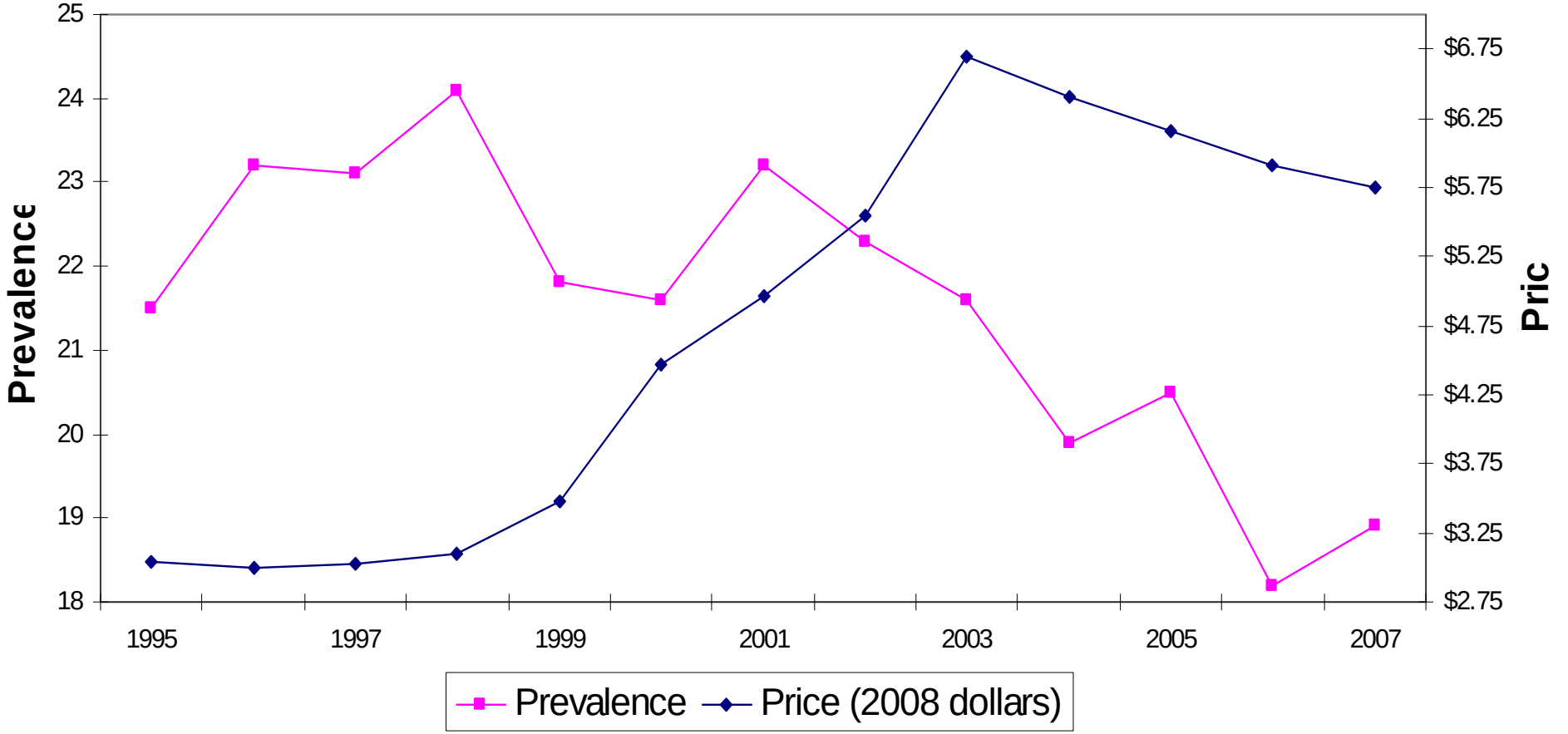
Inflation Adjusted, 1991-2007



Source: *Tax Burden on Tobacco*, 2007, and author's calculations

Illicit Trade Does NOT Eliminate Health and Revenue Impact of Higher Taxes

Cigarette Prices and Adult Prevalence, New York, 1995-2007



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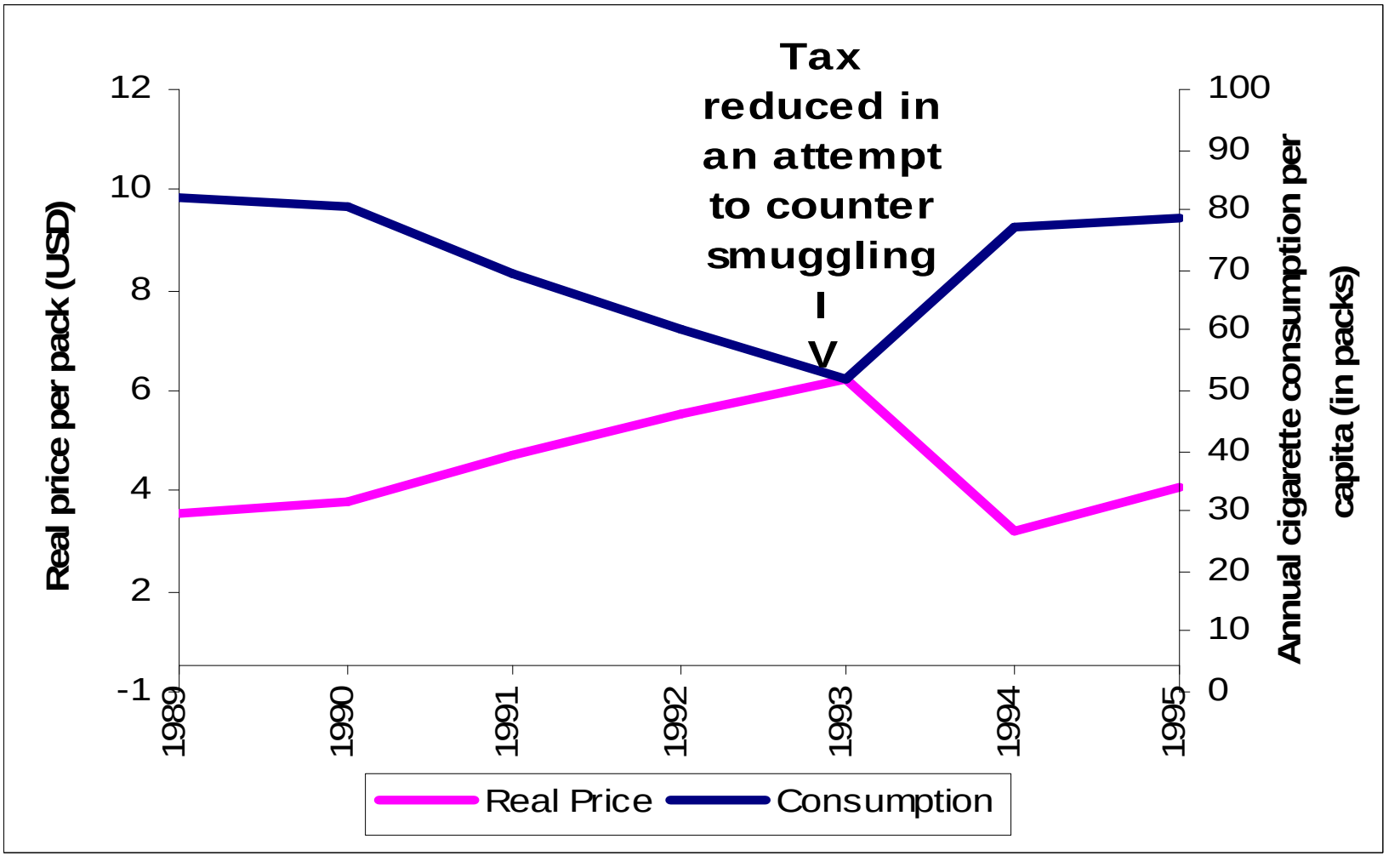


Source: World Bank, 2003

Efforts to Curb Tax Evasion

- Many focused on Internet, phone and mail order sales:
  - Outright ban on direct sales (e.g. New York state policy
  - Major shipping companies (e.g. UPS, Federal Express) agree not to ship cigarettes to consumers
    - USPS hasn't established similar policy
  - Major credit card companies agree to ban use of credit cards for direct cigarette purchases
  - States apply Jenkins Act to identify direct purchasers and to collect taxes due
    - Promising approach based on early data from several states
    - MA collected over $4.6 million in FY07

Efforts to Curb Tax Evasion

- Reservation sales similar focus in some states
  - Some states (e.g. MN) impose tax on reservation sales with refund to reservation residents
  - Other states (e.g. WA) enter into “compacts” with tribes that result in comparable taxes imposed on reservation sales with most/all of revenues kept by tribe
  - Others apply different tax stamps for cigarettes sold to residents and non-residents of reservations
  - Quota on distributor sales to reservation outlets to reflect expected resident consumption (e.g. NY)

Efforts to Curb Tax Evasion

- High-Tech Efforts
  - Adoption of sophisticated tax stamps
    - Harder to counterfeit
    - Contain information allowing better tracking of cigarettes through distribution channels
    - Easier to implement enforcement actions
  - California:
    - Adopted 2002; fully implemented 2005
    - Coupled with better licensing standards
    - Can be examined with hand-held scanners
    - Thousands of compliance checks, hundreds of citations
    - Generated over $124 million in revenues during 20 month period (mid-2004 through late 2005)

Myths About Economic Impact of Tobacco Taxation and Tobacco Control

- Regressivity?

Myth: Cigarette tax increases will negatively impact on the lowest income populations

Truth: Poor smokers bear disproportionate share of health consequences from smoking and are more responsive to price increases

- Should consider progressivity or regressivity of overall fiscal system
- Negative impact can be offset by use of new revenues to support programs targeting population or protect funding for current programs

Lower SES populations are more price responsive

•Economic theory implies greater response to price by lower income persons

•Growing international evidence shows that smoking is most price responsive in lowest income countries

•Evidence from U.S. and U.K. shows that cigarette price increases have greatest impact on smoking among lowest income and least educated populations

•In U.S., for example, estimates indicate that smoking in households below median income level about four times more responsive to price than those above median income level

Implies tax increases may be progressive

Sources: Farrelly, et al., 2001; Chaloupka *et al*., 2000

Tobacco Tax Increases and the Poor

- Examined impact of “Measure 50” in Oregon
  - proposed $0.845 increase in state cigarette tax and comparable increases in other tobacco product taxes
  - most revenues dedicated to expansion of state health insurance program to cover more low-income households
  - some revenues for state tobacco control program

  - Estimated that tax increase would add $20.5 million to cigarette costs for continuing low-income smokers
  - Value of health insurance benefits for low-income Oregon population estimated to be $183.2 million
  - Net economic impact of Measure 50 on low-income population estimated to be $162.7 million

Conclusions

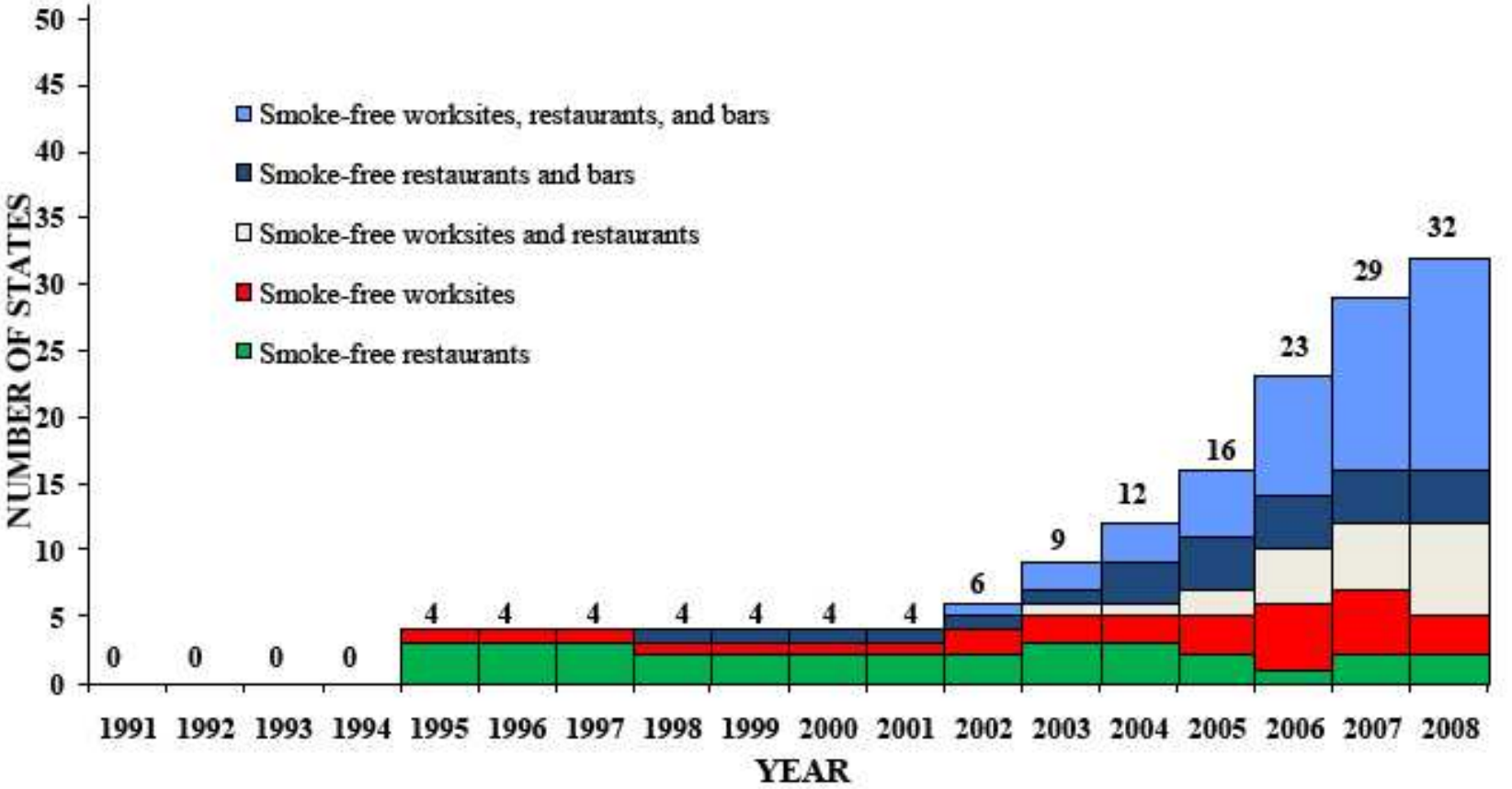
- Arguments about economic consequences of tobacco control and tax increases misleading, overstated, or false
    - Revenues increase when tobacco taxes are raised and increase is sustained over time
    - Employment does not fall (rises in most states) when tobacco use falls due to tax increases or other tobacco control efforts
    - Illicit trade does not negate the impact of higher taxes on tobacco use and revenues
    - Regressivity of tax is a concern that can be offset by disproportionate reductions in smoking among poor and use of revenues for programs targeting low income populations

The Economics of Smoke-Free Air Policies

Smoke-Free Air Policies and Smoking

- **Limit opportunities to smoke and strengthen norms against smoking**
  - **largely self-enforcing**
- **Protect non-smokers from exposure to harmful environmental tobacco smoke**
- **Promote smoking cessation and reduce cigarette consumption among adult smokers**
- **Help prevent youth smoking**

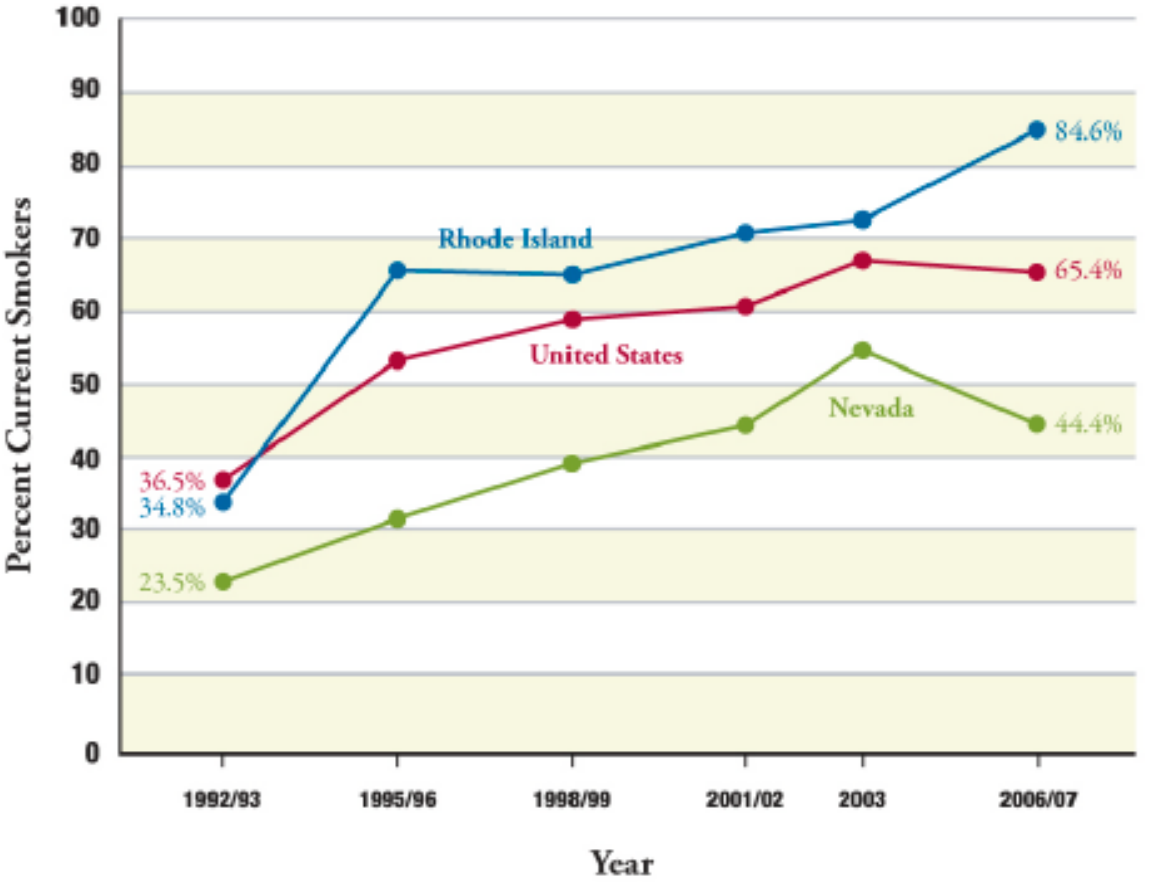
Major Smoke-Free Air Legislation in the 50 States and the District of Columbia - 1991-2008



Sources: The MayaTech Corporation; Departments of Health Behavior at the University at Buffalo and the Roswell Park Cancer Institute.

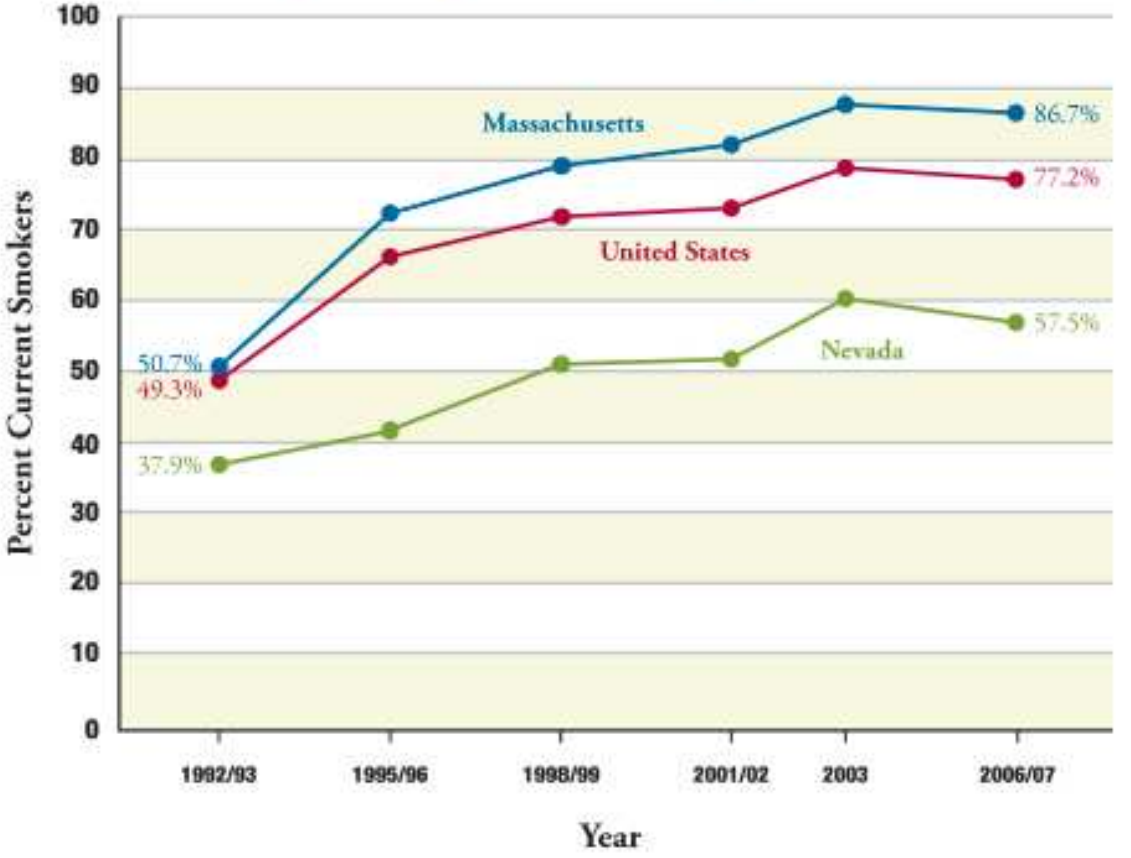
Note: data are for effective laws through 9/30/2008.

Trends in the Percentage of Smokers Who Work in a Smoke-free Work Place - US, RI, and NV (1992/93 to 2006/07)



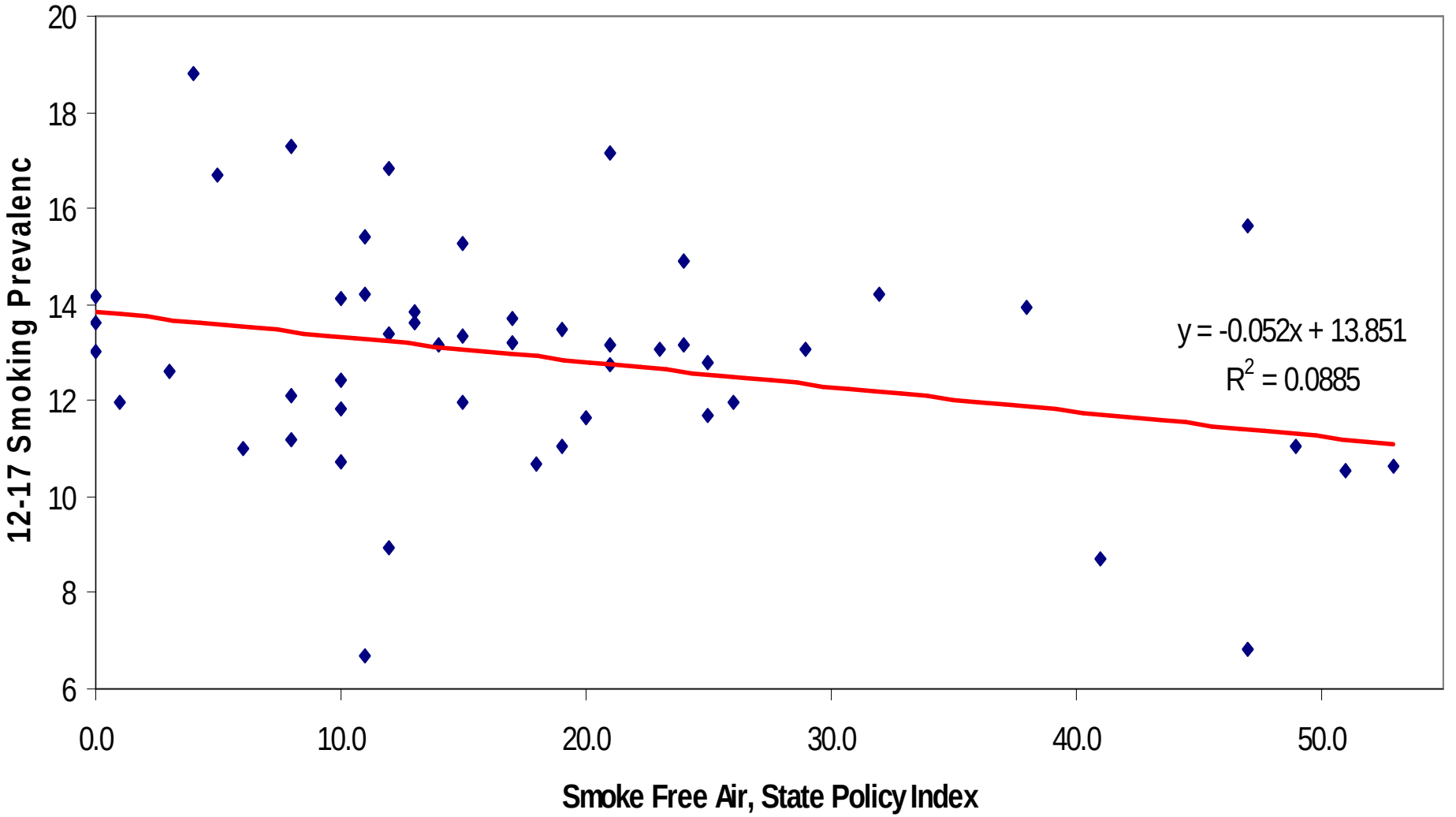
Source: Tobacco Use Supplements to the Current Population Survey - funded by NCI (1992-2007) and CDC (2003-2007).
Note: Trends are shown for states with the highest and lowest estimates in 2006/07 among smokers ≥ 18 years old.
A work place is considered smoke-free if smoking is not allowed in any indoor areas.

Trends in the Percentage of Nonsmokers Who Work in a Smoke-free Work Place - US, MA, & NV (1992/93 to 2006-07)



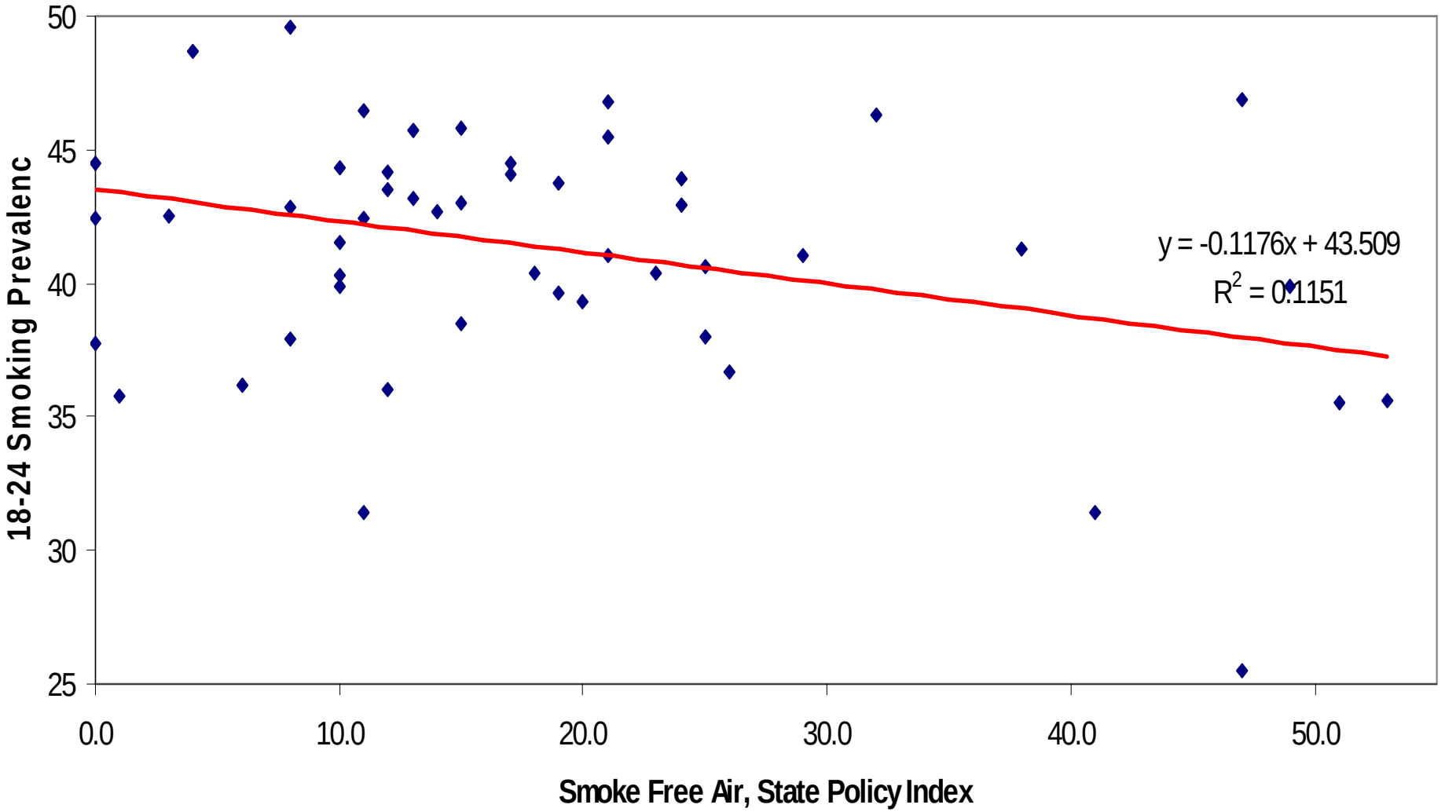
Source: Tobacco Use Supplements to the Current Population Survey - funded by NCI (1992-2007) and CDC (2003-2007).
Note: Trends are shown for states with the highest and lowest estimates in 2006/07 among nonsmokers ≥ 18 years old. A work place is considered smoke-free if smoking is not allowed in any indoor areas.

Smoke Free Air Policies and Youth Smoking Prevalence, 2003-04



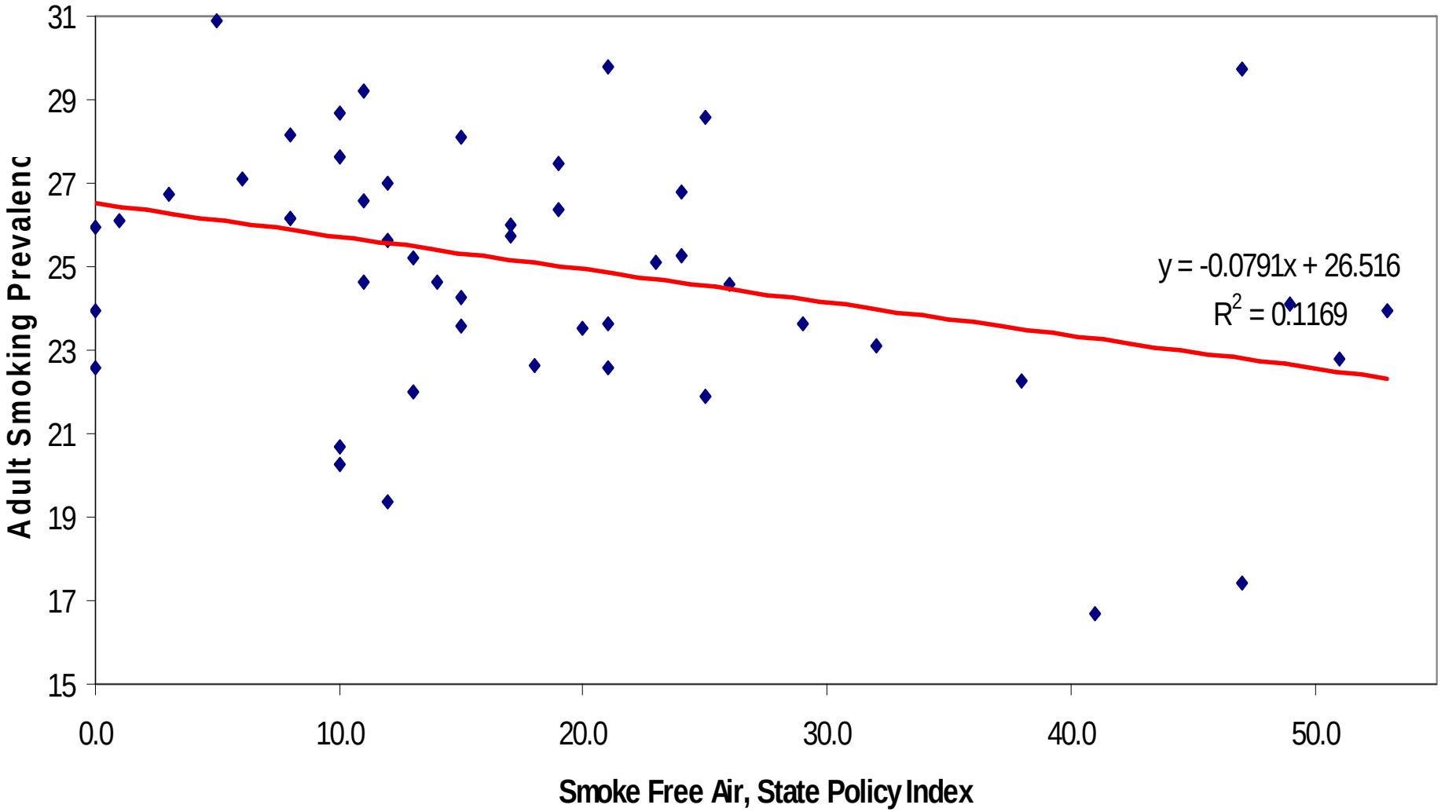
Source: NSDUH, Mayatech &RPCI, and author's calculations

Smoke Free Air Policies and Young Adult Smoking Prevalence, 2003-04



Source: NSDUH, Mayatech &RPCI, and author's calculations

Smoke Free Air Policies and Adult Smoking Prevalence, 2003-04



Source: NSDUH, Mayatech &RPCI, and author's calculations

Costs of Smoking to Business

- Health Care Costs
  - Account for about 1/6 of US gross domestic product
  - Rising at twice the rate of inflation and wages
  - Over $8,300 per employee in health insurance costs

- Smoking-Attributable Health Care Costs
  - $96 billion per year, 2001-2004
  - Up to 15 percent of total health care spending
  - Over $2,250 per smoker
  - Additional $5+ billion for non-smokers exposed to tobacco smoke

Smoke-Free Air Policies - Alaska

- Weak state law
  - Relatively comprehensive restrictions in health care and child care facilities
  - Weak limits in schools, government worksites and restaurants
  - No provisions for bars, private worksites

- Some stronger local ordinances
  - Anchorage, Klawock: 100% smoke-free workplaces, bars & restaurants
  - Barrow (R), Dillingham (R), Fairbanks (W), Juneau (B,R), Sitka (R,W)

Costs of Smoking to Business

- Lost Productivity – Deaths from Smoking
  - According to CDC/SAMMEC:
  - About 400,000 premature deaths per year from smoking
  - Almost 50,000 more from exposure to tobacco smoke
  - Over 5 million years of life lost from premature death

- Lost Productivity Costs
  - From premature deaths:
  - $96.8 billion per year, 2001-2004
  - Additional $5 billion from lost productivity among non-smokers exposed to tobacco smoke

Costs of Smoking to Business

- Lost Productivity - absences
  - Smokers absent from work 7.7-10.7 days per year more than non-smokers
  - Additional $1,200-$1,700 per smoker in lost productivity
  - Costs from non-smoker absences due to illnesses caused by exposure to tobacco smoke

- Lost Productivity - smoking breaks
  - Estimated 4 to 30 minutes per day in sanctioned and unsanctioned smoking breaks
  - Additional $300-$2,500 per smoker in lost productivity

Costs of Smoking to Business

- Higher insurance premiums
  - Health insurance premiums up to 50% higher
  - Life insurance: $90 more per smoker per year for $75,000 life insurance policy
  - Fire/hazard insurance: $11-$21 higher per smoker

- Higher cleaning and maintenance costs
  - EPA estimated at $4.8 billion in 1994 ($7.0 billion in current dollars)
  - $305 per 1,000 SF of warehouse space
  - $728 per 1,000 SF of office space

Costs of Smoking to Business

- Potential litigation costs
  - Costs from non-smoking employees seeking compensation for diseases, lost productivity due to exposure in the workplace
  - Discrimination lawsuits from exposed non-smokers sensitive to tobacco smoke
  - Hundreds of cases with widely varying payouts in the US and other countries

Why not go smoke-free?

- Fears about lost revenues due to loss of business from smoking patrons
  - Less frequent and/or shorter visits
  - Smokers take business to businesses where smoking is allowed (e.g. in nearby jurisdictions)
  - Fueled by tobacco industry “evidence” of harmful economic impact
  - Fails to account for increased business from non-smokers who enjoy smoke-free environment

Why not go smoke-free?

- Potential problems with smoker discrimination challenges
  - Exacerbated by state “smokers’ rights” laws in 29 states
  - Do not appear to conflict with smoke-free policies

- Lack of awareness about costs from smoking and non-smoker exposure to tobacco smoke
  - Much more known today about health consequences of exposure to tobacco smoke
  - Knowledge about how much smoking costs businesses is less widespread

Why not go smoke-free?

- Costs of going smoke-free
  - Costs of enforcement seem limited given relatively high compliance
  - Costs of creating and maintaining smoking rooms/lounges for smoking employees
  - Lost productivity from smokers taking more/longer smoking breaks
  - Costs of providing smoking areas for smoking patrons
    - Separately ventilated or free-standing
  - Accommodating smoking will cost considerably more than going completely smoke free

Economic Impact of Smoke-Free Policies

- Adoption, diffusion, and increasing comprehensiveness of smoke-free policies provide many “natural experiments” for researchers to assess
  - Local, state, national policies
  - Restrictions vs. smoking bans
  - Covering increasing number of venues

- Many studies over past 20 years
  - Need to sort out the good from the bad
  - Nearly all focus on impact on hospitality industry

Economic Impact of Smoke-Free Policies

Good or bad?

Researchers in Chicago interviewed selected bar and restaurant owners about the anticipated impact of the smoking ban that will go into effect later this year. The majority of owners indicated that they expected the ban to have a negative impact on their businesses, suggesting that smokers will take their business to restaurants and bars in nearby suburbs where smoking was allowed.

Economic Impact of Smoke-Free Policies

Good or bad?

Researchers in Ireland observed that dozens of pubs closed following the adoption of the country's comprehensive ban on smoking in public places and workplaces, that included bars and restaurants, leading them to conclude that the smoking ban was bad for business.

Economic Impact of Smoke-Free Policies

Good or bad?

Casino owners in Illinois reported a sharp drop in revenues in 2008, after observing increases in revenues in previous years. They attribute the drop in revenues to the state smoke-free air policy that went into effect in January 2008, banning smoking in virtually all public places, including casinos and horse tracks.

Economic Impact of Smoke-Free Policies

Good or bad?

Researchers examined sales tax revenue data from bars and restaurants in 12 communities that adopted smoke-free restaurant and bar policies, along with 12 comparable communities that allowed smoking. Using data from two years before the policy changes and two years after the changes, controlling for economic conditions in these communities, and using appropriate multivariate regression methods, they concluded that the adoption of the smoke-free policies had no adverse impact on the revenues of businesses affected by the policies.

Economic Impact of Smoke-Free Policies

- Characteristics of a good study
  - Uses objective data on business activity
    - Revenues (sales tax revenues, total revenues)
    - Employment
    - Number of licensed establishments
    - Not expected revenues or owner assessments of how much business is down after policy adoption
  - Or population-based, representative samples
    - Surveys of full population
    - not convenience samples of current patrons or business owners who show up at hearings

Economic Impact of Smoke-Free Policies

- Characteristics of a good study
  - Includes appropriate control group
    - Comparable jurisdictions where similar policy changes have not occurred
  - Includes sufficiently long period before and after the policy change
    - Allows underlying trends to be captured
    - Does not focus on transitory effects as smokers and non-smokers adapt to policy change
  - Accounts for other factors that affect outcomes of interest
    - e.g. underlying economic conditions, population change, etc.

Economic Impact of Smoke-Free Policies

- Characteristics of a good study
  - Uses appropriate statistical methods
    - multivariate regression analyses
    - Tests for statistical significance of estimates
- Good studies will be most likely to be published in peer-reviewed journals
- Pay attention to source of funding for study

Summary of Existing Studies (as of 1/31/08)

Type of data	**Methodological quality**	**Peer reviewed?**	**Reported a negative impact?**		**Total**
			No	**Yes**	
Official reports of sales, employment or related measures (n=86)	Meet criteria for methodologically sound studies (n=49)	*Yes (n =21)*	20	1	**49**
		No (n=28)	27	1	
		Total for studies meeting all four criteria (n=49)	**47**	**2**	
	Met some of but not all criteria for methodologically sound studies (n=37)	*Yes (n=3)*	3	0	**37**
		No (n=34)	15	19	
		Total for studies meeting some of criteria (n=37)	**18**	**19**	
		Subtotal	**65**	**21**	**86**

Economic Impact of Smoke-Free Policies

- A few examples:
  - Glantz and Smith (1994, 1997) compared 15 CA and CO smoke-free communities with matched communities with no restrictions
  - Included data for at least one year following policy adoption
  - Appropriate multivariate statistical methods
  - Objective sales tax data
  - Controlled for trends, other factors
  - Concluded that policies had no adverse impact on restaurant or bar revenues

Economic Impact of Smoke-Free Policies

- A few examples:
  - Pyles and colleagues (2007) assessment of Lexington-Fayette county KY 2004 smoking ban
  - Included data for at least one year following policy adoption
  - Appropriate multivariate statistical methods
  - Objective employment data
  - Controlled for trends, other factors
  - Concluded that policy had no impact on bar employment and small positive impact on restaurant employment
  - No impact on employment in nearby counties

Summary of Existing Studies (as of 1/31/08)

Type of data	Methodological quality	Peer reviewed?	Reported a negative impact?		Total
			No	Yes	
Survey data (n=79)	Patron/consumer surveys (n=34)	*Yes (n=9)*	8	1	**34**
		No (n= 25)	19	6	
		Total consumer	**27**	**7**	
	Owner/Manager surveys (n=45)	*Yes (n=10)*	9	1	**45**
		No (n= 35)	10	25	
		Total owner/manager (n=45)	**19**	**26**	
		Subtotal	**46**	**33**	**79**

Economic Impact of Smoke-Free Policies

- A few examples:
  - Hyland and Cummings (1999) analysis of New York city's 1995 ban on smoking in restaurants with 35+ seats
  - Representative sample of restaurant owners (both small and large)
  - Asked about changes in business following the policy change
  - Found same patterns for small and large businesses
  - Conclude that the smoking ban did not adversely affect the restaurants covered by the ban

Economic Impact of Smoke-Free Policies

- A few examples:
  - KPMG Peat Marwick (2001) report on impact of Hong Kong smoking ban in restaurants, cafes, and bars
  - Convenience sample of current patrons
  - Asked about how they expected their dining/drinking out patterns to change following the ban
  - Concluded that ban would lead to 10% drop in business
  - Did not account for increased business from others deterred by smoke-filled environment
  - Did not resurvey to find out if actual patterns changed following the ban

Summary and Conclusions

- Smoking imposes considerable costs on businesses, including increased health care costs, lost productivity, higher insurance premiums, and increased maintenance/cleaning costs
  - Going completely smoke-free significantly less costly than trying to accommodate smoking employees and/or patrons
- Methodologically sound studies of the economic impact of smoke-free policies on the hospitality industry consistently demonstrate that such policies have no adverse impact on businesses

For more information:

http://www.impacteen.org

http://www.tobaccoevidence.net

http://www.uic.edu/~fjc

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