Economic Impact Studies Circulated by the Tobacco Industry

For years, the tobacco industry has circulated economic impact studies claiming that smokefree restaurant and bar laws are harmful to sales. While the names of those conducting the studies may change from place to place, the allegation always stays the same: smokefree restaurant and bar ordinances are bad for business. Unfortunately for the tobacco industry, it's just not true. Numerous reputable studies, *based on objective sales tax data* from a period before and after implementation, have proven that smokefree restaurant and bar ordinances do not harm sales. The tobacco industry's own studies, *based largely on subjective measures like perceptions and anecdotal information*, claim otherwise. However, these are the ***only*** studies that claim clean indoor air ordinances are harmful to restaurant and bar sales.

What are some of the Industry's False Claims?

1. Sales of food and liquor (as well as convention and tourism sales) will decline 20-40% after the enactment of a 100% smokefree restaurant ordinance.

2. When a smokefree restaurant ordinance is in effect, smokers eat out less, leading to lower restaurant revenues.

3. In the absence of a smokefree ordinance, smokers eat out more and spend more than nonsmokers, leading to higher restaurant revenues.

4. Smokefree ordinances will lead to widespread job losses and are opposed by hospitality workers.

5. Smokefree ordinances are difficult to enforce and can lead to widespread non-compliance.

Tobacco Industry-Sponsored Studies

Deloitte & Touche LLP, Washington, D.C.:

- *The Impact of Non-smoking Ordinances on Restaurant Financial Performance, 2003.* The National Restaurant Association (NRA) funded study sought to estimate the economic impact of smokefree restaurants and dining areas based on the *self-reported* sales and profits of individual restaurants. Deloitte & Touche cherry-picked restaurants around the U.S. for their data set, eliminating fast food restaurants, all restaurants that are covered by statewide 100% smokefree laws, all restaurants with annual sales of less than $50,000, and all restaurants with annual sales greater than $10 million. The firm was left with only 232 restaurants (down from 3145) covered by any smokefree ordinance. Consequently, their results are inconsistent, determining that the majority of specific ordinances had negative effects but that a few had *positive effects*. Due to their exacerbated categorization process, the authors preface the study with a statement that reads, "[E]stimates should be interpreted with caution." The NRA received a Philip Morris grant of $75,000 in 2002 for the purpose of conducting "restaurant industry research on [the] economic impact of smoking bans." (Bates No. 2085688826)

Dunham and Marlow, United States:

- *Smoking laws and their differential effects on restaurants, bars and taverns,* 2000. The study, conducted by at least one employee of the Philip Morris Management Group, measured the probability that an owner with a particular set of attributes will predict that smoking bans cause decreased revenues. The study *predicts* 38% of establishments will have decreased revenues, but sales tax revenue data does not support this conclusion. A key attribute measured in the study was the size of an establishment's smoking and nonsmoking sections. However, only 5 of the 32 states with smoking restrictions had size requirements for smoking and nonsmoking sections. Also, several states preempt local smoking ordinances. These errors invalidate the conclusions drawn from the misconstrued data.

David Sollars and Jerry Ingram, of Auburn University-Montgomery, Montgomery, AL:

- *Economic Impact of the Restaurant Smoking Ban in the City of Boston, Massachusetts,* 1999.
  The study asked restaurant managers to estimate the impact of the Boston smokefree restaurant ordinance two months after it went into effect. The questionnaire inquired about restaurant managers' feelings about the impact of the ordinance on employment, tipping, revenue, etc. The study was sponsored by the International Society of Restaurant Association Executives (ISRAE) and funded by the Accommodation Program through Options, Philip Morris U.S.A.

InContext, Washington, D.C.:

- *The Impact of Smoking Restrictions on the Bar and Tavern Industry in California,* 1999.
  The study supposedly examined the impact of California's smoking ban in bars, effective on January 1, 1998. The study claims that there were fewer bar jobs and bar businesses in California on January 1, 1999 than on January 1, 1997, but comparing two random points in time is an invalid methodology. Economic fluctuations are not accounted for and several years of data are necessary to establish a baseline to measure economic impact. Economic studies in 2000 and 2001 found that Philip Morris Management Corporation funded the study.

Michael L. Marlow, of California Polytechnic State University:

- *An economic analysis of the Maine smoking ban: evidence from patrons and owners of businesses,* 1999.
  The study surveyed restaurant owners and patrons to *estimate* the impact the smoking ban had on restaurant patronage, time spent at establishments, revenues, wages, and several other factors. The study purportedly found that smokers visited restaurants less frequently and spent less time there, but that non-smokers visited more frequently. Smokers make up only 25% of the population, so the number of increased visits by non-smokers was higher than the number of decreased visits by smokers. Claims of decreased revenues and wages were not substantiated by sales tax receipts. The Philip Morris Management Group funded the report.

Chamberlain Research Consultants, Madison, WI:

- *Smoking Issues in Wisconsin,* 1998.
  The study was conducted for the Wisconsin Restaurant Association and was funded by a Philip Morris Accommodation Program Grant. Owners of restaurants, bowling alleys, hotels, and motels were asked to *predict* how a smoking ban could affect potential sales and employee layoffs, although no smoking regulations were proposed.

The Craig Group, Inc., Columbus, OH:

- *West Virginia Restaurant and Bar Survey*, 1998.
  The study surveyed restaurant and tavern owners and found that 59% of the owners *believe* smoking customers would spend less money in their establishment if a ban were enacted; it was funded by Philip Morris' Accommodation Program for The Club Association of West Virginia, an affiliate of the National Licensed Beverage Association.

KPMG Peat Marwick, Los Angeles, CA:

- *Effects of 1998 California Smoking Ban on Bars, Taverns and Night Clubs*, 1998.
  The study tested respondents' *views* of whether business increased or decreased after January 1, 1998, the date California's smokefree bar provisions went into effect; alleges business declined an average of 26.2%. Actual sales tax data demonstrates sales were not affected by the law.

Michael L. Marlow, of California Polytechnic State University:

- *The Economic Effects of Smoking Laws on Bars and Taverns*, 1998.
  The study developed an economic model of how smoking restrictions influence bars and taverns and tested the model using surveys of restaurant, bar, and tavern owners and managers conducted by Roper Starch for the National Licensed Beverage Association. Study found that 82% of bar and tavern owners *predict* that a smokefree ordinance would hurt their businesses. The study was funded by Philip Morris and presented at the National Licensed Beverage Association annual conference in 1998.

Advantage Marketing Information, Wickford, RI:

- *Rhode Islander's Attitudes Towards Smoking in Restaurants and Hotels,* 1997.
  The study was conducted for the Rhode Island Hospitality and Tourism Association for the purpose of *estimating* the impact a smoking ban could have on potential sales if such a policy were introduced. No smoking bans had been recently introduced or were proposed. Owners of restaurants, bowling alleys, hotels, and motels were asked to *guess* the impact that a smoking ban would have on their business and on employee layoffs. The study was funded with a Philip Morris Accommodation Program Grant.

Eppstein Group, Fort Worth, TX:

- *Texas Restaurant Association 1997 Statewide Hospitality Industry Benchmark Poll,* 1997.
  The Eppstein Group, with a grant from Philip Morris' Accommodation Program, surveyed members' *opinions* on smoking regulations and their *perceptions* of what would happen to their businesses if a smoking ban were imposed in Texas. The study *predicts* a loss of business, but there is no actual data involved.

Applied Economics, Scottsdale, AZ:

- *Economic Impact of the City of Mesa Smoke-free Ordinance, Working Paper 1: Business Interviews*, 1996.
  The study surveyed 17 restaurants or restaurant/lounges in Mesa one month after the city's ordinance went into effect. Study results are based on owners/managers' *opinions* about the impact of the ordinance on sales.

- *Economic Impact of the City of Mesa Smoke-free Ordinance, Working Paper 2: Preliminary Sales Tax Analysis*, 1996.
  The study compared sales data from July and August 1996 (the two months after the

July 1st date the ordinance went into effect), with sales data from July and August 1995. While the use of sales tax data to monitor impact is appropriate, the study should have used several years' worth of data to establish an accurate baseline and account for any random fluctuations.

InContext, Washington, D.C.:

- *Restaurant Jobs in New York City, 1993 Through First Quarter 1996, and the Restaurant Smoking Ban*, 1996.
  The study was commissioned for the Empire State Restaurant & Tavern Association, a tobacco industry front group, and it alleges that New York City lost jobs as the result of its smokefree restaurants ordinance. However, New York City's clean indoor air law did not go into effect until April 1995, one month after New York City supposedly lost 4% of its restaurant jobs. The study did not look at restaurant sales tax data.

- *Massachusetts Restaurant Association Study*, 1996.
  The study, conducted for the Massachusetts Restaurant Association, measured the change in the number of restaurant jobs in 23 Massachusetts cities during the period 1993-1995. Several of the towns, however, enacted their smokefree air ordinances in 1996, *after* the study period. The study did not look at restaurant sales tax data.

KPMG Peat Marwick, Los Angeles, CA:

- *The Impact of the Current and Proposed Smoking Bans on Restaurants and Bars in California,* 1996.
  The study surveyed restaurant owners pre-selected from a list provided by the Southern California Business Association and is based on owners' *opinions* about the effects of the restaurant ban on business.

Price Waterhouse, Washington, D.C.:

- *New York City Restaurant Survey*, 1995.
  The study, conducted for the New York Restaurant and Tavern Association, claimed that 41% of restaurants reported decreased sales receipts since a smoking regulation began. The study only looked at restaurant owners' *opinions* of whether there was a change in sales within *one month* of the regulation's implementation, which is not a valid amount of time for evaluation even if the study was based on hard data, which it was not. Studies based on sales tax receipt data did not show a negative economic impact from the smoking regulation, and in fact showed an increase of 2.1% in sales tax revenue, as documented in the Journal of Public Health Management and Practice, January 1999 issue. A Philip Morris Accommodation Program Grant funded the study.

Charlton Research Company, San Francisco, CA:

- *Pacific Dining Car Restaurant and Southern California Business Association Survey*, 1994.
  The study, conducted for the Southern California Business Association, was based on *interviews* of restaurant owners and managers in Los Angeles regarding their *opinions* on how business was affected by a new restaurant smoking regulation in the city. The Southern California Business Association has ties to the tobacco industry and the authors of the study had done work for Philip Morris in the past.

Price Waterhouse, Washington, D.C.:

- *Potential Economic Effects of a Smoking Ban in the State of California,* 1993.
  Study conducted on behalf of the Southern California Business Association, Los Angeles County Hotel Motel group, and San Diego Tavern and Restaurant Association; based on restaurant owners and managers' *predictions* about the effects of a proposed statewide smoking ban on business.

- *Potential Economic Effects of a Smoking Ban in the City of San Diego,* 1992.
  Study conducted for the San Diego Tavern and Restaurant Association; surveyed restaurant owners and managers' *predictions* about the effects of a proposed smokefree ordinance.

Louis Masotti and Peter Creticos, San Luis Obispo, CA:

- *Creticos and Associates Study of San Luis Obispo, CA*, 1991.
  The study was based on *interviews* with restaurant owners and managers to learn their opinions on how business was affected by a new restaurant smoking regulation in the city. The authors claimed that certain sales tax data showed a slight decline in restaurant sales, but they admit that no restaurant owners and managers were able to demonstrate any losses attributable to the smoking regulation. Masotti has done work for Philip Morris.

Peter Gambee, California Business and Restaurant Alliance:

- *California Business and Restaurant Study of Bellflower, CA*, 1991.
  The California Business and Restaurant Alliance (CBRA) conducted a non-random survey of 100 Bellflower restaurant owners and managers, 33 of which actually responded. Many of the responding restaurateurs had worked with CBRA to oppose the ordinance. CBRA did not request any financial documents to support owners' and managers' *opinions* that business had decreased. Rudy Cole of Restaurants for a Sensible Voluntary Policy (RSVP), a tobacco industry front group, presented these findings to the Bellflower City Council.

Laventhol and Horwath, Los Angeles, CA:

- *Analysis of the Impact of the Proposed Los Angeles Ban on Smoking in Restaurants*, 1990.
  The study was conducted for Restaurants for a Sensible Voluntary Policy (RSVP) and it projected the *potential* impact of a restaurant ordinance in Los Angeles, based on Beverly Hills' experience during the time its 100% smokefree ordinance was in effect. The study relied on sales information provided by six non-randomly selected Beverly Hills restaurants, and only looked at one calendar quarter's worth of data.

Hamilton, Frederick and Schneiders, Washington, D.C.:

- *Hamilton, Frederick and Schneiders Study,* 1987.
  The study, which was conducted for the Tobacco Institute, polled smokers' *opinions* on smoking restrictions in restaurants.

REFERENCES

Scollo, M. and Lal, A. Summary of Studies Assessing the Economic Impact of Smoke-Free Policies in the Hospitality Industry. VicHelath Centre for Tobacco Control, Melbourne, Australia. November 2003.

http://www.vctc.org.au/tc-res/Hospitalitysumary.pdf

May be reprinted with appropriate attribution to Americans for Nonsmokers' Rights, © 1996; revised 1998, 2000, 2003 and 2004.