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Economic Impact Analysis of the No-smoking By-Law on the Hospitality Industry in Ottawa

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Executive Summary

KPMG LLP has been engaged by the City of Ottawa to provide assistance in the ongoing monitoring of the economic and health impact of no smoking legislation enacted on August 01, 2001. This is the first of a series of quarterly reports KPMG will issue that will examine the impacts using credible, defensible and methodologically sound data.

The primary purposes of this report are to:

1. Provide a brief review of economic impact studies carried out in other jurisdictions;
2. Examine the methodologies and data sources KPMG will use to reach an objective and unbiased conclusion; and
3. Provide the available preliminary data on potential economic impacts and the economic context.

Methodologically sound studies in other jurisdictions have found restrictive legislation does not have a permanent negative impact on restaurant, bar and pub sales, although short term effects have been observed, generally lasting a month or two, but occasionally as long as six months. Surveys based on establishment owners' or managers' perceptions of impact have often reported significant impacts, but these have not been born out by proper studies.

KPMG will use a variety of data sources and approaches to evaluate the impact in Ottawa. Retail sales tax returns will be the primary measure of sales change, but the analysis will have to consider the impact of the general economic trends, tourism trends, and the "September 11 effect" on sales volumes.

The effects on health and health care costs are hard to measure as they affect a substantial number of people and develop over an extended period of time. It will not be possible to measure them accurately in Ottawa over the current one-year period. However, based upon studies elsewhere, Dr. Ron Colman of GPI Atlantic has estimated the impact of tobacco related illness on the Ottawa economy at between \$270 and \$390 million. Workplace exposure to second hand smoke costs the economy an additional \$40 million in health care costs and lost productivity.

Our next three quarterly reports will include:

1. **March, 2002** – a survey of pub and bar sales in Ottawa, based on random sampling and documentary evidence, and data on smoking prevalence.
2. **May, 2002** – results of a comprehensive analysis of retail sales tax returns for restaurants, bars and pubs in Ottawa (to January, 2002), compared with those in the rest of the province carried out by the Ontario Tobacco Research Unit of the Government of Ontario.
3. **September, 2002** – results of an econometric analysis of restaurant, bar and pub sales in Ottawa, distinguishing the effects of the by-law from the effects of the recession, the terrorist attacks, employment and travel changes and other factors, to be carried out by the Conference Board of Canada.

Each report will also provide other statistical data as relevant to monitor impact or establish the context of any observed changes. Some preliminary findings from this data include:

- Employment in the Ottawa accommodation and food service sector appears to have risen 6.5% from June to October (from 22,800 to 24,300) despite the decline in total employment from 585,500 to 566,900 (a decline of 18,600 or 3.1%).



- Similarly, Employment Insurance claims in the accommodation and food service industries actually declined by 5% in August 2001 compared to August 2000 and by 9% in October over a year previous. Claims increased by 1% in September 2001 relative to a year earlier.
- Bankruptcy and insolvency statistics for restaurants are lower for the period August to November than they have been the last two years (7 verses 12 last year and 8 in 1999). Two “tavern, bar or nightclub” operations underwent insolvency procedures this year, verses one last year and two in 1999.

Introduction

KPMG LLP has been engaged by the City of Ottawa to provide assistance in the ongoing monitoring of the economic and health impact of no smoking legislation enacted on August 01, 2001. This is the first of a series of quarterly reports KPMG will issue that will examine the impacts using credible, defensible and methodologically sound data.

A key concern when attempting an analysis of the economic impact of an event such as this type of legislation is the availability of pertinent data since inception of the bylaw. The lack of key data make any meaningful, objective and quantitative analysis unrealistic at this time, although the data available is reported. As economic data becomes available our reports will more fully reflect the impacts of legislation, whatever they may be.

The primary purposes of this report are to:

1. Provide a brief review of economic impact studies carried out in other jurisdictions;
2. Examine the methodologies and data sources KPMG will use to reach an objective and unbiased conclusion; and
3. Provide the available preliminary data on potential economic impacts and the economic context.

The economic impact of smoke free legislation is an important consideration for policymakers concerned about the population's exposure to Environmental Tobacco Smoke (ETS); assessment of the potential economic impact of these laws should be based on the most objective, scientific evidence available. A full economic impact analysis should consider both the anticipated benefits, primarily related to health and health care costs (although lifestyle issues may also be involved for individuals) and potential impacts on the industry subject to regulation.

The new by-law in Ottawa particularly regulates smoking in hospitality industry establishments. In order to provide an objective analysis of the impact of this type of legislation on the hospitality industry it is useful to undertake a brief evaluation of the nature of the industry and the general environment in which it operated before inception of legislation.

Hospitality establishments operate in a highly competitive environment where 38% of entrants fail by the 2nd year of business and 50% have failed by the 3rd year¹. This competition is due to low barriers to entry and results in very low profit margins. In addition to these factors, the industry survives on the discretionary incomes of its patrons and is therefore highly subject to fluctuations in consumer confidence levels. In general terms during times of low unemployment and high consumer confidence the industry can expect growth due to stable or growing discretionary incomes and the populations propensity to spend. During times of economic decline, low consumer confidence and high anxiety, the industry can expect revenues to decline due to consumers fears for the future. Thus some business failures can be expected in any economic circumstances and sales may fluctuate significantly due to a number of factors, particularly the state of the economy.

¹[1] John Baldwin, Lin Bian, Richard Dupuy, Guy Gellatly. (February 2000) Failure rates for New Canadian Firms: New Perspectives on Entry and Exit, Statistics Canada, Ottawa, Ontario.

Background

Environmental Tobacco Smoke (ETS) legislation restricting smoking in the workplace has been in existence since the mid 1970's. The catalyst for policymakers to consider this type of legislation has been the widely publicized evidence of the negative health effects of tobacco smoke.

Over the past decade, government health authorities in the U.S. and Canada have passed restrictive smoking regulations that have applied to hospitality facilities. This legislation has resulted in over 200 U.S. cities passing restrictive smoking regulations. In addition to the U.S. legislation hundreds of Canadian municipalities have adopted smoke free bylaws and seven provinces have adopted province wide laws restricting smoking in various circumstances. Until quite recently the only industry in Ottawa whose employees were still exposed to ETS were those in the hospitality industry. Furthermore, many Canadian provinces are initiating research into measurement of the economic and health impact of this legislation.

Review of Studies in Other Jurisdictions

KPMG conducted a literature review of studies of the economic impact of ETS legislation on the hospitality industry and found a variety of means by which it had been measured in the past. The studies generally use one of two approaches. The first approach is to conduct surveys of proprietors or managers to determine whether sales have declined after restrictions were imposed. This approach has some serious methodological implications:

1. Establishments from which the sample is drawn may not be complete enough to adequately represent the population of establishments within a given area. Examples of this biased sampling are convenience sampling and samples from business or trade association lists. These samples will not be representative of the population even if random sampling was performed on the incomplete list.
2. Responses are based upon non-verifiable, self-reported *perceptions* of the owner/manager of how business has done over time. These biases tend to exaggerate the negative impact of legislation. Perceptions are not a methodologically sound measurement tool;
3. Surveys done shortly after a smoke free law has been introduced are likely to be biased due to the initial displeasure of proprietors over the legislation and more importantly may not consider influencing factors such as seasonal variations, regional economic health, higher unemployment, lower disposable income, tourist arrivals, hotel vacancy rates and other factors which will be described later in this paper; and
4. Effects isolated to a smoke free law are impossible to discern from those resulting from other economic conditions due to the lack of a control group with similar characteristics (comparison city that has not introduced legislation).

In our analysis of the available literature on the economic impacts we found that the initial concerns and responses by owner/managers, often in research funded by the tobacco industry, describing the impact to their business exhibited little or no correlation to the actual effects when measured in a quantitative, objective manner.

The second approach uses taxable retail sales data to measure the change in establishment sales revenue before and after inception of legislation. This approach uses data that are consistent and unbiased, since reporting of sales tax is required by law for all establishments. This type of information combined with data to control for environmental factors such as seasonal variations and general economic conditions and similar data for a comparison city without legislation leads to a more rigorous and objective result. All studies using such objective, unbiased data and methodologies have concluded that there was no significant impact on restaurant sales in the long run resulting from ETS legislation, although in some cases short term impacts have been noted, generally in the one to three month range, but occasionally extending to six months.

In our review of the relevant literature we found that most analyses of economic impacts focused narrowly on the economic costs to the hospitality industry when the original intent of legislation was the protection of public health. In the course of our review, however we did examine a recent report by Dr. Ronald Colman of GPI Atlantic entitled "The Economic Impact of Smoke-Free Workplaces", which is the first comprehensive assessment on this subject in Canada. Dr. Colman is executive director of GPI Atlantic, a non-profit research group.

Dr Colman details economic impacts on the health care system, employer costs, and business receipts (including an analysis of all North American published and peer-reviewed studies analyzing sales receipts before and after smoke-free legislation.) His study also examines the scientific evidence on alternatives to smoke-free legislation, including ventilation and the designation of non-smoking areas. A summary of Dr. Colman's full report is included in Appendix A.

Dr. Colman also prepared an estimate of the economic impact of ETS legislation on health costs. The measurement of both the economic impact on business *and* the health costs are important in evaluating the effects of public policy. However the health impacts tend to take time to materialize, and given the number of people who must be studied and the variety of factors that must be controlled, these studies take years and considerable resources to compile. We have not proposed to undertake significant measurement of the health impacts, but have asked Dr. Colman to apply his analytical techniques to determine the likely health care impact of the Ottawa by-law.

Dr. Colman's analysis indicates that tobacco use results in 800 to 1,000 premature deaths in Ottawa annually, and the use of 67,000 to 76,000 hospital days per year. The economic impact on Ottawa is between \$270 and \$390 million per year. The effects of second hand smoke (ETS) include approximately 125 deaths per year and an economic impact of approximately \$50 million per year. He further estimates that ETS exposure in the workplace is responsible for 80% of these costs, i.e. \$40 million per year in Ottawa. This is before considering the lost productivity of smokers. The Conference Board of Canada estimated that it costs Canadian employers \$2,280 extra per year to employ smokers compared to non-smokers, or \$82 million per year for Ottawa employers in total.

It should be noted that there is considerable discussion and some legal proceedings surrounding the provisions of the *Occupational Health and Safety Act*, focusing on the assertion that employers are required to protect their employees from exposure to harmful agents, including the carcinogens present in ETS. While this may prove to be a significant liability for employers (and potentially regulators) in industries that expose their employees to ETS, this will not be quantified in our work unless the legal process provides a clear enough resolution to allow the risk to be quantified.

Data Sources

In order to properly assess the impacts of ETS legislation in Ottawa KPMG will utilize information and data sources that are objective and credible in nature. Interviews may be conducted with relevant parties and quantitative information gathered. All data provided for this analysis must be substantiated and methodologies used must be made available for scrutiny, or risk exclusion.

KPMG has researched many areas for data gathering and include the following:

Retail Sales Tax Data:

Retail sales tax data will be provided by the Ministry of Finance for Ontario (by industry type) and other locations in the province to control for general economic effects.

Employment Data:

Statistics Canada Labour Force Survey provides monthly data and three month moving averages to determine the increase/decrease in the Ottawa labour force over time. These statistics are also available by Industry Classification to determine the labour force variation within specific sectors of the local economy.

Employment Insurance Data:

Data from employment insurance will be obtained through Human Resources Development Canada. This data also includes number of claimants per month by occupation by region. If smoking restrictions resulted in layoffs, then one would expect an increase in the number of recipients during the period under scrutiny

Number of Establishments by Industry Classification:

The Canadian Business Patterns, Business Register Division of Statistics Canada records the number of establishments by employee ranges and by classification. This information can be used to measure the growth/decline in establishments over time.

Rapid Risk Factor Surveillance System:

The RRFSS is one source of data on smoking status. OTRU, mentioned below, also has data on this subject. This information can be used to measure any decrease in smoking prevalence in the region. This information is also necessary to measure the potential economic costs to the Ottawa area of tobacco related illness.

Canadian Tobacco Use Monitoring Survey (CTUMS):

The survey measures smoking prevalence and number of cigarettes per day by age group and again can be used to measure changes in smoking prevalence and/or number of cigarettes smoked per day. This information is also necessary to measure the potential economic costs to the Ottawa area of tobacco related illness

Ontario Tobacco Research Unit (OTRU):

This unit records the number of deaths attributable to tobacco smoke each year by tobacco related illness, by sex and by person years of life lost. This information is also necessary to measure the potential economic costs to the Ottawa area of tobacco related illness.

LCBO:

The Liquor Control Board of Ontario can provide sales data on commercial vs retail sales by region.



Ottawa Tourism and Convention Authority (OTCA):

The OTCA provides quarterly reports on tourism activity in Ottawa. These reports provide data on visitor numbers, spending, hotel room occupancy rates and conventions etc. This information is useful to determine if there is a significant drop in tourist business and discretionary spending.

Industry Canada/Office of the Superintendent of Bankruptcies:

This information is necessary to accurately determine the number of bankruptcies by industry classification and by region.

By-Law Enforcement Branch, City of Ottawa

The number of prosecutions and warnings issued will provide an indication of the extent to which the by-law is being observed.

Methodology

There are a number of factors that need to be taken into consideration when constructing a model to measure the impact of legislation on hospitality sales in Ottawa. In addition to normal variables used to control for variation in data such as the seasonal fluctuations inherent in hospitality industry sales these factors warrant specific mention due to their nature and to their timing.

Economic Climate:

The Canadian and U.S. economies have suffered a significant slowdown during the past 6 months and it is now known that both economies have been in recession throughout this period. The Bank of Canada has lowered interest rates to their lowest levels in 40 years to boost consumer spending and Statistics Canada reports that Canadian retail sales are at their lowest in 3 years. Canadian exports have dropped by 1.7% to their lowest level in 19 months while imports dropped at an even faster rate.

Ottawa Specific Employment:

Statistics Canada has reported that the regional economy has lost 18,600 jobs since June 2001 (3.1%). Ottawa's economy has been significantly affected by the economic climate due to the nature of the majority of its workforce being employed in the high technology sector. The magnitude and speed of this decline in the workforce can be expected to have a negative effect on discretionary incomes.

Sept.11, 2001 World Trade Centre Attacks:

The World Trade Centre attacks had to have significant impacts. The first was a significant change in personal activities through September and to a lesser extent, October. The second is a more long term slowing of world economies, particularly the travel, tourism and airline industries. Major airlines around the world have filed for emergency government assistance and some have filed for bankruptcy protection. Hotel vacancy rates have plummeted from all time lows early in 2001 to critically high levels in recent months.



According to the Ottawa Citizen the severe drop in business and recreational travel have had a negative impact of \$5B on the Canadian economy. As Ottawa is the Capital city and a major Canadian tourist destination, this factor must be addressed when attempting to measure any economic impact.

Quarterly Reports:

KPMG will provide a series of quarterly reports, in March, at the end of May and in September 2002. Each report will provide the most recent available data concerning bankruptcy rates, LCBO sales, travel and tourism statistics and employment rates.

Our **March** report will also contain:

- A detailed consumer response survey for Ottawa including smoking prevalence rates, attitude towards the smoking restrictions, awareness of restrictions, etc.
- A review of pub and bar sales in Ottawa

As noted earlier, a thorough analysis of the impact of the smoking by-law on restaurants, bars and pubs will require some time in order to allow thorough data collection, to isolate any short term, temporary impacts, and to clearly separate the impacts of the smoking by-law from the general economic slowdown, the September 11 effect, and other factors.

However given the concerns expressed that pubs and bars experience a differential impact, and the published data PUBCO has derived from a perception based survey of some of its members, a shorter term analysis of impact on pubs and bars alone will be conducted. This approach will involve identifying a random sample of pubs and bars, seeking verifiable sales data (on a confidential basis) from the owners/managers for the period from August, 2000 to the present, identifying any establishment specific changes that will have impacted sales (i.e. expansions) and determining the change in sales since the by-law took effect. The results will consider any apparent differences in effect based on sections of the city, whether the establishments have patios, and whether the by-law is being respected. The success of the survey will be dependent upon the co-operation of the bar and pub owners, and the results will necessarily be subject to the caveat of limited

correction for general economic trends, although a measure of general economic performance will be applied. In order to ensure the representative nature of the results, they will only be published if at least 60% of the sample selected provides data.

The late **May** report will include a full systematic study based on retail sales data from across the province. The study will be conducted by OTRU, an agency of the Province of Ontario. It will compare the change in restaurant, pub and bar sales in Ottawa with the trend of other retail sales in Ottawa to allow for the impact of changes in the local economy, and compare local sales with those of other locations in the province to allow for such factors as the September 11 effect. The study will cover the sales up to the end of January 2002. This is a shorter period than would be ideal (essentially 5 months after enforcement of the by-law began). It will give the first solid indication of whether there is an effect on sales (allowing for other factors), but will not be able to exclude any possibility that an effect on sales, if measurable, is temporary.

The **September, 2002** report will contain results of a detailed econometric analysis of the impact of ETS legislation, likely carried out by the Conference Board of Canada. This analysis will consider a number of factors (or related indicators) which could influence consumer spending on the food services industry (including restaurants, pubs and bars) in the City of Ottawa, which include, but are not limited to:

- Personal disposable income;
- Employment characteristics;
- Population;
- Relative prices;
- Consumer confidence;
- Inflation adjusted interest rates;
- A variable to account for the September 11th, 2001 terrorist attacks; and
- A qualitative variable to reflect the Ottawa smoking ban.



The analysis will consider five years of historical data for Ottawa and elsewhere in Canada to establish the link between each of these factors and food service spending. The resulting statistical analysis will allow for the isolation and quantification of the impact of each of these variables, including the smoking ban, on the City's food services industry. This should provide a conclusive answer on whether the smoking by-law has had any ongoing impact on restaurant, bar and pub sales in Ottawa.

Preliminary Findings

A preliminary review of data available since inception of the legislation indicate the following:

Labour Force:

Statistics Canada labour force survey shows that total employment for Ottawa Hull has dropped from a high in June of 585, 500 to 566, 900 in October of 2001. This was a loss of 18,600 jobs, or 3.1% of the total. This resulted in an increase in unemployment from 6.1% to 7.5% from June to October.

Monthly data for accommodation and food services employment show a significant increase in Ottawa. The labour force survey indicates an increase in employment in the accommodation and food services industry from 22,800 in June to 24,300 in October (6.5%). This result is surprising as total employment in the Ottawa area fell, yet employment in the accommodation and food services industry grew over the period the new by-law went into effect

Number of Establishments:

The Canadian Business Patterns, business register division of Statistics Canada records the number of establishments by number of employees and by Standard Industry Classification. The total number of licensed and unlicensed restaurants in the Census Metropolitan Area at the end of 2000 was 1,381 and the total number of Taverns, Bars and Nightclubs was 122 (using the Statistics Canada definition). By June 2001 the number of licensed and unlicensed restaurants had grown to 1,432, a 3.6% increase and the number of Bars, Nightclubs and Taverns had grown to 130, a 6.5% increase in 6 months. This growth in the industry is an expected outcome of a period of consumer confidence and higher discretionary spending.

Employment Insurance Claimant Activity:

Human Resources Development Canada reports on the top 75 occupations by claimant activity by month, by region. For Accommodation and food service employees including cooks, kitchen and food service helpers, restaurant and food service managers and food and beverage servers overall claimant activity for these occupations decreased. Specifically, from August 2000 to August 2001 there was a drop of 5% in claimant activity for these occupations. From September 2000 to September 2001 there was an increase of 1% in claimant activity and from October 2000 to October 2001 there was an overall decrease of 9% for these occupations.

Beer Sales:

As reported by the Ottawa SUN, Canadians bought 1.9% less beer in September than one year ago, according to the Brewers Association of Canada. Sleeman Breweries reported a sudden decline in sales after Sept. 11. Sleeman said sales declined 7% in Eastern Canada and 4% overall.

Molson, which almost doubled its earnings in the three months ended Sept. 30 and saw an overall increase in sales, experienced a slight decline in sales to licensed establishments. The LCBO, whose April-October alcohol sales are up 8% over last year, says when it comes to customers with liquor licenses, sales are flat. An LCBO spokesperson stated in an interview with The SUN that they were starting to see a downward trend before September 11. The article also stated that tourism is down along Rideau and Elgin Streets and in the Byward Market area and that the main reasons could be attributed indirectly to the events of September 11. Consumer confidence was also cited as a reason for flat sales as consumers were already exercising caution given an economic slowdown was well underway.

Bankruptcies:

The table below provides data for August through November 2001 and the previous two years for bankruptcies, proposals to creditors under the Bankruptcy Act and receiverships

	<i>1999</i>	<i>2000</i>	<i>2001</i>
Restaurants			
Bankrupt	5	9	6
Proposals	2	3	0
Receivership	1	0	1
	<hr/>	<hr/>	<hr/>
	8	12	7
Bars and Taverns			
Bankrupt	0	1	1
Proposals	2	0	1
Receivership	0	0	0
	<hr/>	<hr/>	<hr/>
	2	1	2

The data suggests that the number of insolvencies is consistent with previous years, in fact, for restaurants it is significantly below the level of last year. By comparison, bankruptcies in the accommodation, food and beverage sector are up 3% in the same period, while total bankruptcies in Ontario are up 7% for the year to date.

Enforcement:

From September 4th to November 22nd, 158 charges for by law infringement have been laid. A review of the charges laid indicates that many establishments have been repeatedly charged and can therefore be categorized as non-compliant. The number of charges laid peaked at 94 in October, and declined to 25 in November (20 excluding taxis and bingo halls). Only 6 established charged in September and October were charged again in November, suggesting the majority are now complying.

Interviews:

The Ottawa chapter of the Ontario Restaurant, Hotel and Motel Association, which represents 400 members in Ottawa (primarily restaurants) have identified 2 issues to municipal representatives these issues are as follows:

1. The Association membership supports the by law and believes that they are over the 'hump' with respect to dealing with this type of legislation. They are pleased to see the by-law reaffirmed by the council. Members of the Association feel that no smoking legislation is inevitable. Until recently the Association fought all legislation of this type and the Ottawa chapter was viewed negatively for their stance of support. The Ontario Association has recently made it within the purview of individual chapters to decide upon their own course of action
2. The Ottawa chapter has concerns about the enforcement of the legislation. They believe that consistency of application across geography and type of establishment is necessary in order to promote fairness.

The chapter members indicated that better ventilation of smoking areas was not an answer, either to resolving employee health care issues or as a solution available to all establishments (recognizing the costs for smaller establishments in particular), reflecting statements made by the American Society of Heating, Refrigeration and Air Conditioning Engineers in terms of cost and benefit.

During discussions with the Association, members identified three conditions that have had an effect on their business:

1. September 11, 2001
2. Economic recession
3. Smoking by-law

Of these three conditions, the no smoking by-law was identified as having the least impact on business revenues.

Other concerns discussed with the association included the rising awareness of employee health concerns as measured by the increasing number of lawsuits launched by employees against their employers who have allowed smoking on business premises. Finally the Association discussed the Occupational health and safety issues regarding smoking in the workplace.

Representatives of the Pub and Bar Coalition of Ontario (PUBCO) indicated they believe the smoking by-law does have a significant impact on the business of pubs and bars, much more substantial than any impact on restaurants. PUBCO has produced data indicating a substantial drop in sales, but the data was developed using the type of owner/manager telephone survey described earlier as having very serious methodological limitations. Less than 30% of establishments polled responded, and the responses were based on owner/manager impressions rather than hard data.

In order to overcome these limitations, our next report will include a survey isolating pub and bar establishments, but based upon review of hard data for the current year and the year before the by-law went into effect. PUBCO has agreed to encourage owners and managers to participate in the study.

Summary of Dr. Colman Report

Exposure to Second-Hand Smoke is a Serious Health Risk

- There is a consensus among the most reputable scientific and medical academies and government agencies on the serious health hazards of second-hand smoke or environmental tobacco smoke (ETS).

Exposure to second-hand smoke causes heart disease, lung cancer, nasal sinus cancer and respiratory ailments in adults, and it causes sudden infant death syndrome, fetal growth impairment and a wide range of respiratory conditions in infants and children, including bronchitis, pneumonia, middle ear disease and asthma exacerbation. ETS exposure causes about 200 deaths per year in Nova Scotia and is the leading cause of workplace death.

More recent research has linked ETS exposure to cervical and breast cancer, stroke, and miscarriages in adults; and to asthma induction, decreased lung function, cystic fibrosis, and cognition and behaviour problems in children.

- Restaurant, bar and casino workers are particularly at risk from workplace exposure to second-hand smoke. In restaurants, second-hand smoke levels are twice as high as in other workplaces that do not have smoking restrictions. In bars and casinos they are 3-6 times as high. Food service workers have a 50% higher rate of lung cancer than the general population.

Excess mortality for workers in smoking lounges, bars, restaurants, casinos and bowling alleys is 15-26 times higher than OSHA's "significant risk" level.

- Smoke-free workplace legislation would reduce ETS exposure among Nova Scotians by 80%, cut cigarette consumption among smokers by 20%, and save Nova Scotia an estimated \$200 million a year in avoided health care costs (\$50 million) and productivity losses (\$150 million).

Ventilation Does Not Remove Toxins or Prevent ETS Exposure

- Expert assessments, empirical evidence, risk assessment procedures, and internationally accepted indoor air quality and ventilation standards have determined that ventilation and non-smoking sections do **not** remove the toxic constituents of tobacco smoke from the air and provide no solution to the problem of exposure to second-hand smoke.

Instead, the recommendations of expert scientific panels on ETS exposure are “*clear, consistent and unanimous – all involuntary exposure is harmful and should be eliminated*”. The U.S. Surgeon-General has called for “*100% smoke-free environments in all public areas and workplaces, including all restaurants and bars.*”^[i]

Smoke-free Policy Has No Adverse Impact on Business and May be Good for Business

- Without exception, every objective study using official sales tax data demonstrates that smoke-free legislation has no adverse impact on restaurant, bar, hotel and tourism receipts. Two studies find an initial decline in receipts in the first 1-2 months following enactment, but no evidence of any overall or aggregate decline in the longer term. Indeed, several studies find that restaurant, bar, hotel and tourism receipts increase following smoke-free legislation, indicating that it may be good for business as non-smokers frequent eating and drinking establishments more often and smokers adjust to the new rules.

- Given the consistency of the evidence, the enormous and costly toll of second-hand smoke exposure, the economic benefits of smoke-free workplace legislation, and the demonstrated lack of any adverse impact on business, there is a clear case for such legislation in Nova Scotia. This is particularly true in light of the growing body of legal precedent indicating that governments and employers are bound by law to ensure safe working environments for employees and to remove known health hazards from the workplace.

Tobacco Industry Arguments Have Been Proven False

- Past obstacles to smoke-free workplace legislation can only be understood by reference to tobacco industry resistance and opposition. Tobacco industry documents reveal extensive industry efforts to prevent public smoking restrictions by denying the overwhelming evidence on the health hazards of second-hand smoke and working through and funding arms-length third parties to lobby against smoke-free legislation.
 - Industry claims of declining revenues after implementation of smoking bans, when checked against objective sales tax receipts, have always been proven false.
 - Active involvement by the health community has been shown to be the most determining element in ensuring the successful passage of smoke-free legislation in other jurisdictions.
-