



**Smoke and Mirrors: Tobacco Industry Claims Unfounded**  
*Economic Studies Conclude Smoke Free Laws Do Not Harm Bar and  
Restaurant Business*

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**February 2008**

As Wisconsin considers a comprehensive, smoke-free workplace law that includes bars and restaurants, there have been concerns raised of adverse economic impacts. The Tavern League and their allies, and even some legislators, have stated to the press and in testimony that jobs will be lost in the hospitality industry and bars will go out of business.

There is no reliable, independent scientific evidence to support these claims. Past experiences, including evidence from Madison and Appleton, and scientific studies conducted in both rural and urban communities that have implemented smoke-free laws, have found such speculation to be false. U.S. Surgeon General Richard Carmona in his report, *The Health Consequences of Involuntary Exposure to Tobacco Smoke*, concluded: “evidence from peer-reviewed studies show that smoke-free policies and regulations do not have an adverse economic impact on the hospitality industry.”<sup>1</sup>

Across the country, state and local governments, big and small, have passed health-based initiatives similar to the one being considered by the Wisconsin State Legislature. In fact, over the last decade there has been a wave of clean indoor air regulations passed to protect both patrons and workers in bars and restaurants. There are now twenty-two states and hundreds of municipalities that have passed some sort of smoke free policy for workplace environments, and the number of people who live in smoke-free communities continues to grow. Wisconsin is falling behind the rest of the nation, including our neighbors in Illinois and Minnesota, with inadequate and outdated public health protections from exposure to secondhand smoke.

Why does the Tavern League of Wisconsin oppose a health-based initiative that will have no economic impact on its members? In an attempt to frighten bar and restaurant owners, the tobacco industry has funded research across the country to claim clean indoor air policies are bad for business. In 2003, Dr. Michelle Scollo and her colleagues at the Centre for Tobacco Control published a comprehensive review of 97 studies addressing the impact of smoke-free laws on the hospitality industry. She found that every single study claiming a negative impact was supported by the tobacco industry. These studies were 20 times less likely to have been scientifically peer-reviewed. The study concluded that “all of the best designed studies report no impact or a positive impact of smoke-free restaurant and bar laws on sales or employment. Policymakers can act to protect workers and patrons from the toxins in secondhand smoke confident in rejecting industry claims that there will be an adverse economic impact.”<sup>2</sup>

Much of the anecdotal experience from smoke-free communities finds no harmful economic impacts. There is even support from those who had originally feared economic hardship for the hospitality industry, but are finding since implementation, that fear to be unfounded. Michael O’Neal, the former president of the New York Restaurant Association and the New York City Restaurant Association has stated, “Smoke-free workplace legislation does not hurt business.”<sup>3</sup> David E. Garth, President and CEO of the San Luis Obispo Chamber of Commerce in California initially had feared the ban on smoking would hurt jobs and tourist-generated income for the city: “...our initial fears were unfounded and today, I’m pleased to report that the effects have been extremely positive”.<sup>4</sup>

Fortunately, there is no need to speculate or rely on anecdotal experience. Laws already implemented, including ordinances in Wisconsin, can be a guide to better understanding the potential economic impacts of such policies in Wisconsin. From these laws, a large body of literature has been generated studying the resulting economic impact on bars, restaurants, and the hospitality industry in smoke-free communities.

Empirical, independent data from around the country show that smoke-free laws do not harm business:

- Employment in Delaware's food service and drinking establishments increased in 2003 following the implementation of the state's Clean Indoor Air Act, according to the Delaware Department of Labor.<sup>5</sup>
- New York City's restaurants and bars added 10,600 jobs while sales tax receipts increased by 8.7 percent since going smoke free, according to the New York City Department of Finance.<sup>6</sup>
- California's 131 smallest bars – those the tobacco industry claimed would be hurt the most – showed a 35 percent increase in business one year after California's smoke-free law was implemented, according to California's sales tax collection agency.<sup>7</sup>
- Rhode Island's bars and restaurants generated 20 percent more tax revenue in the first quarter following the implementation of the state's smoke free law in March 2005, according to the Rhode Island Division of Taxation.<sup>8</sup>

### **Economic Impact Studies**

To further demonstrate the scientific, rather than anecdotal conclusion that smoke free laws do not adversely impact the hospitality business, below are six economic impact studies. The highlighted studies were selected for their geographic and demographic diversity to help demonstrate similar conclusions have been made in different communities. The reports were also selected because of the comprehensive and objective data used and reputation of the author and publication in which the report was printed.

**Title:** Economic Impact of Lexington's Smoke-free Law: A Progress Report

**Author/Source:** Hahn E, et al, University of Kentucky College of Nursing and Gatton College of Business and Economics, April 18, 2005

**Location:** Lexington-Fayetteville, KY

**Finding:** "In general, selected key business indicators in Lexington restaurants, bars and hotels have not been affected by the smoke-free law. When taking factors into account such as population size, unemployment, seasonal variation, there was a slight increase in restaurant employment; bar employment remained stable and hotel/motel employment declined in the 10 months after the smoke-free law took effect. There was no effect of the smoke-free law on payroll withholding taxes (workers' earnings) in restaurants, bars or hotels/motels in the 10 months after the law went into effect, after taking seasonal variation into account. The smoke-free law was not related to business openings or closures in alcohol-serving establishments or at non-alcohol serving establishments."

**Title:** The State of Smoke-Free New York City: A One-Year Review

**Author/Source:** NYC Department of Finance, NYC Department of Health and Mental Hygiene, NYC Department of Small Business Services, NYC Economic Development Corporation, March 2004

**Location:** New York City

**Finding:** “One year later, the data are clear.... Since the law went into effect, business receipts for restaurants and bars have increased, employment has risen, virtually all establishments are complying with the law, and the number of liquor licenses issued has increased – all signs that New York City bars and restaurants are prospering.”

**Title:** Impact of a Smoking Ban on Restaurant and Bar Revenues – El Paso, Texas, 2002

**Author/Source:** U.S. Centers for Disease Control and Prevention (CDC), Morbidity and Mortality Weekly Report, February 27, 2004

**Location:** El Paso, Texas

**Finding:** “No decline in total restaurant or bar revenues occurred in El Paso, Texas, after the city’s smoking ban was implemented on January 2, 2002. Despite claims that these laws especially might reduce alcoholic beverage revenues, the mixed beverage revenue analyses indicates that sales of alcoholic beverages were not affected by the El Paso smoking ban.”

**Title:** A Research Study: The Measurable Economic Impact of Certain Smokefree Ordinances in Minnesota

**Author/Source:** Stoltz, Dan and Michael Bromelkamp, Minnesota Institute for Public Health, February 23, 2007

**Location:** Minnesota

**Finding:** “Based on data available through 2005, there was no apparent economic impact on the local economies examined in this report, or on the State of Minnesota as a whole. The data graphs show that reported 2005 sales were in line with historical trends.”

**Title:** Evaluation of the Massachusetts Smokefree Workplace Law: A Preliminary Report

**Author/Source:** Connolly G, et al, Division of Public Health Practice, Harvard School of Public Health, Tobacco Research Program, April 4, 2005

**Location:** Massachusetts

**Finding:** “Analyses of economic data prior to and following implementation of the law demonstrated that the Massachusetts state-wide law did not negatively affect statewide meals and alcoholic beverage excise tax collections. Furthermore, the number of employees in food services and drinking places and accommodation establishments, and keno sales were not affected by the law.”

**Title:** Effect of Smokefree Bar Law on Bar Revenues in California

**Author/Source:** Glantz, S.A., Institute of Health Policy Studies, University of California, San Francisco, Tobacco Control, Spring 2000

**Location:** California

**Finding:** “There was no significant effect of the restaurant provisions of the law on bar revenues as a fraction of total retail sales; there was a small but significant positive change in bar revenues as a fraction of retail sales associated with the bar provisions

going into effect. Implementation of the smokefree restaurant provisions was associated with an increase in the fraction of all eating and drinking establishment revenues that went to establishments with liquor licenses, and a larger increase following implementation of the smokefree bar provisions.

#### **Wisconsin Data Consistent with Studies**

Thus far in Wisconsin, 33 communities have adopted smoke-free ordinances. Madison and Appleton have adopted 100 percent smoke-free policies for all bars and restaurants within city limits. Empirical data from Madison and Appleton are consistent with the findings of the aforementioned scientific studies.

- In Madison, the number of licensed liquor establishment increased from 332 in July 2005 (before the ordinance) to 365 in January 2008, an increase of 9.9 percent.<sup>9</sup>
- In Appleton, for the first time there is a continuous waiting list for Class B liquor licenses. Currently, there are 8 on the waiting list, and four hospitality business owners are expanding their businesses.<sup>10</sup> In addition, no Appleton bar along the border of other communities without ordinances has closed.<sup>11</sup>
- Employment in Madison's service industry increased by 15.5 percent from 2005 to 2006.<sup>12</sup>

#### **Consistency of Effects in Communities with Various Demographics**

Smoke-free policies have been implemented in communities that vary drastically with regard to size, type, and location. In Wisconsin, communities as varied as Bristol and Madison have adopted smoke-free ordinances. Questions have arisen about the consistency of economic impacts among different types of communities. Below are studies that have assessed the impact of smoke free policies specifically in rural and in smaller, less urban communities. The data has demonstrated that the neutral or positive effects of smoke free laws do not vary depending on these qualities and demographics.

**Title:** The Effect of Ordinances Requiring Smoke-Free Restaurants and Bars on Revenues: A Follow-Up

**Author/Source:** Glantz, Stanton A, and Lisa R.A. Smith, American Journal of Public Health 87: 1687-1693, October 1997

**Location:** California

**Finding:** "This study expands and confirms our earlier work showing that smoke-free restaurant ordinances do not affect restaurant revenues. It also shows that the same is true for smoke-free bar ordinances. The cities and counties with smoke-free bar ordinances are diverse. Anderson and Redding are isolated cities within a predominantly agricultural region of California. Davis is a university town. Tiburon is an affluent suburban community that enjoys heavy tourist business. San Luis Obispo is a coastal community that has a major college as well as substantial tourism. The two smoke-free counties, Shasta and Santa Clara, have ordinances that cover unincorporated areas; Shasta is rural and Santa Clara is a suburban county in the San Francisco Bay Area."

**Title:** Assessment of the impact of a 100% smoke-free ordinance on restaurant sales – West Lake Hills, Texas, 1992-1994

**Author/Source:** Centers for Disease Control and Prevention. *Morbidity and Mortality Weekly Report* 1995;44(19):370–2.

**Location:** West Lake Hills, Texas (population: 3000 at time of study)

**Finding:** “On June 1, 1993, the city of West Lake Hills (a suburb of Austin), Texas (1995 population: 3000), implemented an ordinance requiring a 100% smoke-free environment in all commercial establishments to which the public has access, including all restaurants and restaurants with bar areas. This report summarizes an assessment of sales in restaurants during June 1993-December 1994 compared with January 1992-May 1993. . . . The regression coefficient for the ordinance variable was positive, suggesting that the total sales of the restaurants did not decrease after implementation of the ordinance.”

US Surgeon General Richard Carmona in his 2006 report The Health Consequences of Involuntary Exposure to Tobacco Smoke concludes “the industry claims are countered by many studies published during the last decade in the peer-reviewed scientific literature that assessed various objective economic impacts of these regulations on bars and restaurants. . . . Regardless of the outcome measured, the studies found no evidence of negative economic impacts.”<sup>13</sup> The Surgeon General further states:

“Two of the first studies on the economic impact of clean indoor air laws on restaurants and bars were carried out by Glantz and Smith (1994, 1997). Both studies used sales tax data to assess the impact of local ordinances in California and Colorado. The first study found no effect on the fraction of total retail sales that went to restaurants or on the ratio of restaurant sales in communities with ordinances compared with restaurant sales in control communities without such ordinances that were also matched for population, income, smoking prevalence, and geographic location. The communities varied in population size from a few thousand to more than 300,000, and the length of time that the ordinances were in effect ranged from a few months to more than 10 years (Glantz and Smith 1994).”<sup>14</sup>

#### **Another measure of economic impacts: Bar value**

Since the value of a bar on the market is directly related to its profits, assessing the value of bars both before and after smoke free ordinances provides another measure of the economic impact of smoke free policies. A new study, as well as empirical evidence from Madison and Appleton in Wisconsin, further confirms that smoke free laws have a neutral or positive economic effect on communities.

**Title:** Effect of Smoke-Free Laws on Bar Value and Profits

**Author/Source:** Alamar, Benjamin, and Stanton A Glantz, *American Journal of Public Health* 97: 1400-1402, August 2007

**Location:** California

**Finding:** "The tobacco industry has claimed that smoke-free bar laws caused bar revenues to decline by 30%. After we controlled for economic variables, we found that bars located in areas with smoke-free laws sold for prices that were comparable to prices for similar bars in areas with no smoking restrictions. Other studies have reported that sales did not decline, and we also found that neither price nor sales declined. Therefore, bar owners' concerns that smoke-free laws will reduce the value of their bars are unfounded."

**Wisconsin Property Value Data:**

- The assessed value of property in Appleton's Central Business district increased by an average of 32 percent since the last assessment in 2003.<sup>15</sup>
- On average, the assessed value of property in Madison's business districts has increased since the smoke free ordinance was enacted. Data compares the two years prior to ordinance enactment to the two years following enactment.
  - In the central business district of State Street and the Capitol Square, assessed value increased by 2.5 percent per year prior to the ordinance, and by 4.9 percent per year after the ordinance.
  - In the west town business district, assessed value increased by 2.15 percent per year prior to the ordinance, and by 4.56 percent per year after the ordinance.
  - Finally, in the near east business district, assessed value increased by 5.25 percent per year prior to the ordinance, and by 10.02 percent after the ordinance.<sup>16</sup>

**The Cost of Allowing Smoking to Business Owners**

In addition, there are other costs associated with smoking in the workplace, such as increased maintenance costs, which an employer can generally expect to avoid when adopting a smoke-free policy. A survey of 2,000 workplaces with smoking restrictions found that 23.3 percent reported a reduction in maintenance costs.<sup>17</sup> Similarly, an analysis by the EPA concluded that implementing smoking restrictions in U.S. workplaces would reduce operating and maintenance costs by between \$4 billion to \$8 billion each year.<sup>18</sup> It has been estimated that, all together, smoking in the workplace increases costs to employers by an estimated \$1,300 per year per smoking employee.<sup>19,20</sup>

**False Claims and Tobacco Industry Funded Research**

Tobacco industry funded research is not nearly as objective or reliable. Similarly, those that oppose clean indoor air regulations often use anecdotal or subjective measures to claim lost revenues. Consider:

- In May 1998, the American Beverage Institute released a survey of selected bar owners and managers in California that claimed a decline in business of 59.3 percent since January 1998, with stand-alone bars claiming a 81.3 percent drop.

However, an analysis of taxable sales conducted by California's sales tax collection agency found the state's smallest 1161 establishments that serve alcohol had a 1.06 percent increase in revenues. For the first quarter of 1998, there was a 6 percent increase in taxable sales for all eating and drinking establishments compared with 1997.<sup>21</sup>

- In testimony before the Chicago City Council's Health Committee, Dr. Andrew Hyland shared a study claiming that restaurant employment had declined in New York City after their smoke-free regulations took effect. However, the data being used by opponents of smoke-free workplace laws was for the period before the law took effect.<sup>22</sup>

As already noted, in 2003, Dr. Michelle Scollo and her colleagues at the Centre for Tobacco Control published a comprehensive review of 97 studies addressing the impact of smoke-free laws on the hospitality industry. She found that every single study claiming a negative impact was supported by the tobacco industry.<sup>23</sup>

### **Even the tobacco industry admits their predictions have not "come true"**

As part of the Master Settlement Agreement between the tobacco industry and the states, internal tobacco industry documents were made public. One such Philip Morris document states "the economic arguments often used by the industry to scare off smoking ban activity were no longer working, if indeed they ever did. These arguments simply had no credibility with the public, which isn't surprising when you consider that our dire predictions in the past rarely came true."<sup>24</sup>

### **Smoke-free Policies Save Lives**

In contrast to claims of lost business and scare tactics by the tobacco industry, Wisconsinites can expect one concrete impact from a smoke-free workplace ordinance: cleaner air and better public health.

Just as regulations have been established to set health and safety standards in workplaces, a ban on smoking is critical to protect the health of patrons and employees of restaurants and bars. Secondhand smoke contains 69 different kinds of chemicals which cause cancer. Secondhand smoke kills at least 53,000 nonsmokers a year, including 3,000 lung cancer deaths and 35,000 coronary heart disease deaths. Exposure to secondhand smoke is associated with an increased risk for respiratory infections, asthma, sudden infant death syndrome, and lower chronic ear infections among children.<sup>25</sup>

Of most concern is the health impact to restaurant and bar employees. Laws already exist to protect most workers from the deadly impacts of second hand smoke. Hospitality workers are one of the few remaining not protected from the dangers of secondhand smoke in the workplace.

In communities where smoke-free workplace laws have been implemented, the health benefits to the public have been immediate and considerable. The Office of the Surgeon General and the U.S. Task Force on Community Preventative Services have concluded that the most effective method for reducing secondhand smoke exposure is to establish



smoke-free environments. A study published on April 2005 in the British Medical Journal found that smoke-free policies can result in an almost immediate drop-off in the number of heart attacks. Since California went smoke-free, the state's lung cancer rate has dropped by nearly 20 percent – now the lowest in the nation.

A vast library of scientific evidence consistently concludes that smoke free policies do not harm the hospitality industry. Wisconsin should adopt a statewide smoke free air bill that bans smoking in all public workplaces, including bars and restaurants, without delay.

## Endnotes

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- <sup>2</sup> Scollo M, et al, “Review of the Quality of studies on the economic effects of smoke-free policies on the hospitality industry”, *Tobacco Control* (2003); 12:13-20.
- <sup>3</sup> O’Neal, Michael “Butt Out: - The Industry Shouldn’t Need Laws To Make Us Clear The Smoke From Restaurants,” *Nation’s Restaurant News*, April 16, 2001.
- <sup>4</sup> Garth, David, President/CEO of the San Luis Obispo, CA Chamber of Commerce, Letter to Nebraska Senators in Favor of Smoke-Free Legislation, January 29, 2001.
- <sup>5</sup> Meconi, Vincent, Secretary of the Delaware Department of Health and Social Services, “Secondhand Smoke Deserves Regulations,” *Delaware State News*, (December 30,2003).
- <sup>6</sup> New York City Department of health and Mental Finance, Small Business Services, and Economic Development Corporation. *The State of Smoke-free New York City: A One-Year Review*
- <sup>7</sup> Magzamen S., and Glantz S., “The New Battleground: California’s Experience With Smoke-Free Bars”, *American Journal of Public Health* (2001); Vol. 91, No.2
- <sup>8</sup> John J. Nugent, Assistant Tax Administrator, “Revenues up from smoke-free bars, restaurants,” Associated Press, September 1, 2005.
- <sup>9</sup> City of Madison, WI, City Clerk Office.
- <sup>10</sup> City of Appleton, WI, City Clerk’s Office
- <sup>11</sup> City of Appleton, WI, Department of Health
- <sup>12</sup> U.S. Census Bureau, 2006 American Community Survey; <http://factfinder.census.gov>.
- <sup>13</sup> U.S. Dept. of Health and Human Services, Centers for Disease Control and Prevention, Coordinating Center for Health Promotion, National Center for Chronic Disease Prevention and Health Promotion, Office on Smoking and Health, The health consequences of involuntary exposure to tobacco smoke: a report of the Surgeon General, Atlanta, Ga.: 2006
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- <sup>15</sup> City of Appleton, WI, City Assessor’s Office.
- <sup>16</sup> City of Madison, WI, City Assessor’s Office, 2007.
- <sup>17</sup> Swart, "An Overlooked Cost of Employee Smoking" *Personnel*, August 1990.
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- <sup>19</sup> Centers for Disease Control and Prevention. Making Your Workplace Smokefree: A Decision Maker's Guide, 1996.
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- <sup>21</sup> Magzamen S., and Glantz S., “The New Battleground: California’s Experience With Smoke-Free Bars”, *American Journal of Public Health* (2001); Vol. 91, No. 2
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- <sup>23</sup> Scollo M, et al, “Review of the Quality of studies on the economic effects of smoke-free policies on the hospitality industry”, *Tobacco Control* (2003); 12:13-20.
- <sup>24</sup> Philip Morris USA, Document No. 2041183751/3790, [http://www.pmdocs.com/PDF/2041183751\\_3790\\_0.PDF](http://www.pmdocs.com/PDF/2041183751_3790_0.PDF).
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