

CAMPAIGN FOR A
SMOKE-FREE ALBERTA



Economic Impact of the Proposed Tobacco Reduction Act

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By

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Economic Impact of Proposed Tobacco Legislation

Each year, tobacco use costs the Canadian economy an estimated \$17 billion and the Alberta economy \$1.8 billion. In 2002, approximately \$470.6 million was spent in Alberta caring for tobacco related illness. Additional societal costs arise from lost income due to premature death, disability, worker absenteeism, reduced productivity, and tobacco subsidies. In fact, it has been estimated that it costs employers up to \$3,396 more annually to employ a smoker than to employ a non-smoker. Finally, tobacco is often responsible for substantial loss of life and property damage accounting for one in four fire deaths in Alberta annually.¹

Implementing effective tobacco control legislation including 100% smoke-free workplace legislation, removing powerwalls, and removing tobacco sales from pharmacies are key elements in reducing the negative impacts of tobacco on health, economy and the health care system.

These cost-effective measures will produce tremendous net gain for our province, with the major benefits to our overall economy offset by little, if any, negative financial impact to our economy.

This briefing notes dispels some of the inaccurate claims being made regarding the proposed evidence-based measures to reduce tobacco use, presenting a sound financial case for the Government of Alberta to pass the proposed legislation.

100% Smoke-free Workplace and Public Place Legislation

No Lasting Negative Economic Impact

Providing equal protection from second-hand smoke for all Alberta workers will have no lasting negative financial impact and in some cases, may increase revenues.

In regards to the economic impact of smoke-free policies on the hospitality industry, evidence shows that there is no negative economic impact. Luk and Ferrence (2005) evaluated 29 studies conducted in Canada, the United States, and Australia to assess the economic impact of smoke-free legislation on the hospitality industry. Economic impact was assessed via taxable sales, liquor purchases, employment statistics, gaming revenues, and/or tourism. All 29 studies concluded that smoke-free legislation does not have a negative economic impact on bars, restaurants, hotels, or gaming establishments;² in fact, there has been a positive financial impact in many jurisdictions with a 100% smoke-free policy³ and furthermore, this policy is currently supported by four out of five Albertans.⁴

1 Alberta Cancer Board: Tobacco Control Unit, *Snapshot of Tobacco Facts: A Resource to Guide Tobacco Control Planning in Alberta*. 1st Ed., Calgary: Alberta Cancer Board, 2007.

2 Luk, R., & Ferrence, R. *The Economic Impact of Smoke-Free Legislation on the Hospitality Industry*. Toronto: Ontario Tobacco Research Unit, Special Report Series, February 2005.

3 The Coalition for a Smoke-Free Nova Scotia. *No If's, And's, or But's: The Health and Social Impact of a Smoke-Free Nova Scotia, 2002*. Retrieved from <http://www.smokefreens.ca/documents/Paper.PDF> on February 5, 2007.

4 Ipsos-Reid poll, January 2007.

Gaming

Studies have found that smoke-free laws do not negatively impact gaming revenue.^{5,6} Gaming activity and profit continues to increase in Alberta, with the gaming gross profit for 2005–2006 at \$1,951.6 million, up from \$1,770.7 million in 2004–2005.⁷

The number of bingo halls in the province has decreased in recent years. While there are anecdotal reports of the negative impact of smoke-free laws on bingos there are other factors contributing to the demise of bingos.

Bingo attendance and sales in Alberta has been declining since the mid-1990's. A review of seating capacity in association bingo halls throughout Alberta determined that weekly attendance in those halls ranged on average from 25% to 29% of capacity. In other words most association facilities operate halls that are considerably less than half-full on a regular basis.⁸ The declining attendance and subsequent profits of bingo preceded the implementation of smoke-free laws in the province.

The rise of other forms of gambling is likely the main factor contributing to the economic decline of bingo operations.

Removing Tobacco Industry Marketing from Retail Stores

Tobacco Industry Payments to Retailers Continue

Removing powerwalls and other marketing from retail stores has not ended tobacco industry payments to retailers. Data supplied by Canadian tobacco manufacturers under Health Canada reporting requirements show that Alberta retailers received \$11.8 million⁹ from tobacco companies last year to stock and display products. The same data shows that tobacco industry payments to retailers in provinces that have outlawed powerwalls have experienced only minor decreases in compensation from the industry. From 2005 to 2006 powerwall payments decreased by 7.7% in Saskatchewan and by 17.3% in Manitoba.⁹ These losses could easily be offset by increasing cigarette prices by pennies per package.¹⁰

Small grocers, convenience stores and gas stations that sell tobacco can also expect to benefit financially from new or increased customers that are no longer able to purchase tobacco in premises containing pharmacies through the simultaneous removal of powerwalls and the removal of tobacco sales from pharmacies.

5 Mandel, L.L., Alamar B.C. & Glantz S.A. (2005). Smokefree Law did not affect revenue from gaming in Delaware, *Tobacco Control*, 14:10-12.

6 Glantz, S. & Wilson-Loots, R. (2003). No association of smokefree ordinances with profits from bingos and charitable games in Massachusetts, *Tobacco Control*, 12: 411-413.

7 Alberta Gaming and Liquor Commission, *Alberta Gaming Annual Report, 2005-2006*. Retrieved from http://www.aglc.gov.ab.ca/pdf/annual_reports/2006_aglc_annual_report.pdf on August 23, 2007.

8 Alberta Gaming and Liquor Commission, *Achieving a Balance: Gaming Licensing Policy Review*, July 2001. Retrieved from <http://www.aglc.gov.ab.ca/gaming/industryreviewsstudies.asp> on August 23, 2007.

9 Health Canada, *POP Expenditures by province 2001-2006*, compiled by Canadian Cancer Society, March, 29, 2007.

10 Canadian Council for Tobacco Control, *Industry Arguments*, 2006. Retrieved from <http://www.cctc.ca/cctc/EN/bandisplays/arguments> on October 31, 2007.

Table 1.

Tobacco manufacturer payments to retailers to display tobacco products and signs, Canada, 2001–2006.^{11,12}

	2001	2002	2003	2004	2005	2006
Can	\$72,246,673	\$76,554,749	\$87,273,106	\$93,977,272	\$100,139,443	\$107,433,458
BC	\$7,239,913	\$6,929,448	\$7,895,616	\$8,545,550	\$9,601,601	\$10,181,122
Alta	\$7,252,255	\$7,588,688	\$8,596,230	\$8,941,606	\$10,832,603	\$11,839,693
Sask	\$1,631,051	\$879,176	\$1,195,527	\$1,721,823	\$1,681,375	\$1,552,285
Man	\$1,878,915	\$2,091,638	\$2,340,646	\$2,244,194	\$2,274,565	\$1,881,445
Ont	\$25,027,593	\$25,027,871	\$27,833,289	\$31,343,369	\$35,052,974	\$39,971,392
Que	\$23,918,095	\$26,914,847	\$31,544,592	\$32,910,414	\$32,080,069	\$32,846,056
NB	\$2,131,463	\$1,921,419	\$2,101,097	\$2,175,873	\$2,237,115	\$2,411,404
NS	\$2,691,216	\$3,085,800	\$3,395,099	\$3,678,165	\$3,847,321	\$3,980,788
PEI	\$631,495	\$380,475	\$405,248	\$397,181	\$373,226	\$349,587
N&L	\$1,813,548	\$1,706,949	\$1,927,303	\$1,985,242	\$2,128,337	\$2,388,899
Terr	\$31,092	\$28,440	\$37,457	\$33,855	\$31,257	\$30,787

Table 2.

Percent change in tobacco manufacturer payments to retailers to display tobacco products and signs, Canada, 2001–2006.^{13,14}

	2001 (\$mil)	2002 (\$mil/% change)	2003 (\$mil/% change)	2004 (\$mil/% change)	2005 (\$mil/% change)	2006 (\$mil/% change)	2001–06 (% change)
Can	74.2	76.6/3.1	87.3/14.0	94.0/7.7	101.1/6.6	107.4/7.3	44.7
BC	7.2	6.9/-4.3	7.9/13.9	8.5/8.2	9.6/12.4	10.2/6.0	40.6
Alta	7.3	7.6/4.6	8.6/13.3	8.9/4.0	10.8/21.1	11.8/9.3	63.3
Sask	1.6	0.9/-46.1	1.2/36	1.7/44.0	1.7/-2.3	1.6/-7.7	-4.8
Man	1.9	2.1/11.3	2.3/11.9	2.2/-4.1	2.3/1.4	1.9/-17.3	0.1
Ont	25.0	25.0/0.0	27.8/11.2	31.3/12.6	35.1/11.8	40.0/14.0	59.7
Que	23.9	26.9/12.5	31.5/17.2	32.9/4.3	31.1/-2.5	32.8/2.4	37.3
NB	2.1	1.9/-9.9	2.1/9.4	2.2/3.5	2.2/2.8	2.4/7.8	13.1
NS	2.7	3.1/14.7	3.4/10	3.7/8.3	3.8/4.6	4.0/3.5	47.9
PEI	0.6	0.4/-39.8	0.4/6.5	0.4/-2.0	0.4/6.3	0.3/-6.1	-44.6
N&L	1.8	1.7/-5.9	1.9/12.9	2.0/3.0	2.1/7.2	2.4/12.2	31.7
Terr	0.031	0.028/-8.5	0.037/31.7	0.034/-9.6	0.031/-7.7	0.031/-1.5	-1.0

11 Health Canada, based on reports provided pursuant to the federal Tobacco Reporting Regulations, paragraph 22(b), *Tobacco manufacturer payments to retailers to display tobacco products and signs, Canada, 2001-2006*. Compiled by the Canadian Cancer Society, March 29, 2007.

12 Some data from previous years revised due to additional information provided to Health Canada.

13 Health Canada, based on reports provided pursuant to the federal Tobacco Reporting Regulations, paragraph 22(b), *Tobacco manufacturer payments to retailers to display tobacco products and signs, Canada, 2001-2006*, Compiled by the Canadian Cancer Society, March 29, 2007.

14 Some data from previous years revised due to additional information provided to Health Canada.

No Evidence of Increased Theft

There is no evidence of increased retail thefts in any jurisdiction that has removed powerwalls.¹⁵

Removing tobacco products from visible display may help deter theft of tobacco products. In Saskatchewan, 30% to 40% of retailers continued to keep their display bans in place during the 18 months the law was struck down by the industry's legal challenge. These retailers reported that they did this for a number of reasons, one being they believed that having tobacco products visible increases theft.¹⁶

Removing Tobacco Sales from Pharmacies

No Evidence of Negative Financial Impact

In other jurisdictions with pharmacy sales bans large grocers have chosen to give up tobacco sales in favour of retaining their pharmacies on the premises with no evidence of any adverse economic effect. And, in the year following the Ontario ban on tobacco sales in pharmacies, a total of 50 pharmacies closed in the province, while a total of 120 new pharmacies opened.¹⁷

Profits from pharmaceutical products are growing and pharmacies can expect to benefit financially from the growing demands of our aging population and new treatments. With "innovations in pharmaceuticals as new treatments...and an increasing reliance on drug therapy as our population continues to age, it can be reasonably predicted that the growth in use of pharmacy services and return on investment made in providing these services will not only be positive but strong. This is supported by increases in the number of prescriptions, and the average value of prescriptions."¹⁸

Support from Business

Shoppers Drug Mart is no longer selling tobacco in any new stores opening in Saskatchewan, Alberta and Manitoba. All Shoppers Drug Mart stores in Ontario, Quebec and the Atlantic provinces are already tobacco-free as the result of provincial sales bans.

Pat Chapman, Director of Communications at Shoppers Drug Mart, explains "we believe that that's the trend in those markets - in terms of market demand and in terms of legislation and just societal expectations."¹⁹

Shoppers Drug Mart recently announced a strong second quarter with an increase in net earnings of 18.9 percent.²⁰

15 Saskatchewan Coalition for Tobacco Reduction, *Letter to Ontario Campaign for Action on Tobacco*, March 30, 2005.

16 Saskatchewan Coalition for Tobacco Reduction, *Letter to Government of Alberta* (draft), July 2007.

17 Taylor, M.C. Banning cigarette sales in pharmacies does not result in pharmacy closures, Physicians for a Smoke-Free Canada, n.d. Retrieved from http://www.smoke-free.ca/pdf_1/pharmacy.PDF on October 31, 2007.

18 The College of Pharmacists of British Columbia, *The Case for Treating Tobacco-Free Pharmacies in British Columbia*, May 2003.

19 Maria Cootauco, Saskatchewan News Network, July 24, 2007.

20 Shoppers Drug Mart Corporation, Press Release: *Shoppers Drug Mart Corporation Announces Strong Second Quarter Results – Net Earnings Increase 18.9 Percent*, July 18, 2007.

Conclusion

Alberta employers will be the major financial beneficiaries of Bill 45 given the burden that tobacco use places on productivity.

In 2002, tobacco cost Canadian employers \$12.5 billion in productivity losses including short and long term disability and premature mortality resulting from tobacco use. The lion's share of the cost impact of tobacco use is borne by employers—not the healthcare system. This is because the productivity losses associated with tobacco use are almost three times greater than the costs associated with treating tobacco-related diseases. In addition, employers also bear a significant portion of the healthcare costs through employee healthcare benefits that can be attributed to tobacco use.²¹

According to the Conference Board of Canada, Canadian employers paid \$3,396 more annually per smoking employee in 2006. These costs include the work time sacrificed to smoking breaks and increased absenteeism and sick leave resulting from tobacco use.²²

There is no evidence to suggest that Bill 45, the Tobacco Reduction Act will have an adverse impact on the Alberta economy.

The current economic climate in Alberta provides many commercial opportunities that do not involve the sale of the leading avoidable cause of premature death—tobacco.

21 The Costs of Substance Abuse in Canada in 2002, March 2006 Canadian Centre on Substance Abuse.

22 Hallamore, Christopher, Smoking and the Bottom Line: Updating the Costs of Smoking in the Workplace, Conference Board of Canada, August 2006.