

## **IRISH SMOKING BAN**

### **SUMMARY OF IMPACT MARCH 2005**

#### **Background**

The "Prohibition of Tobacco in the Workplace" legislation came into force in Ireland on 29/03/04, banning any form of consumption of tobacco in any enclosed place of work. The only exemptions are for workplaces which are also residences, such as prisons, hotel bedrooms, mental institutions and student residences. All Horeca outlets, including private clubs, are covered by the ban.

#### **Compliance**

Levels of compliance have been high from the outset, with the Office of Tobacco Control consistently claiming figures in excess of 90%. In reality, the smoking public has shown little sign of rebellion, with both consumers and publicans fearful of the maximum €3,000 for each offence. There are stories of country pubs allowing smoking during after hours lock-ins, but equally complaints from residents about late night smokers leaving the pub where they are drinking (illegally) so that they can smoke (legally) outside.

A pub in Galway led a revolt which was rapidly crushed. The owner has since received fines totalling nearly €10k and has been told that his licence may not be renewed.

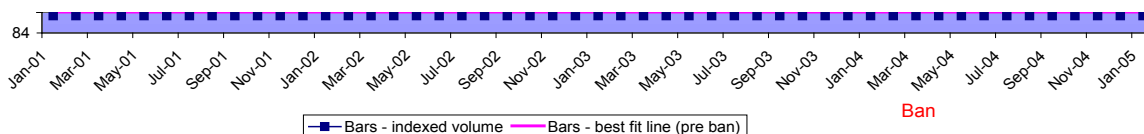
Relatively few bar or pub closures have been reported as yet, presumably because most are small business where the owners have little choice but to weather the storm. However, on January 10<sup>th</sup> 2005, the Irish Independent reported that 3 pubs in the border town of Castleblaney had closed in the space of a week, with 2 more under threat.

## Impact on Horeca

### Volumes

The Irish bar trade has been in decline in recent years as consumers gradually switched to drinking at home. After only a few months of the ban, it is therefore difficult to isolate the absolute impact of the ban over and above other pre-existing factors.

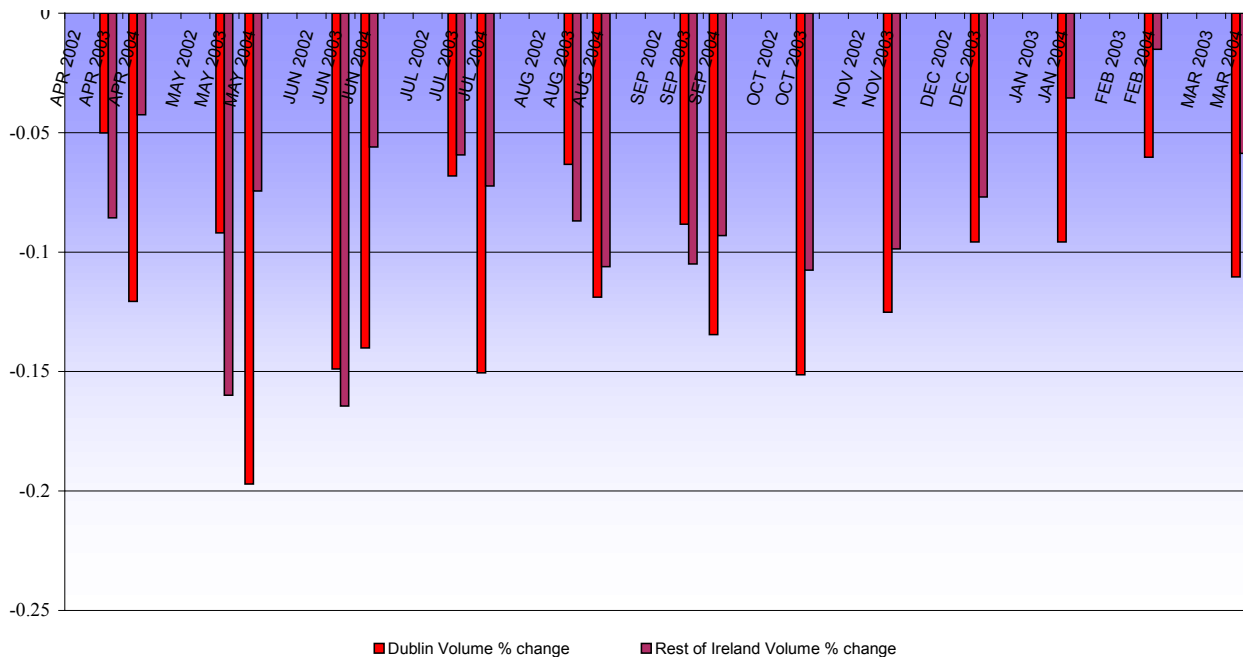
As can be seen from the Government's Retail Sales Index figures, total volume sold through bars has fallen consistently below the trend line which existed prior to the ban. Only two months (June & November) are above the trend line, and December and January have shown further decline.



According to Ireland's Central Statistics Office, total bar sales consist of:

Alcoholic beverages	74%
Soft drinks	13%
Tobacco	4%
Other (inc. food)	9%

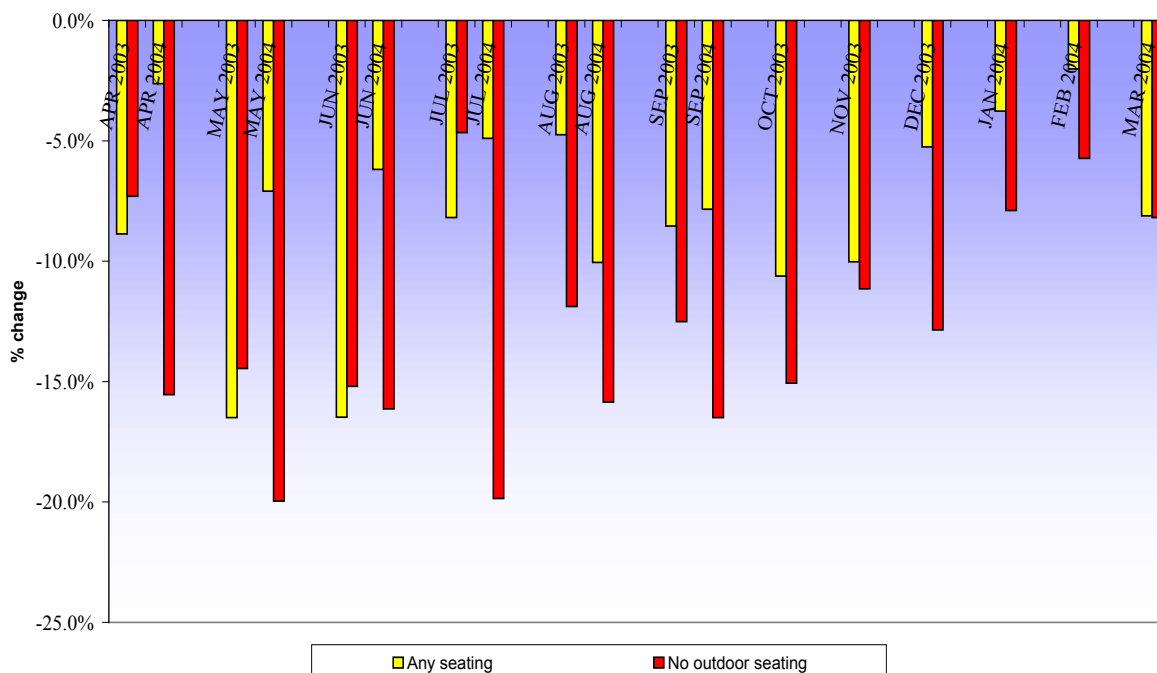
A C Nielsen data is available on the pub trade in Ireland, which shows a clear regional split. Dublin total sales volumes have been showing an accelerated decline every month since the ban, whereas regional volumes were relatively stronger until July.



N.B. A C Nielsen data does not take into account turnover from meals.

The greater rate of decline in Dublin may be due to fewer pubs having the space for large outdoor areas. This data is also available from Nielsen and shows a startling disparity between outlets which are willing or able to offer outdoor seating. This contrasts starkly with 2003 when the performance of the outlets was similar.

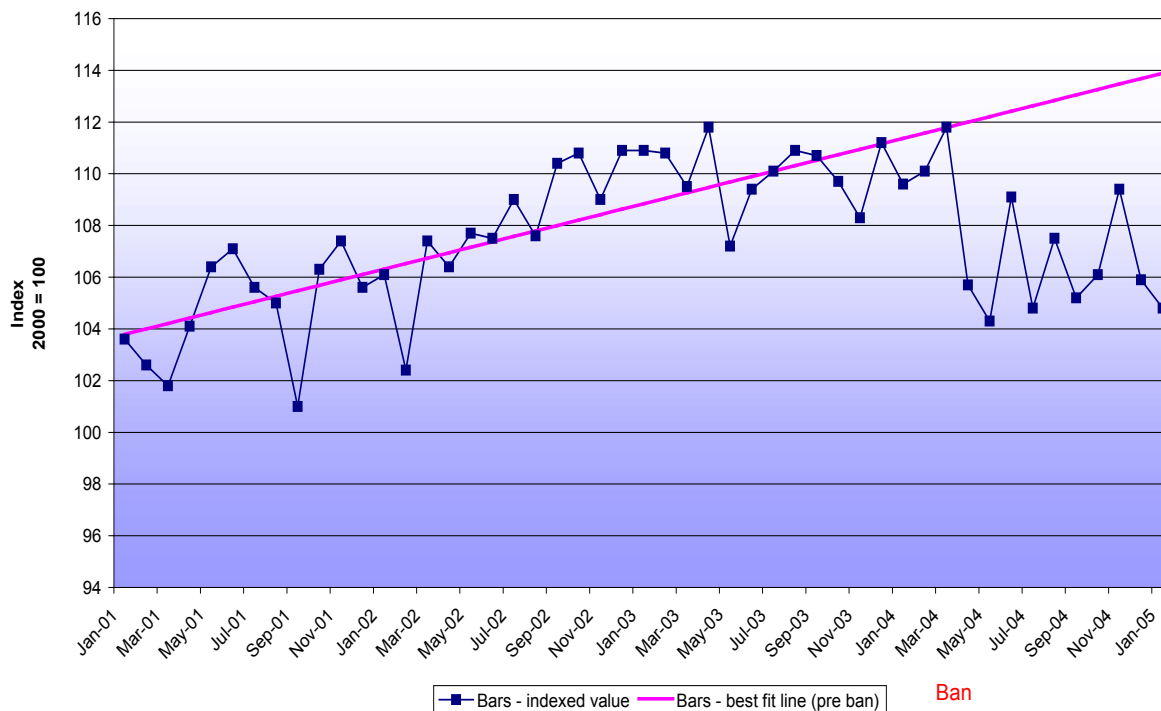
Percentage change comparison in On Trade sales volume with same month in previous year for any outdoor seating v no outdoor seating



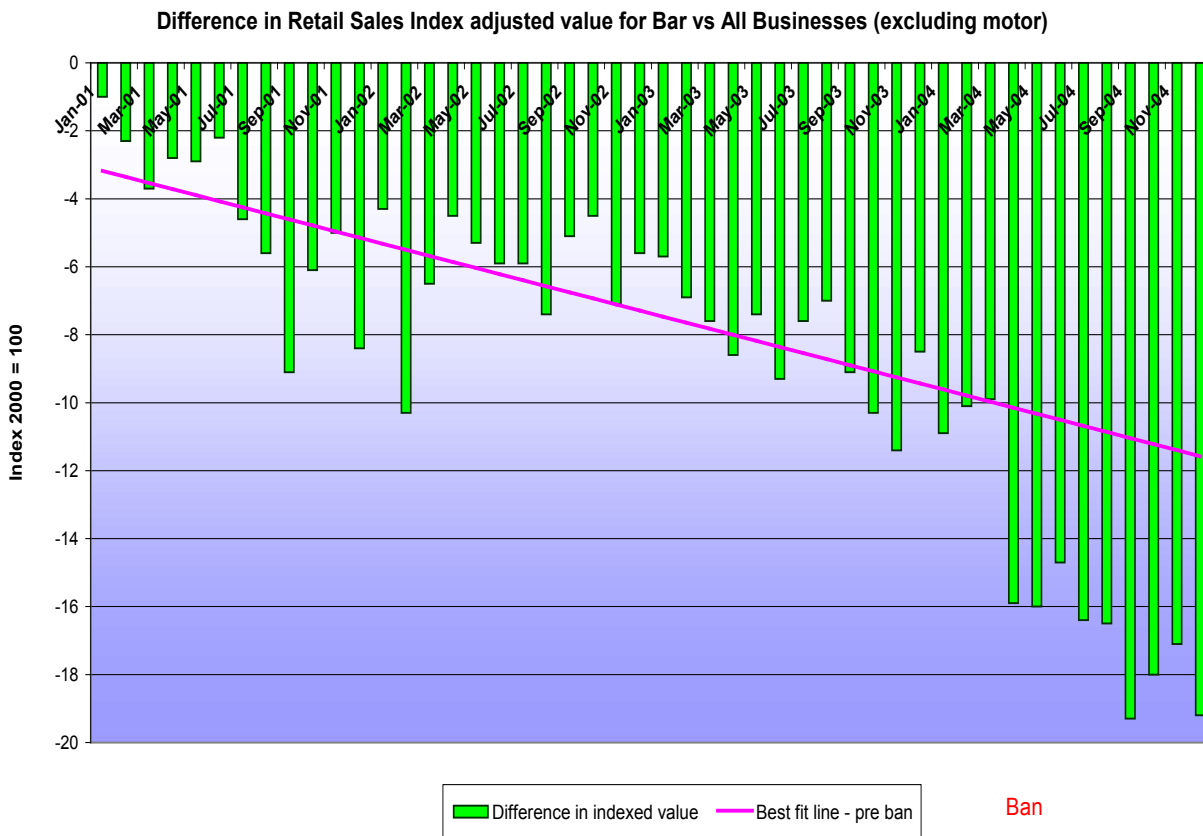
## Turnover

The figures on turnover present a much starker situation for the pub trade. Prior to the ban, volume declines were offset by price increases. Despite a large price hike in June this year, turnover is now in serious decline and is now back at levels last seen in 2001. Every month since the smoking restrictions is significantly below the pre-ban trend line. As the RSI includes food in its turnover figures, the numbers would seem to indicate that there has been no major increase in turnover on meals in pubs.

Retail Sales Index adjusted value for Bars



The situation for the hospitality industry is depicted even more starkly when compared with the deficit between bars and all other businesses (excluding motor trade) from the RSI. The bar sector has been lagging behind the general growth in the Irish economy since 2001. However, the gap has widened dramatically since the smoking ban, with only one month recording a deficit of less than 16%, and with the gap now reaching nearly 20%. Compared to the pre-ban trend line, every month post ban has been below it, implying that there will be tough times ahead for the pub industry.

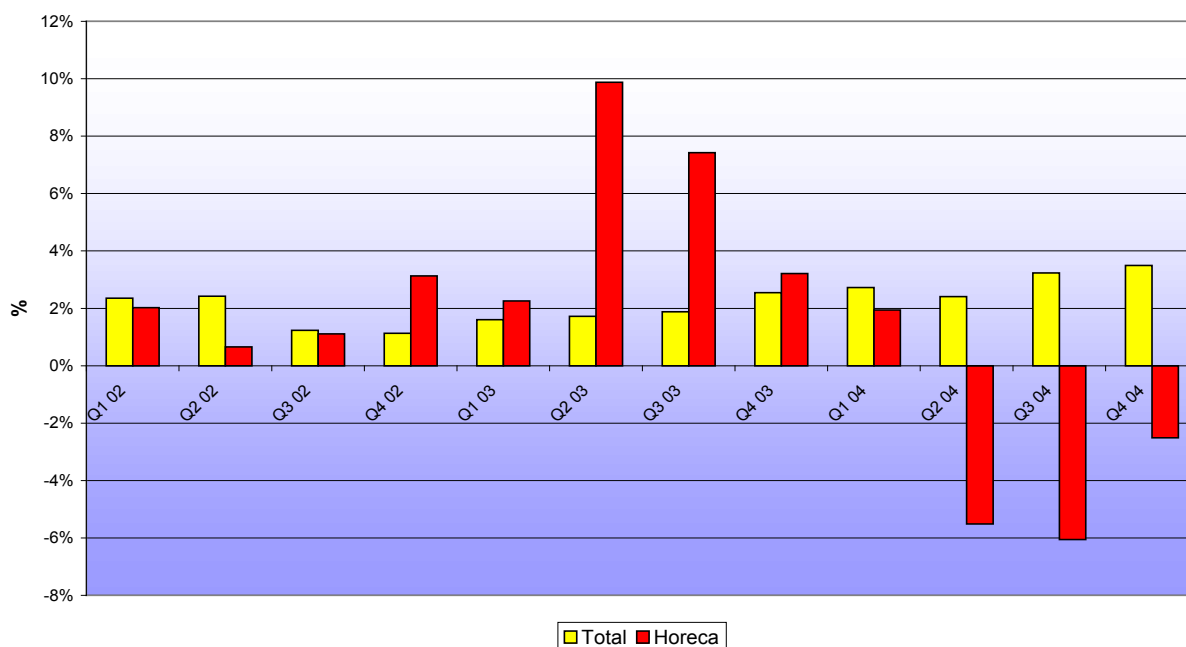


## Employment

With both volume and turnover in decline, the Irish pub trade has to cut costs. Whereas employment in Horeca continued to rise until this year, the figures for Q2 2004 (source: Irish Government Central Statistics Office) show a dramatic shift, despite an ongoing increase in overall employment.

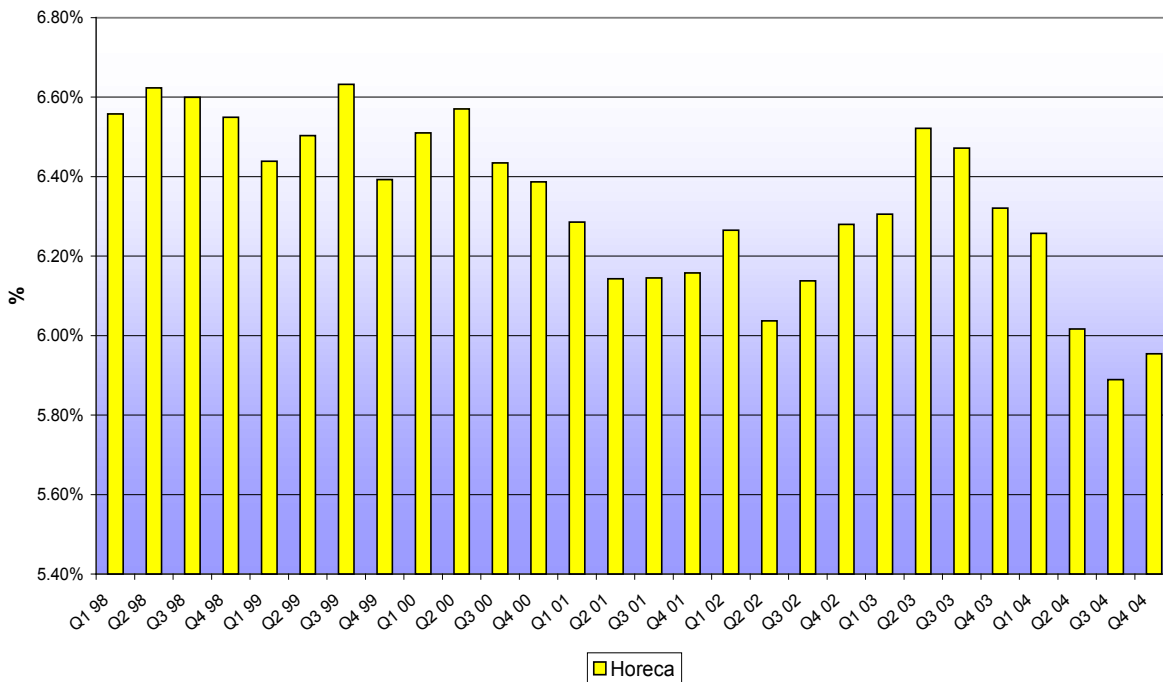
The decline shown in the graph equates to the loss of 7,000 jobs in the third quarter of 2004 on a seasonally adjusted basis, 5.3% below the final quarter prior to the ban, and 6.0% below Q3 2003. There has been a slight recovery in Q4 2004, but still 3,000 fewer people employed in the sector than prior to the ban, whereas the total jobs market has expanded by 50,000 in the same period.

Percentage change in Irish adjusted employment - Total vs Horeca annual variation by quarter



This shift in Horeca employment means that the sector now accounts for the lowest percentage of overall jobs in Ireland in recent history, dropping below 6% in both of the last two quarters.

Percentage of Horeca Employment to Total Adjusted Employment



## **Conclusion**

The Irish smoking ban has achieved the Minister for Health's objective of all but eradicating smoking in the workplace. However, despite the Minister's assurances that the ban would have a neutral or positive effect on the Horeca sector, it is clearly having a major impact on pubs with a consequent sharp fall in employment in the sector.