

FINAL REPORT



Business & Services  
Promotion Unit

## Regulatory Impact Assessment *Proposed Amendments to the Existing Smoking Legislation*

December 2001

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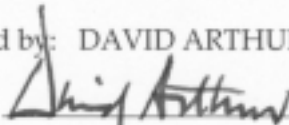


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Regulatory Impact Assessment:  
*Proposed Amendments to the Existing  
Smoking Legislation*

December 2001

Reference C2249

For and on behalf of Environmental Resources Management
Approved by: DAVID ARTHUR _____
Signed:  _____
Position: DIRECTOR _____
Date: 21 DECEMBER 2001 _____

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# 1 REGULATORY IMPACT ASSESSMENT

## 1.1 INTRODUCTION

On 14 May 2001, the Secretary for Health and Welfare put forward to the LegCo Health Services Panel, a number of proposed legislative amendments to the Smoking (Public Health) Ordinance. The aim of the proposed amendments is to further strengthen tobacco control in line with Government's ongoing policy to discourage smoking and to reduce the community's exposure to second-hand smoke.

On 20 June 2001, ERM were commissioned by the Business and Services Promotion Unit, acting on behalf of the Health and Welfare Bureau, to undertake a Regulatory Impact Assessment of these proposed amendments and advise the Government on the findings: in particular the impact on the business community.

## 1.2 THIS REPORT

This document presents the *Final Report* for the Regulatory Impact Assessment (RIA) on *Proposed Amendments to the Existing Smoking Legislation* and is the final output of the study.

The aim of this Report is to present the findings and recommendations of the study.

## 1.3 LAYOUT OF THIS REPORT

The remainder of the Report is set out as follows:

- *Section 2* provides the background to the study;
- *Section 3* summarises the findings of the international review;
- *Section 4* presents the needs and risk analysis;
- *Section 5* highlights the costs and benefits of possible options to meet the objectives of the proposed regulatory amendments;
- *Section 6* provides an analysis of the revenue and economic impacts of these possible options
- *Section 7* outlines some of the findings of the stakeholder consultation;
- *Section 8* provides conclusions and recommendations; and,
- *Section 9* gives a list of references used in this report

In addition, *Annex A* presents the findings of the international review, *Annex B* a summary of selected studies on the revenue impacts to hospitality venues of tobacco control policies, *Annex C* summaries issues raised on the various options under consideration and *Annex D* the calculation sheets for the impact analysis.

## 2 BACKGROUND TO THE STUDY

### 2.1 LAYOUT OF THIS SECTION

This Section considers some of the factors relating to tobacco control in Hong Kong. In particular, it looks at:

- *current legislation* - providing an outline of the baseline from which new legislation will be introduced; and
- *proposed amendments* - detailing the Administration's proposals for new tobacco related controls.

### 2.2 CURRENT LEGISLATION

The Smoking (Public Health) Ordinance (Cap. 371) was first enacted in 1982 to restrict the use, sale and promotion of tobacco products. The Ordinance is subject to review on a regular basis, having regard to the latest international trends in tobacco control and changing domestic circumstances. It was last amended in 1997 (to further restrict tobacco advertisement and to extend the scope of designated no smoking areas). A summary of the development of the tobacco legislation in Hong Kong is provided in *Table 2.1*.

The current legislation:

- prohibits smoking on public transport and in cinemas, theatres, concert halls, banks, supermarkets, lifts, department stores and shopping malls;
- prohibits tobacco advertisements on radio, television, film and the internet;
- prohibits tobacco advertisements in printed publications;
- prohibits the displays of tobacco advertisements (exemptions to this prohibition are presented below);
- requires packages of tobacco products to carry health warnings and the quantitative amounts of tar and nicotine yield, if applicable;
- prohibits the sale of cigarettes with a tar content of more than 17 milligrams;
- prohibits the sale of cigarettes through vending machines;
- requires large restaurants (over 200 seats) to designate at least one-third of their total area as no smoking areas; and requires all restaurants to display a sign to indicate whether a no-smoking area is provided in the restaurant premises;
- empowers managers of designated no smoking areas to enforce no-smoking requirements;
- prohibits the sale of tobacco products to minors under the age of 18 and requires retailers to display a sign to the same effect; and
- prohibits the giving of tobacco products to any person for the purpose of promotion.

In relation to tobacco advertising, a number of exemptions are included in the current legislation. The current ban on tobacco advertisements does not apply to any tobacco advertisement which:

- a) Is in or upon any stall or pitch of a hawker who is licensed pursuant to the Public Health and Municipal Services Ordinance (Cap 132) to hawk commodities, including tobacco products, at that stall or pitch; and bears a health warning in the prescribed form and manner.
- b) Is in or upon any premises of a retail dealer dealing in commodities including tobacco products if the number of persons employed by the dealer does not exceed two; and the tobacco advertisement bears a health warning in the prescribed form and manner.
- c) Is in or upon any premises of any manufacturer of tobacco products or any wholesale dealer dealing in tobacco products; and which are used for the manufacturing of tobacco products or for the purpose of dealing by wholesale in tobacco products; and is not visible from outside the premises.

## 2.3

### *PROPOSED AMENDMENTS*

In order to further tighten smoking controls in Hong Kong, the Administration is proposing further amendments to the Smoking Ordinance outlined above. The proposed amendments were put forward to Members of the LegCo Panel on Health Services at a meeting on 14 May 2001 and are now the subject of this regulatory impact assessment (RIA). The proposals are discussed in some detail below under the following sub-headings:

- expansion of statutory no smoking areas;
- advertisement and promotion of tobacco products;
- health warnings on tobacco products; and,
- law enforcement.

### 2.3.1

#### *Expansion of Statutory No Smoking Areas*

##### *Restaurants and Other Public Indoor Premises*

Under the existing legislation, a restaurant providing indoor seating accommodation for more than 200 persons, excluding areas partitioned exclusively for a private event, is required to designate at least one-third of such area as a no smoking area.

The proposed amendments would prohibit smoking in all restaurants, regardless of their size and seating capacity. Implementation will be preceded by a grace period of, say, six to twelve months. The smoking ban will also cover bars and karaoke venues, with consideration to be given for a longer grace period if this is demonstrated to be necessary.

The management of the premises would be the primary enforcement agency for the statutory smoking ban. Officers of the Tobacco Control Office (TCO)

Date	Description	Legislation
29 Jul 1982	The Smoking (Public Health) Ordinance enacted, with provisions governing no smoking areas, health warning, tar group designations and cigarette advertising.	Smoking (Public Health) Ordinance (Cap. 371)
13 Aug 1982	Health warning required for cigarette advertisements for radio	Smoking (Public Health) Ordinance
15 Nov 1982	Health warning and tar group designation required for cigarette advertisements in printed publications	Smoking (Public Health) Ordinance
15 Feb 1983	Health warning required for displayed cigarette advertisements (except advertisements by way of neon signs)	Smoking (Public Health) Ordinance
15 Feb 1983	Ban on smoking in public lifts, lower deck of public transport land vehicles and "no-smoking areas" in cinemas, theatres, concert halls and public transport vehicles. "No-smoking areas" to be demarcated by "No Smoking" signs.	Smoking (Public Health) Ordinance
15 May 1983	Health warning required for cigarette advertisements by way of neon signs	Smoking (Public Health) Ordinance
15 Aug 1983	Health warning and tar group designation to be printed on packets of cigarettes/retail containers in English and Chinese	Smoking (Public Health) Ordinance
15 Jun 1984	Health warning exemption for cigarette advertisements on items and umbrellas no longer prescribed in SPH Ordinance, but in SPH Regulations	Smoking (Public Health) Ordinance
5 Dec 1984	Health warning exemption for cigarette advertisements upon a commercial vehicle of cigarette manufacturer, distributor, dealer removed.	Smoking (Public Health) Ordinance
1 Mar 1985	Health warning exemption for billboards and advertisements for bonafide television programme sponsorship removed.	Note of Guidance dated July 1987
13 Nov 1987	Written health warning throughout, not just at the end of cigarette advertisements for television and cinema and standardised voice-over of health warning at the end of such advertisements lasting no less than 3 seconds.	Code of Practice 2 issued by TELA on 13 July 1987/Note of Guidance dated July 1987
1 Dec 1988	Ban on cigarette advertising and sponsorship from 4:00pm to 10:30pm (extended from 6:30pm) on TV	Code of Practice 2 issued by TELA.
26 Aug 1989	Ban on cigarette advertising and sponsorship from 4:00pm to 10:30pm on radio	Licence to Radio Company
1 Dec 1990	Total ban on cigarette advertising and sponsorship on TV	Television Advertising Standards
1 Dec 1990	Total ban on cigarette advertising and sponsorship on radio	Radio Advertising Standards/Smoking (Public Health) Ordinance
1 Aug 1992	To prohibit of smoking in designated public areas (including cinema, theatre, concert hall, public lift, & amusement game centre) and in all public transport carriers.	Smoking (Public Health) (Amendment) Ordinance 1992
1 Aug 1992	To display "no smoking" signs in prescribed manner.	Smoking (Public Health) (Amendment) Ordinance 1992
1 Aug 1992	To prohibit cigarette advertising in cinemas	Smoking (Public Health) (Amendment) Ordinance 1992
1 Feb 1993	To prohibit the sale of cigarette with a tar content exceeding 20 mg.	Smoking (Public Health) (Amendment) Ordinance 1992
1 Jan 1994	To require 4 new prescribed forms of health warnings, during a 12 month period, to be displayed with equal frequency in relation to each brand of cigarette	Smoking (Public Health) (Notices) (Amendment) (No. 2) Order 1992
1 Jan 1994	To enlarge the area of health warning and tar group designations on packaging of cigarette and cigarette tobaccos. The panel must be displayed on the 2 largest surfaces of the cigarette packet and occupy not less than 20% of such a surface.	Smoking (Public Health) (Notices) (Amendment) (No. 2) Order 1992
1 Jan 1994	Health warning panel for cigarette advertisements must occupy not less than 20% of the surface of the advertisement.	Smoking (Public Health) (Notices) (Amendment) (No. 2) Order 1992
28 Jan 1995	To extend to all tobacco products the existing requirement for health warnings and restrictions on advertising in respect of cigarettes.	Smoking (Public Health) (Amendment) Ordinance 1994
28 Apr 1995	To require restaurants to display a sign stating whether or not they have a no-smoking area.	Smoking (Public Health) (Amendment) Ordinance 1994
28 Apr 1995	To require tobacco product retailers to display a sign informing the public that selling or giving tobacco products to persons under 18 is prohibited.	Smoking (Public Health) (Amendment) Ordinance 1994
28 Oct 1995	To require health warnings on the packaging of all tobacco products for sale.	Smoking (Public Health) (Amendment) Ordinance 1994
1 Aug 1996	Health warning and the tar group designation in all tobacco advertisements must be presented in black upon a white background.	Administration of Justice (Miscellaneous Provisions) (No. 2) Ordinance 1995
1 Apr 1998	To allow restaurants, educational institutes and the new airport to designate whole or part of their premises as no smoking areas.	Smoking (Public Health) (Amendment) Ordinance 1997
1 Apr 1998	To prohibit the placing of tobacco advertisements on the Internet.	Smoking (Public Health) (Amendment) Ordinance 1997
1 Jul 1998	To prohibit the attachment of gifts etc which tobacco products are sold, and to prohibit the attachment of tobacco products to other non-tobacco products sold.	Smoking (Public Health) (Amendment) Ordinance 1997
1 Jul 1998	To prohibit the giving of tobacco products to any person for the purpose of advertisement or promotion.	Smoking (Public Health) (Amendment) Ordinance 1997
1 Jul 1998	To prohibit smoking in any indoor area open to the public in supermarkets, banks, department stores and shopping malls.	Smoking (Public Health) (Amendment) Ordinance 1997
26 Jun 1999	To ban tobacco display advertisements.	Smoking (Public Health) (Amendment) Ordinance 1997
26 Jun 1999	To exempt licensed hawkers whose licence is endorsed with the sale of tobacco products and small tobacco retail premises with not more than 2 employees from the display ban.	Smoking (Public Health) (Amendment) Ordinance 1997
16 Jul 1999	To adopt new health warnings and new detailed requirements regarding the display of health warnings and tar group designation in tobacco advertisements in printed publications.	Smoking (Public Health) (Notices) (Amendment) Order 1999
16 Jul 1999	To adopt new health warnings and new detailed requirements regarding the display of health warnings and tar group designation in tobacco advertisements on display.	Smoking (Public Health) (Notices) (Amendment) Order 1999
16 Jul 1999	To lower the maximum tar yields allowable in cigarettes from 20 mg to 17 mg.	Smoking (Public Health) (Amendment) Ordinance 1997
16 Jul 1999	To prohibit the use of words which suggest that a cigarette brand has a low tar yield unless it has a tar yield of not more than 9 mg.	Smoking (Public Health) (Amendment) Ordinance 1997
16 Jul 1999	To require restaurants providing more than 200 seats to designate not less than 1/3 of the area (excluding areas for private events separated by full-height partitions) as statutory no smoking areas.	Smoking (Public Health) (Amendment) Ordinance 1997
31 Dec 1999	To prohibit tobacco advertisements in the printed media after 31 December 1999.	Smoking (Public Health) (Amendment) Ordinance 1997
16 Jul 2000	Cigarette packets must carry, in rotation, 6 "new" health warnings, the indication of tar and nicotine yields. Health warning must be on the top of pack, black lettering on white background.	Smoking (Public Health) (Notices) (Amendment) Order 1999

TABLE 2.1

## SELECTED HISTORY OF TOBACCO LEGISLATION IN HONG KONG

FILE: C2249b  
DATE: 04/07/01Environmental  
Resources  
Management



would liaise with and educate the managers on ways and means for effective implementation of the requirement. The Police would continue to provide assistance when offenders refuse to abide by the requirement.

To expand the scope of protection, the no smoking requirement would be gradually extended to other public indoor premises such as bathhouses, night-clubs and mahjong premises. Enforcement in these licensed premises would be left to a subsequent stage when prohibition of indoor smoking has been generally practised.

#### *Schools, Universities and Tertiary Institutions*

The Ordinance at present provides that the principal of a school, university or tertiary institution may designate the premises as a no smoking area at his/her discretion. *Education Regulations* (Cap. 279A) also prohibit smoking in classrooms during school hours. However, smoking is not a punishable offence under the *Regulations*, and the principal of individual schools may choose not to designate his/her premises as no smoking areas. Thus staff members of the schools may still smoke in the school premises.

The proposed amendments would prohibit smoking in both indoor and outdoor areas of all kindergartens, primary and secondary schools, and in the indoor premises of universities and tertiary institutions.

The principal of the school would assume the primary enforcement responsibility, with his/her enforcement role being similar to that of managers of other designated no smoking areas. It is understood that guidelines would be developed and provided to principals to facilitate enforcement.

#### *Other Indoor Workplaces*

Currently, there is no legislation regulating smoking in indoor workplaces. The Omnibus Household Survey conducted by the Census and Statistics Department in 2001 revealed that about 733,000 persons working in indoor premises are currently subject to the influence of passive smoking. There have been strong public opinions calling for protection against passive smoking in indoor workplaces. According to the same survey, 73.5% of the respondents supported a smoking ban in indoor workplaces by legislation, while a more recent survey (23-27 July 2001 undertaken by the Hong Kong Polytechnic University) suggested that 88.1% (from a sample of 1,017) agreed with a ban in all indoor workplaces.

The proposed amendments would prohibit smoking in all indoor workplaces, including indoor offices, shops and factories. It is understood that consideration will be given to granting a longer grace period to businesses that demonstrate genuine difficulty in complying with the smoking ban requirement.

The management of individual companies would be the primary enforcement agency. The TCO would assist the management in drawing up internal guidelines and implementation plans. The Police would assist in the event of visiting customers refusing to abide by the smoking ban.

### 2.3.2 *Advertisement and Promotion of Tobacco Products*

#### *Display of Tobacco Advertisement*

Under the existing Ordinance, the display of tobacco advertising is prohibited except at licensed hawker stalls, retail outlets employing not more than two employees and inside the premises of manufactures or wholesalers of tobacco products (see *Section 2.1*, above).

The proposed amendment would revoke the current exemption on the display of tobacco advertisements or advertising at licensed hawker stalls and retail outlets employing not more than two employees.

It should be noted that the current exemption in the legislation appears to allow any hawker to advertise tobacco regardless of whether they actually sell tobacco products (it is understood from communications with FEHD that only some 600 of the 9,100 hawkers might actually sell tobacco products<sup>(1)</sup>). This interpretation is due to the understanding that the legal definition of 'including' is 'including but not limited to'.

TCO officers would ensure compliance with the regulation during their routine fieldwork. They will also act upon receipt of public complaints.

#### *Price Board and Price Marker*

Price boards (for more than one tobacco brand) and price markers (for one single tobacco brand) are allowed for display inside premises selling tobacco products. Currently, a price board cannot exceed a size of 2000 cm<sup>2</sup>, but there is no size limit for price markers.

The proposed amendments would prescribe the size of the price board and price marker to, say, not larger than 1,500 cm<sup>2</sup> and 50 cm<sup>2</sup> respectively. In addition it would prescribe the font size of words printed on them so that while price boards and price markers can continue to serve as an indication of prices, their potential use for advertising for tobacco products will be minimised.

TCO officers would ensure compliance during their periodic checks on selected retail outlets.

(1) There are two types of hawkers who sell cigarettes: those that sell newspapers (843 licensed newspaper sellers) and those with 'wall stalls' (527 licensed wall stalls). Not all newspaper sellers will sell cigarettes as some close after the morning selling. FEHD estimated that some 70% of newspaper sellers sell cigarettes. FEHD estimate that around 10 wall stalls sell cigarettes. FEHD personal communication August 2001.

### *Sale of Tobacco Products in Association with Other Products*

The existing legislation stipulates that a tobacco product cannot be sold in association with any gifts, or token, stamp and raffle ticket which may be exchanged for any gift. However it does allow for tobacco products to be sold in association with reduced-price non-tobacco products, such as watches or lighters.

The proposed amendment would prohibit the sale of a tobacco product in association with any product, regardless of whether it is charged for or not.

TCO officers would monitor the retail outlets of tobacco products to ensure compliance.

### *Tobacco Sponsorship*

Currently, the display of a tobacco brand name in any sponsored event is deemed a tobacco advertisement and hence prohibited. However, if a tobacco sponsorship is accompanied by the corporate name of a tobacco company (e.g. Philip Morris), or the brand name of a tobacco product is in association with a non-tobacco product (e.g. Salem in association with Perrier), and if no words associated with “smoking” or “cigarette” or other tobacco products are mentioned, then the related promotional materials are not regarded as tobacco advertisements.

The proposed amendment would prohibit the brand name of any tobacco product, and any words in association with “tobacco”, to be used in the promotion of any sponsored event, irrespective of whether or not it is used in association with a non-tobacco product. Nevertheless, the appearance of the brand name of a tobacco product is allowed if such a name is clearly stipulated to be a non-tobacco product/merchandise and makes no reference at all to the tobacco product.

TCO officers would liaise with organisers of major events that are known to seek sponsorships to ensure that they are aware of this restriction.

### **2.3.3** *Health Warning on Tobacco Products*

Under the existing Ordinance, health warnings of prescribed size and wording, and the quantitative amount of tar and nicotine yields are required to be borne on the package of cigarette products.

The proposed amendment would introduce enabling provision in the Ordinance allowing health warnings to contain pictorial and graphic contents. Detailed format of such health warning would be prescribed by the Secretary for Health and Welfare (SHW) by order in the Gazette in future.

The Customs and Excise Department would continue to monitor the health warning on tobacco products to ensure compliance.

#### 2.3.4 *Law Enforcement*

In addition to the items discussed above, the Health and Welfare Bureau are also seeking to provide additional enforcement capabilities to public officers, particularly TCO staff, under the proposed bill amendments. It is understood that the necessary regulatory amendments for this do not form part of this RIA.

### 3.1 INTRODUCTION

This Section provides a summary of the international review of smoking legislation and regulations undertaken by ERM as part of the Study, highlighting successes and failures in tobacco control and smoking bans. The full findings of the review of the 15 countries, regions and cities considered are provided in table format as *Annex A*. For ease of reference, relevant legislation for each region has been summarised in terms of the amendments proposed to the existing legislation as detailed in *Section 2.2*. It should be noted that the legislative requirements outlined in this Section are not exhaustive in that only legislative requirements relevant to this RIA are presented. Where possible, arrangements for implementation, monitoring and enforcement of the various bans and restrictions have also been included in the review.

The purpose of the international review is to:

- gain an understanding of the “lessons learnt” from overseas efforts in the implementation, monitoring and enforcement of tobacco control legislation; and
- gain an understanding of overseas tobacco control in order to assess whether the proposed amendments are in line with international trends.

### 3.2 LESSONS LEARNT FROM OVERSEAS REGULATORY EXPERIENCE

#### 3.2.1 “Latent Laws” - The Problem of Poor Definitions

California’s response to the public health crisis of tobacco consumption resulted in the passage of flawed legislation that has been difficult, if not impossible, to enforce effectively (Aldebron, 1999). Such pieces of legislation are termed “latent laws” in that they are enacted to bring about mandated policy goals, but are hampered by ineffectual implementation, monitoring and enforcement. The laws may be rendered “latent” for a variety of reasons such as:

- lack of definitions of crucial terms within the legislation;
- lack of monitoring/enforcement resources; and
- lack of political will.

In California, the Stop Tobacco Access to Kids Enforcement (STAKE) Act of 1992 encountered problems due to a lack of definitions of crucial terms within the legislation, which effectively rendered its principal components unenforceable for some time. Coming into effect on 1 January 1998, the STAKE Act, in part, states, “No person, firm, corporation, partnership, or any other organization shall advertise or cause to be advertised any tobacco

products on any outdoor billboard located within 1,000 feet of any public or private ... school, or public playground.”

Whilst the policy intent of the legislation is clear, the legislation immediately became a textbook “latent law” as it lacked definitions of:

- what constitutes a playground; and
- precisely where the 1,000 feet separation distance starts from, the edge or the middle of the playground?

A “billboard” is defined elsewhere as having an area of 14 square feet or more and tobacco companies have, therefore, been able to decrease the size of their advertisements to just under this size so that they do not constitute “billboards” and are consequently not subject to the requirements of the law, although they still have similar advertising impacts.

At a local level, Hong Kong’s Smoking (Public Health) Ordinance has a similar lack of some key definitions, which has allowed the tobacco industry to work around the intention. The current ban on tobacco advertising does not apply to any tobacco advertisement which:

*“is in or upon any stall or pitch of a hawker who is licensed....to hawk commodities, including tobacco products”*

As such, this advertising exemption within the Ordinance appears to allow any hawker to advertise tobacco regardless of whether they actually sell tobacco products. This interpretation is due to the understanding that the legal definition of ‘including’ is ‘including but not limited to’ in the above-mentioned extract from the Ordinance. This leads to the situation where tobacco companies can supply all hawkers, regardless of whether they sell tobacco products, with trolleys and price markers bearing the name of their products. Effectively, this allows tobacco companies to circumvent the intent of the legislation.

This highlights the need for careful legal review of the proposed amendments to the existing legislation to ensure that the policy goal of the legislation is not thwarted by legal loopholes. Key terms relevant to the proposed amendments outlined in *Section 2.3* that would require careful definition in any future legislation include:

- restaurant
- indoor premises
- bar
- karaoke
- night-club
- indoor workplace

### 3.2.2

#### ***Enforcement and Monitoring***

Outdoor advertising companies in California have cited a range of reasons for non-compliance with the STAKE Act, including obligations to honour billboard advertising contracts made with tobacco companies before the passage of the law. However, the likely reason for non-compliance is illustrated by a statement from an outdoor advertising company in California

regarding compliance with the STAKE Act, "We will certainly abide by State law, but we don't know who is enforcing it" (Aldebron, 1999). Knowing that monitoring and enforcement efforts were under-resourced, advertising companies initially adopted a "wait and see" approach to compliance, safe in the knowledge that their existing contracts would adequately cover the US \$200 fine for the first offence.

### 3.2.3 *Public Awareness*

Overseas experience has demonstrated that public health legislation is most effective when supported by community awareness, education and prevailing social norms (eg AHMAC, 2000). This is key to the voluntary enforcement of smoking bans. When non-smoking is the social norm, the community's expectations in themselves become a powerful tool for enforcement. Obviously, monitoring and enforcement officers cannot police every premises where smoking is banned. The enforcement of smoking bans on public transport in Hong Kong is essentially voluntary as this is the socially accepted norm.

Overseas experience has demonstrated that the key to shifting the social norm is through public awareness and education, in conjunction with clear and unambiguous publicly-mandated policy. Effective education, monitoring and enforcement is critical in the initial stages of implementation of public health policy. In the medium-long term, the legislation will become self-enforcing in line with the shift in community attitude. Communications with the Singapore Environmental Health Department indicated that this was exactly the approach taken in Singapore when smoking was banned in all air conditioned restaurants in 1998. A public awareness campaign was launched prior to the date of implementation of the ban to educate the public on the requirements of the legislation. During the early stages of the ban, dedicated officers from the Smoking Control Unit of the Environmental Health Department conducted intensive spot checks and liaison with restaurant managers on how to deal with smokers on their premises. Over a period of several months, the responsibility for enforcement shifted from Environmental Health Department officers to restaurant managers and finally onto the wider community.

Similar smoking bans in indoor restaurants have successfully been implemented in most Australian states and territories over the last two years, the most recent of which came into effect on 1 July 2001 in Victoria. This was preceded by an intensive public awareness and education campaign which, according to the Victorian Health Department, has resulted in compliance rates of almost 100% over a period of four weeks in other Australian states. Environmental Health Officers at the local council level plan to visit 20% of affected premises across Victoria for four weeks as part of an initial monitoring and education campaign, after which they will respond only to complaints.

### 3.2.4 *Phased Approach*

Premises where smoking is widespread and firmly entrenched, may require longer to implement a total smoking ban. A phased approach maximises the likelihood of a high level of compliance by utilising community support and changing social norms (AHMAC, 2000). As recognised by the Study Brief, a phased approach may be effective in implementing smoking bans in areas such as mahjong parlours and karaokes once the ban on smoking in restaurants has been implemented and has become socially accepted.

### 3.2.5 *Exemptions*

Exemptions to tobacco control legislation may be considered to be necessary for a range of political, social and economic reasons and should be considered on a case-by case basis. As a rule, however, exemptions should be avoided wherever possible because they tend to:

- complicate legislation and cause confusion for the public and those responsible for enforcement (eg restaurant managers); and,
- create an "uneven playing field" (eg, large restaurants may be able to afford to provide a separately ventilated, partitioned smoking area, whereas small *dai pai dongs* may not);

The costs for administering, monitoring and enforcing exemptions could be borne by an annual 'exemption fee' paid for by exempt premises.

### 3.2.6 *Voluntary/Partial Bans*

Tobacco control in Japan is largely through voluntary agreements and bans as detailed in *Annex A*. As Japan remains one of the highest per capita tobacco consuming countries in the world, Japan's experience tends to demonstrate that voluntary and limited bans do not work as a public health tool. The majority of the tobacco companies do not follow the advertising codes and most of the restaurants do not set up non-smoking areas.

Such anecdotal evidence is supported by study elsewhere overseas. In June 2000, the British House of Commons Health Select Committee report: *The Tobacco Industry and the Health Risks of Smoking* concluded that:

*"Voluntary agreements have served the industry well and the public badly. Regulations have been seen by tobacco companies as hurdles to be overcome or side-stepped; legislation banning advertising as a challenge, a policy to be systematically undermined by whatever means possible."*

The Report also concluded that comprehensive advertising bans can reduce tobacco consumption, but a limited set of advertising bans will not reduce the total level of advertising expenditure or will have minimal effect on reducing tobacco consumption. Typically, a partial ban will simply result in substitution to the remaining non-banned media.



### 3.2.7

#### *The Effect of Tobacco Control Legislation on Smoking Prevalence*

Drawing a correlation between a specific legislative amendment relating to tobacco promotion or use with the overall rate of smoking is extremely difficult owing to the range of parallel tobacco control measures (taxation, health education and other tobacco control legislation) generally in place in a given community. Several amendments to tobacco control legislation are frequently made at a time, making the extraction of a correlation relating to a *single* legislative amendment very difficult.

However there is little doubt that a comprehensive package of tobacco control measures comprising bans on advertising, promotion and smoking in workplaces and other public places reduces overall tobacco consumption and that this has a knock-on effect in terms of improved public health. Perhaps nowhere has this been more closely studied than in the state of California, which has implemented some of the world's most stringent tobacco control legislation. The adult smoking prevalence in California has dropped at a rate faster than the national average since the introduction of a comprehensive set of anti-smoking legislation since the late 1980s. Indeed the smoking prevalence in the adult population fell 50% between 1989 and 1999 (California Department of Health Services). Massachusetts is another American State to adopt stringent tobacco control legislation in the 1990s (see *Annex A*). Tobacco consumption there has similarly declined at a rate faster than the national average since the introduction of stringent State level tobacco control legislation in 1993.

The health benefits accrued as a result of reduced smoking in response to a specific legislative measure are difficult to quantify and some may take some time before they become apparent. However short-term health benefits related to the acute and immediate effects of reducing exposure to second hand smoke (SHS) have been reported. After the implementation of a smoking ban in Californian bars and restaurants in 1998, hospitality workers reported improved respiratory health over a very short space of time (Eisner *et al*, 1998) however insufficient time has elapsed to quantify all the benefits in terms of savings related to health care costs.

The principal justification for smoke-free workplaces arises from the public health concerns related to exposure to SHS. Whilst a ban on workplace smoking obviously reduces such exposure, it also reduces overall tobacco consumption and encourages quitting (Glantz, S 1997). The combined effect of legislation banning workplace smoking makes it an ideal public health policy tool. A review of trends in tobacco consumption attributed over 22% of the tobacco consumption drop in Australia between 1988 and 1995, and almost 13% of the drop in the United States between 1988 and 1994, to smoke-free workplace policies (Chapman S *et al*, 1999).

Australian studies measuring tobacco consumption before and after the introduction of smokefree workplace policies confirm that bans do indeed

bring about a reduction in numbers of cigarettes smoked on workdays (Borland *et al*, 1990) which remains evident 18 months after the initial enforcement of restrictions (Borland *et al*, 1991). Some smokers have extended their lower workday consumption patterns to non-workdays (Borland *et al*, 1991).

A study of smokers in the Australian public service six months after the introduction of a smoking ban in Government buildings concluded that there was an overall reduction in smoking prevalence within the affected workforce, even after consideration of “compensatory” smoking (Borland *et al*, 1990). Whilst light smokers did not change their consumption patterns, moderate smokers reduced the number of cigarettes smoked per day by an average of six cigarettes (a 29% fall in consumption), and heavy smokers reduced by eight cigarettes (a 27% fall in consumption).

Studies have readily and reliably linked increases in the taxation of tobacco products to a corresponding decrease in overall tobacco consumption. This is possible due to the sudden and often steep increases in tobacco taxation and the knock-on effect on the price of tobacco products, particularly in places such as Australia, Canada and North America. In Australia, taxation rises are typically announced at the federal budget and implemented at the beginning of the financial year, independent of other tobacco control measures, making the effects of the price rise easy to monitor.

### 3.3

#### CONCLUSION

Key findings of the International Review are as follows:

- smoking bans in restaurants and other public areas are most effective when supported by public awareness and expectations which lead to ‘self-enforcement’ of the bans;
- phased introduction is an effective method of implementing smoking bans in areas where smoking is firmly entrenched, once bans have been socially accepted elsewhere;
- exemptions to smoking bans should be avoided wherever possible, in order to avoid confusion as to where the bans apply and to avoid creating an “unlevel playing field” amongst affected premises;
- key terms within tobacco control legislation should be clearly defined to avoid non-compliance through exploitation of “loop-holes”; and
- voluntary or partial bans are largely ineffective and the prevalence of smoking tends to be higher where these are in place.

*Table 3.1* provides a broad overview of the proposed amendments to the existing smoking legislation in Hong Kong in the context of international trends in tobacco control. It shows that the proposed amendments will bring Hong Kong into line with countries and states with the strictest tobacco control legislation world-wide.

**Table 3.1 Comparison of Proposed Amendments in Hong Kong Versus Existing International Regulations**

	Hong Kong	Australia	Canada	China (Mainland)	Japan	Malaysia	Philippines	Singapore	South Korea	Taiwan	Thailand	United Kingdom	California (USA)	Massachusetts (USA)	New York City (USA)
Restaurants	✓ ✓ ✓	✓ ✓ ✓ most states	✓ ✓	V	V	✓ ✓	V	✓ ✓ ✓	V	✓ ✓	✓ ✓ ✓	V	✓ ✓ ✓	✓ ✓	✓ ✓ ✓
Bars	✓ ✓ ✓	V	V	-	-	-	-	-	-	-	-	V	✓ ✓ ✓	V	V
Educational Institutions	✓ ✓	✓ ✓	✓ ✓	✓ ✓	V	✓ ✓	✓ ✓	✓ ✓	✓ ✓	✓ ✓	✓ ✓	V	✓ ✓	✓ ✓	✓ ✓
Indoor Workplaces	✓ ✓ ✓	✓ ✓	✓ ✓	✓ ✓	V	✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓	✓ ✓	✓ ✓ ✓	V	✓ ✓	✓ ✓	✓ ✓
Tobacco Advertising	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓	✓ ✓	✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
Tobacco Sponsorship	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	V	V	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	V	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
Pictorial Health Warnings	✓	-	✓	-	-	-	-	-	-	-	-(1)	-	-	-	-

- ✓ ✓ ✓ = Banned
- ✓ ✓ = Restricted
- ✓ = Provision included in legislation and/or regulations
- V = Voluntary provision included in legislation and/or regulations

(1) It is understood that Thailand is considering the inclusion of pictorial/graphical health warnings, but we have been unable to confirm details to date

## 4 NEEDS AND RISK ANALYSIS

### 4.1 INTRODUCTION

This section seeks to clarify the issues that need to be addressed, potentially by regulation, describing and where possible quantifying the scale of the problem and the associated health risks.

### 4.2 THE NEEDS

The proposed legislative amendments are principally aimed at addressing the following needs:

- **Reduce the exposure and impacts of second hand smoke (SHS).** The legislative amendments aim to reduce the exposure and impacts of SHS by banning smoking in hospitality venues, educational establishments and other workplaces.
- **Reduce the uptake of smoking and hence overall smoking rates.** The legislative amendments are aimed at reducing the uptake of smoking (and hence overall smoking rates) by closing loopholes in the current ban on advertising and promotion of tobacco products, and reducing the exposure of young people (particularly in educational establishments) to smokers. In addition the legislative amendments aim to raise awareness of the impacts of smoking, and hence reduce the uptake of smoking (and hence overall smoking rates) by including an enabling provision in the Ordinance that allows for the inclusion of graphic and/or pictorial health warnings.

The risks associated with each of these needs, as well as those of smoking, are discussed in more detail below

#### 4.2.1 *The Risks of Tobacco Use*

The health impacts of tobacco use are well researched and publicised. In 1994 the US Department of Health and Human Services estimated that some 70,000 scientific articles have implicated smoking in a wide variety of ailments, constituting the largest and best documented literature linking any behaviour to disease in humans.

Chaloupka et al (1999) noted that 'all told, smoking is far and away the leading cause of premature death and of avoidable morbidity and disability in ... most industrialised nations'.

Smoking is also very addictive with a study quoted by America's Food and Drug Administration finding that 80% of cigarette smokers were addicted.

Thus the risk of tobacco use is that it can result in disabling and often fatal illnesses and it is addictive.

#### 4.2.2 *The Risks of Second Hand Smoke*

The total risks associated with SHS are still being studied and have, in recent years, been subject to much debate, although public health authorities argue that the balance of evidence would suggest that exposure to SHS increases the risk of lung cancer, heart disease, developmental effects (e.g., low birth-weight infants), non-malignant respiratory disease and related disorders.

SHS has also been associated with increased risks for: breast and nasal-sinus cancer, cerebrovascular disease (e.g. stroke), and reproductive disorders.

In addition, SHS has been designated as a known human cancer-causing agent by a number of well-recognised, international health agencies. No agency has set an acceptable level of exposure to SHS.

Table 4.1 presents the findings of some of the studies undertaken on the health impacts of SHS.

**Table 4.1** *Summary of Selected Studies on the Impacts of Passive Smoking*

Study	Results
Lam et al, 2000(a)	Identified significant relationship between exposure to second hand smoke at work and both respiratory symptoms and physician consultation
Hackshaw et al, 1997	Estimated that passive smoking increases the non-smokers risk of lung cancer by 26%.
Law MR et al, 1997	Concluded that breathing other people's tobacco smoke increases the risk of heart disease by an estimated 23%. The authors also found that the immediate effect of a single environmental exposure was to increase risk by an estimated 34%. This compares with a risk of 39% from smoking one cigarette per day.
Strachan et al, 1997	Concluded that there is an estimated increased risk of lower respiratory illness (pneumonia, bronchitis, bronchiolitis, wheezing) 57% if either parent smokes and 72% if the mother smokes.
Peters et al, 1996	Risk to respiratory health for children exposed to tobacco smoke at home were higher than those for air pollution in Hong Kong
US EPA, 1992	Concluded that exposure to SHS causes serious and substantial health problems. Exposure to SHS causes an estimated 3000 lung cancer deaths per year in the USA and impairs the respiratory health of hundreds of thousands of children. A U.S. District Court decision has vacated several chapters of the EPA document that served as the basis for EPA's classification of SHS as a Group A carcinogen and estimates that SHS causes 3,000 lung cancer deaths in non-smokers each year. EPA is appealing this decision. None of the findings concerning the serious respiratory health effects of SHS in children were challenged.

Study	Results
California Environmental Protection Agency, 1999	Concluded that recent studies provide additional evidence that SHS exposure is causally associated with lung cancer. Specifically that there is about a 20 per cent increase risk of lung cancer in non-smokers
Scientific Committee on Tobacco and Health, 1998	A review of the evidence to date on passive smoking and lung cancer concluded that long term exposure of non-smokers to SHS caused an increased risk of lung cancer which, in those living with smokers, is in the region of 20-30%
Australian National Health and Medical Research Council, 1997	A review of scientific evidence of the health effect of passive smoking concluded that "The scientific evidence shows that passive smoking causes lower respiratory illness in children and lung cancer in adults and contributes to the symptoms of asthma in children. Passive smoking may also cause coronary heart disease in adults. It is estimated that passive smoking contributes to the symptoms of asthma in 46,500 Australian children each year and causes lower respiratory illness in 16,300 Australian children. It also causes about 12 new cases of lung cancer each year in adult Australians. Passive smoking may also cause 77 deaths a year from coronary heart disease"
He J et al, 1999	The authors reviewed 18 epidemiological studies and found that, overall, non-smokers exposed to environmental tobacco smoke had a relative risk of coronary heart disease of 1.25 (ie a 25 per cent increased risk compared with non-smokers not exposed). The relative risk for men was 1.22 and women 1.24. Non-smokers exposed to tobacco smoke at home had an overall risk of 1.17, while at work the risk was found to be 1.11.

#### 4.2.3

#### *The Risks of Tobacco Advertising and Promotion*

Chaloupka et al (1999) notes that "the impact of cigarette advertising on cigarette smoking, particularly youth smoking, has been the subject of extensive debate over the past several decades. The public health community takes it as given that advertising encourages smoking and is a particularly significant influence on smoking initiation among youth. The tobacco industry, on the other hand, contends that cigarette advertising is a form of competition that does not impact on overall cigarette smoking, but instead simply affects market share. In addition the industry argues that advertising provides useful information to smokers about their products, including information on tar and nicotine content."

There are several mechanisms through which advertising and promotion are thought to affect the uptake of smoking as well as overall cigarette consumption. This include direct mechanisms such as:

- enticing children and young adults to experiment with smoking and to initiate regular smoking;
- reducing current smokers willingness to quit smoking;
- serves as a cue or stimulus that leads to increased daily consumption; and
- induces former smokers to resume their habit.

Indirect mechanisms are thought to include:

- discourages a full discussion of the health consequences of smoking in media dependent on tobacco advertising; and
- contributes to a social environment in which smoking is perceived to be socially acceptable.

Three main types of studies have examined the relationship between tobacco advertising and consumption:

- ***Econometric research on the link between expenditure on advertising and tobacco consumption.*** Numerous studies have investigated the relationship between expenditure on tobacco advertising and the consumption of tobacco. Adjustment must be made for important factors such as product price, available income, etc., to avoid drawing incorrect conclusions. As econometric studies look at total expenditure and total consumption, no definitive conclusions regarding effects on the uptake of smoking by young people can be drawn (although it is understood that some studies have documented price elasticities by age). Most econometric studies have found that increased expenditure on tobacco advertising increases demand for cigarettes, while banning advertising leads to a reduction in tobacco consumption. A meta-analysis of 48 econometric studies found that tobacco advertising significantly increased tobacco sales (Andrews et al, 1991). Recent reviews by the United States Institute of Medicine (Lynch et al, 1994), the United States Department of Health and Human Services (1994) and the World Health Organisation (Roemer R, 1993) reached the same conclusion.
- ***Research comparing tobacco consumption within a country before and after an advertising ban.*** These studies compare tobacco consumption before and after a complete ban on advertising. Although such studies may be complicated by inadequacy of data collection or poor implementation of the ban, they have yielded convincing data that a complete ban on advertising makes an important contribution towards reducing smoking prevalence. Selected studies are summarised in the table below.

**Table 4.2** *Summary of Selected Studies on the Impact of a Ban on Advertising (before and after)*

Country, year	Description of anti-tobacco measures	Effect
Norway, 1975	Complete ban on advertising and sponsoring, coupled with health warnings, public information and age limits on sales	Long-term reduction of smoking prevalence by 9% <sup>(1,2)</sup>
Finland, 1977	Complete advertising ban, no smoking in public buildings, age limit on sales, strong public information campaigns	Reduction of cigarette consumption of 6.7% <sup>(1)</sup>
Canada, 1989	Complete ban on advertising and sponsoring, with higher tobacco prices	Corrected for price increases, a long-term reduction of smoking prevalence of 4% <sup>(1)</sup>

Country, year	Description of anti-tobacco measures	Effect
New Zealand, 1990	Ban on advertising and sponsoring, higher tobacco prices	Reduction in tobacco sales of 7.5%, of which 5.5% is attributed to ad ban <sup>(1)</sup>
France, 1991	Complete advertising ban, limiting smoking in public buildings, removal of tobacco from consumer price index	Reduction of smoking prevalence of 7% in 1991-1993 <sup>(3)</sup>

**Sources:**

1. Smee et al , 1992
2. Rimpelä et al, 1993
3. WHO, 1995

- ***International comparison of trends in tobacco consumption and anti-tobacco measures.*** This type of study – known as a cross-sectional time-series analysis – compares trends in tobacco advertising and consumption. An important study commissioned by the New Zealand Government examined trends in consumption and advertising in 33 countries during 1970-1986 (Toxic Substances Board, 1989). It demonstrated that the higher the degree of governmental control on tobacco advertising and sponsorship, the larger the annual reduction of tobacco consumption. Corrections were made to account for differences in income, tobacco prices and public information.

A cross-sectional time series analysis in 22 OECD countries for the period 1960-1986 concluded that increasingly strict regulation of advertising causes corresponding reductions in tobacco consumption (Laugesen et al, 1991). The degree of restriction on tobacco marketing was scored in each country: for example, Iceland, Finland and Norway, countries with a comprehensive ad ban and strong warnings on tobacco products, scored 10, while others with less strict measures, such as a ban only on TV, radio or cinema advertising, had a lower score. On a scale of one to ten, an increase of 1 point was found to translate into a 1.5% reduction in tobacco consumption. One drawback was that other types of anti-tobacco measures, such as public information campaigns leading to increased public awareness, were not corrected for.

Another study of 22 OECD countries during 1964-1990 came to a different conclusion (Stewart, 1993). This study suggested that advertising bans have no effect on tobacco consumption. However, Stewart focused only on bans on the televised advertising of cigarettes. Also, in contrast to Laugesen and Meads, Stewart did not allow the impact of the advertising restriction to change over time. He estimated that the ban on cigarette advertising on television has had a positive but insignificant impact on cigarette demand, consistent with the findings from several other studies on the effects of broadcast advertising bans alone.

Two studies in Hong Kong have illustrated the impact of tobacco advertising and promotion on youth. Peters et al (1995) concluded that tobacco advertisements are widely recognised by young children and associated with smoking experience, while Lam et al (1994) identified associations between



cigarette brand smoked and the attractiveness of the advertisements of the brand by Form 1 to 3 students.

#### 4.2.4 *The Risks of Smoking in Hong Kong*

Smoking poses risks to both smokers and non-smokers (through exposure to SHS) alike in Hong Kong. There have been a number of attempts to quantify these risks in terms of both lives lost and costs to the economy. These are discussed below.

##### *Mortality Costs of Smoking in Hong Kong*

Lam et al (2001) calculated that there are around 5,720 deaths per year that were attributable to tobacco in Hong Kong among people aged 35 and over in 1998.

While this study has only recently been published (in both the Chinese and English versions of the *British Medical Journal*) the estimates of smoking attributable deaths in Hong Kong are very similar to previous estimates, which were mainly calculated using overseas (US) data on risk estimates or using WHO estimates of smoking attributable diseases. Using the US data on risk, Tsang (1995) estimated that there were a total of 5,682 deaths in 1993 attributable to smoking (18.8% of all deaths). Using WHO estimates of smoking attributable diseases the Secretary for Health and Welfare, in a 1997 speech given to the Legislative Council, attributed approximately 4,600 deaths to smoking.

##### *Morbidity Costs of Smoking In Hong Kong*

The Hong Kong Hospital Authority (HKHA) estimates costs for hospitalisation due to smoking attributable Lung Cancer, Bronchitis and Ischaemic Heart Disease using information from HKHA hospital admissions and WHO estimates on smoking attributable diseases. For 1999, the latest year available, the costs were calculated as HK\$ 711 million. This is likely to be an underestimate of the total morbidity costs of smoking for a number of reasons, as follows:

- it only includes HKHA hospitals – not private care;
- it does not include primary, traditional or self care associated with these diseases;
- it does not include the costs associated with other known diseases attributable to smoking;
- it does not include complications associated with health problems of new-borns caused by the mother's smoking;
- it does not include treatment of burn victims from smoking-ignited fires;
- it does not include illnesses caused by SHS exposure of children and adults; and
- it does not include treatment of other diseases that are made more complicated by smoking (eg diabetes, recovery from major surgery among others, Chaloupka et al, 1999).

A number of studies have been undertaken overseas about the cost of smoking as a percentage of health care costs. In the US, Warner et al (1999), based on a literature review of six peer reviewed papers examining medical costs in a single year (covering the non-institutionalised American Population) (six publications), concludes that the costs of smoking in the United States equals, and may well exceed, the commonly referenced figure of 6-8% of total health care costs.

In Japan, Izumi et al (2001) concluded that among the general population aged 45 years or over, about 4% of total medical costs were attributable to smoking.

In Hong Kong in 1998/1999 the Hong Kong Hospital Authority spent approximately HK\$ 26,900 million, not including capital expenditure on medical projects under public works (Source: Hong Kong Annual Digest of Statistics, 2000 edition). Taking a modest figure for smoking costs of 5% of total medical costs this equates to HK\$ 1,345 million, suggesting that the HKHA figure of HK\$ 711 million might be around 50% of the actual morbidity costs of smoking in Hong Kong.

#### *Other Costs of Smoking*

Other costs of smoking that cannot be included under morbidity and mortality costs include, among others:

- transport costs to and from treatment for smoking related diseases;
- home modifications for those disabled by smoking;
- productivity losses associated with smoking and passive smoking;
- damage to buildings and their fixtures and fittings from smoking and/or smoking related fires; and
- indirect costs such as the pain and suffering of smoking-related disease victims and their families.

No estimates exist for these costs in Hong Kong and this study does not attempt to quantify them due to their intangible nature.

#### *The Economic Benefits of Smoking-Related Deaths*

Warner et al (1999) note that some economists (notably those working for the tobacco industry) have argued that, if one accepts that smoking causes disease and premature death, one must incorporate the offsetting “benefit” on health care costs of earlier deaths due to smoking to determine the true cost. Various studies have tried to calculate this ‘net’ cost to society with differing results – ranging from smokers having a net benefit to a net cost. These economic arguments are based around placing a negative value on non-productive members of society (eg the retired). This study is not going to consider such costs for the following reasons:

- The cost of life to be applied in the study will be the same for all ages – a life is a life regardless of how old or productive that life is. This approach to applying a single economic value to life is standard in Hong Kong Government decision making.
- In no other area of social policy or decision making is death treated as an economic benefit.
- If one follows this approach to the extreme then there would be no point in providing health care to elderly people as they are not productive.
- Hong Kong is a family orientated society, where the benefits of extended family networks are recognised in terms of, for example, the guidance and help provided by elder citizens to busy working families. Whilst these benefits have not been calculated in previous studies, they are recognised as being one of the cornerstones of Hong Kong’s success.
- Analysis of this issue opens up a whole host of other difficult issues. For example, much of the Hong Kong financial sector provides fund management services, the primary purpose of which is to provide for retirement. Should this important part of Hong Kong’s economy be disregarded if retired citizens are perceived to have no value?

#### 4.3 RISKS ASSOCIATED WITH SMOKING IN HOSPITALITY VENUES IN HONG KONG

Table 4.3 presents the output of an analysis of risks associated with the proposed legislative amendment to ban smoking in restaurants and to gradually extend this to other indoor public premises. A further discussion of the mortality and morbidity costs associated with SHS in restaurants is continued below.

**Table 4.3 Risks Associated with Smoking in Hospitality Venues in Hong Kong**

Proposed Legislative Change	Policy Intent/Need	Risk / Fact
Complete smoking ban in restaurants, to be gradually extended to other indoor public premises	Reduce exposure to SHS and associated health and economic impacts	<p>SHS in restaurants is related to ill-health (morbidity and mortality) of both customers and workers as well as a number of other costs.</p> <p><i>Quantifiable</i></p> <ul style="list-style-type: none"> <li>• Annual mortality of workers due to SHS in restaurants amounts to 150 deaths per year. Hedley et al (2001a)</li> <li>• Between 1996-2000 an average of over 11 fires per annum were caused by ‘careless handling or disposal of cigarette ends, matches, candles etc’ in restaurants (from data provided by the Hong Kong Fire Services Department). No injuries and no deaths were associated with these fires and all were classed 1 or 2 on a scale of 1-5 (with five being the most serious).</li> </ul>

*Un-quantifiable*

Other risks include:

- Increased mortality of patrons exposed to SHS
  - Increased morbidity costs of staff and patrons exposed to SHS
  - Smoke and related property damage, depreciation, maintenance and cleaning costs
- 

### *Mortality Costs*

The recent COSH study on '*Passive smoking and risks for heart disease and cancer in Hong Kong catering workers*' (Hedley et al, 2001a), estimated annual mortality of workers due to SHS in restaurants at 150 deaths per year.

There have been no studies in Hong Kong of the mortality costs of patrons associated with SHS in restaurants.

### *Morbidity Costs*

There have been no studies in Hong Kong of the morbidity costs associated with SHS exposure of staff and patrons in restaurants and it is beyond the brief of this study to attempt to quantify them.

It is however worth noting a study by Eisner et al (1998) on 53 bartenders before and after legislation banning smoking in all bars and taverns in the State of California. This study demonstrated that reduced SHS exposure in these bartenders as a result of the ban was associated with improved adult respiratory health during a short observation period, approximately two months (although it should be acknowledged that the study did not look at how this improved respiratory health would be converted into a corresponding reduction in health care costs).

Hospitality workers may be at a greater risk than most because the nature of the environment often demands prolonged exposure to SHS. In a 2000 review of the SHS Provisions of the *Occupational Health and Safety Regulation* in British Columbia, the Workers Compensation Board noted that:

“Studies targeting the hospitality industry suggest that employees in restaurants where smoking is not restricted actually experience greater second-hand smoke exposure than someone living with a smoker. Other studies demonstrated the high levels of second-hand smoke pollutant levels found in hospitality workers and the causal effects of those pollutants. Eliminating workers’ exposure to ETS and lowering smoking prevalence among workers is thus expected to improve workers’ health by reducing their risk of cancer, heart disease, and other various tobacco-related illnesses.”

Table 4.4 presents the output of an analysis of risks associated with the proposed legislative amendment to ban smoking in educational establishments. It should be noted that there is no data available on the extent of smoking and exposure of both pupils and staff to SHS in educational establishments in Hong Kong.

**Table 4.4 Risks Associated with Smoking in Educational Institutions in Hong Kong**

Proposed Legislative Change	Policy Intent/Need	Risk / Fact
Smoking ban in indoor and outdoor areas of all kindergartens, primary and secondary schools and indoor areas of tertiary institutions	Reduce exposure to SHS and associated health and economic impacts	<p>SHS in educational establishments is related to ill-health (morbidity and mortality) of both pupils and staff as well as a number of other costs.</p> <p><i>Quantifiable</i></p> <ul style="list-style-type: none"> <li>Between 1996-2000 an average of just under 3 fires per annum were caused by 'careless handling or disposal of cigarette ends, matches, candles etc' in schools (from data provided by the Hong Kong Fire Services Department). One injury (ie an average of less than 0.2 a year) and no deaths were associated with these fires and all were classed 1 or 2 on a scale of 1-5 (with five being the most serious).</li> </ul> <p><i>Un-quantifiable</i> Risks include:</p> <ul style="list-style-type: none"> <li>Increased mortality of pupils and staff exposed to SHS</li> <li>Increased morbidity costs pupils and staff exposed to SHS in educational establishments</li> <li>Smoke and related property damage, depreciation, maintenance and cleaning costs</li> </ul>
	Reduce uptake of smoking by young (and hence overall smoking rate)	<p>Among current adult smokers in Hong Kong the average age (median) of starting to smoke is 17. Teenagers (Aged 15-19) and youths (aged 20-29) claim to start smoking at an average (median) age of 14 and 15 respectively (Mercado Solutions (Asia) Ltd, 2001).</p> <p>The majority (59.5%) of current daily smokers indicate that they started smoking mainly because they were influenced by friends with 72.9% of teenagers and 67.5% of youths indicating the same reason (Mercado Solutions (Asia) Ltd, 2001).</p>

*Un-quantifiable*

Risks include:

- Increased likelihood that pupils will begin smoking if their friends are doing so at the educational institutions (as schools provide a forum for peer pressure)

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#### 4.5 *RISKS ASSOCIATED WITH SMOKING IN OTHER WORKPLACES IN HONG KONG*

*Table 4.5* presents the output of an analysis of risks associated with the proposed legislative amendment to ban smoking in all workplaces. It should be noted that the risks to smokers associated with their smoking in the workplace has not been included in this discussion, although the impact of their smoking on others has (eg SHS). Reasons for not including this risk in the analysis include:

- although it has been argued that workplace bans assist smokers in quitting as well as reduce their smoking rates, this is not the policy intent of this legislative amendment; and
- any benefits from increased productivity in smokers due to these reduced smoking rates might be negated by the losses associated with smokers having to go outside to smoke their cigarettes.

Regardless of the above, a discussion of the magnitude of these direct costs of smokers to employers is included below.

*Table 4.5 Risks Associated with Smoking in the Workplace in Hong Kong*

<b>Proposed Legislative Change</b>	<b>Policy Intent/Need</b>	<b>Risk / Fact</b>
Smoking ban in all indoor workplaces	Reduce exposure to SHS and associated health and economic impacts	McGhee et al (2000) note, from a study of a workforce in Hong Kong, that there is a strong association between length of time exposed to SHS exposure at work and medical consultations, use of medicines and time off work. This results in costs to the health services, to employers (productivity lost due to absenteeism and employee health costs) and to those exposed.

Proposed Legislative Change	Policy Intent/Need	Risk/ Fact
		<p>Hong Kong workers (excluding domestic helpers) are exposed to a significant amount of SHS in the workplace. Approximately 31.4% of indoor workers claim that their company permits smoking in the workplace (Mercado Solutions (Asia) Ltd, 2001). Additionally, some 35.2% of Hong Kong workers who mainly work indoors claim to sit within 10 feet of someone who smokes in the office (Mercado Solutions (Asia) Ltd, 2001). This equates to 0.73 million indoor workers exposed to SHS (35.2% of 2.085 million indoor workers). Older surveys and studies in Hong Kong have found higher exposure rates (an average of 47.5%), with some occupational groups having exposure as high as 80% at work (based on a survey undertaken in 1998 and quoted in McGhee et al, 2001).</p>
		<p>Using the results from McGhee et al (2000) it is possible to calculate that every individual exposed to SHS loses approximately 0.7 days per annum in lost work days due to doctor consultations and lost work days. This assumes that a doctors consultation last a third of a working day (eg 2.5 hours out of a 7.5 hour day) and that 50% of doctor consultation take place during working hours.</p>
		<p><i>Quantifiable</i></p> <ul style="list-style-type: none"> <li data-bbox="963 1122 1481 1563">• Exposure to SHS in the workplace reduces productivity. Using results from McGhee et al (2000) and the Thematic Household Survey (Mercado Solutions (Asia) Ltd, 2001) suggests that approximately 0.52 million work days are lost due to worker exposure to SHS at work. Assuming an average wage of HK\$ 10,000 (the median wage for Hong Kong in the 2<sup>nd</sup> quarter of 2001 was HK\$ 10,000, CSD personal communication August 2001) for those impacted by SHS in indoor offices, this equates to around HK\$198 million per annum lost productivity (assuming 26 working days per month).</li> <li data-bbox="963 1601 1481 1854">• McGhee et al (2001) calculated the cost of additional consultations due to exposure to SHS to all full-time Hong Kong workers as US\$2.1 million to the Government, US\$ 7.6 million to employees and to individuals of US\$ 17.2 million (although this was for 3.04 million full-time workers, regardless of whether they worked indoor or outdoors).</li> </ul>

Proposed Legislative Change	Policy Intent/Need	Risk/ Fact
		<ul style="list-style-type: none"> <li>Between 1996-2000 an average of over 91 fires per annum were caused by 'careless handling or disposal of cigarette ends, matches, candles etc' in commercial premises (from data provided by the Hong Kong Fire Services Department). A total of 28 injuries (ie an average of nearly 6 injuries per annum) were associated with these fires (and no deaths) and all were classed 1 or 2 on a scale of 1-5 (with five being the most serious).</li> </ul> <p><i>Un-quantifiable</i></p> <ul style="list-style-type: none"> <li>Increased mortality costs associated with SHS exposure of staff</li> <li>Smoke and related property damage, depreciation, maintenance and cleaning costs</li> </ul>

#### 4.5.1 *Costs of Smokers to Employers*

The following presents some examples of studies that have estimated the costs that smokers place on their companies:

- Dow Chemical Co. discovered that one of its divisions was losing about US\$600,000 annually from the absenteeism of ill smokers (Sculco, 1992).
- The Congressional Office of Technology Assessment estimates that each of the approximately 15 million smokers in the United States costs their respective employers between US\$2,000 and US\$5,000 annually in increased health care and fire insurance premiums, absenteeism, lost productivity and property damage (Warner, 1994).
- National data for the United States document that male and female smokers have higher absenteeism rates than non-smokers, are sicker and require more medical care (Rice et al, 1986).

#### 4.6 *RISKS ASSOCIATED WITH CIGARETTE ADVERTISING AND PROMOTION IN HONG KONG*

Table 4.6 presents the output of an analysis of risks associated with the proposed legislative amendments to further restrict the advertising and promotion of cigarettes in Hong Kong, including the provision of graphic and/or pictorial warnings on cigarette packaging (as they relate to the same policy intent, ie to reduce the uptake of smoking and hence the overall smoking rate).



**Table 4.6 Risks Associated with Cigarette Advertising and Promotion in Hong Kong**

Proposed Legislative Change	Policy Intent/Need	Risk / Fact
To further restrict the advertising and promotion of cigarettes in Hong Kong, including the provision of graphic and/or pictorial warnings on cigarette packaging	Reduce uptake of smoking by young (and others)	<p>A comprehensive set of tobacco advertising bans can reduce tobacco consumption and that a limited set of advertising bans will induce promotional budgets to shift from the banned to un-banned media and methods of promotion and thus have little or no effect (Saffer et al, 2000).</p> <p>A significant number of F.1 to F.3 students had used empty cigarette packs to exchange for admission tickets for movies, sports competitions or other entertainment (6%) and exchanged such packs for free gifts or reduced price goods (8%) in 1999. 11% of the students who responded were given free promotional cigarettes (Lam et al, 1999)</p> <p>Key findings of Canadian research (as reported on the Health Canada website) revealed that increasing the size and emotional content of warning messages on cigarette packages, including the use of message enhancing pictures, has the potential to encourage more smokers to stop smoking and deter more non-smokers from starting to smoke. Warning messages with pictures were, on average, 60 times more encouraging to stop/not start smoking than messages without pictures .</p> <p><i>Quantifiable</i></p> <ul style="list-style-type: none"> <li>Using the results from Laugesen et al (1991) (and thereby assuming they are valid for application to the Hong Kong situation), then the risk imposed by leaving loopholes in the current legislation could be estimated as additional cigarette consumption of 1.5% (thereby also assuming that Hong Kong is '1 index point' off a complete ban under the Laugesen et al (1991) system - eg complete ban on advertising and sponsorships coupled with multiple, strong warning labels on cigarette packaging).</li> </ul>

**4.7 THE TOBACCO INDUSTRY IN HONG KONG**

An overview of the tobacco industry in Hong Kong is provided in the box below.

The tobacco industry in Hong Kong is made up of importers, exporters, manufacturer, wholesalers and retailers:

- **Tobacco importers/exporters.** In 2000 there were 199 establishments dealing with the import and export of tobacco, cigarettes and cigars, employing around 1650 staff. The value of the goods imported was around HK\$ 4,200 million, exported was around HK\$ 800 million and re-exported was HK\$ 3,750 million.
- **Tobacco manufacturers.** In 2000 there were 3 establishments manufacturing tobacco, employing some 430 staff. In 1999 the gross turnover of this sector was around HK\$ 2,900 million (it is understood that 2 manufacturing facilities closed in 1999-2000 so the turnover in 2000 is likely to be smaller but no data is available to date).
- **Tobacco wholesalers.** In 2000 there were 26 establishments wholesaling tobacco, employing around 260 people. This does not include those wholesales who are also manufacturers (included under tobacco manufacturers)
- **Tobacco retailers.** In 2000 there were 35 establishments that just sold tobacco (eg not including retail outlets that sell other products), employing around 520 people. In addition there are over 10,000 other retailers who sell tobacco products (including hawkers and small retailers).

In 2000, roughly 3.2 billion cigarettes, 19.2 tonnes of cigars, 7.6 tonnes of Chinese prepared tobacco and 3.2 tonnes of other tobacco (not intended for manufacture) paid a total duty of HK\$ 2.45 billion

Sources: Census and Statistics Department reports and Customs and Exercise Data

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**5.1 INTRODUCTION**

A regulatory impact assessment needs to evaluate the proposed legislative option against other regulatory or non-regulatory options. Based on a review of the available literature and discussions with stakeholders the following sections present a number of feasible options to be taken forward in the analysis. It also identifies who will be impacted by the proposed measures and to what extent.

Issues raised on each of these options, either through consultation with stakeholders and/or through literature review are presented in *Annex C*.

**5.2 OPTIONS UNDER CONSIDERATION**

The following options are the result of a review of the available literature (in relation to practices elsewhere) and discussions with stakeholders in Hong Kong.

It should be stressed that these options are not the recommendations of the Consultant or of the study, but rather options that warrant further investigation and discussion.

**5.2.1 *Options for Reducing the Impact of SHS in Hospitality Venues***

The following are possible options that are considered by this study:

- *Option A1*: Proposed legislative amendments
- *Option A2*: Legislate to allow designated smoking rooms but prohibiting smoking outside these rooms
- *Option A3*: Proposed amendments but allow for exemptions for certain types of hospitality venues (eg Bars and Karaoke)

Another option, to change the current legislative requirements to increase the availability and size of no smoking areas in restaurants has not been considered as it unlikely to reduce SHS exposure of staff and patrons in restaurants.

**5.2.2 *Options for Reducing the Impact of SHS in Indoor Workplaces***

The following are possible options that are considered by this study:

- *Option B1*: Proposed legislative amendments
- *Option B2*: Legislate to allow designated smoking rooms but prohibiting smoking outside these rooms

- *Option B3*: Provide for voluntary measures in workplaces to be legally enforceable under the current legislation

### 5.2.3 *Options for Reducing SHS exposure in Educational Establishments*

The following are possible options that are considered by this study:

- *Option C1*: Proposed legislative amendments
- *Option C2*: Legislate to allow designated smoking rooms but prohibiting smoking outside these rooms
- *Option C3*: Exclude Universities (& other tertiary institutions) from the proposed amendments (however voluntary schemes in Universities would remain legally enforceable under the current legislation)

### 5.2.4 *Options for Reducing the Impact of Tobacco Advertising and Promotion*

The following are possible options that are considered by this study:

- *Option D1*: Proposed legislative amendments
- *Option D2*: Amend the Ordinance/ Subsidiary Regulations so tobacco advertising/promotion is limited in size and/or content and/or frequency
- *Option D3*: Issue strict guidelines with the threat of future regulation if these guidelines are not followed.

## 5.3 *IMPACTS OF THE PROPOSED OPTIONS*

This section looks at each of the above options in more detail, including their costs and benefits to the various impacted stakeholders. It is acknowledged that these costs and benefits are not exhaustive but present only the key costs and benefits that have been quantified as far as possible.

In addition, only businesses and stakeholders who are likely to face direct economic impacts have been included at this stage. Those, such as importers, suppliers and wholesalers will be considered further in the subsequent stages of the report if significant impact warrants the need. Thus while restaurants are included, importers and suppliers of food are not.

### 5.3.1 *Options for Reducing the Impact of SHS in Hospitality Venues*

#### *Option A1: Proposed Legislative Amendments for Hospitality Venues*

The following tables present the costs and benefits associated with the proposed legislative amendments.

**Table 5.1 Option A1: Prohibition of Smoking in all Restaurants, Bars and Karaoke**

<b>Option A1 - Prohibition of Smoking in all Restaurant, Bars and Karaoke</b>	
Impacted Business(es)/Stakeholders	<p><b>Restaurants Trade.</b> Excluding Bars and Karaoke there are approximately 9,300 premises, employing around 190,000 people, with a total turnover of around HK\$ 64,500 million (source Report on 1999 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels, Census and Statistics Department and Consultant’s calculation of Karaoke Trade based on an FSD survey data).</p> <p><b>Bar Trade.</b> There are approximately 460 premises, employing over 5,800 people, with a total turnover of around HK\$ 2,700 million (source Report on 1999 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels, Census and Statistics Department).</p> <p><b>Karaoke Trade.</b> There are approximately 240 premises, employing around 4,150 people, with a total turnover of nearly HK\$ 2,400 million (source Consultants calculation based on FSD survey data and the Report on 1999 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels, Census and Statistics Department).</p> <p><b>Restaurant, Bar and Karaoke Patrons.</b> There are over 6.7 million Hong Kong residents and in 1999 there were over 10.6 million visitors (Hong Kong Annual Digest of Statistics, 2000 Edition, Census and Statistics Department).</p>
Recurring Costs	<p><b>Possible loss of revenue from smokers not visiting the establishments as much.</b> This issue is discussed further in <i>Section 6.3.2</i>.</p> <p><b>Management costs in enforcing the ban.</b> Unlikely to be a significant opportunity cost as management (or their representative) is expected to be present in the venue regardless.</p>
Non-recurring Costs	None

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**Option A1 - Prohibition of Smoking in all Restaurant, Bars and Karaoke**

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**Benefits**

**Possible growth in revenue from non-smokers visiting the establishments more.** This issue is discussed further in *Section 6.3.2*.

**Lower exposure to SHS for those working in venues.** Possible benefit of 150 staff lives saved per year.

**Fires**, and consequent damage to people and property might also fall with reduced levels of smoking. Over the last five years an average of 11 fires (requiring the attention of the Fire Services Department) were caused by 'careless handling or disposal of cigarette ends, matches, candles etc' in restaurants. Given the common use of candles and matches in restaurants a conservative assumption is that one fire per annum could be avoided by no smoking in restaurants. These fires over the last five years were not major (eg they were class 1 or 2) so it is estimated that the damage avoided per fire would average HK\$ 500,000 <sup>(1)</sup>. No injuries were associated with these historical fires.

**Lower maintenance and cleaning costs of buildings.** This is discussed further in *Section 6.3.2*.

Other benefits include decreased health and economic costs due to patron exposure to SHS and increased productivity of staff.

**Other Costs**

Government costs in implementing, monitoring and enforcing the ban

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*Option A2: Legislate to allow designated smoking rooms in hospitality venues but prohibiting smoking outside these rooms*

An option that has been taken up by a number of countries and municipalities in implementing smoke-free bans is the provision of separately ventilated smoking rooms. The costs and benefits of this option are presented in the tables below. There are however a number of technical issues associated with regulating to allow designated smoking rooms and these are outlined in *Box 5.1*.

(1) The figure of HK\$ 500,000 for damage caused by fires is estimated from data on the average size of restaurants (240 m<sup>2</sup>) and the average costs of re-decorating (calculated on a floor area basis from estimates from building professionals at HK\$ 2,000 per m<sup>2</sup>, including professional fees).

**Table 5.2** *Option A2: Allowing Designated Separately Ventilated Smoking Rooms in Restaurant, Bars and Karaoke*

<b>Option A2 - Allowing Designated Separately Ventilated Smoking Rooms In Restaurant, Bars and Karaoke</b>	
Impacted Business(es)/Stakeholders	<p><b>Restaurants Trade.</b> Excluding Bars and Karaoke there are approximately 9,300 premises, employing around 190,000 people, with a total turnover of around HK\$ 64,500 million (source Report on 1999 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels, Census and Statistics Department and Consultant’s calculation of Karaoke Trade based on an FSD survey data).</p> <p><b>Bar Trade.</b> There are approximately 460 premises, employing over 5,800 people, with a total turnover of around HK\$ 2,700 million (source Report on 1999 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels, Census and Statistics Department).</p> <p><b>Karaoke Trade.</b> There are approximately 240 premises, employing around 4,150 people, with a total turnover of nearly HK\$ 2,400 million (source Consultants calculation based on FSD survey data and the Report on 1999 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels, Census and Statistics Department).</p> <p><b>Restaurant, Bar and Karaoke Patrons.</b> There are over 6.7 million Hong Kong residents and in 1999 there were over 10.6 million visitors (Hong Kong Annual Digest of Statistics, 2000 Edition, Census and Statistics Department).</p>
Recurring Costs	<p>Possible loss of revenue in those hospitality venues unable to provide separate smoking rooms.</p> <p>Cost of cleaning, operating and maintaining separately ventilated smoking rooms.</p> <p>Management costs in enforcing the ban in non-smoking areas</p>
Non-recurring Costs	<p>Cost of installing separately ventilated smoking rooms in those premises that choose to do so. We have estimated the cost of installing a separately ventilated smoking room at HK\$ 75,000 per venue (based on the cost of installing new air conditioning ducting and associated building modifications to an existing room). The actual costs will be determined by a number of factors (including the current air-conditioning system and building layout and materials) and could, for some premises, be substantially more. Additional fire safety installations and precautions could also add further to this cost. In addition, any requirements for higher than normal ventilation rates and negative air-pressure could add substantially to this cost.</p>

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**Option A2 - Allowing Designated Separately Ventilated Smoking Rooms In Restaurant, Bars and Karaoke**

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Benefits	Possible growth in revenue from non-smokers going out more.  Possible lower levels of exposure to SHS for those working in venues, which would result in some lives saved.  Other benefits could include decreased health and economic costs due to patron exposure to SHS, increased productivity of staff (depending on degree of exposure and whether they are working in the smoking rooms) and lower maintenance and cleaning costs of non-smoking area of the venue.
Other Costs	Government costs in implementing, monitoring and enforcing the ban

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**Box 5.1*****Technical Issues Related to Regulating for Separately Ventilated Smoking Rooms***

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A safe level of exposure to SHS has not been determined. This prevents regulators from legislating for a 'safe' level of exposure for users of these rooms and staff who service them to be used in the design specifications.

SHS is a complex mix of gaseous compounds and airborne particulates that may be measured using a variety of markers, none of which are ideal. SHS levels are influenced by a complex interaction of various factors which complicates the ability of regulators to legislate for a specific level of SHS, including:

- the number of cigarettes being smoked per unit time;
- the degree of absorption of SHS components by furniture and other fixtures and fittings;
- room occupancy and physical configuration;
- ventilation, air exchange and air re-circulation rates;
- whether other ventilation systems are in operation elsewhere in the building; and
- how often windows and doors are opened.

Given the haphazard layout of many of the restaurants in Hong Kong it is unlikely that it would be technically feasible for many to provide separate ventilation/air conditioning for a separate smoking room (Lam, 2001).

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***Option A3: Exempting Bars and Karaoke from the Smoking Ban***

Although there are likely to be problems in applying definitions to these different types of premises (as all bars and most karaokes are, or will be, licensed as restaurants <sup>(1)</sup>), it is conceptually possible to exclude Bars and Karaoke from a general ban on smoking in hospitality venues. The costs and benefits of this approach are presented in the table below.

(1) Under the proposed Karaoke Bill all Karaoke will have to obtain either a Restaurant Licence from FEHD or a Club Licence from HAD



**Table 5.3 Option A3: Exempting Bars and Karaoke from the Smoking Ban**

<b>Option A3 - Exempting Bars and Karaoke from the Smoking Ban</b>	
Impacted Business(es)/Stakeholders	<p><b>Restaurants Trade.</b> Excluding Bars and Karaoke there are approximately 9,300 premises, employing around 190,000 people, with a total turnover of around HK\$ 64,500 million (source Report on 1999 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels, Census and Statistics Department and Consultant's calculation of Karaoke Trade based on an FSD survey data).</p> <p><b>Bar Trade.</b> There are approximately 460 premises, employing over 5,800 people, with a total turnover of around HK\$ 2,700 million (source Report on 1999 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels, Census and Statistics Department).</p> <p><b>Karaoke Trade.</b> There are approximately 240 premises, employing around 4,150 people, with a total turnover of nearly HK\$ 2,400 million (source Consultants calculation based on FSD survey data and the Report on 1999 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels, Census and Statistics Department).</p> <p><b>Restaurant, Bar and Karaoke Patrons.</b> There are over 6.7 million Hong Kong residents and in 1999 there were over 10.6 million visitors (Hong Kong Annual Digest of Statistics, 2000 Edition, Census and Statistics Department).</p>
Recurring Costs	<p>Possible loss of revenue for restaurants as smokers not going out as much or diverting their trade elsewhere.</p> <p>Possible higher costs in bars and karaoke (if more smokers divert their trade there) due to patron and staff exposure to SHS, decreased productivity of staff and higher maintenance and cleaning costs of buildings.</p> <p>Management costs in enforcing the ban in restaurants.</p>
Non-recurring Costs	None
Benefits	<p>Possible growth in revenue in restaurants from non-smokers going out to eat more.</p> <p>Possible growth in revenue in bars and karaoke as smokers divert their trade to these establishments</p> <p>Lower exposure to SHS for those working in restaurants. Possible benefit of 142 lives saved per year of staff.</p> <p>Other benefits include decreased health and economic costs due to patron exposure to SHS, increased productivity of staff and lower maintenance and cleaning costs of buildings.</p> <p>Fires, and consequent damage to people and property might also fall with reduced levels of smoking.</p>
Other Costs	Government costs in implementing, monitoring and enforcing the ban

### 5.3.2 *Options for Reducing the Impact of SHS in Indoor Workplaces*

#### *Option B1: Proposed Legislative Amendments*

The following tables presents the costs and benefits associated with the proposed legislative amendments.

**Table 5.4** *Option B1: Prohibition of Smoking in Other Indoor Workplaces*

<b>Option B1 - Prohibition of Smoking in all Indoor Workplaces</b>	
Impacted Business(es)/Stakeholders	<b>Hong Kong Businesses and Staff.</b> Although it is not possible to obtain data on the number of companies that will be impacted by this ban, the Quarterly Household Survey estimated that 0.82 million workers work in offices where smoking is permitted indoors and that 0.73 million staff are exposed to SHS in the indoor office environment (Mercado Solution (Asia) Ltd, 2001).
Recurring Costs	<p><b>Possible lower productivity from smokers having to leave the building to smoke.</b> Around 588,900 smokers are employed, 79.5% of these work mainly indoors, 31.4% of workers are allowed to smoke in the workplace and the average number of cigarettes per day is 15 (Mercado Solution (Asia) Ltd, 2001). No information exists on how many cigarettes these smokers are currently smoking during work hours in their workplace and it is impossible to predict how many of these workplace smokers would continue to smoke during work hours if it were banned (and indeed how many cigarettes they would consume). However, in order to provide an estimate of the likely scale of any productivity losses (in terms of lost working time) that current workplaces smokers would impose on their employees after a ban the following approach has been adopted. Assuming; that half of current indoor smokers would impose such costs (the other half either work back the lost time or only smoke during allocated breaks); a third of cigarettes are smoked during work hours; the average additional time taken to smoke each cigarette is 3 minutes (ie to leave the office); a 26 day month, and; a 7.5 hour working day then this amounts to a productivity loss of around 0.76 million workdays per annum. These assumptions will be examined in the sensitivity analysis (see <i>Section 6.7</i>)</p> <p><b>Management costs in enforcing the ban.</b> Unlikely to be a significant opportunity cost as management (or their representative) is expected to be present in the venue regardless.</p> <p>Possible costs entailed in re-modelling/replacing current designated smoking rooms. No information available on the cost implications for companies/landlords.</p>
Non-recurring Costs	None

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**Option B1 - Prohibition of Smoking in all Indoor Workplaces**

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**Benefits**

**Possible growth in revenue from smoker and non-smokers being more productive (due to less doctor visits and days off work).** This could result in over 516,000 extra workdays per annum. Assuming an average wage of HK\$10,000 (the median wage for Hong Kong in the 2<sup>nd</sup> quarter of 2001 was HK\$ 10,000, CSD personal communication August 2001) for those impacted by SHS in indoor offices, this equates to around HK\$ 198 million per annum (see *Table 4.5* for further details of the calculation).

**Possible reduction in expenditure on medical consultations (due to reduced SHS exposure and doctor visits).** Scaling the results from McGhee et al (2001) (see *Table 4.5*) to cover only indoor office workers (eg 2.085 million out of 3.04 million) gives a cost to government of HK\$ 11.2 million, to employers of HK\$40.7 million and to the individuals of HK\$ 92.0 million. **Fires**, and consequent damage to people and property might also fall with reduced levels of smoking. Over the last five years an average of over 91 fires (requiring the attention of the Fire Services Department) were caused by 'careless handling or disposal of cigarette ends, matches, candles etc' in commercial premises. Assuming that a proportion of these commercial premises were not indoor workplaces and that some were not caused by smoking, a conservative assumption is that 10% of these fires could be avoided through a smoking ban in offices (e.g 9 per annum). None of these fires over the last five years were major (eg class 3 or over) so it is estimated that the damage avoided would average HK\$ 500,000 per fire. An average of six injuries per annum were associated with these fires (eg one injury for every 15 fires or '0.6' injuries per annum).

No information is available on the average revenue, costs and profit of an average indoor office so it is impossible to estimate the lost profit from cleaning up after a fire.

Possible benefits entailed in being able to use rooms currently designated as smoking rooms. No information available on the implications for companies/landlords.

Other benefits include decreased mortality costs due to less staff exposure to SHS and lower maintenance and cleaning costs of buildings (not quantifiable due to no information on number of offices, average revenue, costs and profit).

**Other Costs**

Government costs in implementing, monitoring and enforcing the ban

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*Option B2: Allow separately ventilated smoking rooms in indoor workplaces*

The following table presents the costs and benefits of allowing businesses to decide whether to provide a separately ventilated smoking room in other indoor workplaces.

**Table 5.5** *Option B2: Allowing Designated Separately Ventilated Smoking Rooms in Indoor Workplaces*

<b>Option B2 - Allowing Designated Separately Ventilated Smoking Rooms</b>	
Impacted Business(es)/Stakeholders	<b>Hong Kong Businesses and Staff.</b> The Quarterly Household Survey estimated that some 0.66 million workers in Hong Kong have access to designated smoking areas (Mercado Solution (Asia) Ltd, 2001) although it is unknown how many of these smoking areas have separate ventilation.
Recurring Costs	Cost of cleaning, operating and maintaining separately ventilated smoking rooms.  Management costs in enforcing the ban in non-smoking areas
Non-recurring Costs	Cost of installing separate ventilated smoking rooms or separate ventilation in existing smoking rooms.
Benefits	Possible growth in revenue from smoker and non-smokers being more productive due to less exposure to SHS. This could result in over 516,000 extra workdays per annum. Assuming an average wage of HK\$10,000 (the median wage for Hong Kong in the 2 <sup>nd</sup> quarter of 2001 was HK\$ 10,000, CSD personal communication August 2001) for those impacted by SHS in indoor offices, this equates to around HK\$ 198 million per annum (see <i>Table 4.5</i> for further details of calculation).  Possible reduced expenditure on medical consultations (due to reduced SHS exposure). Scaling the results from McGhee et al (2001) (see <i>Table 4.5</i> ) to cover only indoor office workers (eg 2.085 million out of 3.04 million) gives a cost to government of HK\$ 11.2 million, to employers of HK\$40.7 million and to the individuals of HK\$ 92.0 million.  Other benefits include decreased morbidity and mortality costs due to less staff exposure to SHS and lower maintenance and cleaning costs of buildings.  Fires, and consequent damage to people and property might also fall with reduced levels of smoking (although unattended smoking rooms could present a higher risk of fire).
Other Costs	Government costs in implementing, monitoring and enforcing the ban

*Option B3: Provide for voluntary measures in workplaces to be legally enforceable under the current legislation*

The following table presents the costs and benefits associated with amending the current legislation (specifically *Schedule 4* of the Smoking (Public Health) Ordinance) to allow for voluntary schemes in offices to be legally enforceable.

**Table 5.6** *Option B3: Provide for voluntary measures in workplaces to be legally enforceable under the current legislation*

<b>Option B3 - Provide for voluntary measures to be legally enforceable</b>	
Impacted Business(es)/Stakeholders	<b>Hong Kong Businesses and Staff.</b> The Quarterly Household Survey estimated that some 0.66 million workers in Hong Kong have access to designated smoking areas (Mercado Solution (Asia) Ltd, 2001) although it is unknown whether these have separate ventilation.
Recurring Costs	Management costs in enforcing the ban in non-smoking areas  Possible lower productivity from smokers having to leave the building to smoke. Depending on the number of offices that choose to go smoke free this might be some proportion of 0.76 million workdays per annum (see <i>Table 5.4</i> for details).
Non-recurring Costs	None
Benefits	Possible growth in revenue from smoker and non-smokers being more productive due to less exposure to SHS. This could result in some proportion of 516,000 extra workdays per annum (depending on how many offices become non-smoking).  Reduced expenditure on medical consultations (due to reduced SHS exposure). This could result in some proportion of the costs to government, employers and individuals being recovered (HK\$ 11.2 million, HK\$ 40.7 million and HK\$ 92.0 million respectively), depending on how many offices become non-smoking.  Other benefits could include decreased mortality costs due to less staff exposure to SHS and lower maintenance and cleaning costs of buildings (depending on how many offices become non-smoking).  Fires, and consequent damage to people and property might also fall if more offices become non-smoking.
Other Costs	Government costs in implementing, monitoring and enforcing the ban

### 5.3.3 *Options for Reducing SHS exposure in Educational Establishments*

#### *Option C1: Proposed Legislative Amendments*

The following table presents the costs and benefits associated with the proposed legislative amendments.

**Table 5.7** *Option C1: Banning Smoking in all Schools, Universities and Tertiary Institutions*

<b>Option C1 - Banning Smoking in all Schools, Universities and Tertiary Institutions</b>	
Impacted Stakeholders	<p><b>Educational Staff.</b> In 1999 there were approximately 57,300 teachers in schools, universities and tertiary institutions (<i>Hong Kong Annual Digest of Statistics, 2000 Edition</i>, Census and Statistics Department).</p> <p><b>Pupils.</b> Excluding those in Open University and those in Adult Education Institutions there were just around 1.28 million students in Schools, Universities and Tertiary Institutions in 1999 (<i>Hong Kong Annual Digest of Statistics, 2000 Edition</i>, Census and Statistics Department).</p>
Recurring Costs	Staff might have to leave the premises to smoke implying some loss in productivity of staff (although it is unlikely this would impact on teaching).
Non-recurring Costs	None
Benefits	<p>Reduction in mortality and morbidity costs associated with pupils and staff exposure to SHS</p> <p>Lower maintenance and cleaning costs of buildings.</p> <p>Could also lead to a decrease in smoking rates as less young people take up smoking and therefore a decrease in associated health and economic costs</p> <p>Fires, and consequent damage to people and property might also fall with reduced levels of smoking.</p>
Other Costs	Government costs of implementing the ban.

*Option C2: Legislate to Ban Smoking But Allow Designated Smoking Rooms*

The following table presents the costs and benefits associated with allowing separately ventilated smoking rooms in educational facilities (at their discretion).

**Table 5.8** *Option C2: Legislate to Allow Smoking Rooms in Educational Facilities*

<b>Option C2 - Legislate to Allow Smoking Rooms in Educational Facilities</b>	
Impacted Stakeholders	<p><b>Educational Staff.</b> In 1999 there were approximately 57,300 teachers in schools, universities and tertiary institutions (<i>Hong Kong Annual Digest of Statistics, 2000 Edition</i>, Census and Statistics Department).</p> <p><b>Pupils.</b> Excluding those in Open University and those in Adult Education Institutions there were just around 1.28 million students in Schools, Universities and Tertiary Institutions in 1999 (<i>Hong Kong Annual Digest of Statistics, 2000 Edition</i>, Census and Statistics Department).</p>

<b>Option C2 - Legislate to Allow Smoking Rooms in Educational Facilities</b>	
Recurring Costs	Cost of cleaning and maintaining smoking rooms  Costs associated with SHS exposure of staff involved in cleaning smoking rooms
Non-recurring Costs	Cost of installing separate smoking rooms and/or ventilation if required
Benefits	Reduction in mortality and morbidity costs associated with pupils and staff exposure to SHS  Lower maintenance and cleaning costs of buildings.  Could also lead to a decrease in smoking rates and therefore a decrease in associated health and economic costs  Fires, and consequent damage to people and property might also fall with reduced levels of smoking.
Other Costs	Government costs of implementing the ban.

*Option C3: Allow for Voluntary Schemes in Universities and Tertiary Institutions*

The following table presents the costs and benefits associated with allowing Universities and Tertiary Institutions to follow a voluntary scheme, while banning smoking in schools. This option is being examined as students at Universities and Tertiary Institutions are adults and, it could be argued, should be allowed the freedom to make their own decisions regarding smoking policies as long as they are not inflicting harm on others due to exposure to SHS (eg smoking is confined to designated well-ventilated smoking areas separated from general staff and student facilities and no-one is required to work there).

**Table 5.9** *Option C3: Allow for Voluntary Schemes at Universities and Tertiary Institutions*

<b>Option C3 - Allow for Voluntary Schemes at Universities and Tertiary Institutions</b>	
Impacted Stakeholders	<b>Educational Staff.</b> In 1999 there were approximately 57,300 teachers in schools, universities and tertiary institutions ( <i>Hong Kong Annual Digest of Statistics, 2000 Edition</i> , Census and Statistics Department). Of these some 55,900 teach in schools.  <b>Pupils.</b> Excluding those in Open University and those in Adult Education Institutions there were around 1.28 million students in Schools, Universities and Tertiary Institutions in 1999 ( <i>Hong Kong Annual Digest of Statistics, 2000 Edition</i> , Census and Statistics Department). Of these some 1.2 million are pupils at schools and the remaining 80,000 are attending Universities or Tertiary Institutions.
Recurring Costs	None directly related to option
Non-recurring Costs	None directly related to option

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**Option C3 - Allow for Voluntary Schemes at Universities and Tertiary Institutions**

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Benefits	Reduction in mortality and morbidity costs associated with pupils and staff exposure to SHS  Lower maintenance and cleaning costs of buildings.  Could also lead to a decrease in smoking rates and therefore a decrease in associated health and economic costs  Fires, and consequent damage to people and property might also fall with reduced levels of smoking.
Other Costs	Government costs of implementing the ban.

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**5.3.4*****Options for Reducing the Impact of Tobacco Advertising and Promotion******Option D1: Proposed Legislative Amendments***

The following tables present the costs and benefits of the proposed legislative amendments to reduce the impact of tobacco advertising and promotion.



**Table 5.10 Option D1.1: Legislative Amendments to Remove Current Exemptions for Hawkers and Small Retailers**

<b>Option D1.1 - Legislative Amendments to Remove Current Exemptions for Hawkers and Small Retailers</b>	
Impacted Business(es)/ Stakeholders	<p><b>Hawker trade.</b> Approximately 9,100 hawker license holders, of which around 600 are likely to sell tobacco products (personal communication with FEHD). Each license holder normally employs between 1-3 staff. Based on a review of data on retailers in Hong Kong (from Census and Statistic Department) the total turnover of these 600 Hawkers could be as much as HK\$430 million per annum.</p> <p><b>Small Retailers.</b> While no statistics exist on how many small retailers fall within the exemption data from the 1998 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels (Census and Statistics Department) suggest that there are around 13,191 establishments selling ‘Food, alcoholic drinks and tobacco’ with 5 staff or less and that the average number of persons <b>engaged</b> in these establishments is less than 2. While it not possible to say how many of these establishments are <b>employing</b> two or less staff (given the availability of data) this survey provides us with an indication of the average earnings of these small retailers (just over HK\$715,000 per annum). Discussions with tobacco manufacturers in Hong Kong suggests that at least 10,000 premises are displaying tobacco advertising suggesting that the turnover of this sector could be as much HK\$ 7,150 million and they could engage up to 20,000 people (although the number employed could be less than this and this could include a double count with Hawkers as Tobacco companies do not distinguish between them).</p> <p><b>Advertising Industry.</b> There are around 3,470 advertising or related services in Hong Kong, employing some 13,700 people, with a gross turnover of HK\$ 14,209 million. A fraction of these and related industries (mainly printing) will be involved in the development, printing and distribution of tobacco advertising.</p>
Recurring Costs	<p><b>Loss of advertising revenue for Hawkers and Small Retailers.</b> Estimated, from discussions with Trade, at an average of HK \$ 1,000 per hawker or retailer per month (the values of the advertising ranges from between HK\$ 100 and HK\$ 6000 to each retailer/hawker). Thus for Hawkers the total revenue impact could be around HK\$ 7.2 million per annum (around 7% of their revenue), and for retailers as much as HK\$ 120 million per annum (around 1% of their revenue). This impact could be reduced if alternative sources of revenue are identified, although it is understood from communication with both the advertising industry and hawkers that Tobacco companies might pay up to 10% more for advertising space (as they have few choices elsewhere) and that few other companies approach them to advertise.</p>

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**Option D1.1 - Legislative Amendments to Remove Current Exemptions for Hawkers and Small Retailers**

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	<p><b>Loss of tobacco sales for Hawkers and Small Retailers.</b> It is possible that Hawkers and Small Retailers might lose some percentage of their tobacco trade from not being able to advertise. Given that most smokers know where they can buy cigarettes it is estimated that this loss will be minimal (say 5% of total tobacco sales). In addition discussions with the Trade suggest that their profit from the sales of tobacco are small.</p> <p><b>Loss of tobacco revenue for advertising firms.</b> It has not been possible to obtain details of the total amount of money tobacco firms are currently spending on advertising with advertising firms and related industries. For the purpose of this study it has been estimated that approximately HK\$ 7.5 million is spent on advertising agents (and related industries) with the majority of money going to printers <sup>(1)</sup>.</p>
Non-recurring Costs	<p><b>Removing current advertising from hawker stalls and small retailers.</b> Estimates vary considerably on the magnitude of these costs, ranging from virtually nothing (for the removal of poster adverts) to several thousand dollars (for the removal, replacement or re-decorating of custom designed stalls and shop-fronts). For the purpose of this assessment it is assumed that the average costs is HK\$ 1,000 for hawkers and HK\$ 5,000 for small retailers. Thus the total cost for Hawkers could be HK\$600,000 and for Small Retailers HK\$ 50 million. It is acknowledged that for some retailers and hawkers the costs are likely to be substantially higher due to the major renovation work required - this is examined in the affordability analysis (see <i>Section 6.6</i>).</p>
Benefits	<p><b>Reduced uptake of smoking by non-smokers,</b> particularly the young, resulting in reduced health costs and increased productivity.</p> <p><b>Fires,</b> and consequent damage to people and property might also fall with reduced levels of smoking.</p>
Other Costs	Government costs in monitoring and enforcing the ban.

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(1) Based on the cost of printing a poster (HK\$ 200), the average number of posters per retailer (3) and the percentage of advertising money that goes to the printer (80%).

**Table 5.11** *Option D1.2: Legislative Amendments to Limit the Size of Price Boards and Price Markers*

<b>Option C1.2 - Legislative Amendment to Limits Size of Price Board and Price Marker</b>	
Impacted Business(es)/ Stakeholders	<b>Cigarette retail trade and manufacturers.</b> It is understood that the majority of price boards and price markers are provided by tobacco manufacturers to retailers. The exception appears to be Duty Free shops in the airport where they produce a number of their own price boards and markers. The 1999 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels (Census and Statistics Department) suggest that there are around 15,800 establishments selling 'Food, alcoholic drinks and tobacco'. Information from tobacco manufactures suggest that the majority of these are selling tobacco products. Assuming that 75% of these are selling tobacco products then this same survey suggests that the turnover of this sector could be as much HK\$ 35.4 million and they could employ around 42,800 people.
Recurring Costs	None
Non-recurring Costs	<b>Replacing current price boards and markers.</b> No information exists on how many price boards and markers would have to be replaced but assuming that 2000 price boards and markers require replacement and the cost of replacing them is HK\$500 (estimated conservatively as limited information is available on actual costs) then the total cost could be as much HK\$ 1 million
Benefits	Reduced uptake of smoking by non-smokers, particularly the young, resulting in reduced health costs and increased productivity.  Fires, and consequent damage to people and property might also fall with reduced levels of smoking.
Other Costs	Government costs in monitoring and enforcing the ban

**Table 5.12** *Option D1.3: Legislative Amendments to Limit Sale of Tobacco Products in Association with Other Products*

<b>Option D1.3 - Legislative Amendment to Limits Sale of Tobacco Products in Association with Other Products</b>	
Impacted Business(es)/ Stakeholders	<b>Tobacco Industry.</b> See Box 4.1 for details of the tobacco industry. They will be impacted as they will not be able to promote their products.
Recurring Costs	Reduction in sales of tobacco products. Impossible to say what this amendment on its own will achieve in terms of overall smoking reduction and hence financial impact.
Non-recurring Costs	None

<b>Option D1.3 - Legislative Amendment to Limits Sale of Tobacco Products in Association with Other Products</b>	
Benefits	<p>Reduced uptake of smoking by non-smokers, particularly the young, resulting in reduced health costs and increased productivity.</p> <p>Fires, and consequent damage to people and property might also fall with reduced levels of smoking.</p>
Other Costs	Government costs in monitoring and enforcing the ban

**Table 5.13** *Option D1.4: Legislative Amendments to Prevent Use of Tobacco Brand Names in Sponsorship*

<b>Option D1.4 - Legislative Amendment to Prevent Use of Tobacco Brand Names in Sponsorship</b>	
Impacted Business(es)/ Stakeholders	<p><b>Receivers of Tobacco Sponsorship.</b> It is unknown exactly how much sponsorship will be effected by this amendment and the amendment is primarily one of wording. No information has been provided to suggest that tobacco companies will stop sponsoring events entirely - indeed it is understood that the proposed amendment will allow for tobacco company sponsorship to continue (but not tobacco brand sponsorship - although the impact of brand extension may be an issue due to the number of tobacco brand name products that are not tobacco products). Indeed, depending on how exactly the legislation is worded events such as The Salem Open Tennis Competition could continue (although promotional material may have to be worded slightly differently) as it is a recognised brand name of a tennis tournament. It is possible that the amount of advertising associated with the event might fall, although again this is doubtful as the sponsorship of such events requires advertising to generate sufficient return/public interest.</p> <p><b>Tourism and related industries.</b> If a major sporting or other tobacco sponsored event does not take place (as an alternative sponsor can not be found) then it is possible that some tourists will not travel to Hong Kong, impacting on the retail, hotel, restaurant, entertainment and tour operator sectors.</p> <p><b>Advertising Industry.</b> There are around 3,470 advertising or related services in Hong Kong, employing some 13,700 people, with a gross turnover of HK\$ 14,209 million. A fraction of these and related industries (mainly printing) will be involved in the development, printing and distribution of advertising for tobacco sponsored events.</p>

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**Option D1.4 - Legislative Amendment to Prevent Use of Tobacco Brand Names in Sponsorship**

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Recurring Costs	<p><b>Loss of sponsorship value for events currently sponsored by tobacco brands.</b> It is difficult to estimate the level of this impact as it is unclear whether the proposed amendments will actually stop any sponsorship and little information exists on the amount of tobacco brand sponsorship in Hong Kong that would be impacted. For the purpose of this study it is assumed that tobacco brand sponsorship of HK\$ 50 million is prevented by the proposed amendment but alternative sponsors are found (but not for the total value). It is estimated that 60% of events find alternative sponsors in the first year, and 95% in subsequent years.</p>
Non-recurring Costs	<p><b>Loss of tourism revenue.</b> For the purpose of the study it is estimated that the loss of a major event(s) results in the loss of 1,250 overseas visitors in the first year of implementation of the study <sup>(1)</sup> . It is assumed that a major event would be replaced by an alternative event after the first year. This assumption is based on experience of the previous legislation limiting tobacco sponsorship in Hong Kong (eg since the Marlboro Tennis Tournament ended other tennis tournaments have now started in Hong Kong, such as the SuperPower Cup and the Watson's Water Challenge. Another example on the Mainland is for the Chinese National Football League, once sponsored by Marlboro and now sponsored by Pepsi). The average per capita spend of visitors to Hong Kong is HK\$4,539 making the total loss to the tourism sector around HK\$5.7 million. Information provided by the Hong Kong Tourism Board suggests that the majority of this is spent on retail (50%) while the remainder on hotels (26%), restaurants (14.5%), entertainment (2%), tours (2%) and 'other' (5.5%).</p> <p><b>Loss of advertising revenue for advertising and related industries involved in the development, printing and distribution of advertising for tobacco sponsored events.</b> For the purpose of this study we have assumed that the value of advertising for tobacco sponsored events is HK\$10 million (based on information supplied by AC Nielson the market research firm) and that the proposed amendment results in the loss of this tobacco spend. This could be due to the loss of one major event and/or several smaller ones. However, we have assumed that 60% of this is recovered in the first year and 100% thereafter from other sponsors taking up the sponsorship.</p>
Benefits	<p>Reduced uptake of smoking by non-smokers, particularly young, resulting in reduced health costs and increased productivity.</p> <p>Fires, and consequent damage to people and property might also fall with reduced levels of smoking.</p>

(1) 1,250 is based on the total number of admissions for the 2000 Salem Open (~10,000) and information from the Hong Kong Tourism Board on the percentage of overseas visitors who travelled to Hong Kong solely for a major sporting event (~25% for the Hong Kong Rugby Sevens) and the assumption that on average these visitors attended at least two days of tennis.

<b>Option D1.4 - Legislative Amendment to Prevent Use of Tobacco Brand Names in Sponsorship</b>	
Other Costs	Government costs in monitoring and enforcing the ban

**Table 5.14** *Option D1.5: Legislative Amendments to Allow Health Warning to Contain Pictorial and Graphic Contents*

<b>Option D1.5 - Legislative Amendments to Allow Health Warning to Contain Pictorial and Graphic Contents</b>	
Impacted Business(es)/ Stakeholders	<b>Tobacco Manufacturers.</b> In 2000 there were 3 establishments manufacturing tobacco, employing some 430 staff in Hong Kong. In 1999 the gross turnover of this sector was around HK\$2,900 million (it is understood that 2 manufacturing facilities closed in 1999-2000 so the turnover in 2000 is likely to be smaller but no data is available to date). In addition, there are a number of firms who sell their products in Hong Kong but do not manufacture them here (and hence will be classified as either importers or wholesalers - see <i>Box 4.1</i> for further details) but will have a large number of employees working in Hong Kong (not least because Hong Kong is used by multinationals as a regional headquarters).
Recurring Costs	It is impossible to say at this juncture what the costs will be - for example, if the HWB requires black and white warnings then the cost might be relatively small (depending on the printing equipment of the firms), while the recurrent costs of colour pictures and graphics would be significantly higher.  The financial implications to tobacco manufactures extend beyond printing costs - additional rotations of graphics and warnings also cause stock overhangs/write-offs and require production stoppages.
Non-recurring Costs	Additional printing equipment might be required depending on the nature of HWB's requirements for the warnings.
Benefits	Reduced uptake of smoking by non-smokers, particularly the young, resulting in reduced health costs and increased productivity.  Fires, and consequent damage to people and property might also fall with reduced levels of smoking.
Other Costs	Government costs in monitoring and enforcing the ban

*Option D2: Amend the Ordinance/Subsidiary Regulations so Tobacco Advertising/Promotion is limited in Size and/or Content and/or Frequency*

The following table presents the costs and benefits associated with amending the Ordinance/Subsidiary Regulations so that:

- tobacco advertising is either required to carry larger warnings (eg 40% of total area) and/or are limited in size and/or content. This could include the use of more graphic or pictorial warnings in line with those to be developed for cigarette packets; and
- tobacco promotions are restricted in frequency, type and/or price of the products that are sold together with tobacco products.

**Table 5.15** *Option D2.1: Amend Subsidiary Regulations to the Ordinance to Increase the Size of Warnings and/or Limit the Size of Advertising and/or Content*

<b>Option D2.1 - Amend Subsidiary Regulations to the Ordinance to Increase Size of Warnings and/or Limit Size of Advertising and/or Content</b>	
Impacted Business(es)/ Stakeholders	<p><b>Hawker trade.</b> Approximately 9,100 hawker license holders, of which around 600 are likely to sell tobacco products (personal communication with FEHD). Each license holder normally employs between 1-3 staff. Based on a review of data on retailers in Hong Kong (from Census and Statistic Department) the total turnover of these 600 Hawkers could be as much as HK\$430 million per annum.</p> <p><b>Small Retailers.</b> While no statistics exist on how many small retailers fall within the exemption data from the 1998 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels (Census and Statistics Department) suggest that there are around 13,191 establishments selling ‘<i>Food, alcoholic drinks and tobacco</i>’ with 5 staff or less and that the average number of persons <b>engaged</b> in these establishments is less than 2. While it not possible to say how many of these establishments are <b>employing</b> two or less staff (given the availability of data) this survey provides us with an indication of the average earnings of these small retailers (just over HK\$715,000 per annum). Discussions with tobacco manufacturers in Hong Kong suggests that at least 10,000 premises are displaying tobacco advertising suggesting that the turnover of this sector could be as much HK\$ 7,150 million and they could engage up to 20,000 people (although the number employed could be less than this and this could include a double count with Hawkers as Tobacco companies do not distinguish between them).</p> <p><b>Advertising Industry.</b> There are around 3,470 advertising or related services in Hong Kong, employing some 13,700 people, with a gross turnover of HK\$ 14,209 million. A fraction of these and related industries (mainly printing) will be involved in the development , printing and distribution of tobacco advertising.</p>
Recurring Costs	None

<b>Option D2.1 - Amend Subsidiary Regulations to the Ordinance to Increase Size of Warnings and/or Limit Size of Advertising and/or Content</b>	
Non-recurring Costs	<p>Amending/changing current advertising from hawker stalls and small retailers. Estimates vary considerably on the magnitude of these costs, ranging from virtually nothing (for the removal of poster adverts) to several thousand dollars (for the removal, replacement or re-decorating of custom designed stalls and shop-fronts). For the purpose of this assessment it is assumed that the average costs is HK\$ 1,000 for hawkers and HK\$ 5,000 for small retailers. It is acknowledged that for some retailers and hawkers the costs are likely to be substantially higher if major renovation work is required.</p> <p>Costs to tobacco firms of amending advertisements. Likely that the cost will be equivalent to the current cost associated with tobacco advertising (eg approximately HK\$ 7.5 million).</p>
Benefits	<p>Reduced uptake of smoking by non-smokers, particularly the young, resulting in reduced health costs and increased productivity.</p> <p>Additional revenue to advertising and related industries from redesigning the advertising.</p> <p>Fires, and consequent damage to people and property might also fall with reduced levels of smoking.</p>
Other Costs	Government costs in monitoring and enforcing the ban

**Table 5.16** *Option D2.2: Legislative Amendments to Limit Tobacco Promotions (frequency, type and/or price of the products that are sold together with tobacco products)*

<b>Option D2.2 - Legislative Amendment to Limit Tobacco Promotions</b>	
Impacted Business(es)/ Stakeholders	<b>Tobacco Industry.</b> See Box 4.1 for details of the tobacco industry. They will be impacted as they will not be able to promote their products.
Recurring Costs	Reduction in sales of tobacco products. Impossible to say what this amendment on its own will achieve in terms of overall smoking reduction and hence financial impact.
Non-recurring Costs	None
Benefits	<p>Reduced uptake of smoking by non-smokers, particularly the young, resulting in reduced health costs and increased productivity.</p> <p>Fires, and consequent damage to people and property might also fall with reduced levels of smoking.</p>
Other Costs	Government costs in monitoring and enforcing the ban



*Option D3 Issue strict guidelines on the size and/or content and/or frequency of tobacco advertising and promotion, with the threat of further regulatory amendments*

The following tables presents the costs and benefits associated with issuing strict guidelines:

- on the size and/or content of tobacco advertising by Hawkers and Small Retailers, with the threat of further regulatory amendments to remove the current exemptions for Hawkers and Small Retailers if these guidelines are not followed;
- on the size of price boards and price markers with the threat of future regulation if these guidelines are not followed;
- on the frequency, type and/or price of tobacco promotions; and
- on the type and content of tobacco brand sponsorship.

**Table 5.17** *Option D3.1: Issue strict guidelines on the size and/or content of tobacco advertising by Hawkers and Small Retailers, with the threat of further regulatory amendments*

<b>Option D3.1 - Issue strict guidelines on the size and/or content of tobacco advertising by Hawkers and Small Retailers, with the threat of further regulatory amendments</b>	
Impacted Business(es)/ Stakeholders	<p><b>Hawker trade.</b> Approximately 9,100 hawker license holders, of which around 600 are likely to sell tobacco products (personal communication with FEHD). Each license holder normally employs between 1-3 staff. Based on a review of data on retailers in Hong Kong (from Census and Statistic Department) the total turnover of these 600 Hawkers could be as much as HK\$430 million per annum.</p> <p><b>Small Retailers.</b> While no statistics exist on how many small retailers fall within the exemption data from the 1998 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels (Census and Statistics Department) suggest that there are around 13,191 establishments selling 'Food, alcoholic drinks and tobacco' with 5 staff or less and that the average number of persons <b>engaged</b> in these establishments is less than 2. While it not possible to say how many of these establishments are <b>employing</b> two or less staff (given the availability of data) this survey provides us with an indication of the average earnings of these small retailers (just over HK\$715,000 per annum). Discussions with tobacco manufacturers in Hong Kong suggests that at least 10,000 premises are displaying tobacco advertising suggesting that the turnover of this sector could be as much HK\$ 7,150 million and they could engage up to 20,000 people (although the number employed could be less than this and this could include a double count with Hawkers as Tobacco companies do not distinguish between them).</p> <p><b>Advertising Industry.</b> There are around 3,470 advertising or related services in Hong Kong, employing some 13,700 people, with a gross turnover of HK\$ 14,209 million. A fraction of these and related industries (mainly printing) will be involved in the development , printing and distribution of tobacco advertising.</p>
Recurring Costs	None

<b>Option D3.1 - Issue strict guidelines on the size and/or content of tobacco advertising by Hawkers and Small Retailers, with the threat of further regulatory amendments</b>	
Non-recurring Costs	<p>Amending/changing current advertising from hawker stalls and small retailers. Estimates vary considerably on the magnitude of these costs, ranging from virtually nothing (for the removal of poster adverts) to several thousand dollars (for the removal, replacement or re-decorating of custom designed stalls and shop-fronts). For the purpose of this assessment it is assumed that the average costs is HK\$ 1,000 for hawkers and HK\$ 5,000 for small retailers. Thus the total cost for Hawkers could be HK\$600,000 and for Small Retailers HK\$ 50 million. It is acknowledged that for some retailers and hawkers the costs are likely to be substantially higher if major renovation work is required.</p> <p>Costs to tobacco firms of amending advertisements. Likely that the cost will be equivalent to the current cost associated with tobacco advertising (eg approximately HK\$ 7.5 million).</p>
Benefits	<p>Reduced uptake of smoking by non-smokers, particularly the young, resulting in reduced health costs and increased productivity.</p> <p>Additional revenue to advertising and related industries from redesigning the advertising.</p> <p>Fires, and consequent damage to people and property might also fall with reduced levels of smoking.</p>
Other Costs	Government costs in designing and distributing guidelines and subsequent monitoring of progress

**Table 5.18**      **Option D3.2: Issue Strict Guidelines on the Size of Price Boards and Price Markers**

<b>Option D3.2 - Guidelines on the Size of Price Boards and Markers</b>	
Impacted Business(es)/ Stakeholders	<p><b>Cigarette retail trade and manufacturers.</b> It is understood that the majority of price boards and price markers are provided by tobacco manufacturers to retailers. The exception appears to be Duty Free shops in the airport where they produce a number of their own price boards and markers. The 1999 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels (Census and Statistics Department) suggest that there are around 15,800 establishments selling 'Food, alcoholic drinks and tobacco'. Information from tobacco manufactures suggest that the majority of these are selling tobacco products. Assuming that 75% of these are selling tobacco products then this same survey suggests that the turnover of this sector could be as much HK\$ 35.4 million and they could employ around 42,800 people.</p>
Recurring Costs	None

<b>Option D3.2 - Guidelines on the Size of Price Boards and Markers</b>	
Non-recurring Costs	<b>Replacing current price boards and markers.</b> No information exists on how many price boards and markers would have to be replaced but assuming that 1000 price boards and markers require replacement and the cost of replacing them is HK\$500 (estimated conservatively as limited information is available on actual costs) then the total cost could be as much HK\$ 0.5 million.
Benefits	Reduced uptake of smoking by non-smokers, particularly the young, resulting in reduced health costs and increased productivity.  Fires, and consequent damage to people and property might also fall with reduced levels of smoking.
Other Costs	Government costs in monitoring and enforcing the ban

**Table 5.19** *Option D3.3: Issue Strict Guidelines to Limit Frequency, Content and/or Price of Tobacco Promotions*

<b>Option D3.3 - Legislative Amendment to Limits Sale of Tobacco Products in Association with Other Products</b>	
Impacted Business(es)/ Stakeholders	<b>Tobacco Industry.</b> See <i>Box 4.1</i> for details of the tobacco industry. They will be impacted as they will not be able to promote their products.
Recurring Costs	Reduction in sales of tobacco products. Impossible to say what this option on its own will achieve in terms of overall smoking reduction and hence have a financial impact on the Trade.
Non-recurring Costs	None
Benefits	Reduced uptake of smoking by non-smokers, particularly the young, resulting in reduced health costs and increased productivity.  Fires, and consequent damage to people and property might also fall with reduced levels of smoking.
Other Costs	Government costs in monitoring and enforcing the ban

**Table 5.20 Option D3.4: Guidelines for the Content and Type of Tobacco Sponsorship**

<b>Option D3.4 - Legislative Amendment to Prevent Use of Tobacco Brand Names in Sponsorship</b>	
Impacted Business(es)/ Stakeholders	<p><b>Receivers of Tobacco Sponsorship.</b> Event organisers might lose some sponsorship depending on the guidelines.</p> <p><b>Tourism and related industries.</b> If a major sporting or other tobacco sponsored event does not take place (as an alternative sponsor can not be found) then it is possible that some tourists will not travel to Hong Kong, impacting on the retail, hotel, restaurant, entertainment and tour operator sectors.</p> <p><b>Advertising Industry.</b> There are around 3,470 advertising or related services in Hong Kong, employing some 13,700 people, with a gross turnover of HK\$ 14,209 million. A fraction of these and related industries (mainly printing) will be involved in the development, printing and distribution of advertising for tobacco sponsored events.</p>
Recurring Costs	<p><b>Loss of sponsorship value for events currently sponsored by tobacco brands.</b> Difficult to estimate what the level of this impact would be. For the purpose of this study it is assumed that tobacco brand sponsorship of HK\$ 30 million is prevented by the proposed amendment but alternative sponsors are found in (but not for the total value). It is estimated that 60% of events find alternative sponsors in the first year, and 95% in subsequent years.</p>
Non-recurring Costs	<p><b>Loss of tourism revenue.</b> For the purpose of the study it is estimated that the loss of a major event(s) results in the loss of 1,000 visitors in the first year of implementation of the study (80% of the figure used in <i>Option D1.4</i> to illustrate the fact that the guidelines would be targeted towards stopping tobacco sponsorship of events that would attract significant youth attention and/or be televised etc). It is assumed that a major event(s) would be replaced by an alternative event after the first year (eg the Marlboro Tennis Tournament has now been replaced by the Women’s Super Power Cup and the Chinese National Football League, again sponsored by Marlboro is now sponsored by Pepsi). The average per capita spend of visitors to Hong Kong is HK\$4,539 making the total loss to the tourism sector around HK\$4.5 million. This will be broken down among the various tourism related sectors (see <i>Table 5.13</i> for details).</p> <p><b>Loss of advertising revenue for advertising and related industries involved in the development, printing and distribution of advertising for tobacco sponsored events.</b> For the purpose of this study we have assumed that the value of advertising for tobacco sponsored events lost due to this option is HK\$8 million. However, we have assumed that 60% of this is recovered in the first year and 100% thereafter from other sponsors taking up the sponsorship.</p>

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**Option D3.4 - Legislative Amendment to Prevent Use of Tobacco Brand Names in Sponsorship**

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Benefits	Reduced uptake of smoking by non-smokers, particularly young, resulting in reduced health costs and increased productivity.  Fires, and consequent damage to people and property might also fall with reduced levels of smoking.
Other Costs	Government costs in monitoring and enforcing the ban

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6.1 *INTRODUCTION*

This section looks at the revenue and economic impacts of the proposed amendments as well as the various options outlined in the previous section.

6.2 *APPROACH*

6.2.1 *Predicting the Future*

An RIA seeks to predict the future impacts of various regulatory and non-regulatory options on businesses and the economy as a whole. Clearly predicting the future cannot be an exact science, therefore the approach adopted in this study is to:

- as far as possible base predictions on accepted facts or experience of similar measures introduced overseas or in Hong Kong. Where such information does not exist, the Study relies on expert opinion and/or information from the relevant stakeholders.
- where it has not been possible to identify relevant data sources to enable the impacts to be quantified, qualitative statements have been made.
- examine the impacts of altering some of the key assumptions in the impact analysis through sensitivity analysis (see *Section 6.7*)

Therefore it should be stressed that the predictions that follow are not intended to be exact predictions of the future, but rather to illustrate the range and extent of possible future impacts of the proposed measures and options identified, to inform decision makers.

6.2.2 *Value of Human Life*

The value of human life used in risk assessment studies in Hong Kong is HK\$ 33 million. This value is based on previous research into the valuation of human life in the UK. Recent value of life research for the Hong Kong Civil Engineering Department has substantiated this value (GEO Report No. 75).

However, given the uncertainties surrounding the likely timing and number of lives saved (from both reducing exposure to SHS and reduced smoking rates) we have not included any lives saved in the main analysis of the options under consideration. Nonetheless, where appropriate, we have tried to illustrate the likely impact of the inclusion of these benefits to the main analysis. This is done by calculating how many lives would have to be saved for an option to become 'cost-effective' (eg where the benefits exceed the costs).

In order to put this statistical value of life in perspective ERM consulted with the Insurance Authority in Hong Kong regarding pay-outs to workers in the

event of accidental death under workers compensation insurance. The maximum pay-out in 1999 (the latest years for which figures were available) for accidental death was HK\$ 21 million.

### 6.2.3 *Economic and Revenue Impact Analyses*

In preparing this RIA a distinction has been drawn between *economic* impacts and *revenue* impacts upon the Trade. *Economic* analysis seeks to assess impacts from the perspective of society as a whole, and therefore places a value on all significant impacts wherever possible. However, for the *revenue* impact analysis, these broader considerations are not included. Instead, only items that are represented by a cash flow into or out of the businesses affected are included in the revenue impact assessment. This distinction between economic impacts and revenue effects is standard practice when undertaking RIAs. Whilst many of the cost, benefit and revenue items are the same, this dual approach does lead to the inclusion of some items in only one of the analyses. For example:

- Items such as the value of statistical life, which is included to represent society's value of life, can be included in an economic analysis but not in the revenue impact assessment. This is because whilst the loss of a life has many costs (including emergency services costs, hospital treatment or mortuary costs, lost work output from the person and the pain and suffering of relatives and friends), the owner of the establishment in which the person died will not pay for them.
- Profit is included in the revenue impact analysis but not the economic one, as the economic analysis focuses on resource costs. Whilst the profit motive is of course an important part of economics, profit itself is considered a transfer between two parties and does not necessarily reflect the resource cost of providing the goods or services (ie profits could increase without any extra economic resources, such as labour, being put into the running of an establishment). In the same way tax revenue is just a transfer between the Trade and Government and does not reflect a resource cost to the Trade.

A fuller description of the cost, benefit and revenue items, together with the assumptions used to estimate them, is presented in the following sections.

## 6.3 *REVENUE IMPACTS*

### 6.3.1 *Introduction*

The following sections outline the approach and results of the revenue impact analysis. It should be noted that a number of the assumptions underlying the approaches outlined below are examined in the sensitivity analysis (see *Section 6.7*) to see what impact a change in their values might have on the sector. In addition, we have examined the impact on individual premises as part of the distributive analysis (see *Section 6.6*).

### 6.3.2

#### *Revenue Impacts in Hospitality Venues*

A large number of studies, using a variety of methodologies, have examined the effect of smoking bans on the hospitality industry. A number of these have been summarised in *Table B1* in *Annex B*. This table summarises the outcomes from various studies as well as providing some comment on the type of study. The main conclusions that can be drawn from this literature review are:

- actual sales data (based on taxable sales data before and after the imposition of a smoking ban) suggests that smoking bans do not have a long-term negative impact on restaurant and bar revenues and profitability, although some short term impacts have been identified. No information on the impact on karaokes was available from the literature; and,
- studies that have shown negative impacts have, for the most part, been based on either patron, community or owner surveys (predicting the future impact of a ban).

It should be noted that the literature review is not exhaustive and it is acknowledged that other studies could exist that contradict the above conclusions, however the majority of documentation reviewed seems to support the above conclusions.

In addition it is acknowledged the majority of the studies relate to North America and thus may not be directly applicable to the Hong Kong situation. However, work undertaken in Hong Kong (Lam et al, 2000(b)) concludes that “restaurant owners could expect an increase in customers if smoking was banned in all restaurants. This is because the proportion of people who would go more often is much greater than the proportion who would go less”. In addition, a 1999 survey of households reported in Hedley et al (2001(b)) found that 77% of respondent would not change their eating pattern, 20% would eat out more and only 3% would eat out less. Subsequent analysis of this survey, by Hedley et al (2001(b)) suggested that business would increase by 1.3% (in terms of meals consumed per week).

Another survey undertaken by the Hong Kong Polytechnic University between 23 and 27 July 2001 suggests that 81.6% of the population support a ban in restaurants, 51.4% in bars and 60.4% in karaokes.

Therefore, in undertaking this study we have adopted the following approach and assumptions:

- ***Option A1: Proposed Legislative Amendments.*** We have assumed that there is no revenue impact on restaurants and bars due to the proposed amendments. We have made this assumption as the weight of evidence (gathered from tracking sales data before and after actual bans) suggests that, despite survey-based predictions to the contrary, such smoking bans



do not impact on the sales of restaurant and bars. However, no information exists for karaokes and discussions with the trade in Hong Kong suggest that they are expecting a significant long-term impact on their business. We have therefore, in the absence of any other information, assumed that karaokes suffer a long-term impact of 5% of their annual sales due to the proposed amendments, although, as discussed above, experience in other hospitality sectors overseas suggests that this is unlikely. These sales assumptions for restaurants, bars and karaokes are further examined in the sensitivity analysis.

We have also assumed that a no smoking policy in these venues would decrease their maintenance and cleaning costs by 0.1% of their revenue per annum (eg less cleaning, maintenance and replacement of items such as carpets, table clothes, furnishings, etc, results in cost saving equivalent to 0.1% of revenue). The figure of 0.1% has been chosen as indicative of such cost savings as no actual data from restaurants is available.

In addition we have assumed that the no smoking policy reduces the number of fires in restaurants by 1 per annum and that the average cost per fire is HK\$ 500,000 (see *Table 5.1*). Furthermore, we have assumed that this fire would result in a loss of business equivalent to 10% of annual sales (in the venues concerned) but 75% of the customers who would have generated this revenue choose to go elsewhere instead (and spend equivalent amounts).

- ***Option A2: Allowing Separately Ventilated Smoking Rooms.*** We have assumed that the cost of a separately ventilated smoking room is HK\$75,000 and that a third of restaurant, bars and karaokes are able to install them (the remaining two thirds can either not afford them or it is not technically possible to install them due to physical constraints). These third suffer a loss of sales of 5% in the first year (due to down-time associated with installing the necessary equipment) but thereafter any revenue they gain (or loose) is equal to the revenue lost (or gained) by the other two thirds of restaurants (eg there is no overall change in habits in Hong Kong just a reallocation between those that cater for both smokers and non-smokers and those that do not).

In addition we have assumed that a no smoking policy in those venues unable to install separate ventilation results in savings in maintenance and cleaning costs equivalent to 0.1% of their revenue (as per *Option A1*). We have assumed that there is no net increase or decrease in the costs of maintenance and cleaning in those premises that install smoking rooms.

We have also assumed that the installation of smoking rooms does not reduce the risk of fires in those premises that install them (eg the existing risk of fires does not change in those premises that install smoking rooms, while in those that ban smoking altogether the risk reduction, and associated gains are the same as for *Option A1*).

- **Option A3: Exempting Bars and Karaoke from the Smoking Ban.** We have assumed that there is a short-term negative impact on restaurants sales of 5% due to a temporary loss of patronage by smokers, but this is regained after one year by an increase in patronage by non-smokers. No change in sales is assumed for bars and karaokes.

In addition we have assumed that a no smoking policy in restaurants results in savings in maintenance and cleaning costs equivalent to 0.1% of their revenue (as per *Option A1*) and that the number of fires avoided per annum is in proportion to the number of smoke-free premises in the sector (eg the number of restaurants as a proportion of the total number of restaurants, bars and karaokes).

We have also assumed that the no smoking policy reduces the risk of fires in restaurants in proportion to the number of restaurants in the sector (with associated gains calculated in the same way as for *Option A1*).

The results of the revenue impact analysis (in relation to *Options A1* to *A3*) are presented in *Table 6.1* below, while the calculation sheets can be found in *Tables D1* to *D3* in *Annex D*.

**Table 6.1 Revenue Impact to Hospitality Trade**

Option	Net Present Value (HK\$ millions)	Benefit to Cost Ratio (>1 = positive)
<i>Option A1 - Proposed Amendments</i>		
• Restaurants	528.8	∞
• Bars	26.2	∞
• Karaokes	-90.5	0.1
Overall	464.5	5.5
<b>Comment</b>	<ul style="list-style-type: none"> <li>• Likely to be an under estimate of benefits to venues as does not include less days off due to no staff exposure to SHS.</li> </ul>	
<i>Option A2 - Allow separately ventilated smoking rooms</i>		
• Restaurants	81.4	1.3
• Bars	1.8	1.1
• Karaokes	-0.8	0.9
Overall	82.4	1.3
<b>Comment</b>	<ul style="list-style-type: none"> <li>• Equality issues as some premises will not be able to install smoking rooms (examined in <i>Section 6.6</i>)</li> <li>• Some staff still exposed to SHS (although to lesser extent)</li> </ul>	
<i>Option A3 - Exempt Bars and Karaokes</i>		
• Restaurants	349.2	3.7
• Bars	0	0
• Karaokes	0	0
Overall	349.2	3.7
<b>Comment</b>	<ul style="list-style-type: none"> <li>• Bar and Karaoke staff still exposed to SHS. If more smokers visit bars and karaokes then this might result in additional productivity and other losses related to smoking and exposure to SHS.</li> <li>• Difficulty in defining a bar might lead to some restaurants re-classifying to be exempted</li> </ul>	

### 6.3.3 Revenue Impacts to Other Indoor Workplaces

It has not been possible to identify the number of companies (and their revenue and profitability) that will be impacted by the proposed

amendments. However the Quarterly Household Survey (Mercado Solution (Asia) Ltd, 2001) estimated that 0.82 million workers work in offices where smoking is permitted indoors, 0.73 million staff are exposed to SHS in the indoor office environment and that 79.5% of the 588,900 smokers work mainly indoors. Therefore we have adopted the following approach and assumptions in estimating the revenue impacts on companies in Hong Kong (further details of the calculations underlying these assumptions can be found in *Tables 5.4 & 5.5*):

- **Option B1: Proposed Legislative Amendments.** We have assumed that just over 516,000 workdays per annum are saved due to the fact that indoor workers are no longer exposed to SHS in offices (or 0.7 days per worker exposed to SHS per annum) and that around 0.76 million workdays per annum are lost due to a proportion of smokers (working indoors) taking an extra 3 minutes per cigarette to smoke an average of 5 cigarettes per day at work.

Further we have assumed that companies save HK\$ 40.7 million of staff medical costs as a result of reduced exposure to SHS.

In addition, we have assumed that a no smoking policy in indoor workplaces would reduce the number of fires by 9 per annum and the number of injuries by 0.6 per annum.

- **Option B2: Allowing Designated Smoking Rooms.** We have assumed that just over 516,000 workdays per annum are saved due to the fact that indoor workers are no longer exposed to SHS in offices (or 0.7 days per worker exposed to SHS per annum) and that 5,000 companies install separately ventilated smoking rooms.

Further we have assumed that companies save HK\$ 40.7 million of staff medical costs as a result of reduced exposure to SHS.

In addition, we have assumed that a no smoking policy in indoor workplaces would reduce the number of fires by 5 but not reduce any injuries overall.

- **Option B3: Provide for voluntary measures to be legally enforceable.** No information is available on how many offices would implement a no-smoking policy if it was legally enforceable. In addition the costs and benefits of doing so would not be the direct result of the change in regulation but of the individual company's decision. As such we have not estimated the costs and benefits of this option.

The results of the revenue impact analysis (in relation to *Options B1 to B3*) are presented in *Table 6.2* below, while the calculation sheets can be found in *Tables D4 and D5* in *Annex D*.

**Table 6.2 Revenue Impact on Companies with Indoor Workplaces**

Option	Net Present Value (HK\$ millions)	Benefit to Cost Ratio (>1 = positive)
<i>Option B1 - Proposed Amendments</i>		
	-416	0.8
<i>Comment</i>	<ul style="list-style-type: none"> <li>• Could be costs or benefits associated with how currently designated smoking rooms would be used after the implementation of the proposed amendment (eg building costs vs benefits from using additional space)</li> <li>• Probably an underestimate of benefits as it does not include:               <ul style="list-style-type: none"> <li>• reduced maintenance and cleaning costs</li> <li>• benefits arising (productivity and lower morbidity) from lower smoking rates due to the added incentive to give up provided by a no-smoking office environment.</li> </ul> </li> </ul>	
<i>Option B2 - Allow separately ventilated smoking rooms</i>		
	1,152	5.4
<i>Comment</i>	<ul style="list-style-type: none"> <li>• Cleaning staff would still be exposed to SHS</li> <li>• Does not include maintenance and cleaning costs of smoking rooms</li> </ul>	
<i>Option B3 - Provide for no-smoking policies to be legally enforceable</i>		
<i>Comment</i>	<ul style="list-style-type: none"> <li>• Impossible to estimate how many offices would implement bans if they were legally enforceable.</li> <li>• Could enable landlords to designate buildings, or areas of buildings, as no smoking (as well as companies) and also allow them to provide separate ventilation for designated smoking room if tenants demand them.</li> </ul>	

### 6.3.4 Revenue Impacts to Educational Establishments

It has not been possible within the context of this study to quantify the revenue impacts on educational establishments due to a lack of data on operating costs and on the current situation (regarding no smoking policies) in these establishments.

However, *Option C1* (proposed amendments) is likely to have only revenue benefits to schools and universities through:

- lower morbidity costs associated with SHS exposure of staff and pupils;
- lower maintenance and cleaning costs of buildings; and,
- less fires due to cigarette smoking.

*Option C2* (allowing separate ventilated smoking rooms) could have some costs associated with those establishments that choose to install separately ventilated smoking but a number of benefits including:

- lower morbidity costs associated with SHS exposure of staff and pupils (although the impacts on staff involved in cleaning smoking rooms might balance this out);
- lower maintenance and cleaning costs of buildings (although this might be matched by the costs associated with operating, maintaining and cleaning any smoking rooms installed); and
- less fires due to cigarette smoking (although those establishments installing smoking rooms might have a higher risk of fire).

*Option C3* (allowing Universities and Tertiary Institutions to have voluntary schemes) will not have any revenue costs directly associated with the options but a number of benefits in schools (excluding Universities and Tertiary Institutions):

- lower morbidity costs associated with SHS exposure of staff and pupils;
- lower maintenance and cleaning costs of buildings; and,
- less fires due to cigarette smoking.

In summary the revenue impacts of *Options C1* are likely to be lowest and *Option C2* the highest, with *Option C3* somewhere in between (depending on how many Universities and Tertiary Institutions decide to implement no-smoking policies)

### 6.3.5 *Revenue Impacts to Hawkers and Small Retailers*

The proposed amendments and options under consideration would not provide any revenue benefits to hawkers and small retailers. In estimating the likely costs to hawkers and small retailers the following approach has been adopted:

- ***Option D1.1: Proposed Legislative Amendments.*** We have assumed that some 600 Hawkers and 9,400 small retailers who are currently displaying tobacco advertising lose an average of HK\$ 1,000 per month (based on discussions with Trade representatives). We have assumed that between years two and five they recover 20% of this lost revenue per year from other sources, but they never recover 10% of this revenue (as it is understood that tobacco firms pay a premium to display their advertising).

Further we have assumed that hawkers and small retailers lose some profit from their tobacco sales as they cannot advertise that they are selling such products. It is understood that the contribution of tobacco sales to their profit is minimal so we have taken it as 10% of their total profit and that it is reduced by 10% due to them not being able to advertise.

In addition we have estimated that the average cost of removing current advertising from hawkers is HK\$ 1,000 and the average costs from small retailers is HK\$ 5,000.

- ***Option D2.1: Regulating the size and/or content of tobacco advertising.*** We have assumed that some 600 Hawkers and 9,400 small retailers who are currently displaying tobacco advertising have to replace all their current advertising at an average cost for hawkers of HK\$ 1,000 and small retailers of HK\$ 5,000.
- ***Option D3.1: Issuing guidelines on the size and/or content of tobacco advertising.*** We have assumed that some 600 Hawkers and 9,400 small retailers who are currently displaying tobacco advertising have to replace all their current advertising at an average cost for hawkers of HK\$ 1,000 and small retailers of HK\$ 5,000.

The results of the revenue impact analysis (in relation to Options B1 to B3) are presented in *Table 6.3* below, while the calculation sheets can be found in *Tables D6 to D9* in *Annex D*.

**Table 6.3** *Revenue Impact on Hawkers and Small Retailers*

Option	Net Present Value (HK\$ millions)	Benefit to Cost Ratio (>1 = positive)
<i>Option D1 - Proposed Amendments</i>	-476.6	0
<i>Comment</i>	<ul style="list-style-type: none"> <li>• <b>Could impact the livelihood of hawkers and small retailers - see analysis in Section 6.6</b></li> </ul>	
<i>Option D2 - Regulate Size and/or Content of Tobacco Advertising</i>	-45.8	0
<i>Comment</i>	<ul style="list-style-type: none"> <li>• <b>Arguable whether all the costs of replacing current advertising would fall on the hawkers and small retailers and/or whether such costs are all a direct result of the proposed option (some advertising is likely to be replaced regardless of regulatory changes). As such cost impact could be lower.</b></li> <li>• <b>Would require carefully drafted legislation to minimise the advertising impact on youth - might not be possible.</b></li> </ul>	
<i>Option D3 - Issue Guidelines on the Size and/or Content of Tobacco Advertising</i>	-45.8	0
<i>Comment</i>	<ul style="list-style-type: none"> <li>• <b>Arguable whether all the costs of replacing current advertising would fall on the hawkers and small retailers and/or whether such costs are all a direct result of the proposed option (some advertising is likely to be replaced regardless of regulatory changes). As such cost impact could be lower.</b></li> <li>• <b>Would require carefully drafted guidelines to minimise the advertising impact on youth - might not be possible.</b></li> </ul>	

### 6.3.6 *Revenue Impacts to Advertisers and Related Industries*

The only possible benefit the proposed amendments on restricting advertising and promotion could have on advertising and related industries is from the design of pictorial and graphical health warnings. Otherwise the proposed legislative amendments could have negative impacts on their business through the reduction in advertising opportunities with the tobacco industry. However, the introduction of regulations or guidelines on the size and/or content of tobacco advertising might generate additional revenues for them due to the need to redesign current advertising. We have not included this benefit in this analysis as it is arguable if this benefit is additional to the current design and printing of tobacco advertising and if it would be negated by the reduction in size/content of tobacco advertising. In estimating the likely costs to advertisers and related industries (principally printers) the following approach has been adopted:

- **Option D1.1: Proposed Legislative Amendments.** We have calculated the average spend per annum on tobacco advertising for hawkers and small retailers as HK\$ 7.5 million. This is based on the cost of printing a poster (HK\$ 200), the average number of posters per retailer/hawker (3) and the percentage of advertising money that goes to the printer (80%). Thus 20% of this money goes to advertising firms and 80% to printers. We have assumed that after year one they recover 20% of this lost revenue from

other sources, but they never recover 10% of this revenue (as the removal of an advertiser from the market would lower the demand for such services and thus lower the price).

- **Option D1.4: Proposed Legislative Amendments to Ban Tobacco Brand Sponsorship.** We have estimated that banning tobacco brand sponsorship results in the loss of the tobacco spend on advertising for events (this loss of spend could be due to the loss of one major event and/or several smaller ones) but 60% of this is recovered from other sponsors taking over the event. We have estimated (based on information from A C Nielson the market research firm) the total advertising spend on tobacco brand sponsored events as HK\$ 10 million. However, we have assumed that all this advertising spend is recovered in subsequent years due to alternative sponsors being found for the event(s) or equivalent replacement event(s).
- **Option D2.1: Regulating the size and/or content of tobacco advertising.** We have assumed that there are no additional costs to advertising firms and printing firms from regulating the size and/or content (although there might be some benefits from new advertising being required, these might be cancelled out by either the smaller size and/or quantity of the advertising).
- **Option D3.1: Issuing guidelines on the size and/or content of tobacco advertising.** We have assumed that there are no additional costs to advertising firms and printing firms from restricting the size and/or content (although there might be some benefits from new advertising being required, these might be cancelled out by either the smaller size and/or quantity of the advertising).
- **Option D3.4: Issuing Guidelines for the Content and Type of Tobacco Sponsorship.** We have estimated that restricting tobacco sponsorship results in the loss of HK\$ 8 million in tobacco spend on advertising for events (this loss of spend could be due to the loss of one major event and/or several smaller ones) but 60% of this is recovered from other sponsors taking over the event. We have estimated (based on information from A C Nielson the market research firm) the total advertising spend on tobacco brand sponsored events as HK\$ 10 million and assumed that 20% would remain as it is for sponsorship of events that are not youth orientated and/or would not be the focus of the guidelines. We have assumed that all this advertising spend is recovered in subsequent years due to alternative sponsors being found for the event(s) or equivalent replacement event(s).

The results of the revenue impact analysis (in relation to *Options D1.1, D2.1, D3.1, D1.4 and D3.4*) are presented in *Table 6.4* below, while the calculation sheets can be found in *Tables D6 to D8* in *Annex D*.

**Table 6.4 Revenue Impact to Advertising and Related Industries**

Option	Net Present Value (HK\$ millions)	Benefit to Cost Ratio
<i>Option D1.1 &amp; D1.4- Proposed Amendments</i>		
• Advertising Agencies	-5.8	0
• Printers and related	-23.3	0
<i>Comment</i>	• Assumes that advertisers never regain all lost revenue from other sources	
<i>Option D2.1 &amp; D1.4 - Regulate Size and/or Content of Tobacco Advertising</i>		
• Advertising Agencies	-1.2	0
• Printers and related	-4.6	0
<i>Comment</i>	• No net costs or benefits predicted for advertisers or printers of Option D2.1 - impacts are from banning tobacco sponsorship (D1.4)	
<i>Option D3.1 &amp; D3.4 - Issue Guidelines on the Size and/or Content of Tobacco Advertising</i>		
• Advertising Agencies	-1.0	0
• Printers and related	-3.8	0
<i>Comment</i>	• No net costs or benefits predicted for advertisers or printers of Option D3.1 - impacts are from limiting tobacco sponsorship (D3.4)	

### 6.3.7 Revenue Impact to Tourism Trade

For the purpose of this study we have assumed that the proposed amendments and options do not generate any additional tourists, but if the loss of sponsorship money results in the loss of one or several events (sporting or otherwise) then fewer visitors might travel to Hong Kong. Information from the Hong Kong Tourism Board suggests that for a major international sporting event (the Hong Kong Rugby Sevens) the percentage of attendees from overseas (whose main purpose in visiting was to attend the event) is around 25% of the total. As such, in estimating the likely costs to the tourism industry the following approach has been adopted:

- **Option D1.4: Proposed Legislative Amendments.** We have assumed that the proposed amendments result in the temporary loss of 1,250 overseas visitors (as a result of one or more events being cancelled in the first year - see *Table 5.13* for a further discussion). After the first year another sponsor is found for the event(s) and the same number of visitors return.

Further, we have used information from the Hong Kong Tourism Board on the per capita spend (HK\$4,539) and breakdown of average spend (between retail, hotels, restaurants, entertainment, tours etc) to estimate the impact on the various tourism sectors (see *Table 5.13* for further details).

- **Option D3.4: Issuing Guidelines on the Type of Tobacco Sponsorship.** We have assumed that the issuing of guidelines results in the temporary loss of 1,000 overseas visitors (as a result of one or more events being cancelled in the first year). We have used a lower number than under *Option D1.4* to illustrate the fact that guidelines could be used to limit brand name sponsorship to events that are unlikely to attract significant youth attention and/or be televised etc. After the first year, another sponsor is found for the event(s) and the same number of visitors return.



Further we have used information from the Hong Kong Tourism Board on the per capita spend (HK\$4,539) and breakdown of average spend (between retail, hotels, restaurants, entertainment, tours etc) to estimate the impact on the various tourism sectors.

The results of the revenue impact analysis (in relation to *Options D1.4* and *D3.4*) are presented in *Table 6.5* below, while the calculation sheets can be found in *Tables D6* to *D8* in *Annex D*.

**Table 6.5** *Revenue Impacts on Tourism Trade*

Option	Net Present Value (HK\$ millions)	Benefit to Cost Ratio (>1 = positive)
<i>Option D1.4- Proposed Amendments</i>		
• Retail Sector	-0.12	0
• Hotel Sector	-0.06	0
• Restaurant Sector	-0.04	0
• Entertainment Sector	-0.01	0
• Tour Operators	-0.01	0
• 'Other' tourism industries	-0.03	0
• Overall	-0.27	0
<i>Comment</i>	• Assumes that event(s) find alternative sponsors and visitors return after first year	
<i>Option D3.4 - Issue Guidelines on Tobacco Sponsorship</i>		
• Retail Sector	-0.09	0
• Hotel Sector	-0.05	0
• Restaurant Sector	-0.03	0
• Entertainment Sector	-0.01	0
• Tour Operators	-0.01	0
• 'Other' tourism industries	-0.02	0
• Overall	-0.21	0
<i>Comment</i>	• Assumes that event(s) find alternative sponsors and visitors return after first year (but that less events are impacted than under Option D1.4)	

### 6.3.8 *Revenue Impact to Event Organisers*

For the purpose of this study we have assumed that the proposed amendments and options under consideration do not generate any additional sponsorship for event organisers in Hong Kong, but the loss of sponsorship money from tobacco firms might result in the loss of one or several events (sporting or otherwise). As such we have based our approach to estimating the revenue impact on event organisers around the following:

- **Option D1.4: Proposed Legislative Amendments.** Based on discussions with the tobacco industry we have estimated the total value of tobacco brand sponsorship impacted by the proposed amendments at HK\$50 million. We have assumed that an equivalent of 60% of this amount is recovered from other sources in the first year (eg either from different sponsors and/or from tobacco companies taking up the sponsorship using a non-tobacco brand name) and that 95% is recovered by the second year. The remaining 5% is never recovered as the removal of a major sponsor(s) would reduce the overall supply of funds available for sponsorship.

- **Option D3.4: Issuing Guidelines on the Type of Tobacco Sponsorship.** We have assumed that the issuing of guidelines results in the loss of tobacco sponsorship to a value of HK\$ 40 million (less than under *Option D1.4* as it is assumed that a certain amount of tobacco brand sponsorship would still remain). We have assumed that an equivalent of 60% of this amount is recovered from other sources in the first year (eg either from different sponsors and/or from tobacco companies taking up the sponsorship using a non-tobacco brand name) and that 95% is recovered by the second year. The remaining 5% is never recovered as the removal of a major sponsor(s) would reduce the overall supply of funds available for sponsorship.

The results of the revenue impact analysis (in relation to *Options D1.4 and D3.4*) are presented in *Table 6.6* below, while the calculation sheets can be found in *Tables D6 and D8* in *Annex D*.

**Table 6.6** *Revenue Impact to Event Organisers*

Option	Net Present Value (HK\$ millions)	Benefit to Cost Ratio
<i>Option D1.4- Proposed Amendments</i>		
• Event Organisers	-37.1	0
<i>Comment</i>	• Assumes that event(s) find alternative sponsors	
<i>Option D3.4 - Issue Guidelines on Tobacco Sponsorship</i>		
• Event Organisers	-29.7	0
<i>Comment</i>	• Assumes that event(s) find alternative sponsors	

### 6.3.9 *Revenue Impact to Tobacco Trade*

The proposed legislative amendments and other options identified above (see *Section 5.2*) could result in costs to the Tobacco Industry in Hong Kong. These costs are either direct (eg imposed due to the proposed measures and options such as the requirement to limit the size of price boards and to include graphical or pictorial warnings on cigarette packaging) or indirect (due to a reduction in tobacco sales and smoking rates caused by the measures under consideration). As such we have based our approach to estimating the impact to the tobacco industry on the following:

- **Option D1.1 to D1.4: Proposed Amendments to Reduce Tobacco Advertising and Promotion.** We have assumed that the tobacco manufacturers pay for the replacement of 2000 price boards and markers at a cost of HK\$ 500 each. In addition, we have assumed that the proposed amendments result in the reduction of smoking rates by a total of 1.5% over five years (eg 0.3% every year for five years) and have distributed the associated losses among importers, wholesales, retailers (specialist tobacco retailers only) and manufacturers according to their associated revenue and profitability (estimated from Census and Statistics Department data and with reference to a tobacco manufacturers annual report). However, we have assumed that the profit losses for importers, wholesalers and retailers are not cumulative (eg they find other sources of revenue) while those for manufacturers are cumulative.

We have not been able to include *Option D1.5* (amendments to allow health warning to contain pictorial and graphic contents) as it is currently unclear what costs these will impose on the tobacco industry.

- ***Option D2.1 & D2.2: Amending Regulations and Ordinance to Limit Tobacco Advertising and Promotion.*** We have assumed that the proposed options result in the reduction of smoking rates by a total of 1% over five years (eg 0.2% every year for five years) and have distributed the associated indirect losses among importers, wholesales, retailers (specialist tobacco retailers only) and manufacturers according to their associated revenue and profitability (estimated from Census and Statistics Department data and with reference to a tobacco manufacturers annual report). However, we have assumed that the profit losses for importers, wholesalers and retailers are not cumulative (eg they find other sources of revenue) while those for manufacturers are cumulative (ie they do not find other sources of revenue).

In addition, we have included both the direct and indirect costs associated with replacing the price board and markers (*Option D1.2*) and limiting tobacco brand sponsorship (*Option D1.4*) into the analysis (eg *Options D2.1* and *D2.2* are not enacted in isolation from the other options to reduce the impact of tobacco advertising and promotion and are partly responsible for reducing the overall smoking rate by 1% over five years).

- ***Option D3.1 to D3.4: Issuing Guidelines to Limit Tobacco Advertising and Promotion.*** We have assumed that only 1000 price boards require replacement under *Option D3.2* (cf 2000 under *Option D1.2*) and that the proposed options result in the reduction of smoking rates by a total of 0.5% over five years (eg 0.1% every year for five years) and have distributed the associated losses among importers, wholesales, retailers (specialist tobacco retailers only) and manufacturers according to their associated revenue and profitability (estimated from Census and Statistics Department Data and with reference to a tobacco manufacturers annual report). However, we have assumed that the profit losses for importers, wholesalers and retailers are not cumulative (eg they find other sources of revenue) while those for manufacturers are cumulative (ie they do not find other sources of revenue).

The results of the revenue impact analysis (in relation to *Options D1.4 to D3.4*) are presented in *Table 6.7* below, while the calculation sheets can be found in *Tables D6 to D8* in *Annex D*.

**Table 6.7** *Revenue Impacts to the Tobacco Industry*

Option	Net Present Value (HK\$ millions)	Benefit to Cost Ratio (>1 = positive)
<i>Options D1.1 to D1.4 - Proposed Amendments</i>		
• Importers	-0.22	0
• Wholesalers	-0.10	0
• Retailers	-0.03	0
• Manufacturers	-12.58	0
• Overall	-12.93	0

Option	Net Present Value (HK\$ millions)	Benefit to Cost Ratio (>1 = positive)
<b>Comment</b>	• Assumes proposed amendments result in a 1.5% drop in smoking	
<i>Options D1.1, D1.2, D2.1 and D2.2 - Proposed Amendments and Restricting Advertising and Promotion by Regulation</i>		
• Importers	-0.15	0
• Wholesalers	-0.07	0
• Retailers	-0.02	0
• Manufacturers	-8.71	0
• Overall	-8.94	0
<b>Comment</b>	• Assumes proposed options and amendments result in a 1% drop in smoking	
<i>Options D3.1 to D3.4 - Issue Guidelines on Tobacco Advertising and Promotion</i>		
• Importers	-0.07	0
• Wholesalers	-0.03	0
• Retailers	-0.01	0
• Manufacturers	-4.35	0
• Overall	-4.47	0
<b>Comment</b>	• Assumes proposed options result in a 0.5% drop in smoking	

## 6.4 ECONOMIC IMPACTS

In addition, to the revenue impacts on the various business sectors outlined above there are a number of other important impacts that need to be considered when weighing the economic costs and benefits of various regulatory measures. The reduction in exposure to SHS and the overall reduction in smoking rates will lead to significant health benefits. However, as discussed in *Section 4* not all of these are quantifiable. The following sections details those that are quantifiable, in the context of this study, as well as providing some comment on those that are not.

### 6.4.1 Economic Impacts due to Options A1 to A3

Currently there are 150 hospitality workers dying per annum through exposure to SHS (Hedley et al, 2001a) in Hong Kong. As far as the Consultants are aware there are no papers that quantify the timing and extent of mortality benefits from reduced exposure to SHS in Hong Kong or elsewhere. This study has therefore not included the impact of saving these lives in the following economic analysis but **they are likely to be significant**. The approach adopted in estimating the economic benefits of the proposed amendments and options in relation to reducing the impact of SHS in hospitality venues is as follows:

- **Government Enforcement Costs.** We have assumed that a total of 10 new TCO staff are employed by the Government to enforce the legislation and a third of their time is spent in supporting *Options A1 to A3*.
- **Fire Damage Costs.** These are calculated in the same way as for revenue impacts as described previously.
- **Reduced Maintenance Costs.** These are calculated in the same way as for revenue impacts as described previously.

- **Savings in Emergency Service Costs.** Fire incidents require considerable resources to be expended by the emergency services. The cost of all emergency services attending a major incident has been calculated as \$0.679 million (broadly based on the response of the Emergency Services to the Garley Building Fire, 20 November 1996, as reported in the Final Report of the Inquiry, 26<sup>th</sup> August 1997). As all the incidents over the last five years in restaurants have been minor we have used a third of this figure (roughly HK\$226,000) in the analysis. The number of fire incidents avoided has been calculated as for the revenue impacts described previously.
- **Costs of Installing Smoking Rooms.** These are calculated in the same way as for revenue impacts as described previously.

The economic costs and benefits from *Options A1 to A3* are shown in *Table 6.8* below while the calculation sheets can be found *Annex D, Tables D9 to D11*.

**Table 6.8** *Economic Benefits due Option A1 to A3*

Option	Net Present Value (HK\$ millions)	Benefit to Cost Ratio
<i>Option A1 - Proposed Amendments</i>		
• Economic Benefit	570	1,241
<b>Comment</b>	<ul style="list-style-type: none"> <li>• Likely to be a significant underestimate as does not include: <ul style="list-style-type: none"> <li>• economic benefits resulting from lower morbidity costs among patrons and staff</li> <li>• lower mortality costs of staff and patrons; and</li> <li>• increased productivity of staff due to less days off</li> </ul> </li> </ul>	
<i>Option A2 - Allowing Smoking Rooms</i>		
• Economic Benefit	139	1.6
<b>Comment</b>	<ul style="list-style-type: none"> <li>• Likely to be an underestimate of the benefits as does not include: <ul style="list-style-type: none"> <li>• economic benefits resulting from lower morbidity costs among patrons and staff;</li> <li>• the cost of maintaining smoking rooms</li> <li>• lower mortality costs of staff and patrons; and</li> <li>• increased productivity of staff due to less days off</li> </ul> </li> </ul>	
<i>Option A3 - Exempt Bars and Karaoke</i>		
• Economic Benefit	530	1,154
<b>Comment</b>	<ul style="list-style-type: none"> <li>• Likely to be an underestimate as does not include: <ul style="list-style-type: none"> <li>• economic benefits resulting from lower morbidity costs among patrons and staff;</li> <li>• lower mortality costs of patrons; and</li> <li>• increased productivity of staff due to less days off</li> </ul> </li> </ul>	

It should be stressed that the inclusion of the mortality benefits into the above analysis is likely to significantly increase the economic benefits available from all these options.

#### 6.4.2 *Economic Impacts due to Options B1 to B3*

No data exists on mortality due to SHS in the general workplaces in Hong Kong although there is a substantial body of evidence available from elsewhere that concludes SHS exposure can lead to premature death (see *Table 4.1*) and that introducing no smoking policies in workplaces can lead to significant revenue benefits (see *Section 4.5.1*). Thus, while this study does not

attempt to quantify the mortality benefits of reducing SHS exposure in the workplace, it is likely that they will be significant. Indeed the mortality benefits could be a magnitude higher than those for hospitality venues as, overall, more than twice as many indoor workers are exposed to SHS than restaurant workers.

This study has therefore adopted the following approach in estimating the economic benefits of the proposed amendments and options in relation to reducing the impact of SHS in indoor workplaces:

- **Government Enforcement Costs.** We have assumed that a total of 10 new TCO staff are employed by the Government to enforce the legislation and a third of their time is spent in supporting *Options B1* and *B2*.
- **Lower Productivity of Workers.** This has been calculated in the same way as for revenue impacts as described previously.
- **Fire Damage Costs.** These are calculated in the same way as for revenue impacts as described previously.
- **Increased productivity of office workers.** Calculated in the same way as for revenue impacts as described previously.
- **Avoided medical costs.** Avoided medical costs for economy as a whole have been calculated as HK\$ 143.9 million (see *Tables 5.4 & 5.5*).
- **Savings in Emergency Service Costs.** The costs of a fire incident are the same as under *Options A1 to A3* (eg HK\$ 226,000), while the frequency of fire incidents avoided under *Option B1* is 9 and under *Option B2* is 5 (as for the revenue impacts described previously).
- **Savings in productivity due to fewer injuries.** For *Option B1* this has been calculated the same way as under the revenue impacts as described previously.
- **Costs of Installing Smoking Rooms.** These are calculated in the same way as for revenue impacts as described previously.
- **Option B3: Provide for Voluntary Measures to be Legally Enforceable.** As for the revenue impacts it is impossible to say how many offices would implement a non-smoking policy if it were legally enforceable. In addition, the economic costs and benefits of doing so would not be the direct result of the change in regulation but of the individual company's decision. As such, and as for the revenue impacts, we have not estimated the economic costs and benefits of this option.

The economic costs and benefits from *Options B1* to *B3* are shown in *Table 6.9* below while the calculation sheets can be found in *Annex D, Tables D12* and *D13*.

**Table 6.9 Economic Impacts due to Options B1 to B3**

Option	Net Present Value (HK\$ millions)	Benefit to Cost Ratio
<i>Option B1 - Proposed Amendments</i>		
• Economic Benefit	438	1.2
<i>Comment</i>	<ul style="list-style-type: none"> <li>• Likely to be a significant underestimate of the benefits that could accrue to Hong Kong as it does not include: <ul style="list-style-type: none"> <li>• economic benefits resulting from lower mortality costs among staff;</li> <li>• less days off due to staff exposure to SHS;</li> <li>• lower cleaning and maintenance costs of buildings; and</li> <li>• lower smoking rates due to the added incentive to give up provided by a no-smoking office environment.</li> </ul> </li> </ul>	
<i>Option B2 - Allowing Smoking Rooms</i>		
• Economic Benefit	2,450	7.8
<i>Comment</i>	<ul style="list-style-type: none"> <li>• Likely to be an underestimate of the benefits that could accrue to Hong Kong as does not include: <ul style="list-style-type: none"> <li>• economic benefits resulting from lower mortality costs among staff; and</li> <li>• less days off due to staff exposure to SHS.</li> </ul> </li> </ul>	
<i>Option B3 - Provide for Voluntary Measures to be Legally Enforceable</i>		
<i>Comment</i>	<ul style="list-style-type: none"> <li>• Not possible to estimate but likely to be significant benefits to Hong Kong if many workplaces implement no smoking policies.</li> </ul>	

### 6.4.3 Economic Impacts from Options C1 to C3

As for the revenue impacts, it has not been possible (within the context of this study) to quantify the economic impacts of these options due to a lack of data on operating costs and on the current situation (regarding no smoking policies) in educational establishments.

However, *Option C1* (proposed amendments) is likely to have only economic benefits due to:

- lower mortality and morbidity costs of staff and pupils;
- lower maintenance and cleaning costs of buildings; and,
- less fires due to cigarette smoking.

*Option C2* (allowing separate ventilated smoking rooms) could have some economic costs associated with those establishments that choose to install separately ventilated smoking, but a number of benefits including:

- lower mortality and morbidity costs associated with SHS exposure of staff and pupils (although staff involved in cleaning smoking rooms might negate these benefits);
- lower maintenance and cleaning costs of buildings (although this might be negated by the costs associated with operating, maintaining and cleaning any smoking rooms installed); and
- less fires due to cigarette smoking (although those establishments installing smoking rooms might have an equivalent or higher risk of fire).

*Option C3* (allowing Universities and Tertiary Institutions to have voluntary schemes) will not have any economic costs directly associated with the

options but a number of benefits in schools (excluding Universities and Tertiary Institutions):

- lower morbidity and mortality costs associated with SHS exposure of staff and pupils;
- lower maintenance and cleaning costs of buildings; and,
- less fires due to cigarette smoking.

In summary, as for the revenue impacts, the economic impacts of *Options C1* are likely to be lowest and *Option C2* the highest, with *Option C3* somewhere in between (depending on how any Universities and Tertiary Institutions decide to implement no-smoking policies)

#### 6.4.4 *Economic Impacts of Option D1 to D3*

No data exists on the likely extent and timing of any mortality benefits arising from the reduction of smoking rates in Hong Kong although they are likely to be significant (as outlined in *Section 4.2.4*). This study has therefore adopted the following approach in estimating the economic benefits of the proposed amendments and options in relation to a reduced smoking rate (as a result of increasing the controls on tobacco advertising and promotion):

- ***Option D1: Proposed Amendments.*** We have assumed that the 1.5% reduction (over five years) in smoking rates used in the revenue impact assessment results in a corresponding drop in morbidity costs. An estimate of the current morbidity costs in Hong Kong is HK\$ 711 million (see *Section 4.2.4* for details) and although the actual number is likely to be much higher we have used this published figure. This amounts to around HK\$ 880,000 for every smoker per annum. We have however assumed that there is a one year time lag before these costs become apparent and that only 90% of these costs per smoker are recovered.
- ***Option D2: Proposed Amendments and Regulatory Options.*** We have assumed that the 1% reduction (over five years) in smoking rates used in the revenue impact assessment results in a corresponding drop in morbidity costs. An estimate of the current morbidity costs in Hong Kong is HK\$ 711 million (see *Section 4.2.4* for details) and although the actual number is likely to be much higher, we have used this published figure. This amounts to around HK\$ 880,000 for every smoker per annum. We have however assumed that there is a one year time lag before these costs become apparent and that only 90% of these costs per smoker are recovered.
- ***Option D3: Guidelines on Advertising and Promotion.*** We have assumed that the 0.5% reduction (over five years) in smoking rates used in the revenue impact assessment results in a corresponding drop in morbidity costs. An estimate of the current morbidity costs in Hong Kong is HK\$ 711 million (see *Section 4.2.4* for details) and although the actual number is likely to be much higher we have used this published figure. This amounts to around HK\$ 880,000 for every smoker per annum. We have however



assumed that there is a one year time lag before these costs become apparent and that only 90% of these costs per smoker are recovered.

Economic costs of the three options are outlined below:

- **Costs of Removing Current Advertising.** These are calculated in the same way as for revenue impacts as described previously.
- **Costs of Replacing Price Boards and Markers.** These are calculated in the same way as for revenue impacts as described previously.
- **Loss of Tourism Profit.** Calculated in the same way for revenue impacts as described previously.
- **Government Enforcement Costs.** We have assumed that a total of 10 new TCO staff are employed by the Government to enforce the legislation and a third of their time is spent in supporting *Options D1 to D3*.

The economic costs and benefits from *Options D1 to D3* are shown in *Table 6.10* below while the calculation sheets can be found in *Annex D, Tables D14 to D16*.

**Table 6.10** *Economic Impacts due to Options D1 to D3*

Option	Net Present Value (HK\$ millions)	Benefit to Cost Ratio
<i>Option D1 - Proposed Amendments</i>		
• Economic Benefit	3.9	1.1
<b>Comment</b>	<ul style="list-style-type: none"> <li>• Likely to be a significant underestimate of the benefits as:               <ul style="list-style-type: none"> <li>• likely to be an underestimate of morbidity costs that can be recovered;</li> <li>• does not include economic benefits resulting from lower mortality costs; and</li> <li>• does not include increased productivity, fewer fires and lower cleaning and maintenance costs of buildings related to lower smoking rates.</li> </ul> </li> </ul>	
<i>Option D2 - Proposed Amendments and Regulatory Options</i>		
• Economic Benefit	-13.0	0.7
<b>Comment</b>	<ul style="list-style-type: none"> <li>• Likely to be a significant underestimate of the benefits as:               <ul style="list-style-type: none"> <li>• likely to be an underestimate of morbidity costs that can be recovered;</li> <li>• does not include economic benefits resulting from lower mortality costs; and</li> <li>• does not include increased productivity, fewer fires and lower cleaning and maintenance costs of buildings related to lower smoking rates.</li> </ul> </li> <li>• A cost-effectiveness analysis suggests that if just one live was saved in the year 2011 due to this option it would be cost-effective (ie the benefits would exceed the costs and have a positive net present value)</li> </ul>	

Option	Net Present Value (HK\$ millions)	Benefit to Cost Ratio
<i>Option D3 - Guidelines on Advertising and Promotion</i>		
• Economic Benefit	-29.7	0.4
<i>Comment</i>	<ul style="list-style-type: none"> <li>• Likely to be a significant underestimate of the benefits as: <ul style="list-style-type: none"> <li>• likely to be an underestimate of morbidity costs that can be recovered;</li> <li>• does not include economic benefits resulting from lower mortality costs; and</li> <li>• does not include increased productivity, fewer fires and lower cleaning and maintenance costs of buildings related to lower smoking rates.</li> </ul> </li> <li>• A cost-effectiveness analysis suggests that if just two lives were saved by the year 2011 due to this option it would be cost-effective (ie the benefits would exceed the costs and it would have a positive net present value)</li> </ul>	

## 6.5

### TOBACCO DUTY IMPLICATIONS

While strictly neither an economic impact on Hong Kong (as it is a transfer payment) or a revenue impact on a business, the fact that tobacco is one of the few products in Hong Kong that pays duty makes it an important issue for the Government to consider, particularly in light of ongoing discussions on broadening Hong Kong's tax base.

Table 6.11 presents a simplified analysis of the tax revenue impacts of a reduction in Hong Kong smoking rates.

**Table 6.11** *Impact on Hong Kong's Tax Revenue of a Reduction in Smoking Rates*

Overall Percentage Reduction over Five Years	Net Present Value (HK\$ millions)
1.5%	- 233.5
1.0%	- 199.0
0.5%	- 99.5

A corresponding, or greater, increase in the duty rate could compensate for this loss in revenue (possible leading to further reductions in the overall smoking rate if it does not result in increased smuggling).

## 6.6

### AFFORDABILITY ANALYSIS

There are concerns that certain types of small businesses will be particularly hard hit by the proposed amendments. Such businesses might include:

- small restaurants, bars and karaokes whose current clientele are mostly smokers and who would have difficulty (due to location or budgetary constraints) attracting a new clientele;
- specialist smoking venues, such as cigar divans, whose business depends on smokers; and

- hawkers and small retailers who derive a significant proportion of their profit from tobacco advertising and/or tobacco sales;

We have therefore concentrated our affordability analysis on the above types of business.

### 6.6.1 *Small restaurants, bars and karaokes*

The financial impacts of the proposed amendments and options are illustrated in *Table 6.12*. The table shows summary statements of costs associated with implementing the proposed amendment and options assuming that they all implement a smoke-free policy and (in relation to the *Option A2*) cannot afford to install a smoke free room. The results illustrate that if there are revenue implications in implementing a smoke-free policy (ie loss of customers) then they are likely to be significant for small restaurants, bars and karaokes. If these impacts are persistent (ie revenue never recovers) then it could be enough to put them out of business.

**Table 6.12** *Affordability for Small Restaurants, Bars and Karaokes*

Turnover HK\$ 000s	Profit %	Impacts due to Option		Costs due to Option	
		Cost Savings	Loss of Revenue (%)	As percent of Turnover	As percent of Profit
1,000	5.0%	0.1%	5%	4.9%	98.1%
1,000	7.5%	0.1%	5%	4.9%	65.4%
1,000	10.0%	0.1%	5%	4.9%	49.1%
1,000	5.0%	0.1%	10%	9.9%	198.1%
1,000	7.5%	0.1%	10%	9.9%	132.1%
1,000	10.0%	0.1%	10%	9.9%	99.1%

Overseas evidence in implementing similar bans suggests that the total amount of money spent after implementing no-smoking bans (in hospitality venues) does not go down in the long term (see *Annex B*).

The results of the affordability analysis and this evidence from overseas suggests that exempting competing premises from a ban, or allowing smoking rooms in competing premises, might result in some smaller businesses being put out of business. This is because they might be unable to re-capture lost custom (from smokers going to competing premises that can accommodate them) fast enough to prevent them going out of business.

### 6.6.2 *Specialist Smoking Venues*

While it has not been possible to gather any information regarding the revenues and profitability of specialist smoking venues such as cigar divans during the course of the study, it is clear that if smoking were banned in all indoor workplaces and/or hospitality venues, then they would be put out of business.

### 6.6.3

#### *Hawkers and Small Retailers*

The financial impacts of the proposed amendment are illustrated in *Table 6.13*. The table shows summary statements of costs associated with implementing the proposed amendment (removing the exemption for hawkers and small retailers). The results illustrate that there would be significant revenue impacts for hawkers and small retailers who receive over HK\$200 per month from tobacco advertising, particularly for those with a turnover lower than HK\$ 500,000 per annum.

**Table 6.13** *Affordability Impacts on Hawkets and Small Retailers*

Turnover HK\$ 000s	Profit %	First Year Impacts due to Option A1			First Year Costs due to Option A1	
		Loss of Advertising	Loss of Sales	Replacing Advertising	As percent of Turnover	As percent of Profit
250	5.0%	1.2	0.13	1	0.9%	18.6%
250	5.0%	12.0	0.13	5	6.9%	137.0%
250	5.0%	24.0	0.13	10	13.7%	273.0%
500	5.0%	1.2	0.25	1	0.5%	9.8%
500	5.0%	12.0	0.25	5	3.5%	69.0%
500	5.0%	24.0	0.25	10	6.9%	137.0%
750	5.0%	1.2	0.38	1	0.3%	6.9%
750	5.0%	12.0	0.38	5	2.3%	46.3%
750	5.0%	24.0	0.38	10	4.6%	91.7%

This analysis however ignores the fact that other sources of advertising revenue are available in Hong Kong, particularly for those hawkers and retailers in good localities for advertising (eg many people pass by their stall/store). However, not all hawkers and small retailers are likely to be so located.

One conclusion that can be drawn from this fact is that hawkers and small retailers that are located in good localities (and hence can find alternative sources of advertising revenue) are less likely to be significantly impacted by the proposed amendment. Given the nature of their business (retail), turnover and locality are likely to be linked (ie the better your location the higher your turnover, including that related to advertising revenue).

### 6.7

#### *SENSITIVITY ANALYSIS*

As discussed throughout this report, a number of assumptions have had to be made in undertaking this assessment. Whilst we have sought to ensure that these assumptions reflect the actual situation as far as is practical, we must recognise the potential for different results to be produced, should alternative assumptions have been adopted relating to a number of key items. We have therefore undertaken sensitivity tests on the results of the appraisal to quantify the impact of altering some of the more fundamental assumptions on the analysis.

We have chosen to undertake the sensitivity test by varying the following assumptions:

- impact on sales in hospitality venues (restaurants, bars & karaokes) due to the proposed amendment in the revenue analysis;
- the assumptions underlying the costs and benefits associated with banning smoking in indoor offices; and,
- the current morbidity costs in Hong Kong in the economic analysis of the measures to reduce the impact of tobacco advertising and promotion.

These variables have been chosen for scrutiny since fluctuations of these values are found to have the greatest bearing on the outcomes of the appraisal. It should however be recognised that these are not the only areas where assumptions have been adopted in the course of this assessment. Other assumptions such as the discount rate, the profitability of premises and the value of tobacco advertising and promotion all have a strong relationship with the outcome of the assessment, since they all directly impact on the calculation of costs to be borne by the Trade. We therefore undertake a sensitivity analysis simply to provide an illustration of the range of outcomes that can be generated by altering any of these variables.

#### 6.7.1 *Impact on Sales of Hospitality Venues of the Proposed Amendment (Option A1)*

The main analysis assumes that there will be no impact on the sales of restaurants and bars of the proposed amendment. This sensitivity analysis examines the following scenarios:

- *Scenario A1:* restaurants, bars and karaokes suffer a short term impact (one year) that reduces their sales by 10% over that period (due to patrons and premises having to adapt) but after the first year recover to current levels.
- *Scenario A2:* restaurant, bars and karaokes suffer a short term impact (ie one year) that reduces their sales by 10% over that period but in the long run (ie from 2003 onwards) increases their sales by 5% due to non-smokers eating out more (there are more non-smokers than smokers in Hong Kong).
- *Scenario A3:* restaurants and bars suffer a long-term impact that permanently reduces their sales by 5% (as for Karaokes in the main analysis although such an impact has never been recorded when similar bans have been imposed).

**Table 6.14** *Results of the Sensitivity Tests on Sales of Hospitality Venues under the Proposed Amendment to Ban Smoking (Option A1)*

Test	Net Present Value (HK\$ m)	Benefit to Cost Ratio
<i>Scenario A1 - Short Term Decrease in Sales</i>		
Restaurants		
• Baseline	528.8	8
• Sensitivity	243.5	1.9

Test	Net Present Value (HK\$ m)	Benefit to Cost Ratio
Bars		
• Baseline	26.2	8
• Sensitivity	-1.6	0.9
Karaoke		
• Baseline	-90.5	0.1
• Sensitivity	-11.0	0.6
<i>Scenario A2 - Short Term Decrease in Sales but Long Term Increase</i>		
Restaurants		
• Baseline	528.8	8
• Sensitivity	1,304.2	5.6
Bars		
• Baseline	26.2	8
• Sensitivity	101.7	4.7
Karaoke		
• Baseline	-90.5	0.1
• Sensitivity	80.8	4.3
<i>Scenario A3 - Long Term Decrease in Sales</i>		
Restaurants		
• Baseline	528.8	8
• Sensitivity	-674.4	0.4
Bars		
• Baseline	26.2	8
• Sensitivity	-91.0	0.2

The above sensitivity analysis suggests that hospitality venues, particularly bars and karaoke are sensitive to changes in the assumptions regarding sales. As such, we have undertaken a cost-effectiveness analysis to identify what percentage change in sales (with all other variables remaining equal) would make the proposed amendment not cost-effective for the restaurant and bar trades (both in the short and long term). Similarly we have identified what percentage change in sales for karaoke would make the proposed options cost-effective.

The results of this cost effectiveness analysis show that:

- if restaurant sales drop by over 18.5% in the first year (and then recover to present levels) or if they drop by 2.2.% permanently (including in the first year) then the proposed amendment will not be cost-effective;
- if bars sales drop by over 9.5% in the first year (and then recover to present levels) or they drop by 1.2.% permanently (including in the first year) then the proposed amendment will not be cost-effective; and
- if karaoke sales drop by 5.5% in the first year (and then recover to present levels) or if they drop by 0.65% permanently (including in the first year) then the proposed amendment will not be cost-effective.

## 6.7.2 *Assumptions regarding the Impact of Banning Smoking in Other Indoor Workplaces*

The following table illustrates the impacts of:

- altering the assumptions regarding the number of workdays lost per annum due to smokers having to travel further to smoke (see *Table 5.4*); and,
- using the data reported by Warner (1994) to estimate the impact of a 1% reduction in smoking by those workers who currently smoke in indoor offices (see *Section 4.5.1*). We have taken the lower end of the estimated range of costs imposed by smokers on their employers (US\$2,000 per smoker) and estimated the impact of reducing the number of smokers by 1% (eg the proposed amendment provides the necessary incentive to some 1,470 current smokers, of the estimated 147,000 smokers who are currently allowed to smoke in the workplace, to give up and this result in a benefit of HK\$ 15,600 per annum per smoker) <sup>(1)</sup> .

**Table 6.15** *Sensitivity Test on Number of Workdays Lost Due to Smokers Having to Travel Further*

Test	Net Present Value (HK\$ m)	Benefit to Cost Ratio
<i>Option B1: Proposed Amendments to Ban Smoking in Indoor Offices</i>		
<i>Baseline</i>		
• Revenue Impact	- 416	0.8
• Economic Impact	438	1.2
<i>Doubling the Workdays Lost</i>		
• Revenue Impact	-2,801	0.4
• Economic Impact	<b>-1,947</b>	<b>0.6</b>
<i>Halving the Workdays Lost</i>		
• Revenue Impact	777	1.7
• Economic Impact	1,630	2.4
<i>Estimating Impact of Reduced Smoking Rates</i>		
• Revenue Impact	<b>183,667</b>	<b>78</b>

The above analysis suggests:

- That the impact of a ban of smoking in indoor workplaces is sensitive to assumptions made regarding the number of workdays that would be lost due to a smoking ban; and,
- That the quantified benefits attributable to a smoking ban in indoor offices are likely to be considerably higher if the benefits attributable to a reduced smoking rate are included.

### 6.7.3 *Impact of the Morbidity Costs of Smoking on the Economic Analysis of Options to Control Tobacco Advertising and Promotion*

The following table illustrates the impact of doubling the morbidity costs of smoking to HK\$1,422 million per annum (see *Section 4.2.4* under *Morbidity Costs of Smoking in Hong Kong*)

(1) No other benefits have been included in the sensitivity analysis. The costs remain the same as in the main analysis.

**Table 6.16** *Sensitivity Test on Options to Reduce the Impact of Tobacco Advertising and Promotion*

Test	Net Present Value (HK\$ m)	Benefit to Cost Ratio
<i>Doubling the current morbidity costs to HK\$ 1,422 million</i>		
<i>Option D1: Proposed Amendments on Tobacco Advertising and Promotion</i>		
Baseline	3.6	1.1
Sensitivity	55.1	2.1
<i>Option D2: Limiting Tobacco Advertising and Promotion by Regulation</i>		
Baseline	-13.4	0.7
Sensitivity	<b>21.0</b>	<b>1.4</b>
<i>Option D3: Limiting Tobacco Advertising and Promotion by Guidelines</i>		
Baseline	-30.0	0.4
Sensitivity	-12.8	0.7

The above sensitivity analysis suggests that, given the assumptions outlined in Section 6.4.4, the economic analysis of the proposed amendments to limit tobacco advertising and promotion (*Option D1*) is robust and the economic impacts from limiting tobacco advertising and promotion by regulation (*Option D2*) could be positive even without the inclusion of mortality costs.

## 6.8

### *SUMMARY OF RESULTS FROM IMPACT ANALYSIS*

The following table present the findings of the revenue and impact analysis described previously. Again, as stated in *Section 6.2.1*, it should be stressed that these results are not intended to be exact predictions of the future, but rather to illustrate the range and extent of possible future impacts of the proposed measures and options to inform decision makers.



Table 6.17 Summary of Results

Impacted Stakeholders	NPV (HK\$ millions)	B to C Ratio	Quantified Costs and Benefits	Un-quantified Costs and Benefits	Comments
<b>Option A1: Prohibition of Smoking in all Restaurants, Bars and Karaoke</b>					
Restaurants	528.8	8	<i>Costs</i> <ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Avoided fire damage &amp; associated loss profit</li> <li>Reduced maintenance costs</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>Management costs in enforcing the ban (likely to be insignificant)</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Increased productivity and less days of days off of staff (likely to be significant)</li> </ul>	<ul style="list-style-type: none"> <li>Assumes no loss in sales due to introduction of smoking ban as evidenced overseas</li> <li>Likely to be an underestimate of benefits available to restaurants (given above assumption)</li> <li>Quantified result would become negative if one assumes a loss in sales of 18.5% in the first year (or 2.2% per annum indefinitely)</li> </ul>
Bars	26.2	8	<i>Costs</i> <ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Avoided fire damage &amp; associated loss profit</li> <li>Reduced maintenance costs</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>Management costs in enforcing the ban (likely to be insignificant)</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Increased productivity and less days of days off of staff (likely to be significant)</li> </ul>	<ul style="list-style-type: none"> <li>Assumes no loss in sales due to introduction of smoking ban as evidenced overseas</li> <li>Likely to be an underestimate of benefits available to bars (given above assumption)</li> <li>Quantified result would become negative if one assumes a loss in sales of 9.5% in the first year (or 1.2% per annum indefinitely)</li> </ul>
Karaoke	-90.5	0.1	<i>Costs</i> <ul style="list-style-type: none"> <li>Lost profit due to less sales</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Avoided fire damage &amp; associated loss profit</li> <li>Reduced maintenance costs</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>Management costs in enforcing the ban (likely to be insignificant)</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Increased productivity and less days of days off of staff (likely to be significant)</li> </ul>	<ul style="list-style-type: none"> <li>Assumes some loss in sales due to introduction of smoking ban as no evidence available from overseas</li> <li>However, other hospitality sector have not suffered from similar bans overseas</li> <li>Likely to be an underestimate of benefits available to karaoke</li> <li>Quantified result would become negative if one assumes a loss in sales of 5.5% in the first year (or 0.65% per annum indefinitely)</li> </ul>
Economy	570	1,241	<i>Costs</i> <ul style="list-style-type: none"> <li>Government enforcement costs</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Avoided fire damage costs</li> <li>Reduced maintenance costs</li> <li>Savings in emergency services</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Lower morbidity costs of patrons and staff</li> <li>Lower mortality costs of patrons</li> <li>Increased productivity of staff due to</li> </ul>	<ul style="list-style-type: none"> <li>Likely to be a significant underestimate of the economic benefits available to Hong Kong from banning smoking in hospitality venues, particularly as it does not include mortality benefits.</li> </ul>

Impacted Stakeholders	NPV (HK\$ millions)	B to C Ratio	Quantified Costs and Benefits	Un-quantified Costs and Benefits	Comments
				less days off • Savings in human life (hospitality workers)	
<b>Option A2: Allowing Designated Separately Ventilated Smoking Rooms in Restaurants, Bars and Karaoke</b>					
Restaurants	81.4	1.3	<i>Costs</i> <ul style="list-style-type: none"> <li>Costs of installing smoking rooms</li> <li>Lost profit during construction of smoking rooms</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Avoided fire damage &amp; associated loss profit in those not installing smoking rooms</li> <li>Reduced maintenance costs in those not installing smoking rooms</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>Management costs in enforcing the ban (likely to be insignificant)</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Increased productivity and less days of days off of staff (might not be significant if those premises with smoking rooms)</li> </ul>	<ul style="list-style-type: none"> <li>Equity issues as some premises will not be able to install smoking rooms</li> <li>Some staff (and customers) will still be exposed to SHS (although fewer and to a lesser extent)</li> </ul>
Bars	1.8	1.1	<i>Costs</i> <ul style="list-style-type: none"> <li>Costs of installing smoking rooms</li> <li>Lost profit during construction of smoking rooms</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Avoided fire damage &amp; associated loss profit in those not installing smoking rooms</li> <li>Reduced maintenance costs in those not installing smoking rooms</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>Management costs in enforcing the ban (likely to be insignificant)</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Increased productivity and less days of days off of staff (might not be significant if those premises with smoking rooms)</li> </ul>	<ul style="list-style-type: none"> <li>Equality issues as some premises will not be able to install smoking rooms</li> <li>Some staff will still be exposed to SHS (although fewer and to a lesser extent)</li> </ul>
Karaoke	-0.8	0.9	<i>Costs</i> <ul style="list-style-type: none"> <li>Costs of installing smoking rooms</li> <li>Lost profit during construction of smoking rooms</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Avoided fire damage &amp; associated loss profit in those not installing smoking rooms</li> <li>Reduced maintenance costs in those not installing smoking rooms</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>Management costs in enforcing the ban (likely to be insignificant)</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Increased productivity and less days of days off of staff (might not be significant if those premises with smoking rooms)</li> </ul>	<ul style="list-style-type: none"> <li>Equality issues as some premises will not be able to install smoking rooms</li> <li>Some staff will still be exposed to SHS (although fewer and to a lesser extent)</li> </ul>
Economy	139	1.6	<i>Costs</i> <ul style="list-style-type: none"> <li>Cost of installing smoking rooms</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>Costs of maintaining smoking rooms</li> </ul>	<ul style="list-style-type: none"> <li>Could be an underestimate of benefits available to Hong Kong of limiting smoking in hospitality</li> </ul>

Impacted Stakeholders	NPV (HK\$ millions)	B to C Ratio	Quantified Costs and Benefits	Un-quantified Costs and Benefits	Comments
			<ul style="list-style-type: none"> <li>Government enforcement costs</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Avoided fire damage costs in those without smoking rooms</li> <li>Reduced maintenance costs in those without smoking rooms</li> <li>Savings in emergency services</li> </ul>	<i>Benefits</i> <ul style="list-style-type: none"> <li>Lower morbidity costs of patrons and staff</li> <li>Lower mortality costs of patrons</li> <li>Increased productivity of staff due to less days off</li> <li>Savings in human life (restaurant workers in those without smoking rooms)</li> </ul>	venues (but not as much as an underestimate as under <i>Option A1</i> ) as it does not include the mortality benefits
<b>Option A3: Exempt Bars and Karaoke from Proposed Amendments</b>					
Restaurants	349.2	3.7	<i>Costs</i> <ul style="list-style-type: none"> <li>Temporary lost profit due to changes in habit of smokers and non-smokers</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Avoided fire damage &amp; associated loss profit</li> <li>Reduced maintenance costs</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>Management costs in enforcing the ban (likely to be insignificant)</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Increased productivity and less days of days off of staff (likely to be significant)</li> </ul>	<ul style="list-style-type: none"> <li>Assumes no permanent loss in sales due to introduction of smoking ban as evidenced overseas</li> <li>Likely to be an underestimate of benefits available to restaurants (given above assumption)</li> </ul>
Bars & Karaoke	-	-	<i>Costs</i> <ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>Possible higher costs in maintaining and from increase fire risk if more smokers visits</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Possible growth in revenue if trade diverted from restaurants</li> </ul>	<ul style="list-style-type: none"> <li>Both Bars and Karaoke can compete directly with restaurants as they can serve food (ie they might actual gain from a ban in restaurants)</li> </ul>
Economy	530	1,154	<i>Costs</i> <ul style="list-style-type: none"> <li>Government enforcement costs</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Fire damage costs</li> <li>Reduced maintenance costs</li> <li>Savings in emergency services</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Lower morbidity costs of patrons and staff</li> <li>Lower mortality costs of patrons</li> <li>Increased productivity of staff due to less days off</li> <li>Savings in human life (restaurant workers)</li> </ul>	<ul style="list-style-type: none"> <li>Likely to be a significant underestimate of the economic benefits available to Hong Kong from banning smoking in restaurants as does not include mortality benefits</li> </ul>

Impacted Stakeholders	NPV (HK\$ millions)	B to C Ratio	Quantified Costs and Benefits	Un-quantified Costs and Benefits	Comments
<b>Option B1: Prohibition of Smoking in Other Indoor Workplaces</b>					
Hong Kong Businesses	-416	0.8	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>Cost of smokers having to go further to smoke</li> </ul> <p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>Increased productivity of workers</li> <li>Avoided fire damage costs and associated injuries</li> <li>Medical costs associated with SHS in workplaces</li> </ul>	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>Possible costs associated with how current smoking rooms are used after implementation of the ban</li> </ul> <p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>Possible benefits from having more space from using current smoking rooms</li> <li>Lower cleaning and maintenance costs of buildings</li> <li>Lower smoking rates</li> </ul>	<ul style="list-style-type: none"> <li>Additional benefits from lower cleaning and maintenance costs may outweigh costs, particularly in companies with small number of smokers or a small distance to travel outside of the office to smoke.</li> <li>The sensitivity analysis suggests that additional benefits from reduced smoking rates among indoor offices workers could be considerably greater than the costs.</li> </ul>
Economy	438	1.2	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>Government enforcement costs</li> <li>Cost of smokers having to go further to smoke</li> </ul> <p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>Fire damage and associated injury costs</li> <li>Savings in emergency services</li> <li>Increased productivity of office workers</li> <li>Savings in medical costs associated with SHS in workplaces</li> </ul>	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>None</li> </ul> <p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>Lower mortality costs</li> <li>Lower cleaning and maintenance costs of buildings</li> <li>Lower smoking rates</li> </ul>	<ul style="list-style-type: none"> <li>Likely to be an underestimate of the benefits that could accrue to Hong Kong as it does not include: <ul style="list-style-type: none"> <li>economic benefits resulting from lower mortality costs among staff; and</li> <li>lower cleaning and maintenance costs of buildings.</li> <li>economic benefits arising from lower smoking rates</li> </ul> </li> </ul>
<b>Option B2: Allowing Designated Separately Ventilated Smoking Rooms</b>					
Hong Kong Businesses	1,152	5.4	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>Cost of installing smoking rooms</li> </ul> <p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>Increased productivity of workers</li> <li>Avoided fire damage costs in those not installing smoking rooms</li> <li>Medical costs associated with SHS in workplaces</li> </ul>	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>Maintenance costs of smoking rooms</li> </ul> <p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>Lower cleaning and maintenance costs of buildings</li> </ul>	
Economy	2,450	7.8	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>Government enforcement costs</li> <li>Cost of smokers having to go further</li> </ul>	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>None</li> </ul> <p><i>Benefits</i></p>	<ul style="list-style-type: none"> <li>Likely to be an underestimate of the benefits that could accrue to Hong Kong as it does not include:</li> </ul>

Impacted Stakeholders	NPV (HK\$ millions)	B to C Ratio	Quantified Costs and Benefits	Un-quantified Costs and Benefits	Comments
			<p>to smoke</p> <p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>• Fire damage and associated injury costs</li> <li>• Savings in emergency services</li> <li>• Increased productivity of office workers</li> <li>• Savings in medical costs associated with SHS in workplaces</li> </ul>	<ul style="list-style-type: none"> <li>• Lower mortality costs</li> <li>• Lower cleaning and maintenance costs of buildings</li> </ul>	<ul style="list-style-type: none"> <li>• economic benefits resulting from lower mortality costs among staff; and</li> <li>• lower cleaning and maintenance costs of buildings.</li> </ul>
<b>Option B3: Provide for Voluntary Measures to be Legally Enforceable</b>					
Hong Kong Businesses	N/A	N/A	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>• None</li> </ul> <p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>• None</li> </ul>	<p><i>Costs &amp; Benefits</i></p> <ul style="list-style-type: none"> <li>• None directly associated with the proposed option - just with the decisions the companies choose to make</li> </ul>	<ul style="list-style-type: none"> <li>• Impossible to estimate as not clear how many offices would implement ban if they were legally enforceable</li> </ul>
Economy	N/A	N/A	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>• None</li> </ul> <p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>• None</li> </ul>	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>• Government enforcement costs</li> </ul> <p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>• None directly associated with the proposed option - just with the decisions the companies choose to make</li> </ul>	<ul style="list-style-type: none"> <li>• Impossible to estimate as not clear how many offices would implement ban if they were legally enforceable</li> </ul>
<b>Option C1: Ban Smoking in Schools, Universities and Tertiary Institutions</b>					
Educational Institutions	N/A	N/A	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>• None</li> </ul> <p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>• None</li> </ul>	<p><i>Costs</i></p> <ul style="list-style-type: none"> <li>• Might be some loss of productivity in smoking staff having to leave the building (although unlikely to impact on teaching)</li> </ul> <p><i>Benefits</i></p> <ul style="list-style-type: none"> <li>• Decreased morbidity costs associated with SHS</li> <li>• Lower maintenance and cleaning costs</li> <li>• Fewer fires (and associated costs)</li> </ul>	<ul style="list-style-type: none"> <li>• Impossible to quantify revenue impacts but likely to be beneficial given the: <ul style="list-style-type: none"> <li>• lower morbidity costs associated with SHS exposure</li> <li>• lower maintenance and cleaning costs</li> <li>• less fires due to cigarette smoking</li> </ul> </li> </ul>

Impacted Stakeholders	NPV (HK\$ millions)	B to C Ratio	Quantified Costs and Benefits	Un-quantified Costs and Benefits	Comments
Economy	N/A	N/A	<i>Costs</i> <ul style="list-style-type: none"> <li>• None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>• None significant</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• Lower mortality and morbidity costs of staff and pupils</li> <li>• Lower maintenance and cleaning costs of buildings</li> <li>• less fires due to cigarette smoking</li> </ul>	<ul style="list-style-type: none"> <li>• Impossible to be quantify economic benefits but they are likely to be significant given benefits from: <ul style="list-style-type: none"> <li>• Lower mortality and morbidity costs of staff and pupils</li> <li>• Lower maintenance and cleaning costs of buildings</li> <li>• less fires due to cigarette smoking</li> </ul> </li> </ul>
<b>Option C2: Allowing Separately Ventilated Smoking Rooms in Schools, Universities and Tertiary Institutions</b>					
Educational Institutions	N/A	N/A	<i>Costs</i> <ul style="list-style-type: none"> <li>• None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>• Cost of installing smoking rooms (in those premises that choose to do so)</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• Decreased morbidity costs associated with SHS</li> <li>• Lower maintenance and cleaning costs in those institutions without smoking rooms</li> <li>• Fewer fires (and associated costs) in those premises without smoking rooms</li> </ul>	<ul style="list-style-type: none"> <li>• Impossible to quantify revenue impacts but likely to be beneficial (but not as high as under <i>Option C1</i>)</li> </ul>
Economy	N/A	N/A	<i>Costs</i> <ul style="list-style-type: none"> <li>• None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>• None significant</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• Lower mortality and morbidity costs of staff and pupils</li> <li>• Lower maintenance and cleaning costs of buildings without smoking rooms</li> <li>• Less fires due to cigarette smoking</li> </ul>	<ul style="list-style-type: none"> <li>• Impossible to quantify economic impacts but likely to be beneficial (but not as high as under <i>Option C1</i>)</li> </ul>
<b>Option C3: Allowing Universities and Tertiary Institutions to have Voluntary Measures</b>					
Universities and Tertiary Institutions	N/A	N/A	<i>Costs</i> <ul style="list-style-type: none"> <li>• None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<i>Costs &amp; Benefits</i> <ul style="list-style-type: none"> <li>• None directly associated with the proposed option - just with the decisions the institutions choose to make</li> </ul>	<ul style="list-style-type: none"> <li>• Impossible to estimate as not clear how many institutions would implement ban</li> <li>• Benefits likely to be significant in those that choose to implement a total smoking ban</li> </ul>
Economy	N/A	N/A	<i>Costs</i>	<i>Costs &amp; Benefits</i>	<ul style="list-style-type: none"> <li>• Impossible to estimate as not clear how many</li> </ul>

Impacted Stakeholders	NPV (HK\$ millions)	B to C Ratio	Quantified Costs and Benefits	Un-quantified Costs and Benefits	Comments
			<ul style="list-style-type: none"> <li>• None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• None directly associated with the proposed option - just with the decisions the institutions choose to make</li> </ul>	<ul style="list-style-type: none"> <li>• institutions would implement ban</li> <li>• Benefits likely to be significant if a number of institutions implement a total smoking ban</li> </ul>
<b>Option D1: Proposed Amendments to Further Restrict Tobacco Advertising and Promotion</b>					
Hawkers and Small Retailers	-476.6	0	<i>Costs</i> <ul style="list-style-type: none"> <li>• Loss of advertising revenue</li> <li>• Loss of tobacco revenue</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>• None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Impact could be significant for stalls and stores that could not find other sources of advertising revenue</li> </ul>
Advertising Agencies	-5.8	0	<i>Costs</i> <ul style="list-style-type: none"> <li>• Loss of revenue from tobacco manufacturers</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>• None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Assumes that some revenue, but not all, recovered from other sources</li> </ul>
Printers & Other Related Advertising Industries	-23.3	0	<i>Costs</i> <ul style="list-style-type: none"> <li>• Loss of revenue from tobacco manufacturers</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>• None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Assumes that some revenue, but not all, recovered from other sources</li> </ul>
Tourism Related Trade (including retailers, hotels, restaurants, entertainment, tour operators etc)	-0.27	0	<i>Costs</i> <ul style="list-style-type: none"> <li>• Loss of revenue if fewer tourists travel to Hong Kong to participate in tobacco-brand sponsored events</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>• None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Assumes that alternative sponsors are found for cancelled events after the first year and the same number of tourists return</li> </ul>
Event Organisers	-37.1	0	<i>Costs</i> <ul style="list-style-type: none"> <li>• Loss of sponsorship from tobacco manufacturers</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>• None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• Assumes that alternative sponsors are found for cancelled events after the first year but the total supply of sponsorship money is never fully recovered</li> </ul>
Tobacco Industry (Importers,	-12.93	0	<i>Costs</i> <ul style="list-style-type: none"> <li>• Loss of tobacco sales</li> <li>• Replacement of price boards and</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>• None</li> </ul> <i>Benefits</i>	<ul style="list-style-type: none"> <li>• Assumes a reduction in tobacco sales of 1.5%</li> <li>• Assumes that losses to importers, wholesalers and retailers are not cumulative (ie they find</li> </ul>

Impacted Stakeholders	NPV (HK\$ millions)	B to C Ratio	Quantified Costs and Benefits	Un-quantified Costs and Benefits	Comments
Wholesalers, Retailers & Manufacturers)			markers <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	other sources of revenue) <ul style="list-style-type: none"> <li>Does not include the financial costs to manufacturers of including pictorial and graphic health warnings</li> </ul>
Economy	3.9	1.1	<i>Costs</i> <ul style="list-style-type: none"> <li>Cost of removing current advertising</li> <li>Replacing price boards and makers</li> <li>Loss profit from tourism</li> <li>Government enforcement costs</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Reduced morbidity costs associated with a reduction in smoking</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Lower mortality costs</li> <li>Increased productivity, fewer fires and lower cleaning and maintenance costs of buildings related to lower smoking rates</li> </ul>	<ul style="list-style-type: none"> <li>Likely to be a significant underestimate of the benefits as:               <ul style="list-style-type: none"> <li>likely to be an underestimate of morbidity costs that can be recovered;</li> <li>does not include economic benefits resulting from lower mortality costs; and</li> <li>does not include increased productivity, fewer fires and lower cleaning and maintenance costs of buildings related to lower smoking rates.</li> </ul> </li> </ul>
<b>Option D2: Options to Limit Tobacco Advertising and Promotion through Regulation</b>					
Hawkers and Small Retailers	-45.8	0	<i>Costs</i> <ul style="list-style-type: none"> <li>Cost of removing/replacing current advertising</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Arguable whether the cost of replacing or removing current advertising would fall on the hawkers and small retailers and/or whether such costs are all a direct result of the proposed option (some advertising is likely to be replaced regardless of regulatory changes). As such the cost impact could be lower</li> <li>Would require carefully drafted legislation to minimise the advertising impact on youth (which could be difficult)</li> </ul>
Advertising Agencies	-1.2	0	<i>Costs</i> <ul style="list-style-type: none"> <li>Loss of revenue from tobacco manufacturers</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Assumes that revenue recovered from other sources</li> </ul>
Printers & Other Related Advertising Industries	-4.6	0	<i>Costs</i> <ul style="list-style-type: none"> <li>Loss of revenue from tobacco manufacturers</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Assumes that revenue recovered from other sources</li> </ul>
Tourism Related	-0.27	0	<i>Costs</i>	<i>Costs</i>	<ul style="list-style-type: none"> <li>Assumes that alternative sponsors are found for</li> </ul>



Impacted Stakeholders	NPV (HK\$ millions)	B to C Ratio	Quantified Costs and Benefits	Un-quantified Costs and Benefits	Comments
Trade (including retailers, hotels, restaurants, entertainment, tour operators etc) (as for Option D1)			<ul style="list-style-type: none"> <li>Loss of revenue if fewer tourists travel to Hong Kong to participate in tobacco-brand sponsored events</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	cancelled events after the first year and the same number of tourists return
Event Organisers (as for Option D1)	-37.1	0	<i>Costs</i> <ul style="list-style-type: none"> <li>Loss of sponsorship from tobacco manufacturers</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Assumes that alternative sponsors are found for cancelled events after the first year but the total supply of sponsorship money is never fully recovered</li> </ul>
Tobacco Industry (Importers, Wholesalers, Retailers & Manufacturers)	-8.94	0	<i>Costs</i> <ul style="list-style-type: none"> <li>Loss of tobacco sales</li> <li>Replacement of price boards and markers</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Assumes a reduction in tobacco sales of 1%</li> <li>Assumes that losses to importers, wholesalers and retailers are not cumulative (ie they find other sources of revenue)</li> <li>Does not include the financial costs to manufacturers of including pictorial and graphic health warnings</li> </ul>
Economy	-13.0	0.7	<i>Costs</i> <ul style="list-style-type: none"> <li>Cost of removing/replacing current advertising</li> <li>Replacing price boards and makers</li> <li>Loss profit from tourism</li> <li>Government enforcement costs</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Reduced morbidity costs associated with a reduction in smoking</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>Lower mortality costs</li> <li>Increased productivity, fewer fires and lower cleaning and maintenance costs of buildings related to lower smoking rates</li> </ul>	<ul style="list-style-type: none"> <li>Likely to be a significant underestimate of the benefits as: <ul style="list-style-type: none"> <li>likely to be an underestimate of morbidity costs that can be recovered;</li> <li>does not include economic benefits resulting from lower mortality costs; and</li> <li>does not include increased productivity, fewer fires and lower cleaning and maintenance costs of buildings related to lower smoking rates.</li> </ul> </li> <li>A cost-effectiveness analysis suggests that if just one life was saved by the year 2011 then this option would be cost-effective (ie the benefits would exceed the costs)</li> </ul>
<b>Option D3: Options to Reduce Tobacco Advertising and Promotion by Issuing Guidelines with Threat of Future Regulation</b>					
Hawkers and	-45.8	0	<i>Costs</i>	<i>Costs</i>	<ul style="list-style-type: none"> <li>Arguable whether the cost of replacing or</li> </ul>

Impacted Stakeholders	NPV (HK\$ millions)	B to C Ratio	Quantified Costs and Benefits	Un-quantified Costs and Benefits	Comments
Small Retailers			<ul style="list-style-type: none"> <li>Cost of removing/replacing current advertising</li> <li><i>Benefits</i></li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>None</li> <li><i>Benefits</i></li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>removing current advertising would fall on the hawkers and small retailers and/or whether such costs are all a direct result of the proposed option (some advertising is likely to be replaced regardless of option). As such the cost impact could be lower</li> <li>Would require carefully drafted guidelines to minimise the advertising impact on youth (which could be difficult)</li> </ul>
Advertising Agencies	-1.0	0	<ul style="list-style-type: none"> <li><i>Costs</i></li> <li>Loss of revenue from tobacco manufacturers</li> <li><i>Benefits</i></li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li><i>Costs</i></li> <li>None</li> <li><i>Benefits</i></li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Assumes that revenue recovered from other sources</li> </ul>
Printers & Other Related Advertising Industries	-3.8	0	<ul style="list-style-type: none"> <li><i>Costs</i></li> <li>Loss of revenue from tobacco manufacturers</li> <li><i>Benefits</i></li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li><i>Costs</i></li> <li>None</li> <li><i>Benefits</i></li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Assumes that revenue recovered from other sources</li> </ul>
Tourism Related Trade (including retailers, hotels, restaurants, entertainment, tour operators etc)	-0.21	0	<ul style="list-style-type: none"> <li><i>Costs</i></li> <li>Loss of revenue if fewer tourists travel to Hong Kong to participate in tobacco-brand sponsored events</li> <li><i>Benefits</i></li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li><i>Costs</i></li> <li>None</li> <li><i>Benefits</i></li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Assumes that alternative sponsors are found for cancelled events after the first year and the same number of tourists return</li> </ul>
Event Organisers	-29.7	0	<ul style="list-style-type: none"> <li><i>Costs</i></li> <li>Loss of sponsorship from tobacco manufacturers</li> <li><i>Benefits</i></li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li><i>Costs</i></li> <li>None</li> <li><i>Benefits</i></li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Assumes that alternative sponsors are found for cancelled events after the first year but the total supply of sponsorship money is never fully recovered</li> </ul>
Tobacco Industry (Importers, Wholesalers, Retailers &	-4.47	0	<ul style="list-style-type: none"> <li><i>Costs</i></li> <li>Loss of tobacco sales</li> <li>Replacement of price boards and markers</li> <li><i>Benefits</i></li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li><i>Costs</i></li> <li>None</li> <li><i>Benefits</i></li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Assumes a reduction in tobacco sales of 0.5%</li> <li>Assumes that losses to importers, wholesalers and retailers are not cumulative (ie they find other sources of revenue)</li> </ul>

Impacted Stakeholders	NPV (HK\$ millions)	B to C Ratio	Quantified Costs and Benefits	Un-quantified Costs and Benefits	Comments
Manufacturers)			<i>Benefits</i> <ul style="list-style-type: none"> <li>• None</li> </ul>		<ul style="list-style-type: none"> <li>• Does not include the financial costs to manufacturers of including pictorial and graphic health warnings</li> </ul>
Economy	-29.7	0.4	<i>Costs</i> <ul style="list-style-type: none"> <li>• Cost of removing/replacing current advertising</li> <li>• Replacing price boards and makers</li> <li>• Loss profit from tourism</li> <li>• Government enforcement costs</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• Reduced morbidity costs associated with a reduction in smoking</li> </ul>	<i>Costs</i> <ul style="list-style-type: none"> <li>• None</li> </ul> <i>Benefits</i> <ul style="list-style-type: none"> <li>• Lower mortality costs</li> <li>• Increased productivity, fewer fires and lower cleaning and maintenance costs of buildings related to lower smoking rates</li> </ul>	<ul style="list-style-type: none"> <li>• Likely to be a significant underestimate of the benefits as: <ul style="list-style-type: none"> <li>• likely to be an underestimate of morbidity costs that can be recovered;</li> <li>• does not include economic benefits resulting from lower mortality costs; and</li> <li>• does not include increased productivity, fewer fires and lower cleaning and maintenance costs of buildings related to lower smoking rates.</li> </ul> </li> <li>• A cost-effectiveness analysis suggests that if just two lives was saved by the year 2011 then this option would be cost-effective (ie the benefits would exceed the costs)</li> </ul>

## 7.1 INTRODUCTION

While the role of this study is not to undertake a formal consultation on the proposed amendments, the Consultant has contacted and sought the views of a large number of business stakeholders to ensure that both the likely financial impacts on their businesses and their concerns are understood.

This has been done through a variety of means, including focus group meetings, interviews (face-to-face and telephone) and written communication (fax, email and letters). The contacts made, the views received and the key issues raised are summarised below. It should be stressed that we have not attempted to repeat all the many and diverse views expressed but have summarised the key issues and concerns raised. Further it should be noted that this section does not present views received from other stakeholders in Hong Kong such as the general public and other concerned parties but only those received from businesses consulted during the course of the study.

## 7.2 KEY ISSUES RAISED BY STAKEHOLDERS

Amongst others, ERM has consulted with the representatives from the following business groups:

- Hospitality Groups
- Hawkers and Small Retailers
- Advertising
- Tobacco Industry
- Tourism
- Retailers
- General Business

The results of these consultations are described in more detail below.

### 7.2.1 Hospitality Group

ERM held two focus group meetings with representatives from this group as well as undertaking a number of interviews and seeking written submissions from others. The key issues raised by this group are summarised in *Table 7.1* below.

**Table 7.1 Key Issues Raised by Consultees**

<b>Key Issues Raised</b>
1. While some representatives of the restaurant trade, including trade associations (notably the Hong Kong Restaurant & Eating-House Merchants General Association) and individual businesses (including restaurants that have had experience of running smoke-free restaurants in Hong Kong) supported the proposed amendments, there was a

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**Key Issues Raised**

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considerable body that opposed the ban fearing significant economic and financial impacts, particularly in the Bar & Karaoke Trades.

2. Other options suggested to reduce the impact of SHS on staff and patrons included:
    - allowing separately ventilated smoking rooms and, although some stakeholders were concerned about those who could not afford such facilities, many supported such a move;
    - extending either the no-smoking area and/or the coverage of the current legislation, although some recognised that this would provide minimal additional protection to staff;
    - the status quo with better enforcement; and
    - better education and public awareness.
  3. Key concerns expressed regarding the proposed amendments included:
    - proposed amendments would impact negatively on their business;
    - it is not a good time to be implementing such measures given the current economic climate
    - business from overseas visitors, notably from Mainland China, would be particularly impacted
    - no exemptions should be granted and the proposed measures (or other options) should be applied equally to all (level playing field)
    - smokers should be given some choice and government should not be interfering with freedom of choice
    - people will get used to the ruling after some moaning and groaning but there will be other impacts (eg litter)
    - some felt that, given time to adjust, there will not be significant financial impacts
    - enforcement is likely to be a major concern for managers and staff
    - karaokes should be treated differently as there are enclosed rooms that separate different groups of consenting adults
    - smoking is part of some Chinese culture
    - experience in implementing smoke-free bans by some groups have been mostly successful and well received - problems have however been encountered in some older residential districts
    - some establishment's main clientele are smokers and these will be significantly impacted, notably bars and pubs and restaurants serving lower income groups
    - many staff are smokers
  4. Other issues raised included:
    - many felt that increased education and awareness could have an equivalent health benefit without the economic costs
- 

### 7.2.2

#### *Hawkers and Small Retailers*

We conducted individual face-to-face interviews with representatives of the trade but were unable to set up a focus group meeting with trade members, despite contacting various trade associations. The key issues raised by this group are summarised in *Table 7.2* below.

**Table 7.2** *Key Issues Raised by Consultees*

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**Key Issues Raised**

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1. Representatives all opposed the ban as it would impact on their business (loss of advertising and sales revenue). It was noted that the advertising deal is often part of a general package associated with purchasing cigarettes and also that not much of their profit was attributable to tobacco sales (low margins). Tobacco firms are, for most hawkers and small retailers, their largest form of advertising revenue.
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Key Issues Raised
2. Other options suggested in relation to reducing the uptake of smoking by young included: <ul style="list-style-type: none"> <li>• limit the size or content of advertising</li> <li>• make it illegal for people under the age of 18 to purchase cigarettes</li> <li>• increase education and awareness</li> <li>• better enforcement of existing legislation (including that against smuggling of cigarettes from Mainland China)</li> </ul>
3. Other issues raised included: <ul style="list-style-type: none"> <li>• the Government should consider the current economic climate and the livelihood of Hawkers and Small Retailers</li> </ul>

### 7.2.3 Advertising

ERM had one focus group meeting with members of the Association of Accredited Advertising Agents of Hong Kong and a member of the same association attended a focus group meeting with the hospitality industry (due to timing constraints). The key issues raised by this group are summarised in *Table 7.3* below.

**Table 7.3** *Key Issues Raised by Consultees*

Key Issues Raised
1. Representatives doubted whether banning tobacco advertising would impact on youth smoking rates and as such opposed a blanket ban of same.
2. Other options suggested to reduce the uptake of smoking by young included: <ul style="list-style-type: none"> <li>• better enforcement of current legislation</li> <li>• awareness raising and public education</li> <li>• funding of anti-smoking campaigns by tobacco firms</li> </ul>
3. Other issues raised included: <ul style="list-style-type: none"> <li>• doubted whether it was appropriate to ban smoking in all hospitality venues</li> </ul>

### 7.2.4 Tobacco Industry

ERM had a focus group meeting with representatives of various tobacco manufacturers, a separate meeting with the Tobacco Institute and various written and verbal communications from tobacco firms. The key issues raised by this group are summarised in *Table 7.4* below.

**Table 7.4** *Key Issues Raised by Consultees*

Key Issues Raised
1. Tobacco manufacturers, while acknowledging the hazards associated with their product, questioned the need, approach and impacts of the regulatory measures proposed by government. They considered that while there is a need to regulate some activities (notably marketing of tobacco products) in line with public expectations, there is scope for self-regulation and other less expensive measures to limit the impact of their product.
2. Other options suggested to reduce the impact of SHS included: <ul style="list-style-type: none"> <li>• allowing separately ventilated smoking rooms - not necessary to regulate but just allow businesses to make their own decisions. Acknowledged possibility of small businesses having difficulty in competing</li> <li>• allowing hospitality venues and workplaces to be included into <i>Schedule 4</i> of the <i>Smoking Ordinance</i> (to allow them to designate their premises as no smoking and give them legal powers to enforce)</li> <li>• increased education and awareness</li> <li>• allow for hospitality venues to become smoking after a certain hour (9pm was suggested)</li> </ul>

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**Key Issues Raised**

3. Other options suggested to reduce the impact of tobacco advertising and promotion on youth smoking included:
    - use of code of conduct with threat of future regulation, suggested working together with government to agree acceptable practices (such as size limits)
    - restricting the frequency, type and/or price of products which are sold together with tobacco products
    - banning of tobacco brand sponsorship, but not corporate sponsorship
    - regulate to make it illegal for those under 18 to purchase cigarettes
    - increased education and awareness
  4. Other issues raised included:
    - there is a demand for smoking venues in Hong Kong
    - the impacts of different measures would fall on different businesses within the same sector differently
    - the tobacco industry needs to be able to communicate with customers and promote their products. This allows them to maintain market share, facilitate the entry of new manufacturers and products (include 'less risky' products) to the market and inform customers of price changes.
    - some corporate names include the word 'tobacco' - would they be prevented from sponsoring events (ie not brand names)?
    - tobacco industry are prepared to work with government on codes of conduct
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**7.2.5*****Tourism***

ERM met with representatives of the Hotel industry (at a focus group meeting) and the Hong Kong Tourism Board. The key issues raised by this group are summarised in *Table 7.5* below.

**Table 7.5*****Key Issues Raised by Consultees***

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**Key Issues**

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1. Felt that banning smoking in public places would affect Hong Kong's international image and tourism - although the impacts would be long term and not immediately felt. In addition, the ban on tobacco sponsorship might have an impact on tourism as less overseas visitors would travel to Hong Kong for events
  2. Other options suggested to limit the impact of SHS
    - gradually expand the no smoking area in restaurants
    - provision of smoking rooms
  3. Other options suggested to limit the impact of tobacco advertising and promotion on youth smoking
    - education and awareness
    - making it illegal for them to purchase cigarettes
  4. Other issues raised included:
    - there should be clear signs if smoking bans are brought in so tourists are aware of the restrictions
    - Hong Kong should consider its international reputation as a free market economy when considering such control measures
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**7.2.6*****Retailers***

ERM had verbal and written communications with two general retailers that also sell tobacco products. The issues raised are summarised in *Table 7.6* below.

**Table 7.6** *Key Issues Raised by Consultees*

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1. Retailers had concerns regarding two of the proposed amendments, namely that regarding tobacco promotions and the use of graphic and pictorial health warnings.
2. Regarding tobacco promotions:
  - banning tobacco-product promotions means there is no incentive to the consumers to purchase a legal product, and consumers are paying a lot per pack (including a lot of duty), this is unfair to the consumers
  - retailers obtains additional revenues from holding tobacco promotions in their outlets (both from the additional custom and from a cut in the resulting sales revenue). These revenues are significant in dollar terms (although not in absolute terms).
  - the proposed amendment needs clarifying as it appears to prevent the sale of other items (regardless of whether they form part of a tobacco promotion or not) from being sold within the same transaction as a tobacco product
3. Regarding graphic and pictorial health warnings:
  - the visual impact of the warnings to customers of other non-tobacco products might discourage customers
  - the format of the health warnings should minimise this visual impact
4. Another concern expressed was with regard to tobacco smuggling. A consultee felt that the above two requirements might encourage consumers to purchase non-duty-paid (smuggled) stock.

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**7.2.7** *General Business*

ERM had verbal and written communications with various general business associations in Hong Kong. The key issues raised by this group are summarised in *Table 7.7* below.

**Table 7.7** *Key Issues Raised by Consultees*

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<b>Key Issues</b>
1. Supported the ban in indoor workplaces and no alternatives were suggested, however questioned the total ban in hospitality venues and one suggested the need for exemptions for private function rooms, bar areas, bars and karaokes while another group considered all such smoking in hospitality venues were illiberal and too damaging to the economy at this juncture.
2. Suggested the need for continued public education and awareness raising

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**8.1 INTRODUCTION**

In developing these recommendations, due consideration has been given to Hong Kong Government policies. The Hong Kong Government's established policy on tobacco control is "to seek, through a gradual step-by-step approach, to discourage smoking, contain the proliferation of tobacco use and protect the public from passive smoking to the maximum extent possible".

This progressive approach, which is in line with the approach being taken in many other developed economies, suggests that any measures adopted now must both be easy to amend in the future (to further meet the stated objectives) and not require expenditure that might be made redundant in the future through future tightening of tobacco control legislation.

Other Hong Kong policies in such areas as making Hong Kong a global city, ensuring a competitive climate for business and encouraging small and medium sized businesses, are also relevant to this study.

In addition, the Hong Kong and other regional and global economies have entered a significant economic down turn. We have taken the view that measures that will place a significant burden on businesses and on Hong Kong's competitiveness must be minimised in the short term, while not inhibiting the future tightening of tobacco controls (if this is found to be necessary).

**8.2 EXPANSION OF STATUTORY NO SMOKING AREAS****8.2.1 Restaurants and Other Hospitality Venues**

The study found that there is potentially both revenue (to the venues themselves) and economic benefits from pursuing a total smoking ban in hospitality venues. However, the analysis is unsurprisingly sensitive (particularly for bars and karaokes) to the assumptions made about the impact of such a ban on the sales at these premises. Although international experience of implementing such smoking bans suggests that they would not have an overall negative impact on sales, there are clearly concerns within the Hong Kong community that they might do so. If the proposed amendments did reduce sales significantly in restaurants, bars and karaokes then there would no longer be a revenue benefit to these venues and the economic benefit to Hong Kong as a whole would be less significant.

Furthermore, given the competition between restaurants, bars and karaokes (they are all able to serve food) and the results of the affordability analysis, it is likely that the granting of exemptions to a particular sector(s) (eg, karaokes and/or bars) could have long term and possibly catastrophic impacts for some small businesses not exempted from such a smoking ban.

Given the views of both the public and the trades themselves, one solution to these issues would be to allow an initial exemption of karaokes and possibly bars, but to limit the 'competition for smokers' to certain times of the day - ie provide a level playing field of a total smoking ban throughout most of the day but allow karaokes (and possibly bars) to apply for and/or automatically receive exemptions between, say 10.00 pm and 6.00 am. It should be noted that this proposed exemption is not being recommended as an indefinite solution but solely in response to the consultation paper (eg that bars and karaokes being given a longer grace period if deemed necessary).

This would allow all premises, notably small restaurants, to compete (for smokers and non-smokers alike) on a level playing field during the key hours of business for serving food (eg breakfast, lunch and dinner). It would also reduce staff exposure to SHS in these premises to certain hours of the day (although clearly not eliminate it altogether) and allow for further tightening of the legislation in the future (through the removal of the exemption).

It is not recommended that the smoking ban be extended to outdoor areas of restaurants as, while such a move could have health (and hence economic) benefits, the magnitude of these are uncertain and such a move appears to be out of line with international approaches.

If such time-limited exemptions are to be granted, then it is recommended that every premises in Hong Kong with a restaurant or a light refreshment license is included in the smoking ban, but that premises with a karaoke permit and possibly a bar endorsement can apply for, or automatically receive the exemption. The process of applying for such exemption could be relatively straightforward - for example, they would simply be required to submit a copy of the relevant endorsement/permit to the responsible licensing authority and/or display the endorsement/permit in the premise. Alternatively such an exemption could be automatically extended to premises that have such endorsements/permits.

A similar approach could be taken for night-clubs (eg allow for exemptions between certain hours for premises that have a dancing endorsement on their liquor license).

This approach is preferable to one that allows dedicated smoking rooms as this option has lower revenue impacts and higher economic benefits for the premises concerned. It also allows for future restrictions to be applied if social norms regarding smoking in public places demand it (or indeed if econometric studies in Hong Kong illustrate to owners and the public alike the financial and economic benefits of implementing a total no-smoking policy in all public indoor premises).

### **8.2.2**

#### ***Schools, Universities and Tertiary Institutions***

It is recommended that statutory no smoking areas are expanded to include all indoor and outdoor areas of schools. While it has been impossible, within the time-frame available for this study, to quantify the likely revenue and

economic impacts of such a measure, it is clear that such a measure would both meet the objectives of the legislation (to reduce the exposure to SHS and create a desirable example to young people) and is unlikely to have any revenue or economic costs. Indeed there are likely to be only financial and economic benefits associated with such a measure.

The same argument is made with regard to tertiary institutions and universities and this study finds that there is likely to be both an economic and financial argument for extending statutory no smoking bans to tertiary institutions and universities. In addition, the international review suggested that banning (or limiting) smoking in indoor premises of universities and tertiary institutions is not out of line with international practice.

It should be noted however, that this study does not find any convincing financial or economic arguments for regulating to allow separately ventilated smoking rooms in universities and tertiary institutions while banning smoking outside these rooms, as this would infer costs to institutions which neither a total ban or no action would impose. Furthermore such an approach might prevent, or at least slow down, the future implementation of a total smoking ban (if deemed necessary and/or proved to be cost-effective) as it implies that the Administration accepts that there is a safe level of exposure to SHS.

### **8.2.3 *Other Indoor Workplaces***

The study found that, although there is currently insufficient data available to conclude that a total smoking ban in all indoor offices would have revenue benefits to employers, there would be a net economic benefit to Hong Kong of banning smoking in all indoor offices and this is likely to be significant. Furthermore, the literature review suggests that if further study were undertaken then it would provide a convincing business case for banning smoking in all indoor offices once all the pertinent costs were quantified.

Thus, while this study has been unable to demonstrate a net revenue benefit to businesses in Hong Kong, it is likely that there will be one. As such, and given the level of public support for such a measure (demonstrated by the 88% approval rating noted in the survey of public opinion undertaken by the Hong Kong Polytechnic University) the Administration could reasonably proceed with the proposed amendment. It is suggested that such an amendment should allow for exemptions for businesses, such as cigar divans and other speciality smoking venues, who would be put out of business by such a measure, and independently ventilated enclosed smoking rooms in buildings where such rooms are a feature of the building's design and would become redundant space if they were not exempted. Without the facility to provide such exemptions, the proposed amendment might place significant costs on individual businesses. The conditions for allowing such exemptions should include that no one is required to perform the duties of their employment in the area to be exempted. The process for applying for such an exemption should be kept as simple as possible while ensuring the protection of workers. The same exemption facility could be applied to those

premises that, as suggested by the consultation document (issued by the Health and Welfare Bureau on 21 June 2001), have “genuine difficulty in complying with the smoking ban requirement”.

However, if it were felt that the current absence of data demonstrating a net revenue benefit to businesses in Hong Kong precludes such a step, then the Administration could allow for voluntary measures to be legally enforceable under the current legislation. This, a relative simple measure that would not impose any costs on business, could be clearly presented as an intermediary step to a full ban in the future. A date could be set to review progress of companies in implementing a smoking ban in the office (eg using the *Thematic Household Survey*). This measure would not preclude the future total banning of smoking in indoor offices and would not impose any costs on business (unlike regulating to allow for smoking rooms). Alternatively, this option could be utilised for those business sectors that, as suggested by the consultation document, have “genuine difficulty in complying with the smoking ban requirement”.

With reference to the international review, of those localities examined, only Australia has implemented a total workplace ban on smoking (and then in only 5 of the 6 federal states). Singapore and Thailand have banned smoking in air-conditioned offices, while Canada, California and New York City allow smoking in designated smoking rooms and/or separate offices.

Again, it should be noted that this study does not find any convincing financial or economic arguments for regulating to allow separately ventilated smoking rooms in indoor workplaces while banning smoking outside these rooms, as this would infer costs to businesses which neither a total ban or no action would impose. Furthermore, such an approach might prevent, or at least slow down, the implementation of a total smoking ban in the future (if deemed necessary and/or proved to be cost-effective) as it implies that the Administration accepts that there is a safe level of exposure to SHS.

### **8.3 TOBACCO ADVERTISING AND PROMOTION**

#### **8.3.1 Display of Tobacco Advertising**

The economic analysis does suggest a need to further restrict tobacco advertising if it will result in reduced smoking rates (which the literature review suggests will be the case). However, given the current economic climate and the identified revenue and affordability impacts of the proposed amendment (to remove the current exemption from hawkers and small retailers) it is recommended that the exemption is further restricted but not entirely removed.

There are several reasons for the current, perceived or otherwise, abuse (and hence impact) of the current exemption, including:

- display of tobacco advertising by premises that are clearly unlikely to suffer from livelihood impacts if the exemption was removed; and

- the volume of tobacco advertising in localities that have a high visual impact (and hence are likely to promote tobacco use).

Recognising that there is a link between locality, demand for their advertising space, turnover and hence sustainability and long term profitability of their business, we recommend that the qualification for the current exemption is altered to exempt only those hawkers and small retailers whose annual turnover is less than HK\$ 500,000 and who sell tobacco products.

This level of turnover or gross income (HK\$500,000) is chosen as it is the level used by the tax authorities in Hong Kong to determine whether a 'small business' or 'small corporation' needs to submit supporting documents with their profits tax submission. Thus it would be relatively easy to enforce with reference to the previous year's tax submission (businesses and corporations are required by law to retain such documents for seven years).

The tax authorities define total gross income as "all types of income including sales and other ordinary business income, sales income from closely connected persons, proceeds from the sale of capital assets and other non-taxable income, whether or not derived from the principal business activity".

To avoid abuse of this approach, new businesses who have never submitted a profits tax return should be prevented from displaying tobacco advertising.

It is anticipated that this approach:

- would reduce the number of premises advertising tobacco products (as the average income of hawkers and small retailers with two or less employees is over this amount);
- would prevent abuse by large family run retailers who have less than two employees but a relatively high turnover and profit; and
- would remove tobacco advertising from some of the most well visited localities in Hong Kong (and hence reduce their advertising impact) as those hawkers and/or retailers in these locations are likely to have higher turnovers (but could still have less than two employees).

In addition, those hawkers and small retailers currently displaying tobacco advertising in good locations (and hence with higher turnovers) are likely to have a better chance of identifying alternative sources of advertising revenue and will thus not be significantly impacted in the long term, particularly if the revised regulations are phased in over a period of six months or more.

Furthermore, it is recommended that guidelines on the content, size and display of tobacco advertising are agreed with tobacco manufacturers. These guidelines could include restrictions on the size of adverts, the content (limit those directed at youth audiences) as well as the number of adverts any one retailer or hawker could display.

This is essentially a low cost option against which the need for any future restrictions on tobacco advertising could be identified (ie if the guidelines were not being met then further advertising restrictions could be imposed). The currently anticipated amendments to the Smoking Ordinance should allow for these further restrictions to be imposed without the need to revert to the Bills Committee (ie it would be an administrative action as opposed to a legislative one if the guidelines are not met). This would make the threat of future regulation more real to all parties concerned and hence support compliance with the guidelines.

However, enacting such administrative measures might fall foul of industry legal action so appropriate legal advice should be sought prior to pursuing this recommendation to ensure implementing these measures would not face such a challenge.

### **8.3.2 *Price Boards and Markers***

Information provided during the course of the study suggests that the financial impact of altering the size of price boards and markers is unlikely to be significant (when compared to the turnover and profit of the industry concerned). It has however, been impossible to predict the economic impact of this measure in isolation from other measures to limit tobacco advertising and promotion.

In this light the study recommends that if the Administration feels that it cannot effectively restrict the advertising impact of price boards and markers through other means (such as by agreeing guidelines with manufacturers and/or retailers) then the proposed measure should be implemented.

### **8.3.3 *Sale of Tobacco Products in Association with Other Products***

Information provided during the course of the study suggests that the financial impact of banning the sale of tobacco products in association with other products is unlikely to be significant (when compared to the turnover and profit of the industry concerned). It has however, been impossible to predict the economic benefit of this measure in isolation from other measures to limit tobacco advertising and promotion (although there would appear to be no direct economic costs per se).

An argument has been made that banning such tobacco promotion entirely might restrict the ability of newcomers and incumbents alike to bring new products to the market. Given the acknowledged addictive nature of the product in question, this argument is persuasive. However, it is clear that the Administration should not be supporting the current status quo where significant incentives can be offered to non-smokers (including young people) to purchase tobacco products.

As such, it is recommended that at a minimum, tobacco promotions are limited through guidelines to products that are only of interest to current smokers (eg lighters) and/or cannot appeal directly to youth and non-smokers. Further, it is suggested that these guidelines include limits on the

price of the good being promoted such that it cannot be less than some percentage (say 25%) of the tobacco product price (eg if the tobacco product costs HK\$ 100 the cost of the associated product must be at least HK\$ 25).

It is however acknowledged that such an endeavour might not be effective without the co-operation of the trade and, as such, any measure should be monitored. In addition, the current amendments to the Smoking Ordinance should allow for a simple administrative measure to be implemented to completely ban tobacco promotions (either altogether or by offending manufacturers) without the need to revert to the Bills Committee. Again, enacting such administrative measures might fall foul of industry legal action so appropriate legal advice should be sought prior to pursuing this recommendation to ensure that implementing these measures would not face such a challenge.

#### **8.3.4 Tobacco Sponsorship**

The study found that there are potentially direct negative revenue impacts to event organisers, advertisers and the tourism trade of further limiting tobacco sponsorship. Conversely, if such measures reduce the overall smoking rate, then they are likely to lead to long-term economic benefits.

Thus, if tobacco brand sponsorship results in increased smoking rates then any economic benefits to Hong Kong as a whole (from both tourism and a better quality of life through the provision of community events) are likely to be reduced or negated.

As such, it is recommended that the impact of tobacco brand sponsorship on smoking rates is limited through the use of guidelines. This could be done by prohibiting the use of tobacco brand names in events that attract a significant youth contingent and/or a wide audience (eg events that will be televised). These guidelines should allow for the gradual reduction and replacement of sponsors from events that attract a significant audience as opposed to a sudden ban (that might prevent such events seeking alternative sponsors). This gradual approach should go some way to mitigating the financial and economic impacts of restricting a source of sponsorship revenue.

Acknowledging that this is likely to be difficult without the co-operation of the trade, it is further recommended that such measures allow for a simple administrative measure to completely ban tobacco brand sponsorship (either altogether or by offending manufacturers) without the need to revert to the Bills Committee. Again, enacting such administrative measures might fall foul of industry legal action, so appropriate legal advice should be sought prior to pursuing this recommendation to ensure implementing these measures would not face such a challenge.

### **8.4 HEALTH WARNINGS ON TOBACCO PRODUCTS**

It has not been possible to estimate the revenue impacts of the proposed measures as no details of how or what the exact requirements will be, have yet

been developed. Experience from overseas suggests that equivalent measures may assist in reducing smoking rates and have corresponding economic benefits, although all such requirements do have a revenue impact on the tobacco industry (both direct and indirect).

As such it is recommended that the proposed amendment be enacted but that any future requirements for pictorial and graphic contents take into account the likely financial and economic costs of implementation and that these be weighed against the likely health and economic benefits likely to arise.



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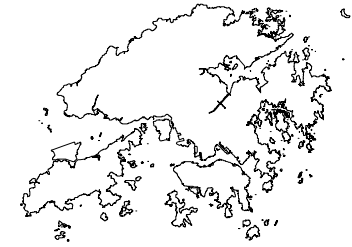
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Annex A

## International Review

# Hong Kong



AREA	LEGISLATION	DESCRIPTION
<b>Restaurants</b>	<ul style="list-style-type: none"><li>Smoking (Public Health) (Amendment) ordinance, 1997</li></ul>	<ul style="list-style-type: none"><li>Restaurants which provide indoor seating accommodation for more than 200 persons, excluding accommodation being used exclusively for a private event and separated by full height partition, shall have not less than 1/3 of the area of such as a no smoking area.</li></ul>
<b>Bars</b>	<ul style="list-style-type: none"><li>No legislation</li></ul>	<ul style="list-style-type: none"><li>No restrictions.</li></ul>
<b>Educational Institutions</b>	<ul style="list-style-type: none"><li>Education Regulations (Cap. 279A)</li><li>Smoking (Public Health) (Amendment) ordinance, 1997</li></ul>	<ul style="list-style-type: none"><li>Prohibits smoking in classrooms during school hours.</li><li>Voluntary provision for principal of school or university to designate non-smoking areas at his/her discretion.</li></ul>
<b>Indoor Workplaces</b>	<ul style="list-style-type: none"><li>No legislation</li></ul>	<ul style="list-style-type: none"><li>No restrictions.</li></ul>
<b>Tobacco Advertising</b>	<ul style="list-style-type: none"><li>Smoking (Public Health) (Amendment) Ordinance, 1997</li></ul>	<ul style="list-style-type: none"><li>Bans tobacco advertising in local newspapers, printed documents published or distributed in Hong Kong; the following publications are exempted: local newspapers published for the passengers of any airline or shipping company; in-house magazines of any company engaged in the tobacco trade and circulation which circulates entirely outside Hong Kong.</li><li>Bans the display of tobacco advertising, except which is in or upon any stall or pitch of a hawker who is licensed pursuant to the Public Health and Municipal services ordinance and bears a health warning in the prescribed form and manner; and which is in or upon any premises of a retail dealer with 2 or less employees and the tobacco advertisement</li></ul>

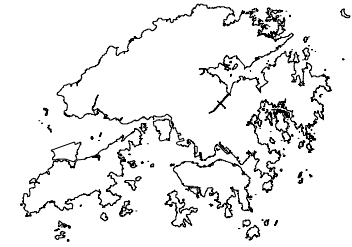


# Hong Kong



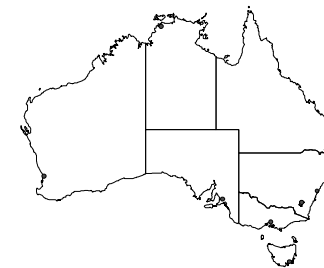
AREA	LEGISLATION	DESCRIPTION
		<p>bears a health warning in the prescribed form and manner.</p> <ul style="list-style-type: none"> <li>Prohibition on the broadcast of tobacco advertising by radio, visual images and film and on placing tobacco advertising on the Internet (not applicable to any tobacco advertisement which is contained in any private correspondence on the Internet and is not for commercial purposes)</li> </ul>
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"> <li>Smoking (Public Health) (Amendment) ordinance, 1997</li> </ul>	<ul style="list-style-type: none"> <li>Bans sponsorship by tobacco brand names.</li> <li>Corporate brand names and tobacco brand names in association with a non-tobacco product brand name are exempt.</li> </ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"> <li>Smoking (Public Health) (Amendment) ordinance, 1997</li> </ul>	<ul style="list-style-type: none"> <li>1 of 6 rotating health warnings must be borne on the packets and on the retail containers of tobacco products.</li> <li>Health warnings must appear on the 2 largest surfaces of the packets and of the retail containers.</li> <li>Health warnings must be in Chinese on the front surface and in English on the rear surface of the packaging.</li> <li>Health warnings must be of a specified font and size, printed in black on a white background and surrounded by a black line as demarcation.</li> </ul>
<b>Implementation, Enforcement &amp; Monitoring</b>	<ul style="list-style-type: none"> <li>Smoking (Public Health) (Amendment) ordinance, 1997</li> </ul>	<ul style="list-style-type: none"> <li>The manager of a no smoking area or any person authorised on behalf of any such manager may:               <ul style="list-style-type: none"> <li>after indication that the person is smoking or carrying a lighted cigarette, cigar or pipe in a no smoking area, require the person to extinguish the lighted cigarette, cigar or pipe;</li> </ul> </li> </ul>

# Hong Kong



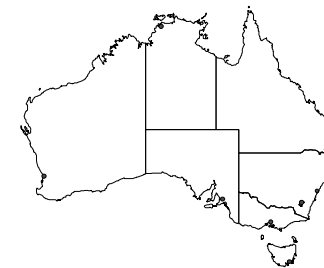
AREA	LEGISLATION	DESCRIPTION
		<ul style="list-style-type: none"><li>• where the person fails to extinguish the lighted cigarette, cigar or pipe, require him to give his name and address and to produce proof of identify; and to leave the no smoking area;</li><li>• where the smoker refuses to co-operate, remove him from the no smoking area by the use of reasonable force if necessary and detain him and call for the assistance of a police officer to assist in the enforcement of the ordinance.</li><li>• Where a smoker is required to leave a no smoking area, removed from a no smoking area or detained, he/she shall not be entitled to a refund of any admission fee or money paid by him/her for entry into the premises or building in which the no smoking area is situated</li><li>• The manager must place in a prominent position in each no smoking area or public transport carrier, a sufficient number of signs indicating that smoking is prohibited in that area; the manager of a restaurant must place a sign visible from outside of the restaurant, showing that an area of its seating accommodation where smoking is not permitted. Signs must:<ul style="list-style-type: none"><li>• be in English and Chinese;</li><li>• be of the prescribed description;</li><li>• be maintained by the manager in legible condition and good order.</li></ul></li></ul>

# Australia



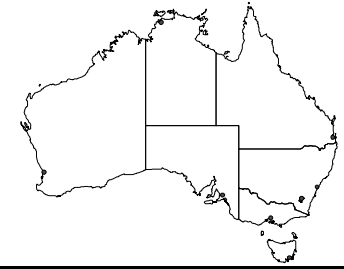
AREA	LEGISLATION	DESCRIPTION
<b>Restaurants</b>	No national legislation. Various legislation enacted at the State level, e.g. <ul style="list-style-type: none"><li>• South Australia: Tobacco Products Regulations Act, 1997</li><li>• Australian Capital Territory: Smoke Free Areas (Enclosed Public Spaces ) Act, 1994</li><li>• Western Australia: Health (Smoking in Enclosed Public Spaces) Regulations, 1999</li><li>• New South Wales: Smoke-Free Environment Act, 2000</li></ul> .	<ul style="list-style-type: none"><li>• Federal government has decreed that exposure to ETS is a matter for individual state legislation.</li><li>• Presently, three of the six federal states and the Australian Capital Territory ban smoking at a range of enclosed indoor areas. Smoking bans in indoor areas of restaurants are included in all of these state laws.</li><li>• Smoking bans in restaurants will come into effect in two more states later in 2001</li><li>• Notable exemptions to most state legislation are casinos, hotel bars, registered nightclubs and the bar areas of establishments holding licences to serve alcohol. Outdoor dining areas are generally exempt.</li><li>• Legislation which came into effect on 1 July 2001 in Victoria bans smoking in all restaurants and eateries, including the indoor dining areas of pubs and clubs.</li></ul>
<b>Bars</b>		<ul style="list-style-type: none"><li>• Licensed bars and hotels that serve alcohol for consumption on the premises are generally exempt from indoor smoking bans embodied in state legislation</li></ul>
<b>Educational Institutions</b>	Various state legislation	<ul style="list-style-type: none"><li>• Smoking is generally banned from all indoor areas of schools and universities except in designated areas.</li><li>• School principals can declare the school 'smoke-free' for all students and staff</li></ul>

# Australia



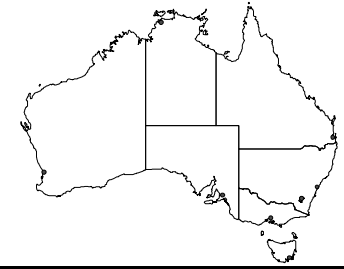
AREA	LEGISLATION	DESCRIPTION
<b>Indoor Workplaces</b>	<ul style="list-style-type: none"> <li>Nationally: Ban on Smoking in Government Buildings, 1988</li> <li>Various legislation enacted at the State level, eg               <ul style="list-style-type: none"> <li>South Australia: Tobacco Products Regulations Act, 1997</li> <li>Australian Capital Territory: Smoke Free Areas (Enclosed Public Spaces ) Act 1994</li> <li>Western Australia: Health (Smoking in Enclosed Public Spaces) Regulations, 1999</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Smoking banned in Commonwealth Health Department buildings in 1986</li> <li>Smoking banned in all Government offices and buildings in 1988</li> <li>Smoking is banned in indoor workplaces in at least 5 of the 6 federal states and 2 territories (SA, WA, NSW, VIC, ACT) .</li> <li>Notable exemptions to most state legislation are casinos, hotel bars, registered nightclubs and the bar areas of establishments holding licences to serve alcohol.</li> </ul>
<b>Tobacco Advertising</b>	<ul style="list-style-type: none"> <li>Tobacco Advertising Prohibition Act, 1992</li> <li>Tobacco Advertising Prohibition Regulations, 1993</li> </ul>	<ul style="list-style-type: none"> <li>Bans all forms of tobacco advertising from 1 July 1993, including billboards, newspapers, magazines, leaflets, tickets, films, TV, radio, writings, still or moving pictures and signs.</li> <li>Allows tobacco advertising in periodicals if they are printed outside Australia and are not principally intended for distribution or use in Australia.</li> <li>Point of sale advertising must:               <ul style="list-style-type: none"> <li>be placed wholly within the boundaries of the shop, whether or not it has walls on those boundaries</li> <li>be visible from the place within the shop where tobacco products are displayed for sale; and</li> </ul> </li> </ul>

# Australia



AREA	LEGISLATION	DESCRIPTION
	<ul style="list-style-type: none"> <li>Tobacco (Amendment) Act, 1999</li> </ul>	<ul style="list-style-type: none"> <li>• face the inside of the shop, if it is placed on a window</li> <li>• Point of sale advertising must not be affixed to the outside of an outside wall or an outer window or door of a shop</li> <li>• A statement to the effect that a shop is a tobacconist's or that tobacco products are on sale in a shop may appear on the outside of that shop; but the statement must not include a trade mark, a logo, or any other information by which brands of tobacco products may be identified</li> <li>• No promotional items or entitlements to be given away with tobacco products.</li> <li>• No supply of free tobacco products if supply promotes the sale of any tobacco products.</li> <li>• No competitions associated with tobacco products or the promotion of smoking.</li> </ul>
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"> <li>Tobacco Advertising Prohibition Act, 1992</li> <li>Tobacco Advertising Prohibition Amendment Act, 2000</li> </ul>	<ul style="list-style-type: none"> <li>• Bans tobacco sponsorship of most cultural and sporting events.</li> <li>• Several events (notably the International Formula 1 Grand Prix) are exempt at the discretion of the Minister for Health.</li> <li>• Revokes the above-mentioned exemptions for sporting and cultural events as of 1 January 2006.</li> </ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"> <li>The Trade Practices (Consumer Product Information Standards) (Tobacco) Regulations, 1994</li> </ul>	<ul style="list-style-type: none"> <li>• The phrase "Health Authority Warning", and one of the following 6 warnings (with explanatory messages), must cover at least 25% of every tobacco product container or wrapping: "Smoking Causes Lung cancer", "Smoking is addictive", "Smoking kills", "Smoking causes heart disease",</li> </ul>

# Australia



AREA	LEGISLATION	DESCRIPTION
<b>Implementation, Enforcement &amp; Monitoring</b>	<ul style="list-style-type: none"><li>• Various State Legislation, eg Victoria</li></ul>	<p data-bbox="1048 395 2114 472">“Smoking when pregnant harms your baby” and “Your smoking can harm others”</p> <ul style="list-style-type: none"><li>• Ban on smoking in all indoor restaurants and eateries effective 1 July 2001.</li><li>• The ban was preceded by an intensive print and radio public awareness campaign, interviews with the State Health Minister and other senior bureaucrats and direct mailing of fact sheets to affected premises.</li><li>• ‘Restaurant’ is an area where the serving and consumption of food is the predominant activity at a given time. If a ‘restaurant’ stops serving food after a certain time and the ‘predominant activity’ is say, the consumption of alcoholic beverages under a liquor licence, the establishment is exempt from the ban at that time.</li><li>• Under the Ordinance, managers are required to request that patrons put out their cigarettes and inform them that they are committing an offence.</li><li>• Monitoring, enforcement and education will be carried out by Environmental Health Officers at the local council level. Victorian State Government has allocated AUD \$1.3 million to local councils, which are obliged to visit 20% of affected establishments within their council over the next month.</li><li>• Experience in other Australian states and territories has indicated that close to 100% compliance is achieved after a period of around 4 weeks and so the bans are expected to become ‘self-enforcing’.</li></ul> <p data-bbox="1048 1353 1995 1390"><i>Source: Communication with: Victorian State Health Department, 2 July 2001.</i></p>

# Canada



AREA	LEGISLATION	DESCRIPTION
<b>Restaurants</b>	<ul style="list-style-type: none"> <li>No federal laws</li> </ul>	<ul style="list-style-type: none"> <li>No federal laws to restrict smoking in restaurants; but over half of the Canadian municipalities have laws to restrict smoking in restaurants, with most requiring 50% of the seating to be non-smoking.</li> <li>Toronto, Vancouver and several smaller municipalities are presently considering a complete smoking ban in all indoor restaurants.</li> <li>Smoking will be banned in all Ottawa restaurants by 1 August 2001 and in Quebec restaurants by 2008</li> </ul>
<b>Bars</b>	<ul style="list-style-type: none"> <li>No federal laws</li> </ul>	<ul style="list-style-type: none"> <li>No federal laws to restrict smoking in bars</li> <li>About 35 Canadian municipalities have by-laws to ban smoking in bars, including 18 currently in force. E.g.:               <ul style="list-style-type: none"> <li>Waterloo and Victoria have enacted a by-law with 100% smoke-free bars and Ottawa will enact its by 1 August 2001</li> </ul> </li> </ul>
<b>Educational Institutions</b>	<ul style="list-style-type: none"> <li>No federal laws</li> </ul>	<ul style="list-style-type: none"> <li>About 97 per cent of schools have smoking policies, but only 66 per cent ban smoking completely, both indoors and outdoors, at all times. Sanctions against students are usually stronger than those against staff.</li> </ul>
<b>Indoor Workplaces</b>	<ul style="list-style-type: none"> <li>The Non-smokers' Health Act (Amendment), 1988</li> </ul>	<ul style="list-style-type: none"> <li>Prohibits smoking in all workplaces except in enclosed smoking rooms which are separately ventilated to the outdoors.</li> <li>Enacted on 28 June 1988, effective after 6 months</li> <li><b>Note:</b> An employer may require employees, by reason of the nature of their duties, to perform those duties in a room or area designated for smoking.</li> </ul>

# Canada



AREA	LEGISLATION	DESCRIPTION
<b>Tobacco Advertising</b>	<ul style="list-style-type: none"><li>The Tobacco Act, 1997</li></ul>	<ul style="list-style-type: none"><li>Prohibits advertising of tobacco products, except for product information and brand preference advertising in publications with adult readership, materials mailed to adults and places where minors are not permitted by law.</li><li>Prohibits tobacco advertising that evokes an image or emotion relating to an attractive lifestyle, or that could on reasonable grounds be construed to be appealing to people younger than 18.</li><li>Bans promoting a tobacco product or a tobacco product-related brand element.</li><li>In conjunction with the sale of a tobacco product, no manufacturer or retailer shall offer or provide a gift, bonus, premium, cash rebate or right to participate in a game, lottery or contest.</li><li>Bans promoting a tobacco product by means of the depiction of a person, character or animal, whether real or fictional.</li><li>A person may advertise a tobacco product by means of information advertising or brand-preference advertising that is in<ul style="list-style-type: none"><li>a publication that is provided by mail and addressed to an adult who is identified by name;</li><li>a publication that has an adult readership of not less than 85%;</li><li>in signs or programs available on the site of an event, activity or permanent facility; or signs in a place where young persons are not permitted by law, provided that he displays the tobacco product-related brand element only within the bottom 10% of the display surface of any</li></ul></li></ul>



# Canada



AREA	LEGISLATION	DESCRIPTION
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"><li>The Tobacco Act, 1997</li></ul>	<p>promotional material.</p> <ul style="list-style-type: none"><li>A retailer of tobacco products may post signs at retail outlets that indicate the availability of tobacco products and their price.</li><li>A person may not display a tobacco product-related brand element in a promotion that is used in the sponsorship of a person, entity, event, activity or permanent facility if the person, entity, event, activity or facility is associated with young persons or could be construed on reasonable grounds to be appealing to young persons or if young persons are its primary beneficiaries; or is associated with a way of life such as one that includes glamour, recreation, excitement, vitality, risk or daring.</li><li>A person may display a tobacco product-related brand element only within the bottom 10% of the display surface of any promotional material</li><li>Sponsorship restrictions were tightened on 1 October, 1998 and allowances were made as follows:<ul style="list-style-type: none"><li>If a tobacco product-related brand element was displayed, at any time between January 25, 1996 and April 25, 1997, in promotional material that was used in the sponsorship of an event or activity that took place in Canada, new restrictions do not apply until:<ul style="list-style-type: none"><li>(a) October 1, 2000 in relation to the display of a tobacco product-related brand element in promotional material that is used in the sponsorship of that event or activity or of a person or entity participating in that event or activity; and</li></ul></li></ul></li></ul>

# Canada



AREA	LEGISLATION	DESCRIPTION
<b>Package Health Warnings</b>	<ul style="list-style-type: none"> <li>Tobacco Products Information Regulations, 2000</li> </ul>	<p>(b) October 1, 2003 in relation to the display referred to in paragraph (a) on the site of the event or activity for the duration of the event or activity or for any other period that may be prescribed.</p> <ul style="list-style-type: none"> <li>1 of the 16 rotating warnings containing both text and graphics must cover at least 50% of each of the 2 largest sides of the tobacco packet (see <i>Figure 1</i>); English warning on one side and French warning on the other.</li> <li>Effective 23 December 2000 for brands with a market share of 2% or more, extended to smaller brands by mid-2001.</li> </ul>
<b>Implementation, Enforcement &amp; Inspection</b>	<ul style="list-style-type: none"> <li>The Non-smokers' Health Act, 1988</li> <li>Ontario legislation: Smoking in the Workplace Act (1989)</li> </ul>	<ul style="list-style-type: none"> <li>The Minister of Labour may designate any person to be an inspector; an inspector may at any reasonable time enter and inspect any work space under the control of an employer.</li> <li>The person in charge of a work space entered by an inspector and every person found in that place shall give the inspector all reasonable assistance to enable the inspector to carry out the inspector's duties and shall furnish the inspector with any information that the inspector has reasonable grounds to believe is required to carry out the inspection.</li> <li>No person shall wilfully obstruct an inspector in the performance of the inspector's duties.</li> <li>Penalties for offences under the Act are a maximum of \$10,000 for employers and \$100 for employees.</li> <li>Requires signs to be posted respecting smoking in the workplace</li> <li>Penalties for offences under the Act are a maximum of \$25,000 for employers</li> </ul>

# Canada



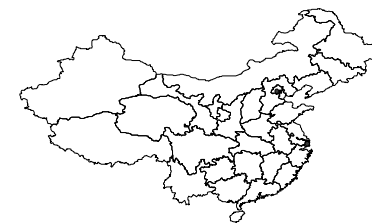
AREA	LEGISLATION	DESCRIPTION
	<ul style="list-style-type: none"><li data-bbox="409 424 925 459">• Ottawa anti-smoking by-law 2001</li></ul>	<p data-bbox="1025 376 1375 411">and \$500 for employees.</p> <ul style="list-style-type: none"><li data-bbox="992 424 2123 496">• Prohibits tobacco use in bars, restaurants, private clubs and Canadian Legion halls.</li><li data-bbox="992 512 2051 584">• There will be 8 by-law officers on smoking patrol each day and about 60 officers will be trained in enforcement of the by-law.</li><li data-bbox="992 600 2114 719">• By-law services staff will work with police if necessary (By-law officers in other cities have reported being spat on, sworn at, beaten up and locked into buildings)</li><li data-bbox="992 735 2114 807">• Patrons can be fined around C\$200 on a first offence whist managers may be fined up to C\$5,000 if they allow or encourage patrons to light up.</li></ul>

# China



AREA	LEGISLATION	DESCRIPTION
<b>Restaurants</b>	<ul style="list-style-type: none"><li>• No national laws, but there may be regulations enacted in state or city levels, e.g.:<ul style="list-style-type: none"><li>• Temporary Regulations of Banning smoking in Public Places in Shanghai City, 1994</li></ul></li></ul>	<ul style="list-style-type: none"><li>• In Shanghai, smoking is banned in music cafes and no smoking areas must be designated in restaurants.</li></ul>
<b>Bars</b>	<ul style="list-style-type: none"><li>• No legislation</li></ul>	<ul style="list-style-type: none"><li>• No restrictions.</li></ul>
<b>Educational Institutions</b>	<ul style="list-style-type: none"><li>• Presidential Decree No.50 promulgating the Law of the People's Republic of China on the Protection of Minors, 1991</li></ul>	<ul style="list-style-type: none"><li>• Bans smoking in primary and high schools and any other areas where minors are staying together.</li></ul>
<b>Indoor Workplaces</b>	<ul style="list-style-type: none"><li>• Ban on Smoking in Certain Public Places</li></ul>	<ul style="list-style-type: none"><li>• Smoking is not permitted by administrative measures in some public places including hospitals, places of entertainment and certain Government agencies and workplaces.</li></ul>
<b>Tobacco Advertising</b>	<ul style="list-style-type: none"><li>• The Advertising Law of the People's Republic and China, 1994</li></ul>	<ul style="list-style-type: none"><li>• Bans tobacco advertising via radio, movies, television, newspapers and magazines.</li><li>• Bans tobacco advertising in public places, including all kinds of waiting rooms, cinemas and theatres, meeting rooms and halls, sports stadiums, etc.</li><li>• Tobacco advertisements must carry a notice that "Smoking is Harmful to Health".</li></ul>

# China



AREA	LEGISLATION	DESCRIPTION
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"><li>• No legislation</li></ul>	<ul style="list-style-type: none"><li>• No restrictions</li></ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"><li>• Law of the People's Republic of China on Tobacco Monopoly, 1992</li></ul>	<ul style="list-style-type: none"><li>• Cigarettes and cigar packaging must state, "Smoking is Hazardous to your Health" in Chinese.</li></ul>
<b>Implementation, Enforcement &amp; Monitoring</b>	<ul style="list-style-type: none"><li>• Temporary Regulations of Banning smoking in Public Places in Shanghai City, 1994</li></ul>	<ul style="list-style-type: none"><li>• The responsible department for these regulations will be the Shanghai Municipal Public Health Bureau for the banning of smoking in public places in the city, and the District and County Public Health Bureaus are responsible for their districts.</li><li>• The following are the responsibilities to be undertaken by Public Health Bureau where smoking is banned:<ul style="list-style-type: none"><li>• establish a system in the organization of banning smoking and penalties for smokers who violate the regulations;</li><li>• provide health education and publicity related to the smoking bans;</li><li>• display obvious no-smoking signs in places where smoking is banned;</li><li>• no smoking utensils or materials displaying tobacco advertisements should be set up in places where smoking is banned;</li><li>• smokers who are smoking should be persuaded to stop or leave in places where smoking is banned. If they refuse, they must be penalized according to the regulations of the relevant Bureau.</li></ul></li><li>• The Municipal, District and County Public Health Bureau can penalize organizations which do not implement the regulations.</li></ul>

# European Union



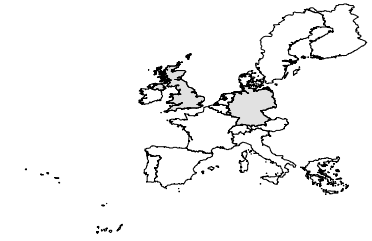
AREA	DIRECTIVE	DESCRIPTION
Restaurants	<ul style="list-style-type: none"> <li>No directive</li> </ul>	<ul style="list-style-type: none"> <li>Covered by individual member states.</li> </ul>
Bars	<ul style="list-style-type: none"> <li>No directive</li> </ul>	<ul style="list-style-type: none"> <li>Covered by individual member states</li> </ul>
Educational Institutions	<ul style="list-style-type: none"> <li>No directive</li> </ul>	<ul style="list-style-type: none"> <li>Covered by individual member states.</li> </ul>
Indoor Workplaces	<ul style="list-style-type: none"> <li>No directive</li> </ul>	<ul style="list-style-type: none"> <li>Covered by individual member states.</li> </ul>
Tobacco Advertising	<ul style="list-style-type: none"> <li>EU Directive on the Manufacture, Presentation and Sale of Tobacco Products, 2001</li> </ul>	<ul style="list-style-type: none"> <li>To be introduced into national law in all 15 EU Member States by September 2002.</li> <li>Terms such as “low tar”, “ultra light” and “mild” as well as new brand names and designs indicating that a tobacco product is “less harmful” than others will be banned from 30 September 2003.</li> </ul>
Tobacco Sponsorship	<ul style="list-style-type: none"> <li>No directive*</li> </ul>	<ul style="list-style-type: none"> <li>Covered by individual member states.</li> </ul>
Package Health Warnings	<ul style="list-style-type: none"> <li>Council Directive 89/622/EEC,1989</li> </ul>	<ul style="list-style-type: none"> <li>All unit packets of tobacco products must carry, on the most visible surface, the following general warning in the official language or languages of the country of final marketing: “Tobacco seriously damages health”.</li> <li>In the case of packets of cigarettes and rolling tobacco, the other large surface must alternately carry one of 16 specific warnings as follows:               <ul style="list-style-type: none"> <li>Smoking causes fatal diseases.</li> </ul> </li> </ul>

# European Union



AREA	DIRECTIVE	DESCRIPTION
		<ul style="list-style-type: none"><li>• Smoking kills.</li><li>• Smoking can kill.</li><li>• Smoking when pregnant harms your baby.</li><li>• Protect children: don't make them breathe your smoke.</li><li>• Smoking damages the health of those around you.</li><li>• Stopping smoking reduces the risk of serious disease.</li><li>• Smoking causes cancer, chronic bronchitis and other chest diseases.</li><li>• More than (. . .) people die each year in . . . (name of the country) from lung cancer.</li><li>• Every year, (. . .) people are killed in road accidents in (name of the country) - (. . .) times more die from their addiction to smoking.</li><li>• Every year, addiction to smoking claims more victims than road accidents.</li><li>• Smokers die younger.</li><li>• Don't smoke if you want to stay healthy.</li><li>• Save money: stop smoking.</li><li>• Smoking causes cancer.</li><li>• Smoking causes heart disease.</li><li>• Two warnings must cover at least 4% of each large surface; be clear and legible; be printed in bold letters on a contrasting background; be printed in a place where they cannot be damaged when the package is opened; be located on the packet itself and not on the transparent wrapper or any other external wrapping.</li><li>• The percentage of warnings coverage increase to 6% for countries with 2 official languages and to 8% for countries with 3 official languages.</li></ul>

# European Union



AREA	DIRECTIVE	DESCRIPTION
	<ul style="list-style-type: none"><li>EU Directive on the Manufacture, Presentation and Sale of Tobacco Products, 2001</li></ul>	<ul style="list-style-type: none"><li>To be introduced into national law in all 15 EU Member States by September 2002.</li><li>Tobacco products must carry a general warning (“Smoking kills / Smoking can kill” or “Smoking seriously harms you and others around you”), covering not less than 30% of the front surface (32% for 2 languages and 35% for 3 languages)</li><li>One of 14 specific warnings (as above) must cover not less than 40% of the back of each tobacco product packet (45% for 2 languages and 50% for 3 languages).</li><li>The Commission will, not later than 31 December 2002, adopt rules for the use of colour photographs or other illustrations to depict and explain the health consequences of smoking.</li></ul>

## Implementation, Enforcement & Monitoring

No information available.

- \*Note:
- Council Directive 98/43/EC was passed on 6 July 1998, tightening advertising restrictions in all member states as follows:
- All forms of advertising are banned in the Community.
  - Member States may allow a brand name already used prior to 30 July 1998 both for tobacco products and for other goods or services to be used for the advertising of those other goods or services. However, this brand name must be used in a manner clearly distinct from that used for the tobacco product.
  - No tobacco product may bear the brand name, trademark, emblem or other distinctive feature of any other product or service, if it has never used these features before 30 July 2001.



# European Union



AREA	DIRECTIVE	DESCRIPTION
		<ul style="list-style-type: none"><li>• Any free distribution having the purpose or the direct or indirect effect of promoting a tobacco product is banned. The ban does not apply to:<ol style="list-style-type: none"><li>1) communications intended exclusively for professionals in the tobacco trade;</li><li>2) the presentation of tobacco products at tobacco sales outlets;</li><li>3) advertising aimed at purchasers in establishments specialising in the sale of tobacco products or at locations reserved for the sale of tobacco products in non-specialised establishments; and</li><li>4) publications published and printed in third countries, where those publications are not principally intended for the Community market.</li></ol></li><li>• All forms of sponsorships are banned in the Community.</li></ul>

Advertising restrictions embodied in the Directive were to be implemented by 30 July 2001 (20 July 2002 as regards the press) and the sponsorship ban was supposed to be implemented by 30 July 2003 (1 October 2006 for exceptional cases of sponsorship of events or activities organised at world level, provided the sums devoted to such sponsorship decrease and the visibility of advertising is voluntarily restrained). However the Directive was overturned on 5 October 2000 by the European Court of Justice due to the rejection by the Federal Republic of Germany (For Directives to be implemented, there must be unanimous agreement between all member states) . German Government officials argued that the ban was, in actuality, a public health measure which should be addressed by individual member states. The Court held that the EC and European Parliament did not have the authority to establish the rule under the EU treaty provisions and that the advertising ban would actually limited sales of tobacco products and would negatively affect sporting and other public events sponsored by tobacco companies. The tobacco industry is therefore free to continue advertising in accordance with the relevant laws of the EU member states.

# Japan



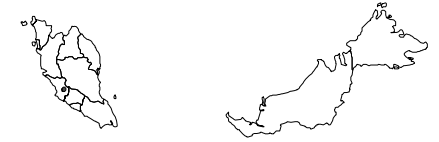
AREA	LEGISLATION	DESCRIPTION
Restaurants	<ul style="list-style-type: none"><li>• No legislation</li></ul>	<ul style="list-style-type: none"><li>• No restrictions.</li></ul>
Bars	<ul style="list-style-type: none"><li>• No legislation</li></ul>	<ul style="list-style-type: none"><li>• No restrictions.</li></ul>
Educational Institutions	<ul style="list-style-type: none"><li>• Guideline by the Ministry of Health and Welfare</li></ul>	<ul style="list-style-type: none"><li>• Restrictions on smoking in public places, schools, health care facilities and on public transport.</li></ul>
Indoor Workplaces	<ul style="list-style-type: none"><li>• Guideline by the Ministry of Labour</li></ul>	<ul style="list-style-type: none"><li>• Restrictions on smoking in government buildings and work sites.</li></ul>
Tobacco Advertising	<ul style="list-style-type: none"><li>• Restrictions on advertising, 1985</li><li>• Restrictions on printed advertisements</li><li>• Voluntary Agreement of the Tobacco Institute of Japan and its members, 1997</li></ul>	<ul style="list-style-type: none"><li>• Advertising must not encourage adolescents and/or women to smoke.</li><li>• Tobacco advertising cannot be placed in newspapers and magazines for minors or women.</li><li>• Prohibits the use of teenage idols, pop stars or models appearing to be under 25 years old and well-known personalities in tobacco advertisements.</li><li>• Women appearing in commercials cannot be depicted smoking.</li><li>• Restricts printed advertisements in magazines to one insertion per spread.</li><li>• Restricts advertisements in newspapers to a maximum area of one third of a page.</li><li>• Printed advertisements must carry health warnings in the prescribed manner.</li><li>• Prohibits all television and radio advertising of tobacco products.</li><li>• Prohibits advertising via other electronic broadcast media, including cinema and the Internet.</li><li>• Prohibits street sampling campaigns.</li></ul>

# Japan



AREA	LEGISLATION	DESCRIPTION
		<ul style="list-style-type: none"><li>• Restricts sales promotion to event sites, tobacco retailers and bars where minors are not permitted by law.</li><li>• Allows newspaper, magazine, and billboard advertising, subject to the restrictions already laid down (see above).</li></ul>
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"><li>• No Legislation</li></ul>	<ul style="list-style-type: none"><li>• No restrictions.</li></ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"><li>• Tobacco Health Warnings Provision</li></ul>	<ul style="list-style-type: none"><li>• The health warning, "Since smoking can damage your health, be careful not to smoke too much" must be printed Japanese on the packaging of tobacco products.</li></ul>
<b>Implementation, Enforcement &amp; Monitoring</b>		<ul style="list-style-type: none"><li>• No information available</li></ul>

# Malaysia



AREA	LEGISLATION	DESCRIPTION
<b>Restaurants</b>	<ul style="list-style-type: none"><li>• The Control of Tobacco Product Regulation, 1993</li></ul>	<ul style="list-style-type: none"><li>• Restricts smoking in air conditioned restaurants. Exemptions are made for air conditioned restaurants to provide smoking areas not exceeding 50% of the floor space, provided they have 'adequate' air ventilation and extraction systems.</li></ul>
<b>Bars</b>	<ul style="list-style-type: none"><li>• No legislation</li></ul>	<ul style="list-style-type: none"><li>• No restrictions</li></ul>
<b>Educational Institutions</b>	<ul style="list-style-type: none"><li>• Control of Tobacco Product (Amendment) Regulations, 1997</li></ul>	<ul style="list-style-type: none"><li>• Bans smoking in educational facilities.</li></ul>
<b>Indoor Workplaces</b>	<ul style="list-style-type: none"><li>• The Control of Tobacco Product Regulation, 1993</li></ul>	<ul style="list-style-type: none"><li>• Bans smoking in a range of indoor premises including: government premises, amusement centres and theatres.</li></ul>
<b>Tobacco Advertising</b>	<ul style="list-style-type: none"><li>• The Control of Tobacco Product Regulation, 1993</li></ul>	<ul style="list-style-type: none"><li>• Prohibits all direct advertising in the local media and printed publications.</li><li>• Exemption for tobacco advertisements in imported printed material.</li><li>• Prohibits free samples; restricts advertising in any film, video, leaflet, handbill, document, book, magazine, billboard or newspaper published in Malaysia.</li><li>• Exemption for 'brand-sharing' whereby the corporate name of a tobacco product is adopted for a non-tobacco product. It is noted that Camel has 15 clothing brands in Malaysia.</li></ul>

# Malaysia



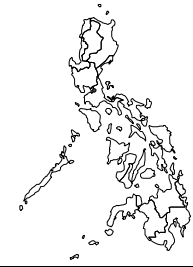
AREA	LEGISLATION	DESCRIPTION
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"><li>The Control of Tobacco Product Regulation, 1993</li></ul>	<ul style="list-style-type: none"><li>Bans tobacco sponsorship by tobacco product name.</li><li>Exemption for 'brand-sharing' whereby the corporate name of a tobacco product is adopted for a non-tobacco product. It is noted that Camel has 15 clothing brands in Malaysia.</li></ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"><li>The Control of Tobacco Product Regulation, 1993</li></ul>	<ul style="list-style-type: none"><li>Requires a single health message in a designated position and ingredient disclosure on packs.</li><li>No prescribed font size or minimum coverage.</li></ul>
<b>Implementation, Enforcement &amp; Monitoring</b>	<ul style="list-style-type: none"><li>The Control of Tobacco Product Regulation, 1993</li></ul>	<ul style="list-style-type: none"><li>There are over 1,400 Enforcement Officers from the Ministry of Health and other local authorities throughout Malaysia to enforce the tobacco regulations. Enforcement in public premises in Malaysia is also carried out Medical Officers of health, health inspectors and other Officers specially appointed by the Ministry of Health.</li></ul>

# Philippines



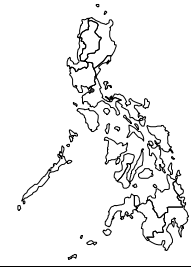
AREA	LEGISLATION	DESCRIPTION
Restaurants	<ul style="list-style-type: none"><li>No legislation</li></ul>	<ul style="list-style-type: none"><li>No restrictions.</li></ul>
Bars	<ul style="list-style-type: none"><li>No legislation</li></ul>	<ul style="list-style-type: none"><li>No restrictions.</li></ul>
Educational Institutions	<ul style="list-style-type: none"><li>Comprehensive Tobacco Regulations Act, 1997</li></ul>	<ul style="list-style-type: none"><li>Bans smoking in all primary and secondary school premises.</li></ul>
Indoor Workplaces	<ul style="list-style-type: none"><li>Memorandum Circular No.07, s. 1999 of the Civil Service Commission, 1999</li></ul>	<ul style="list-style-type: none"><li>Bans smoking in government premises, including state colleges and universities and during work hours whether the employee is in the office or in the field.</li><li>All agencies must assign smoking areas within or outside office premises.</li></ul>
Tobacco Advertising	<ul style="list-style-type: none"><li>“STOP for Health Act” (Stop tobacco and Other Products for Health), 1998</li></ul>	<ul style="list-style-type: none"><li>Tobacco advertisements shown on television or in cinemas must display a specified health warning for the duration of the advertisement.</li><li>Tobacco advertisements aired on the radio must devote 20% of the air time to the health warning.</li><li>Printed media must include a health warning occupying at least 30% of the total advertisement space.</li><li>Two years after the effective date of the Act, all tobacco advertising and promotions shall be prohibited in all electronic media.</li><li>No person can offer or distribute free samples of cigarette or any other tobacco product for purposes of promotion and/or advertising.</li></ul>

# Philippines



AREA	LEGISLATION	DESCRIPTION
	<ul style="list-style-type: none"><li>Code of Ethics from the Advertising Content Regulation Committee</li></ul>	<ul style="list-style-type: none"><li>Cigarette advertisements should not:<ol style="list-style-type: none"><li>1) suggest that smoking is essential to social success or acceptance, that smoking is a genuine symbol of adulthood or that refraining from smoking is a sign of weakness;</li><li>2) depict the act of putting, inhaling or exhaling smoke or having a lit cigarette in the mouth;</li><li>3) feature or promote excessive smoking;</li><li>4) suggest that smoking brings about therapeutic, sedative, tranquillising or stimulatory effects or that smoking enhances sex appeal;</li><li>5) be aimed at or directed at minors as the target audience; models and talents who are minors or appear to be minors and those who portray authority figures or roles meant to appeal to minors may not appear in advertisements.</li></ol></li></ul>
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"><li>“STOP for Health Act” (Stop tobacco and Other Products for Health), 1998</li></ul>	<ul style="list-style-type: none"><li>Prohibits tobacco sponsorship of any sports event.</li></ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"><li>“STOP for Health Act” (Stop tobacco and Other Products for Health), 1998</li></ul>	<ul style="list-style-type: none"><li>Requires packages health warnings on all tobacco.products</li></ul>

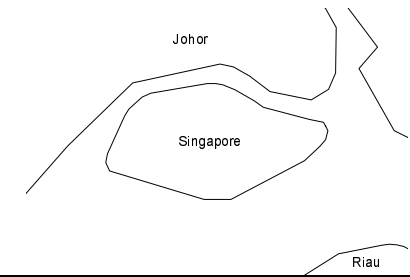
# Philippines



AREA	LEGISLATION	DESCRIPTION
<b>Implementation, Enforcement &amp; Monitoring</b>	<ul style="list-style-type: none"><li>• Code of Ethics from the Advertising Content Regulation Committee</li><li>• Comprehensive Tobacco Regulations Act, 1997</li></ul>	<ul style="list-style-type: none"><li>• Administered by the Philippine board of Advertising on a self-regulatory basis.</li><li>• Any person who smokes in a no smoking area shall be penalised with a fine of 200 to 500 Pesos, or imprisonment of 3 to 7 days, or both, at the discretion of the court.</li><li>• The same penalties shall be imposed upon the owner, operator or manager of the public conveyance or enclosed public place, his employee or agent or any law enforcement officer who knowingly allows smoking in the places herein mentioned, or for failing to post a "No Smoking" sign in a conspicuous place therein.</li></ul>

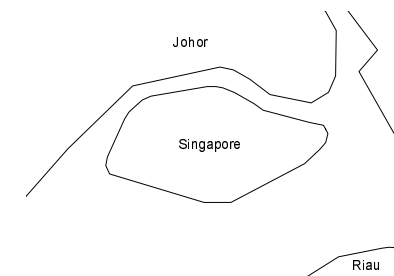


# Singapore



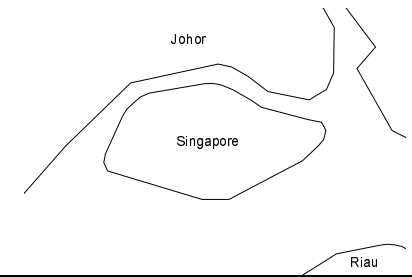
AREA	LEGISLATION	DESCRIPTION
<b>Restaurants</b>	<ul style="list-style-type: none"> <li>The Smoking (Prohibition in Certain Places) Notification, 1988</li> </ul>	<ul style="list-style-type: none"> <li>Prohibits smoking in all air-conditioned restaurants with indoor seating.</li> </ul>
<b>Bars</b>	<ul style="list-style-type: none"> <li>No legislation</li> </ul>	<ul style="list-style-type: none"> <li>No restrictions.</li> </ul>
<b>Educational Institutions</b>	<ul style="list-style-type: none"> <li>Prohibition of Smoking in Certain Places Act (Amendment), 1994</li> </ul>	<ul style="list-style-type: none"> <li>Prohibits smoking in schools and all enclosed and air-conditioned areas in universities.</li> </ul>
<b>Indoor Workplaces</b>	<ul style="list-style-type: none"> <li>Prohibition of Smoking in Certain Places Act (Amendment), 1994</li> </ul>	<ul style="list-style-type: none"> <li>Prohibits smoking in all government offices.</li> <li>Prohibits smoking in all air-conditioned office premises, except where the manager of such premises may designate for smoking in any independently ventilated enclosed room that is neither required to be used by any person employed in such premises for the performance of the duties of his employment or a washroom, pantry or other common area to which persons employed in such premises have access.</li> <li>Prohibits smoking in exhibition halls, lounges and in all enclosed air-conditioned areas or public places with a queue of more than two persons.</li> </ul>
<b>Tobacco Advertising</b>	<ul style="list-style-type: none"> <li>The Smoking (Prohibition on Advertisements) (Amendment) Act, 1989</li> </ul>	<ul style="list-style-type: none"> <li>Prohibits all advertising of tobacco products on television, radio, printed materials and on billboards, on vehicles of tobacco retailers and distributors and at premises where tobacco products are sold:</li> <li>Prohibits advertising of tobacco products in the following manner: <ul style="list-style-type: none"> <li>displaying banners, distribution of leaflets, or encouragement by sales persons;</li> <li>providing free gifts of tobacco products in hampers or in packed form</li> </ul> </li> </ul>

# Singapore



AREA	LEGISLATION	DESCRIPTION
		<ul style="list-style-type: none"> <li>with other goods;</li> <li>• giving away free gifts of tobacco products as prizes in lucky draws, lotteries, etc;</li> <li>• offering free samples of cigarettes to customers; and</li>   <li>• donating free gifts carrying cigarette brand names, e.g. diaries, calendars, cigarette lighters, pens, pencils or any other items.</li> </ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"> <li>• The Consumer protection (Labelling of Tobacco Product Containers) Regulations, 1989</li> </ul>	<ul style="list-style-type: none"> <li>• One of the following four English warnings must be printed in black box letters not less than 3 mm in size on a white background, covering at least 20% of the largest external packet surface:               <ul style="list-style-type: none"> <li>• Health Warning - Smoking causes heart disease;</li> <li>• Health Warning - Smoking causes cancer;</li> <li>• Health Warning - Smoking damages your lungs;</li> <li>• Health Warning - Smoking harms those around us.</li> </ul> </li> <li>• Health warnings must be displayed with equal frequency over a 12 month period.</li> </ul>
<b>Implementation, Enforcement and Monitoring</b>	<ul style="list-style-type: none"> <li>• The Smoking (Prohibition in Certain Places) Notification, 1988</li> </ul>	<ul style="list-style-type: none"> <li>• The introduction of smoking bans in all air conditioned restaurants was accompanied by a public awareness campaign supported by an intensive monitoring/education campaign led by dedicated officers of the Environmental Health Department under the Singapore Ministry of Environment.</li> <li>• The enforcement effort required to ensure compliance with the regulations dropped off very quickly over several months and investigations are</li> </ul>

# Singapore



AREA	LEGISLATION	DESCRIPTION
		<p>presently only made in response to a complaint from restaurant patrons.</p> <ul style="list-style-type: none"><li>Both restaurant management and offending patrons are liable to fines for breaches of the smoking ban, although anecdotal evidence from the Smoking Control Unit of the Singapore Environmental Health Department indicates that compliance is generally very high through 'self-enforcement'.</li></ul> <p>SOURCE: Communication with Singapore Environmental Health Department 28 June, 2001</p>

# South Korea



AREA	LEGISLATION	DESCRIPTION
Restaurants	<ul style="list-style-type: none"><li>• No legislation</li></ul>	<ul style="list-style-type: none"><li>• No restrictions.</li></ul>
Bars	<ul style="list-style-type: none"><li>• No legislation</li></ul>	<ul style="list-style-type: none"><li>• No restrictions.</li></ul>
Educational Institutions	<ul style="list-style-type: none"><li>• Health Promotion Act, 1999</li></ul>	<ul style="list-style-type: none"><li>• Bans smoking in indoor areas of elementary, junior high and high schools.</li><li>• Smoking is permitted in outdoor areas and designated indoor smoking areas.</li></ul>
Indoor Workplaces	<ul style="list-style-type: none"><li>• Public Sanitation Law, 1990</li></ul>	<ul style="list-style-type: none"><li>• Requires the introduction of non-smoking areas in buildings open to the public, including theatres, department stores and offices.</li><li>• Public places that do not provide non-smoking areas face fines.</li></ul>
Tobacco Advertising	<ul style="list-style-type: none"><li>• Advertising Restrictions</li></ul>	<ul style="list-style-type: none"><li>• Tobacco advertising prohibited on television, radio and in newspapers.</li><li>• Tobacco advertisements are not allowed in magazines aimed at a youth or women readership.</li><li>• Tobacco advertisements in other magazines can only show the product and product specifications.</li><li>• Persuasive messages are prohibited in tobacco advertisements.</li><li>• All advertisements must carry a health warning in the specified manner (see below).</li><li>• Point of sale advertising restricted to within 10 meters of the retail location.</li><li>• Sampling activities restricted to within 10 meters of the point of sale.</li><li>• Samples may only be distributed one at a time.</li></ul>

# South Korea



AREA	LEGISLATION	DESCRIPTION
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"> <li>Restrictions on sponsorship</li> </ul>	<ul style="list-style-type: none"> <li>Sponsorship of sports and other events is permitted by a tobacco brand name with the following restrictions:               <ul style="list-style-type: none"> <li>No pictures of the product can be shown</li> <li>Sponsorship is prohibited from events where the majority of the audience is either female or minors.</li> </ul> </li> </ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"> <li>National Health Promotion Act 4914, 1995</li> <li>Presidential Decree on Health Warnings</li> </ul>	<ul style="list-style-type: none"> <li>To be printed on the front of tobacco product packaging in Korean: “Warning: Smoking is the cause of various diseases including lung cancer and especially detrimental to the health of pregnant women and youth”.</li> <li>One of the following four health warnings to be printed on the back of tobacco product packaging in Korean:               <ol style="list-style-type: none"> <li>Warning: Stopping smoking can lead to a healthy and long life</li> <li>Warning: Your smoking endangers the health of others</li> <li>Warning: Smoking harms the health of your loved children</li> <li>Warning: Smoking causes paralysis and heart disease</li> </ol> </li> </ul>
<b>Implementation, Enforcement &amp; Monitoring</b>		<ul style="list-style-type: none"> <li>No information available</li> </ul>

# Taiwan



AREA	LEGISLATION	DESCRIPTION
<b>Restaurants</b>	<ul style="list-style-type: none"> <li>The Tobacco Hazards Control Law, 1997</li> </ul>	<ul style="list-style-type: none"> <li>Permits smoking only in designated smoking areas in restaurants with a floor area of more than 200 square meters.</li> </ul>
<b>Bars</b>	<ul style="list-style-type: none"> <li>No legislation</li> </ul>	<ul style="list-style-type: none"> <li>No restrictions.</li> </ul>
<b>Educational Institutions</b>	<ul style="list-style-type: none"> <li>The Tobacco Hazards Control Law, 1997</li> </ul>	<ul style="list-style-type: none"> <li>Prohibits smoking in libraries, classrooms, laboratories, day care centres and kindergartens.</li> <li>Permitted only in designated, smoking areas in schools.</li> </ul>
<b>Indoor Workplaces</b>	<ul style="list-style-type: none"> <li>The Tobacco Hazards Control Law, 1997</li> </ul>	<ul style="list-style-type: none"> <li>Prohibits smoking in the business areas of banks, post offices and telecommunications offices and in performance and exhibition halls and auditoriums.</li> <li>Permits smoking only in designated smoking areas in government offices and government enterprises and in movie and opera houses, department stores, etc.</li> </ul>
<b>Tobacco Advertising</b>	<ul style="list-style-type: none"> <li>The Tobacco Hazards Control Law, 1997</li> </ul>	<ul style="list-style-type: none"> <li>Prohibits advertising or promotion of tobacco products through radio, television, film, video, newspaper, billboard, poster, leaflet, notice, announcement, sample, sign, display, or in any written or illustrated form or article.</li> <li>Prohibits discounts as a form of promotion.</li> <li>Prohibits the use of other articles as a gift or prize for selling tobacco products excluding, however, gifts the price of which is under one-quarter of the price of the tobacco products</li> <li>Prohibits selling tobacco products wrapped together with any other product.</li> </ul>

# Taiwan



AREA	LEGISLATION	DESCRIPTION
		<ul style="list-style-type: none"> <li>Manufacturers, retailers or importers of tobacco products are permitted to advertise in magazines up to a total of 120 items per year, provided the primary readers of the magazines are not minors under the age of 18.</li> <li>Displaying tobacco products, placing posters or demonstrating or explaining the tobacco products with words or illustration in places where tobacco products are sold is not regarded as promotion or advertising as mentioned above.</li> </ul> <p><b>Note:</b> This is essentially an exemption for point of sale advertising as there is no definition in the legislation of what constitutes a “poster”.</p>
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"> <li>The Tobacco Hazards Control Law, 1997</li> </ul>	<ul style="list-style-type: none"> <li>Complete ban on tobacco company sponsorship of sporting, cultural activities, taste tests, concerts, lectures and other events under the brand name of a tobacco product.</li> <li>Manufacturers, importers or retailers may sponsor or organise activities under the name of the company, but no tasting, selling or promotion of tobacco products may be conducted at the site.</li> </ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"> <li>The Tobacco Hazards Control Law, 1997</li> </ul>	<ul style="list-style-type: none"> <li>All tobacco products containers must carry a health warning in Chinese in obvious places on their largest exterior sides in the manner prescribed by the Department of Health.</li> </ul>

# Taiwan



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AREA	LEGISLATION	DESCRIPTION
<b>Implementation, Enforcement &amp; Inspection</b>	<ul style="list-style-type: none"><li>• The Tobacco Hazards Control Law, 1997</li></ul>	<ul style="list-style-type: none"><li>• Persons in charge of government organisations and public and private enterprises and managers of places where smoking is prohibited shall dissuade persons from smoking in non-smoking areas. Any person on the scene may also so dissuade them.</li><li>• Penalties for breaches of this Law are punishable by fines for the offenders and managers in the case of not sign-posting non-smoking areas.</li><li>• Enforcement is primarily the responsibility of the Department of Health at the Central Government level, however the Provincial (Municipal) Health Department and the County (city) Government shall periodically send officials to inspect the facilities and management of the non-smoking and smoking areas (rooms) of movie theatres, performance and exhibition centres and other places of entertainment.</li></ul>

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# Thailand



AREA	LEGISLATION	DESCRIPTION
<b>Restaurants</b>	<ul style="list-style-type: none"> <li>• Non-smokers Health Protection Act, 1997</li> </ul>	<ul style="list-style-type: none"> <li>• Bans smoking in food centres in department stores or plazas.</li> <li>• Air conditioned restaurants must be at least 75% smoke-free with a designated smoking area.</li> </ul>
<b>Bars</b>	<ul style="list-style-type: none"> <li>• No legislation</li> </ul>	<ul style="list-style-type: none"> <li>• No restrictions.</li> </ul>
<b>Educational Institutions</b>	<ul style="list-style-type: none"> <li>• Non-smokers Health Protection Act, 1997</li> </ul>	<ul style="list-style-type: none"> <li>• Bans smoking (excluding private rooms) in nurseries, pre-school centres and schools.</li> <li>• Bans smoking in all libraries.</li> <li>• Bans smoking (excluding private rooms and designated smoking areas) in universities and colleges.</li> </ul>
<b>Indoor Workplaces</b>	<ul style="list-style-type: none"> <li>• Non-smokers Health Protection Act, 1997</li> </ul>	<ul style="list-style-type: none"> <li>• Bans smoking in all air-conditioned workplaces.</li> <li>• Bans smoking (excluding private rooms and designated smoking areas) in government and private buildings, banks and financial institutions.</li> </ul>
<b>Tobacco Advertising</b>	<ul style="list-style-type: none"> <li>• The Tobacco Products Control Act B.E. 2535, 1992</li> </ul>	<ul style="list-style-type: none"> <li>• Bans tobacco advertising in the electronic and print media and on billboards (except advertising in international magazines and on live overseas television shows).</li> <li>• Prohibits advertising for other products with the same name as tobacco products (i.e. brand-stretching).</li> <li>• Prohibits the selling of goods or the provision of services with the addition of a gift of tobacco products and vice versa.</li> <li>• Prohibits giving vouches to attend games, shows, services or any other benefit as a consideration to the buyer of tobacco products.</li> </ul>

# Thailand



AREA	LEGISLATION	DESCRIPTION
		<ul style="list-style-type: none"> <li>• Bans free tobacco product sample distribution.</li> <li>• Bans using the name or mark of the tobacco products in any show, game, service or other activity with the objective of letting the public understand that the name or mark belongs to the tobacco product.</li> </ul>
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"> <li>• The Tobacco Products Control Act B.E. 2535,1992</li> </ul>	<ul style="list-style-type: none"> <li>• Bans using the name or mark of tobacco products in any show, game, service or other activity with the objective of letting the public understand that the name or mark belongs a tobacco product.</li> </ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"> <li>• The Tobacco Products Control Act B.E. 2535, 1997</li> </ul>	<ul style="list-style-type: none"> <li>• One of the following 10 rotating health warnings must cover at least 1/3 of the two largest packet surfaces:               <ul style="list-style-type: none"> <li>• Smoking causes lung cancer</li> <li>• Smoking causes heart failure</li> <li>• Smoking causes pulmonary emphysema</li> <li>• Smoking causes cerebrovascular diseases</li> <li>• Smoking leads to other narcotic addictions</li> <li>• Smoking reduces sexual ability</li> <li>• Smoking causes premature ageing</li> <li>• Smoking kills</li> <li>• Smoking is harmful to your family and friends</li> <li>• Smoking is harmful to feottuses</li> </ul> </li> <li>• Warnings must be placed at the uppermost part of the carton in white 2 mm font on a black background.</li> </ul> <p>NOTE: The Thailand Public Health Ministry is considering the introduction of both pictorial and verbal warning notices against smoking on cigarette packets.</p>

# Thailand



AREA	LEGISLATION	DESCRIPTION
Others	<ul style="list-style-type: none"><li>Ban on Smoking on Television, 2000</li></ul>	<ul style="list-style-type: none"><li>Thai government ban on television scenes with people smoking implemented by the Public Health Ministry in co-ordination with local television networks; applicable to both local and international programs</li></ul>
Implementation, Enforcement & Monitoring	<ul style="list-style-type: none"><li>The Non-smokers' Health Protection Act</li><li>The Tobacco Products Control Act</li></ul>	<ul style="list-style-type: none"><li>The Metropolitan Police is responsible for the enforcement of both Acts, which carry fines between 2,000 to 20,000 baht</li></ul>

# United Kingdom



AREA	LEGISLATION	DESCRIPTION
Restaurants	<ul style="list-style-type: none"> <li>No legislation</li> </ul>	<ul style="list-style-type: none"> <li>No restrictions.</li> </ul>
Bars	<ul style="list-style-type: none"> <li>No legislation</li> </ul>	<ul style="list-style-type: none"> <li>No restrictions.</li> </ul>
Educational Institutions	<ul style="list-style-type: none"> <li>Measures to control smoking in public places by voluntary agreement</li> </ul>	<ul style="list-style-type: none"> <li>Voluntary provision to restrict smoking in workplaces, public places, schools and in government buildings.</li> </ul>
Indoor Workplaces	<ul style="list-style-type: none"> <li>Measures to control smoking in public places by voluntary agreement</li> </ul>	<ul style="list-style-type: none"> <li>Restricts smoking in workplaces, public places, schools and in government buildings.</li> </ul>
Tobacco Advertising	<ul style="list-style-type: none"> <li>The Television Act, 1964</li> <li>The Broadcasting Act</li> <li>The Voluntary Agreement on Advertising and Promotion Revisions, 1994</li> </ul>	<ul style="list-style-type: none"> <li>Bans advertising for cigarettes and 'roll-your-own' tobacco products on television and radio.</li> <li>Prohibits television advertising of all tobacco products</li> <li>Phases out permanent shop front tobacco advertising by the end of 1996.</li> <li>Prohibits advertising on posters under 48-sheet size and all mobile billboard advertising.</li> <li>Expenditure capped on poster advertisements for tobacco products.</li> <li>Government health warnings must appear on advertisements in a prescribed manner.</li> <li>Prohibits all tobacco advertising in any publication directed to minors under 18.</li> <li>Prohibits promotional offers directed at children and non-smokers.</li> <li>Prohibits poster advertising for all tobacco products from within a 200 metre radius of school entrances.</li> <li>Prohibits tobacco advertising on computer games.</li> </ul>

# United Kingdom



AREA	LEGISLATION	DESCRIPTION
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"> <li>Voluntary agreement on tobacco sponsorship, 1987</li> </ul>	<ul style="list-style-type: none"> <li>Health warnings must cover 20% of the total advertising area.</li> <li>Tobacco sponsorship should not be related to activities in which the majority of participants are minors under 18.</li> <li>Financial expenditure on tobacco sponsorship capped.</li> <li>Health warnings must accompany all sponsorship notices.</li> </ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"> <li>The Tobacco Products Labelling Safety Regulations, 1991</li> </ul>	<ul style="list-style-type: none"> <li>All unit packets of tobacco products must carry, on the most visible surface, the following general warning in English: "Tobacco seriously damages health". In the case of packets of cigarettes and rolling tobacco, the other large surface must alternately carry one of the following 16 health warnings:               <ul style="list-style-type: none"> <li>Smoking causes fatal diseases.</li> <li>Smoking kills.</li> <li>Smoking can kill.</li> <li>Smoking when pregnant harms your baby.</li> <li>Protect children: don't make them breathe your smoke.</li> <li>Smoking damages the health of those around you.</li> <li>Stopping smoking reduces the risk of serious disease.</li> <li>Smoking causes cancer, chronic bronchitis and other chest diseases.</li> <li>More than ( . . . ) people die each year in . . . (name of the country) from lung cancer.</li> <li>Every year, . . . people are killed in road accidents in (name of the country) - . . times more die from their addiction to smoking.</li> <li>Every year, addiction to smoking claims more victims than road</li> </ul> </li> </ul>

# United Kingdom



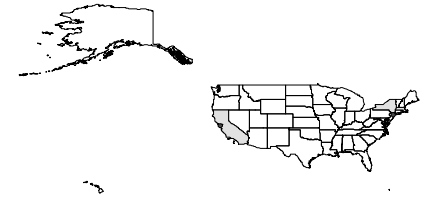
AREA	LEGISLATION	DESCRIPTION
		<p>accidents.</p> <ul style="list-style-type: none"> <li>• Smokers die younger.</li> <li>• Don't smoke if you want to stay healthy.</li> <li>• Save money: stop smoking.</li> <li>• Smoking causes cancer.</li> <li>• Smoking causes heart disease.</li> </ul> <ul style="list-style-type: none"> <li>• Two warnings must cover at least 4% of each large surface; be clear and legible; be printed in bold letters on a contrasting background; be printed in a place where they cannot be damaged when the package is opened; be located on the packet itself and not on the transparent wrapper or any other external wrapping</li> </ul>
<p><b>Implementation, Enforcement &amp; Monitoring</b></p>	<ul style="list-style-type: none"> <li>• The Voluntary Agreement on Tobacco Products' Advertising and Promotion</li> </ul>	<ul style="list-style-type: none"> <li>• The Committee for Monitoring Agreements on Tobacco Advertising and Sponsorship is responsible for monitoring the operation of this Voluntary Agreement. The Committee is also responsible for monitoring the separate agreement on sports sponsorship between the Department of National Heritage and the tobacco industry.</li> <li>• The Committee is responsible for: <ul style="list-style-type: none"> <li>• reviewing all matters relating to the operation of the voluntary agreement;</li> <li>• ensuring that the terms of the voluntary agreement are properly observed and are interpreted with consistency;</li> <li>• receiving full details of all complaints sent by the public or public bodies to the Government Department concerned, and of the responses by those companies to whom the complaints were referred. In the case</li> </ul> </li> </ul>

# United Kingdom



AREA	LEGISLATION	DESCRIPTION
		<p>of disputed matters or those which raise general issues relevant to the observance of the agreement, the Committee will adjudicate and, where appropriate, communicate that view to the parties concerned; and</p> <ul style="list-style-type: none"><li data-bbox="1055 507 2018 587">• reporting annually to Ministers and to member companies on the general implementation of the agreement.</li><li data-bbox="1010 596 2107 762">• Consultants may be appointed to undertake surveys and other work relevant to establishing that the agreement is being adhered to. The precise remit in any particular case will be determined by the Committee and be conveyed in writing on the instructions of the Chairman.</li><li data-bbox="1010 772 2101 852">• The costs of the Committee will be shared equally by the Government and the Industry</li></ul>

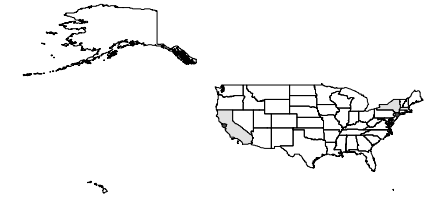
# United States - California



AREA	LEGISLATION	DESCRIPTION
<b>Restaurants</b>	<ul style="list-style-type: none"> <li>California Labor Code 6404.5 Smokefree Workplace Law (A.B. 13), 1995</li> <li>Health and Safety Code, Sec. 27605: Food Preparation</li> </ul>	<ul style="list-style-type: none"> <li>Effective 1 January 1996.</li> <li>Prohibits smoking in all indoor restaurants.</li> <li>Smoking is permitted only in designated signed areas separated from non-smoking areas by floor to ceiling partitioning and separate ventilation</li> <li>Smoking is prohibited in all food preparation, storage and utensil cleaning and storage areas.</li> </ul>
<b>Bars</b>	<ul style="list-style-type: none"> <li>California Labor Code 6404.5 Smokefree Workplace Law (A.B. 13), 1995</li> </ul>	<ul style="list-style-type: none"> <li>Bans smoking in all bars, pubs and nightclubs.</li> </ul> <p><b>Note 1:</b> Bars and nightclubs were included in the law at the insistence of the California Restaurant Association, which opposed any restaurant law that did <i>not</i> include bars and nightclubs.</p> <p><b>Note 2:</b> After the Law passed, the tobacco industry successfully promoted an amendment which delayed implementation of the bar/restaurant and nightclub provisions until January 1, 1998. They tried to delay implementation again, but were defeated.</p>
<b>Educational Institutions</b>	<ul style="list-style-type: none"> <li>Education Code, Sec. 48901.5: Schools</li> </ul>	<ul style="list-style-type: none"> <li>Smoking by students is prohibited on school campuses.</li> <li>Some school districts have expanded the policy to eliminate smoking by all persons on campuses.</li> </ul>
<b>Indoor Workplaces</b>	<ul style="list-style-type: none"> <li>California Labor Code 6404.5 Smokefree Workplace Law (A.B. 13), 1995</li> </ul>	<ul style="list-style-type: none"> <li>Banned in all indoor workplaces. Exemptions include: <ul style="list-style-type: none"> <li>Designated smoking areas of hotel lobbies (up to 25% of floor space or 50% if total floor area &lt;2,000 sq feet);</li> <li>Meeting and banquet rooms in hotels/motels/conventions centres, except while food or beverage functions are taking place;</li> </ul> </li> </ul>

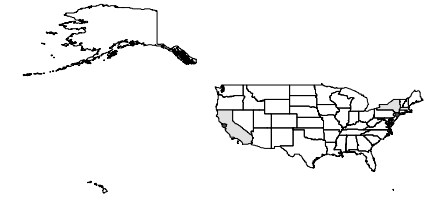


# United States - California



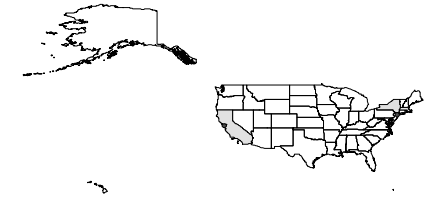
AREA	LEGISLATION	DESCRIPTION
		<ul style="list-style-type: none"> <li>• Retail or wholesale tobacco shops and adjoining private smokers' lounges;</li> <li>• Warehouse facilities &gt;100,000 sq feet employing &lt;20 people (excluding office space);</li> <li>• Gaming clubs or bingo facilities which restrict access to minors under 18, in which smoking is permitted by floor to ceiling partitioning;</li> <li>• Bars and taverns (establishments primarily devoted to serving alcoholic beverages for consumption on the premises- does <b>not</b> include restaurants) in which smoking is permitted by floor to ceiling partitioning;</li> <li>• Breakrooms designated by employers for smoking, provided that exhaust fans are fitted that discharge to atmosphere and that no air is recirculated and that any relevant ventilation standards are complied with.</li> <li>• An employer may prohibit smoking in an enclosed place of employment for any reason (i.e. does not have to allow exemptions as described above)</li> </ul>
<b>Tobacco Advertising</b>	<ul style="list-style-type: none"> <li>• Federal: The Public Health Cigarette Smoking Act , 1969</li> <li>• Federal: Voluntary Code on Cigarette and Smokeless Tobacco Advertising</li> </ul>	<ul style="list-style-type: none"> <li>• Prohibits tobacco advertising on television, in cinemas and on video cassettes</li> <li>• Cigarette and smokeless tobacco advertisements are not to appear in comic books, newspaper comic supplements and school or college media or magazines primarily read by young people.</li> </ul>

# United States - California



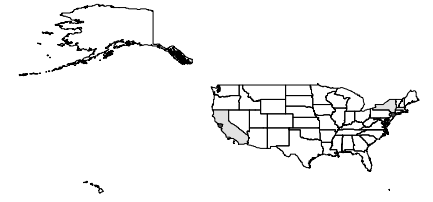
AREA	LEGISLATION	DESCRIPTION
	<ul style="list-style-type: none"> <li>Stop Tobacco Access to Kids Enforcement (STAKE) Act, 1992</li> </ul>	<ul style="list-style-type: none"> <li>"No person, firm, corporation, partnership, or any other organisation shall advertise or cause to be advertised any tobacco products on any outdoor billboard located within 1,000 feet of any public or private ... school, or public playground."</li> <li>Problems with enforcement (see <i>Section 3.2.2</i> for discussion):               <ul style="list-style-type: none"> <li>Does 1,000 feet start from the edge or middle of the playground?</li> <li>What constitutes a playground?</li> <li>Billboard = 14sq feet or larger (hence 13.9 sq ft is accepted).</li> </ul> </li> <li>Advertising is also banned in video games and on state property.</li> </ul>
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"> <li>Federal Legislation 61 Fed. Reg. 44396, 1996</li> </ul>	<ul style="list-style-type: none"> <li>Bans sponsorship, including concerts and sporting events, in the name, logo or selling message of a tobacco brand.</li> </ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"> <li>Federal Legislation FDA Rule; 21 C.F.R. 101.70] B. Warnings, Labelling and Packaging, 1984</li> </ul>	<ul style="list-style-type: none"> <li>The words "Surgeon General's Warning: " must be accompanied by one of the following health warnings on cigarette products:               <ul style="list-style-type: none"> <li>Smoking Causes Lung Cancer, Heart Disease, Emphysema, And May Complicate Pregnancy;</li> <li>Quitting Smoking Now Greatly Reduces Serious Risks to Your Health;</li> <li>Smoking By Pregnant Women May Result in Foetal Injury, Premature Birth, And Lower Birth Weight; or</li> <li>Cigarette Smoke Contains Carbon Monoxide.</li> </ul> </li> <li>The following health warnings must appear on packages of smokeless tobacco (snuff, chewing tobacco):               <ul style="list-style-type: none"> <li>This product may cause gum disease and tooth loss.</li> <li>This product may cause mouth cancer.</li> </ul> </li> </ul>

# United States - California



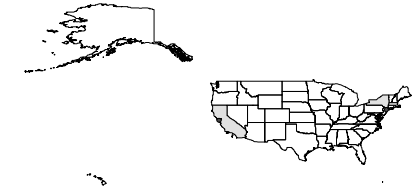
AREA	LEGISLATION	DESCRIPTION
<p><b>Implementation, Enforcement &amp; Monitoring</b></p>	<ul style="list-style-type: none"> <li>• California Labor Code 6404.5</li> <li>• Smokefree Workplace Law (A.B. 13), 1995</li> </ul>	<ul style="list-style-type: none"> <li>• This product is not a safe alternative to cigarettes.</li> <li>• The warnings must be rotated quarterly for different brands of tobacco products</li> <li>• Infractions of this workplace smoking ban will result in the employers being fined \$US 100 for a first violation, \$US 200 for a second violation within one year and \$US 500 for a third and subsequent violations within one year.</li> <li>• Local law enforcement agencies including, but not limited to, local health departments, as determined by the local governing body, are responsible for enforcing the ban.</li> <li>• For workplaces covered by AB-13, Cal/OSHA is required to respond to complaints regarding smoking in places of employment only after the employer has been found guilty of three violations of this law within the previous year. Complaints received by Cal/OSHA regarding smoking in workplaces not covered by AB-13 smoking restrictions (see workplace exemptions above) will result in a letter directing the employer to investigate and correct the problem.</li> <li>• Bar owners are required to post “no smoking” signs at all entrances and make a ‘reasonable effort’ to inform patrons that they are not allowed to smoke.</li> <li>• If a restaurant/bar customer continues to smoke after being requested not to, restaurant/bar staff are not required to ask the smoker to leave. Requesting that smokers discontinue smoking is deemed to be a ‘reasonable effort’ on behalf of staff.</li> <li>• Bar owners breaking the law may be fined up to US\$100 for a first offence</li> </ul>

# *United States - California*



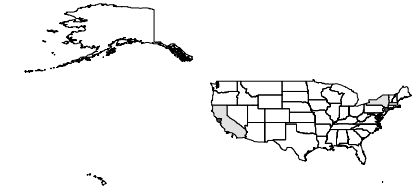
AREA	LEGISLATION	DESCRIPTION
		and up to US\$7000 per violation for a series of offences.

# United States - Massachusetts



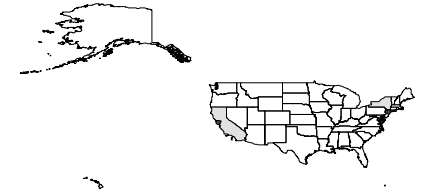
AREA	LEGISLATION	DESCRIPTION
<b>Restaurants</b>	<ul style="list-style-type: none"> <li>General Laws of Massachusetts Chapter 270: Section 22. Smoking in Public Places</li> </ul>	<ul style="list-style-type: none"> <li>Smoking is not permitted in any restaurant that seats more than 75 people, except in an area which has been specifically designated as a smoking area.</li> </ul>
<b>Bars</b>	<ul style="list-style-type: none"> <li>No State-wide legislation</li> </ul>	<ul style="list-style-type: none"> <li>Banned in public bars within the city of Salem as of 1 April 2001.</li> </ul>
<b>Educational Institutions</b>	<ul style="list-style-type: none"> <li>General Laws of Massachusetts Chapter 270</li> </ul>	<ul style="list-style-type: none"> <li>Prohibited in all public educational institutions and other public buildings, <b>except</b> in an area which has specifically been designated as a smoking area.</li> </ul>
<b>Indoor Workplaces</b>	<ul style="list-style-type: none"> <li>Federal Legislation</li> </ul>	<ul style="list-style-type: none"> <li>Smoking is prohibited in the indoor areas of government buildings under federal legislation.</li> </ul>
<b>Tobacco Advertising</b>	<ul style="list-style-type: none"> <li>Federal Legislation . 61 Fed. Reg. 44396, 1996</li> <li>Federal: The Public Health Cigarette Smoking Act, 1969</li> <li>Federal: Voluntary Code on Cigarette and Smokeless Tobacco Advertising</li> </ul>	<ul style="list-style-type: none"> <li>Bans the sampling of tobacco products.</li> <li>Prohibits tobacco advertising on television, in cinemas and on video cassettes.</li> <li>Cigarette and smokeless tobacco advertisements will not appear in comic books, newspaper comic supplements and school or college media or magazines primarily read by young people</li> </ul>
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"> <li>Federal Legislation 61 Fed. Reg. 44396, 1996</li> </ul>	<ul style="list-style-type: none"> <li>Bans sponsorship, including concerts and sporting events, in the name, logo or selling message of a tobacco brand.</li> </ul>

# United States - Massachusetts



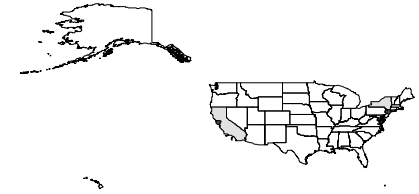
AREA	LEGISLATION	DESCRIPTION
<b>Package Health Warnings</b>	<ul style="list-style-type: none"> <li>Federal Legislation: FDA Rule; 21 C.F.R. 101.70] B. Warnings, Labelling and Packaging, 1984</li> </ul>	<ul style="list-style-type: none"> <li>The words "Surgeon General's Warning: " must be accompanied by one of the following health warnings on cigarette products:               <ul style="list-style-type: none"> <li>Smoking Causes Lung Cancer, Heart Disease, Emphysema, And May Complicate Pregnancy;</li> <li>Quitting Smoking Now Greatly Reduces Serious Risks to Your Health;</li> <li>Smoking By Pregnant Women May Result in Foetal Injury, Premature Birth, And Lower Birth Weight; or</li> <li>Cigarette Smoke Contains Carbon Monoxide.</li> </ul> </li> <li>The following health warnings must appear on packages of smokeless tobacco (snuff, chewing tobacco):               <ul style="list-style-type: none"> <li>This product may cause gum disease and tooth loss.</li> <li>This product may cause mouth cancer.</li> <li>This product is not a safe alternative to cigarettes.</li> </ul> </li> <li>The warnings must be rotated quarterly for different brands of tobacco products.</li> </ul>
<b>Implementation, Enforcement &amp; Monitoring</b>	<ul style="list-style-type: none"> <li>General Laws of Massachusetts Chapter 270: Section 22. Smoking in Public Places</li> </ul>	<ul style="list-style-type: none"> <li>Complaints of non-compliance are to be addressed in writing to the local health officer in the case of restaurants, supermarkets or retail food outlets. Local Authority must respond within 15 days and report to complainant, copied to Department of Health.</li> </ul>

# United States - New York City



AREA	LEGISLATION	DESCRIPTION
Restaurants	<ul style="list-style-type: none"><li>Smoke-Free Air Act, 1995</li></ul>	<ul style="list-style-type: none"><li>Smoking is prohibited in the dining areas of all restaurants seating more than 35 people, and smoking is confined to the bar area (see below), enclosed smoking lounges serving only beverages and private functions.</li><li>Restaurants with seating for 35 or fewer people are exempt.</li></ul>
Bars	<ul style="list-style-type: none"><li>Smoke-Free Air Act, 1995</li></ul>	<ul style="list-style-type: none"><li>Smoking is permitted in stand-alone bars.</li><li>In restaurant bars, smoking is permitted if:<ul style="list-style-type: none"><li>The bar area is at least six feet from the indoor dining area or the bar area is separated by a solid floor-to-ceiling partition from the indoor dining area;</li><li>The smoking lounge and bar do not exceed 25 percent of the combined area of the dining, beverage service and lounge areas;</li><li>The seating situated in the bar area where food service is offered is limited to:<ul style="list-style-type: none"><li>the smoking lounge and bar are not the sole indoor patron waiting areas;</li><li>no more than 15 percent of the first 100 seats where food service is offered; and</li><li>no more than 10 percent of any seats over 100 where food service is offered.</li></ul></li></ul></li></ul>

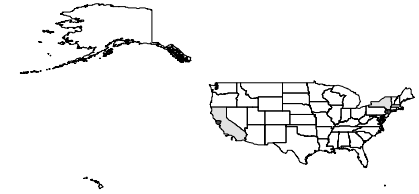
# United States - New York City



AREA	LEGISLATION	DESCRIPTION
<b>Educational Institutions</b>	<ul style="list-style-type: none"> <li>Smoke-Free Air Act, 1995</li> </ul>	<ul style="list-style-type: none"> <li>Smoking is prohibited in indoor areas in pre-primary, primary and secondary schools. In all other schools, smoking is permitted only in separately ventilated smoking rooms for employees and students.</li> <li>Smoking is prohibited at all times in both indoor and outdoor areas of day care centres.</li> </ul>
<b>Indoor Workplaces</b>	<ul style="list-style-type: none"> <li>Smoke-Free Air Act, 1995</li> </ul>	<ul style="list-style-type: none"> <li>All employers are required to restrict smoking to one separately ventilated, enclosed smoking room on each floor (300 sq. ft. maximum). Smoking is permitted in private, enclosed offices as long as no more than three people, including the occupant, are present and all consent and the door is closed.</li> </ul>
<b>SPORTS ARENAS AND RECREATIONAL AREAS</b>	Smoke-Free Air Act, 1995	<ul style="list-style-type: none"> <li>Smoking is prohibited in outdoor seating areas.</li> <li>Smoking is permitted in separately ventilated smoking lounges as long as those lounges do not exceed 25 percent of total lounge space.</li> <li>Smoking is permitted in separate smoking rooms in the viewing area, (provided such rooms do not exceed 25 percent of total private box seats and suites), enclosed areas of the concourse (not to exceed 25 percent of the total concourse area) and some unenclosed concourse areas.</li> </ul>
<b>Tobacco Advertising</b>	<ul style="list-style-type: none"> <li>Federal: The Public Health Cigarette Smoking Act, 1969</li> <li>Federal: Voluntary Code on Cigarette and Smokeless Tobacco Advertising</li> </ul>	<ul style="list-style-type: none"> <li>Prohibits tobacco advertising on television, in cinemas and on video cassettes.</li> <li>Cigarette and smokeless tobacco advertisements will not appear in comic books, newspaper comic supplements and school or college media or magazines primarily read by young people.</li> </ul>

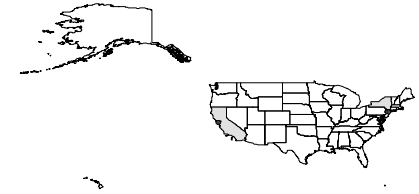


# United States - New York City



AREA	LEGISLATION	DESCRIPTION
	<ul style="list-style-type: none"> <li>• Federal Legislation: 61 Fed. Reg. 44396, 1996</li> <li>• City: Tobacco Sampling Law</li> </ul>	<ul style="list-style-type: none"> <li>• Bans the sampling of tobacco products.</li> <li>• Prohibits the distribution of tobacco products to the general public at less than basic cost in public places and at public events.</li> <li>• Tobacco retailers in their store or wholesalers or manufacturers distributing to employees of legal age are exempted.</li> </ul>
<b>Tobacco Sponsorship</b>	<ul style="list-style-type: none"> <li>• Federal Legislation 61 Fed. Reg. 44396, 1996</li> </ul>	<ul style="list-style-type: none"> <li>• Bans sponsorship, including concerts and sporting events, in the name, logo or selling message of a tobacco brand.</li> </ul>
<b>Package Health Warnings</b>	<ul style="list-style-type: none"> <li>• Federal Legislation FDA Rule; 21 C.F.R. 101.70] B. Warnings, Labelling and Packaging, 1984</li> </ul>	<ul style="list-style-type: none"> <li>• The words "Surgeon General's Warning: " must be accompanied by one of the following health warnings on cigarette products:               <ul style="list-style-type: none"> <li>• Smoking Causes Lung Cancer, Heart Disease, Emphysema, And May Complicate Pregnancy;</li> <li>• Quitting Smoking Now Greatly Reduces Serious Risks to Your Health;</li> <li>• Smoking By Pregnant Women May Result in Foetal Injury, Premature Birth, And Lower Birth Weight; or</li> <li>• Cigarette Smoke Contains Carbon Monoxide.</li> </ul> </li> <li>• The following health warnings must appear on packages of smokeless tobacco (snuff, chewing tobacco):               <ul style="list-style-type: none"> <li>• This product may cause gum disease and tooth loss.</li> <li>• This product may cause mouth cancer.</li> <li>• This product is not a safe alternative to cigarettes.</li> </ul> </li> <li>• The warnings must be rotated quarterly for different brands of tobacco products.</li> </ul>

# United States - New York City



AREA	LEGISLATION	DESCRIPTION
Implementation, Enforcement & Monitoring	Tobacco Enforcement Program, 1997	<ul style="list-style-type: none"><li>Established in order to reduce the use and accessibility of tobacco to youth under 18 years of age.</li><li>The New York City Department of Consumer Affairs (DCA) is commissioned by the New York City Department of Health (DOH) to conduct annual compliance checks.</li><li>Inspectors from DCA hire youth to conduct compliance checks with them, five times a week during the summer and every weekend during the school year.</li></ul>

**\*\*NOTE:**

The New York City Council is presently debating amendments to the Smoke Free Air Act as follows:

- abolish current exemption for restaurants seating less than 35 people
- only allow smoking if a restaurant builds a separate enclosed smoking room.
- the law will also include changing the rules for smoking in the office. Except for the person who routinely occupies the office, smoking would be banned.
- the bill would also ban smoking in city-owned cars and require passenger permission for smoking in private cars.

Annex B

## Summary of Studies on the Impact of Smoking Bans

*Summary of studies assessing the impact of smoking restrictions on the hospitality industry*

<b>Author and Year Published</b>	<b>Type of policy examined</b>	<b>Indicator</b>	<b>Findings</b>	<b>Comment</b>
<i>Studies showing (or predicting) no overall negative impact in long term</i>				
Pacific Analytics 2001 (for Workers Compensation Board of British Columbia)	In January 2000 the Workers Compensation Board of British Columbia (Canada) extended workplace smoking ban to include all hospitality venues. The policy was in effect for two and half months before being overturned. Study looked at impact of this ban and predicted impact of future ban. Bans allowed for smoking in outside areas and in enclosed designated smoking areas where workers were not permitted to enter.	<b>Alcohol purchase data, accommodation revenue data, restaurants sales receipts and employment insurance data</b>	Introduction of a 2.5 month ban in 2000 had a temporary negative impact on alcohol purchases in Hotels and Dining Establishments (but not in Cabarets and Pubs) but impact was not significant after month one of the ban. Overall conclusion of the study was that a smoke-free ban would have some negative short-term impacts on overall revenues but in the longer term, no measurable impact on either employment or sales is likely. Some localities and types of premises would be affected to different degrees.	Not peer reviewed, included controls for economic trends and statistical analysis to control for trend and fluctuation in data.
Glantz 2000	Complete ban on smoking in bars in California (1998)	<b>Taxable sales receipts</b>	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 venues with liquor licenses, and a larger increase following implementation of smokefree bar provisions.	Peer reviewed and included controls for economic trends but no statistical analysis to control for trend and fluctuation in data.
Hyland et al 2000	Complete ban on smoking in restaurants in New York and Erie County in 1997 and 1998.	<b>Number of restaurant employees</b>	No significant change in the number or percentage of employees. Numbers increased relative to other counties.	Peer reviewed and included controls for economic trends and statistical analysis to control for trend and

<b>Author and Year Published</b>	<b>Type of policy examined</b>	<b>Indicator</b>	<b>Findings</b>	<b>Comment</b>
Hyland and Cummings 1999	Smoking banned in indoor dining area of restaurants with more than 35 indoor seats while smoking permitted in separate bar areas of restaurants in New York City (Manhattan, Bronx, Brooklyn, Richmond, Queens, Nassau, Westchester, Suffolk) and the rest of New York State (1995)	<b>Number of restaurants, employment rates</b>	Increase in number of restaurants in 9 out of 10 locations. Increase in number of restaurant employees in all locations.	fluctuation in data.  Peer reviewed and included controls for economic trends and statistical analysis to control for trend and fluctuation in data.
Bartosch 1999	Complete ban on smoking in restaurants. Massachusetts (1993)	<b>Taxable sales receipts</b>	The adoption of a local smoke- free restaurant policy did not cause a statistically significant change in town taxable sales receipts.	Peer reviewed and included controls for economic trends and statistical analysis to control for trend and fluctuation in data.
Glantz and Charlesworth, 1999	Complete ban on smoking in restaurants in three US states (California; Utah & Vermont) and six US cities (Boulder, Flagstaff, Los Angeles, Mesa, New York and San Francisco) CA (between 1994 and 1996).	<b>Taxable sales receipts in Hotels as a measure of tourism.</b>	Statistically significant increase in rate of change of hotel revenue in 4 localities, no significant change in 4 localities, and a significant slowing of rate of increase (but not a decrease) in 1 locality.	Peer reviewed and included controls for economic trends and statistical analysis to control for trend and fluctuation in data.
Hyland et al 1999	Smoking banned in indoor dining area of restaurants with more than 35 indoor seats. Smoking permitted in separate bar areas of restaurants in New York City (1995)	<b>Taxable sales receipts</b>	Real taxable sales from eating and drinking places and hotels in NYC increased by 2% and 37% respectively. Real taxable sales for eating and drinking venues and hotels in the rest of the state experienced 4% decrease and 2% increase in sales respectively.	Peer reviewed and included controls for economic trends and statistical analysis to control for trend and fluctuation in data.

<b>Author and Year Published</b>	<b>Type of policy examined</b>	<b>Indicator</b>	<b>Findings</b>	<b>Comment</b>
Sciacca & Ratliff 1998	Complete ban on smoking in restaurants in Flagstaff, Arizona and six Arizona comparison areas (1993)	<b>Taxable sales receipts</b>	All analyses resulted in same conclusions: prohibiting smoking in restaurants did not affect restaurant sales.	Peer reviewed and included controls for economic trends and statistical analysis to control for trend and fluctuation in data.
Goldstein & Sobel 1998	Separate non- smoking areas in restaurants in North Carolina (1993).	<b>Taxable sales receipts</b>	Little fluctuation in fraction of restaurant sales to retail sales over 5 years in counties with and without ETS ordinances. No consistent changes in restaurant sales of 10 counties after ETS ordinances took effect.	Peer reviewed and included controls for economic trends and statistical analysis to control for trend and fluctuation in data.
Californian State Board of Equalization 1998	Complete ban on smoking in restaurants and bars in California (1998).	<b>Taxable sales receipts of smallest bars and restaurants in 1997, 1998, and 1999</b>	Increase of 7% in each of two years following bans. These increases were greater than increases in previous years.	Not peer reviewed, did not include controls for economic trends or statistical analysis to control for trend and fluctuation in data.
Stanwick et al, 1998	Separate non- smoking sections in restaurants in Winnipeg, Canada (1983).	<b>Proprietor estimates of sales changes in restaurants and retail shops.</b>	Less than 2% of merchants felt the bylaw had an adverse effect on their business, 96% indicated no effect.	Peer reviewed and included statistical analysis to control for trend and fluctuation in data. Controls for economic trends not applicable
Biener & Siegel 1997	Complete ban on smoking in restaurants and bars in Massachusetts (1996)	<b>Community estimates of likelihood of patronising</b>	61% predicted no change in their use of restaurants, 30% predicted increased use, 8% decreased use. 69% predicted no change in patronage of bars, 20% predicted increased use and 11% decreased use.	Peer reviewed, included statistical analysis to control for trend and fluctuation in data but not controls for economic trends.
City of Boulder Colorado, 1997	Complete ban on smoking in restaurants in Boulder, Colorado (1995)	<b>Taxable sales receipts at restaurants</b>	In 1995 there was an increase of 5.9%, smaller than 1994's increase of 8.53%. However business for restaurants and bar owners fared better than for other city merchants, including	Not peer reviewed, did not include controls for economic trends or

<b>Author and Year Published</b>	<b>Type of policy examined</b>	<b>Indicator</b>	<b>Findings</b>	<b>Comment</b>
			owners of clothing and retail stores.	statistical analysis to control for trend and fluctuation in data.
Glantz and Smith, 1997	Complete ban on smoking in restaurants in various California and Colorado (15 cities) (from 1985 to 1992)	<b>Taxable sales receipts</b>	Ordinances had no significant effect on the fraction of total sales that went to restaurants or on the ratio of restaurant sales in communities with ordinances compared with those in the matched control communities.	Peer reviewed and included controls for economic trends and statistical analysis to control for trend and fluctuation in data.
Sciacca, 1996	Complete ban on smoking in restaurants in Flagstaff, Arizona (1993).	<b>Proprietor estimate of sales changes</b>	15% believe ordinance has decreased business, 68% believe that it has increased or had no effect on business.	Peer reviewed, did not include statistical analysis to control for trend and fluctuation in data or controls for economic trends.
Zagat, 1996	Smoking banned in indoor dining area of restaurants with more than 35 indoor seats and smoking permitted in separate bar areas of restaurants in New York City (1995)	<b>Patron estimates of frequency of dining out</b>	Eating out up 22% from previous year, 7 months after Smokefree Air Act.	Not peer reviewed and no controls for economic trends or statistical analysis to control for trend and fluctuation in the data.
Wilson, 1996	Smoking banned in indoor dining area of restaurants with more than 35 indoor seats but smoking permitted in separate bar areas of restaurants in New York City (1995)	<b>Number of restaurant permit applications</b>	Record increase in restaurant permits applications in the year following implementation of legislation.	Not peer reviewed and did not include controls for economic trends. Did include statistical analysis to control for trend and fluctuation in data.
City of Boulder Colorado, 1996	Complete ban on smoking in restaurants in Boulder, Colorado (1995)	<b>Taxable sales receipts</b>	Increased by 4% between Jan & Oct following ordinance.	Not peer reviewed, did not include controls for economic trends or statistical analysis to control for trend and fluctuation in data.

<b>Author and Year Published</b>	<b>Type of policy examined</b>	<b>Indicator</b>	<b>Findings</b>	<b>Comment</b>
Huang et al 1995	Complete ban on smoking in restaurants in West Lake Hills (suburb of) Austin, Texas (1993)	<b>Taxable sales receipts</b>	The regression coefficient for the ordinance variable was positive suggesting total sales of restaurants did not decrease after implementation of the ordinance.	Peer reviewed and included controls for economic trends and statistical analysis to control for trend and fluctuation in data.
Maroney et al 1994	Complete ban on smoking in restaurants in California (early 1990s)	<b>Taxable sales receipts</b>	Restaurant revenue changes could not be attributed to ordinance smoking restrictions. Surrounding cities without ordinance restrictions had significant fluctuations in revenues that could not be distinguished from cities with ordinances. Significant shifts in restaurant patronage between ordinance and surrounding cities could not be attributed to smoking restrictions. The time of the ordinance adoption and other city-specific characteristics such as geographic location, dining opportunities in surrounding cities and determinants of smoking prevalence could not be held responsible for significant revenue changes.	Not peer reviewed, included controls for economic trends and statistical analysis to control for trend and fluctuation in data.
Glantz & Smith 1994	Complete ban on smoking in restaurants in California and Colorado (15 cities) (from 1985 to 1992)	<b>Taxable sales receipts</b>	Ordinances had no significant effect on the fraction of total retail sales in communities with ordinances and sales in comparison communities. Ordinances requiring smoke-free bars had no significant effect on the fraction of revenues going to eating and drinking places that serve all types of liquor.	Peer reviewed and included controls for economic trends and statistical analysis to control for trend and fluctuation in data.
Sciacca & Eckram 1993	Complete ban on smoking in public areas of retail stores in Flagstaff, Arizona (1989). Restaurants required to post signs reflecting one of the following policies: (a) no smoking permitted in any area (b) smoking permitted only in designated areas	<b>Taxable sales receipts retail stores and Proprietor estimates of sales changes</b>	Gross sales increased an average of 16 to 26% per store during the year following prohibition of smoking in retail stores. 84% of restaurant and store respondents believed ordinance had no effect on their business. None of the restaurant respondents felt it had affected their business.	Peer reviewed, did not include controls for economic trends or statistical analysis to control for trend and fluctuation in data.



Author and Year Published	Type of policy examined	Indicator	Findings	Comment
	(c) smoking permitted in all areas.			
Taylor Consulting Group 1993	Complete ban on smoking in restaurants and bars in San Luis Obispo, California (1990)	<b>Taxable sales receipts</b>	No significant effects on the profitability of restaurants and bars. No impact on sales tax revenues.	Not peer reviewed but included controls for economic trends and statistical analysis to control for trend and fluctuation in data.
Aspen Resort Association 1990	Complete ban on smoking in restaurants in Aspen, Colorado (1986)	<b>Taxable sales receipts retail</b>	Aspen Resort Association found retail sales increased after ordinance went into effect.	Not peer reviewed and no controls for economic trends and statistical analysis to control for trend and fluctuation in data.
<i>Studies showing (or predicting) an overall negative impact</i>				
Sollars and Ingram, 1999	Ban on smoking in restaurants but smoking allowed in bar areas of restaurants in Boston Massachusetts (1998)	<b>Community and proprietor estimates</b>	Estimates \$40million lost restaurant sales, \$2million bar sales.	Not peer reviewed and no controls for economic trends or statistical analysis to control for trend and fluctuation in the data.
Dunham and Marlow, 1998	Separate non- smoking sections in restaurants.	<b>Proprietor estimates of sales changes.</b>	6% of restaurant owners expect higher revenues, 39% expect lower revenues and 51% predict no change. 2% of bar owners expect higher revenues, 83% lower revenues and 13% no change	Peer reviewed and included controls for economic trends and statistical analysis to control for trend and fluctuation in data.
KPMG PM for the American	Total ban on smoking in restaurants in California (1998)	<b>Proprietor estimates of sales changes tips/ gratuities and</b>	7% report business has increased, 59% report a decrease. Average decrease in sales was 26%. 59% indicated a loss in	Not peer reviewed and did not include controls

Author and Year Published	Type of policy examined	Indicator	Findings	Comment
Beverage Institute, 1998		patronage, customer complaints.	gratuities, 3% report an increase in weekday customers, 58% report a decrease, with an average decrease of 33%. 8% reported an increase in weekend customers while 51% report a decrease, with an average decrease of 28%. 65% indicate a loss of regular customers. 50% indicated an increase in customer complaints.	for economic trends or statistical analysis to control for trend and fluctuation in the data.

**Acknowledgment:** A lot of the information contained in this table was originally sourced from M. Scollo et al (2001) which in turn acknowledges a publication by the Alberta Tobacco Control Centre.

Annex C

## Summary of Issues Surrounding Options

## **C1 SUMMARY OF ISSUES RELATING TO BUSINESS IMPLICATIONS OF THE VARIOUS OPTIONS UNDER CONSIDERATION**

### **C1.1 INTRODUCTION**

The following sections presents a summary of issues surrounding the various options under consideration, either raised during consultations with business stakeholders or suggested by the literature review. It should be noted that these comments primarily relate to financial and equity implications for business (as opposed to presenting the health and economic implications of the proposed amendments which are discussed in other sections of this report).

### **C1.2 OPTIONS FOR REDUCING THE IMPACT OF SHS IN HOSPITALITY VENUES**

#### **C1.2.1 Option A1: Proposed Legislative Amendments for Hospitality Venues**

Issues surrounding this proposed amendment, raised during consultations with stakeholders and literature review, include:

- whether outdoor eating areas are included within the proposed amendments;
- does not provide any choice for smokers;
- it is unclear whether the proposed legislation would cover specialist smoking venues such as cigar divans;
- providing a legal definition that distinguishes between restaurants and bars if a longer grace period is to be granted to bars (see *Box C1* below); and,
- the difficulties inherent in venue staff enforcing the legislation.

#### **Box C1 Differentiating between Restaurants and Bars**

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At present all premises with a liquor licence, apart from clubs, are required to have a restaurant or light refreshment licence, making a legal definition based on licensing difficult (ie all bars are licensed to sell food). Similarly a legal definition based on the value of food and alcohol sales might also prove difficult due to the fact that some actual restaurants might sell a larger proportion of alcohol compared to food (by value) due to the high prices of alcohol in some restaurants in Hong Kong. One possible solution would be to define a bar as a premise that has a *bar endorsement* on their liquor licence (although, again this could cause problems for enforcement as it is possible that an actual restaurant could apply for, and receive, a bar endorsement regardless of whether it is actually a bar or not - although the additional licensing cost for a bar endorsement could be prohibitive for some smaller premises)

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#### **C1.2.2 Option A2: Legislate to allow designated smoking rooms in hospitality venues but prohibiting smoking outside these rooms**

Issues surrounding this proposed option, raised during consultations with stakeholders and literature review, include:

- Would provide smokers with some choice although might not enable a level playing field as smaller businesses that have neither the space and/or the funds to establish separate smoking rooms could be disadvantaged. More than 45% of Hong Kong restaurants have less than 10 employees (Census and Statistics Department, *Report on 1999 Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels*, 2001).
- issues associated with legislating for a safe level of SHS (see Box 5.1 in Section 5.3.1)
- the application of separate ventilation systems for smoking and non-smoking areas would not protect employees, who are required to work in and service these areas, from the harm caused by SHS;
- when compared to *Option A1*, *Option A2* appears to present additional costs to venues while possible providing fewer or lower benefits (depending on whether there is a net loss or gain from non-smokers going out more versus the productivity losses entailed in staff still being exposed to SHS). In addition, the cost of implementing, monitoring and enforcing *Option A2* could be higher than *Option A1* due to the need to design and monitor acceptable ventilation standards.

### **C1.2.3 Option A3: Exempting Bars and Karaoke from the Smoking Ban**

Issues surrounding this proposed option, raised during consultations with stakeholders and literature review, include:

- karaokes should be treated differently as they have separate rooms for different groups of clientele;
- equity considerations as bars and karaokes might gain custom at the expense of restaurants (all bars and the majority of karaokes are licensed to sell food);
- providing a legal definition that distinguishes between restaurants and bars (see Box C1 above); and,
- could allow for venues to be exempted after a certain hour so that workers are not exposed all day while smokers still get the opportunity to smoke.

## **C1.3 OPTIONS FOR REDUCING THE IMPACT OF SHS IN OTHER INDOOR WORKPLACES**

### **C1.3.1 Option B1: Proposed Legislative Amendments**

An issue surrounding this proposed amendment, raised during consultations with stakeholders and literature review was that the proposed amendment suggests that special consideration will be given to some businesses - it is unclear which these might be.

### **C1.3.2**      ***Option B2: Allow separately ventilated smoking rooms in indoor workplaces***

Issues surrounding this option, raised during consultations with stakeholders and literature review, include:

- it allows employers to accommodate smoking employees without forcing them out onto the street (with associated lower productivity costs);
- issues associated with legislating for a safe level of SHS (see Box 5.1 in Section 5.3.1)
- a member of staff would presumably still have to clean and maintain the room for the smokers. Singapore legislation allows for such designated smoking rooms (enclosed and separately ventilated) in workplaces as long as they are not 'required to be used by any person employed in such premises for the performance of the duties of his employment';
- when compared to *Option B1* there are likely to be additional costs of implementing and monitoring any specific ventilation requirements; and
- not all employers could afford to provide such facilities.

### **C1.3.3**      ***Option B3: Provide for voluntary measures in workplaces to be legally enforceable under the current legislation***

Issues surrounding this option, raised during consultations with stakeholders and literature review, include:

- it is unclear whether any more offices would become non-smoking so the objective of the amendment might not be achieved;
- it might provide a cost-free stepping stone to a complete ban in the future (if that is the long term objective) when compared to *Option B2* (which entails cost in installing separately ventilated smoking rooms); and
- additional awareness raising and education (on the financial benefits) might provide an incentive for employers to designate the office no smoking while also providing them with legal support to enforce such a designation.

## **C1.4**      ***OPTIONS FOR REDUCING SHS EXPOSURE IN EDUCATIONAL ESTABLISHMENTS***

### **C1.4.1**      ***Option C1: Proposed Legislative Amendments***

An issue surrounding this proposed amendment, raised during consultations with stakeholders, was that there is no information available on how many educational establishments have not implemented a total smoking ban - is legislation necessary?

#### **C1.4.2 Option C2: Legislate to Ban Smoking But Allow Designated Smoking Rooms**

Issues surrounding this option, raised during consultations with stakeholders and literature review, include:

- this option would provide some choice to staff who smoke but it would entail costs to schools who choose to provide such facilities (as such it is unlikely that many public sector establishments would choose to adopt this approach if it were available);
- it is unclear whether there is currently a demand for such facilities at educational establishments;
- issues associated with legislating for a safe level of SHS (see Box 5.1 in Section 5.3.1) and
- as for indoor workplaces a member of staff would presumably still have to clean and maintain the room for the smokers. Singapore legislation allows for such designated smoking rooms (enclosed and separately ventilated) in workplaces as long as they are not 'required to be used by any person employed in such premises for the performance of the duties of his employment'.

#### **C1.4.3 Option C3: Allow for Voluntary Schemes in Universities and Tertiary Institutions**

An issue surrounding this option, raised during consultations with stakeholders, was that while the benefits to both staff and pupils/students alike under *Option C3* are likely to be smaller than under *Option C1* (and indeed the costs are likely to be higher) this option does allow for adults to make their own, hopefully informed, decisions regarding smoking and its associated costs.

### **C1.5 OPTIONS FOR REDUCING THE IMPACT OF TOBACCO ADVERTISING AND PROMOTION**

#### **C1.5.1 Option D1.1: Legislative Amendments to Remove Current Exemptions for Hawkers and Small Retailers**

An issue surrounding this legislative amendment, raised during consultations with stakeholders, was that the exemptions were provided to protect the livelihoods of those exempted. It is doubtful whether the financial situation of these hawkers and retailers have improved since the previous amendment was made given the general economic climate that has prevailed in Hong Kong since 1997.

**C1.5.2**      ***Option D1.2: Legislative Amendments to Limit the Size of Price Boards and Price Markers***

An issue surrounding this legislative amendment, raised during consultations with stakeholders, was that the change of the price board from 2000 cm<sup>2</sup> to 1,500 cm<sup>2</sup> is essentially arbitrary and entails cost - it is unclear whether the size change would reduce the advertising impact of the price board.

**C1.5.3**      ***Option D1.3: Legislative Amendments to Limit Sale of Tobacco Products in Association with Other Products***

Issues associated with this proposed amendment, raised during consultation and from literature review, were:

- in relation to equity considerations as new entrants would be unable to gain market share from established operators through product promotion; and
- with regard to the wording, as some retailers felt that it might preclude tobacco being sold as part of any other transaction.

**C1.5.4**      ***Option D1.4: Legislative Amendments to Prevent Use of Tobacco Brand Names in Sponsorship***

An issues associated with this proposed amendment, raised during consultation was that it is unclear whether corporate sponsorship from tobacco companies with the word tobacco in their name (eg British American Tobacco or Japan Tobacco International) would be able to sponsor community events and be recognised for it.

**C1.5.5**      ***Option D1.5: Legislative Amendments to Allow Health Warning to Contain Pictorial and Graphic Contents***

Issues associated with this proposed amendment, raised during consultation and from literature review, include:

- considerable uncertainty as to what costs this amendment will place on the manufacturers;
- the visual impact on customers (including those not buying cigarettes) might deter customers from purchasing other products in retail outlets; and,
- equity considerations as small producers would be unable to afford to produce products for the Hong Kong market and the labelling requirements would act as a barrier to trade to these producers.



**C1.5.6**      ***Option D2.1: Amend Subsidiary Regulations to the Ordinance to Increase the Size of Warnings and/or Limit the Size of Advertising and/or Content***

An issue associated with this option, raised during consultation and from literature review was whether it would be possible to limit the advertising impact by controlling the size and/or content of tobacco advertising.

**C1.5.7**      ***Option D2.2: Legislative Amendments to Limit Tobacco Promotions (frequency, type and/or price of the products that are sold together with tobacco products)***

Issues associated with this option, raised during consultation and from literature review, include:

- option would allow tobacco promotions but it would be possible to restrict them to promotions that are not attractive to youth; and
- other countries have adopted limits on the tobacco promotions (eg Taiwan limits the price of gifts to under one quarter of the price of the tobacco products).

**C1.5.8**      ***Option D3.1: Issue strict guidelines on the size and/or content of tobacco advertising by Hawkers and Small Retailers, with the threat of further regulatory amendments***

Issues associated with this option, raised during consultation and from literature review, include:

- given the potential impact to hawkers and small retailers it may be worth considering the issuing of guidelines on the understanding that non-compliance could lead to future regulatory action;
- discussions with tobacco manufacturers suggest they would be willing to enforce and implement such guidelines if it meant they could continue to advertise;
- the Tobacco Institute note that they have a code of conduct for advertising which could, if necessary, form the basis of a negotiation with health officials for developing such guidelines; and
- this approach would require monitoring by enforcement agencies although it is unlikely to require any more than for the proposed amendments.

**C1.5.9**      ***Option D3.2: Issue Strict Guidelines on the Size of Price Boards and Price Markers***

Issues surrounding this legislative amendment, raised during consultations with stakeholders and literature review, include:

- it would be relatively easy to issue guidelines on the size of price boards and markers and it would not require any legislative time;

- such guidelines could allow for the gradual reduction in price board sizes (eg allow for price boards to be reduced from 2000 cm<sup>2</sup> to 1500 cm<sup>2</sup> only when they needed to be updated) while immediately limiting the size of price markers to 50 cm<sup>2</sup>;
- this approach would require monitoring by enforcement agencies although it is unlikely to require any more than for the proposed amendments; and
- discussions with tobacco manufacturers suggest they would be willing to implement such guidelines.

**C1.5.10**      ***Option D3.3: Issue Strict Guidelines to Limit Frequency, Content and/or Price of Tobacco Promotions***

Issues associated with this proposed amendment, raised during consultation and from literature review, include:

- guidelines could be developed that restrict them to tobacco promotions that are not attractive to youth; and,
- would allow new entrants and small manufacturers to promote their products and possibly win market share.

**C1.5.11**      ***Option D3.4: Guidelines for the Content and Type of Tobacco Sponsorship***

An issue associated with this proposed amendment, raised during consultation, was that it could be possible to issue guidelines that prevented or limited brand name sponsorship of events that are likely to attract significant youth attention while not removing as much sponsorship. For example events that are going to be televised could be excluded through guidelines.

Annex D

## Calculation Sheets

**Table D 1: Option A1 Revenue Impacts to Restaurant, Bar and Karaoke Trade**

HKS ('000s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
<i>Costs</i>											
Lost Profits in Karaoke	12,840	12,840	12,840	12,840	12,840	12,840	12,840	12,840	12,840	12,840	128,400
Total Costs	12,840	12,840	12,840	12,840	12,840	12,840	12,840	12,840	12,840	12,840	128,400
<i>Benefits *</i>											
Fire damage avoided in Restaurants	465	465	465	465	465	465	465	465	465	465	4,650
Fire damage avoided in Bars	23	23	23	23	23	23	23	23	23	23	230
Fire damage avoided in Karaoke	12	12	12	12	12	12	12	12	12	12	120
Avoided loss profit after fires in Restaurants	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	74
Avoided loss profit after fires in Bars	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	9
Avoided loss profit after fires in Karaoke	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	4
Reduced maintenance costs in Restaurants	64,728	64,728	64,728	64,728	64,728	64,728	64,728	64,728	64,728	64,728	647,280
Reduced maintenance costs in Bars	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	3,202	32,016
Reduced maintenance costs in Karaoke	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	16,704
Total Benefits to Restaurants	65,200	65,200	65,200	65,200	65,200	65,200	65,200	65,200	65,200	65,200	652,004
Total Benefits to Bars	3,225	3,225	3,225	3,225	3,225	3,225	3,225	3,225	3,225	3,225	32,255
Total Benefits to Karaoke	1,683	1,683	1,683	1,683	1,683	1,683	1,683	1,683	1,683	1,683	16,828
Total Benefits	70,109	70,109	70,109	70,109	70,109	70,109	70,109	70,109	70,109	70,109	701,087
<i>Net revenue impacts</i>											
To Restaurants	65,200	65,200	65,200	65,200	65,200	65,200	65,200	65,200	65,200	65,200	652,004
To Bars	3,225	3,225	3,225	3,225	3,225	3,225	3,225	3,225	3,225	3,225	32,255
To Karaoke	- 11,157	- 11,157	- 11,157	- 11,157	- 11,157	- 11,157	- 11,157	- 11,157	- 11,157	- 11,157	- 111,572
Total Net Revenue Impacts	57,269	57,269	57,269	57,269	57,269	57,269	57,269	57,269	57,269	57,269	572,687
<i>Net present values</i>											
<i>Benefit to Cost Ratios (&gt;1.0= Positive)</i>											
To Restaurants	528,834		To Restaurants		∞						
To Bars	26,161		To Bars		∞						
To Karaoke	- 90,495		To Karaoke		0.1						
Overall	464,501		Overall		5.5						
Discount rate				4%							4.6%
Number of restaurants**				9,300							10.7%
Number of bars**				460							5%
Number of karaoke***				240							500
Total number of venues				10,000							1
Total revenue of restaurant sector (HK\$ 000s)**				64,500,000							0.1%
Total revenue of bar sector (HK\$ 000s)**				2,700,000							10%
Total revenue of karaoke sector (HK\$ 000s)***				2,400,000							75%
Total revenue of all sectors (HK\$ 000s)				69,600,000							

Notes:

\* Benefits apportioned in accordance with number of premises in sector

\*\* From Census and Statistics Department Data

\*\*\* Consultants calculation based on CSD data and Fire Services Department survey

\*\*\*\* Karaoke are assumed to have a similar profitability as bars

Table D2: Option A2 Revenue Impacts to Restaurant, Bar and Karaoke Trade

HKS ('000s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total	
<i>Costs</i>												
Lost Profits in Restaurants	49,450	-	-	-	-	-	-	-	-	-	49,450	
Lost Profits in Bars	4,815	-	-	-	-	-	-	-	-	-	4,815	
Lost Profits in Karaokees	4,280	-	-	-	-	-	-	-	-	-	4,280	
Cost of installing smoking rooms in Restaurants	232,500	-	-	-	-	-	-	-	-	-	232,500	
Cost of installing smoking rooms in Bars	11,500	-	-	-	-	-	-	-	-	-	11,500	
Cost of installing smoking rooms in Karaokees	6,000	-	-	-	-	-	-	-	-	-	6,000	
Total Costs to Restaurants	281,950	-	-	-	-	-	-	-	-	-	281,950	
Total Costs to Bars	16,315	-	-	-	-	-	-	-	-	-	16,315	
Total Costs to Karaokees	10,280	-	-	-	-	-	-	-	-	-	10,280	
Total Costs	308,545	-	-	-	-	-	-	-	-	-	308,545	
<i>Benefits *</i>												
Fire damage avoided in Restaurants	310	310	310	310	310	310	310	310	310	310	3,100	
Fire damage avoided in Bars	15	15	15	15	15	15	15	15	15	15	153	
Fire damage avoided in Karaokees	8	8	8	8	8	8	8	8	8	8	80	
Avoided loss profit after fires in Restaurants	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	50	
Avoided loss profit after fires in Bars	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	6	
Avoided loss profit after fires in Karaokees	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	3	
Reduced maintenance costs in Restaurants	43,152	43,152	43,152	43,152	43,152	43,152	43,152	43,152	43,152	43,152	431,520	
Reduced maintenance costs in Bars	2,134	2,134	2,134	2,134	2,134	2,134	2,134	2,134	2,134	2,134	21,344	
Reduced maintenance costs in Karaokees	1,114	1,114	1,114	1,114	1,114	1,114	1,114	1,114	1,114	1,114	11,136	
Total Benefits to Restaurants	43,467	43,467	43,467	43,467	43,467	43,467	43,467	43,467	43,467	43,467	434,670	
Total Benefits to Bars	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	21,503	
Total Benefits to Karaokees	1,122	1,122	1,122	1,122	1,122	1,122	1,122	1,122	1,122	1,122	11,219	
Total Benefits	46,739	46,739	46,739	46,739	46,739	46,739	46,739	46,739	46,739	46,739	467,392	
<i>Net revenue impacts *</i>												
To Restaurants	-	238,483	43,467	43,467	43,467	43,467	43,467	43,467	43,467	43,467	152,720	
To Bars	-	14,165	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	5,188	
To Karaokees	-	9,158	1,122	1,122	1,122	1,122	1,122	1,122	1,122	1,122	939	
Total Net Revenue Impacts	-	261,806	46,739	46,739	46,739	46,739	46,739	46,739	46,739	46,739	158,847	
<i>Net present values</i>												
To Restaurants	81,450											
To Bars	1,753											
To Karaokees	-	785										
Overall	82,419											
			<i>Benefit to Cost Ratios (&gt;1.0= Positive)</i>									
			To Restaurants			1.3						
			To Bars			1.1						
			To Karaokees			0.9						
			Overall			1.3						
Discount rate					4%						Average profitability of bar and karaoke sectors** & ****	10.7%
Number of restaurants**					9,300						Loss of revenue in 2002 in those installing smoking rooms	5%
Number of bars**					460						Average fire damage costs per fire (HKS 000s)	500
Number of karaokees***					240						Number of fire incidents avoided per annum	1
Total number of venues					10,000						Reduced maintenance costs (as % of revenue)	0.1%
Total revenue of restaurant sector (HKS 000s)**					64,500,000						Annual lost profits during clear-up and repair after fires	10%
Total revenue of bar sector (HKS 000s)**					2,700,000						Percentage of custom diverted to other businesses	75%
Total revenue of karaoke sector (HKS 000s)***					2,400,000						Average cost of installing a separately ventilated smoking room (HKS 000s)	75
Total revenue of all sectors (HKS 000s)					69,600,000						Percentage of premises who install smoking rooms	33%
Average profitability of restaurant sector**					4.6%							

Notes:

\* Benefits apportioned in accordance with number of premises in sector

\*\* From Census and Statistics Department Data

\*\*\* Consultants calculation based on CSD data and Fire Services Department survey

\*\*\*\* Karaokees are assumed to have a similar profitability as bars

**Table D3: Option A3 Revenue Impacts to Restaurant, Bar and Karaoke Trade**

HKS ('000s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
<i>Costs</i>											
Lost Profits in Restaurants	148,350	-	-	-	-	-	-	-	-	-	148,350
Total Costs	148,350	-	-	-	-	-	-	-	-	-	148,350
<i>Benefits *</i>											
Fire damage avoided in Restaurants	465	465	465	465	465	465	465	465	465	465	4,650
Avoided loss profit after fires in Restaurants	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	74
Reduced maintenance costs in Restaurants	64,728	64,728	64,728	64,728	64,728	64,728	64,728	64,728	64,728	64,728	647,280
Total Benefits to Restaurants	65,200	65,200	65,200	65,200	65,200	65,200	65,200	65,200	65,200	65,200	652,004
Total Benefits	65,200	65,200	65,200	65,200	65,200	65,200	65,200	65,200	65,200	65,200	652,004
<i>Net revenue impacts *</i>											
To Restaurants	-	87,714	60,636	60,636	60,636	60,636	60,636	60,636	60,636	60,636	458,014
Total Net Revenue Impacts	-	87,714	60,636	60,636	60,636	60,636	60,636	60,636	60,636	60,636	458,014
<i>Net present values</i>											
			<i>Benefit to Cost Ratios (&gt;1.0= Positive)</i>								
To Restaurants	349,171		To Restaurants			3.7					
Overall	349,171		Overall			3.7					
Discount rate				4%			Average profitability of restaurant sector**				4.6%
Number of restaurants**				9,300			Average profitability of bar and karaoke sectors** & ****				10.7%
Number of bars**				460			Percentage loss of revenue in restaurants (in 2002)				5%
Number of karaokes***				240			Average fire damage costs per fire (HKS 000s)				500
Total number of venues				10,000			Number of fire incidents avoided per annum				1
Total revenue of restaurant sector (HKS 000s)**				64,500,000			Reduced maintenance costs (as % of revenue)				0.1%
Total revenue of bar sector (HKS 000s)**				2,700,000			Annual lost profits during clear-up and repair after fires				10%
Total revenue of karaoke sector (HKS 000s)***				2,400,000			Percentage of custom diverted to other businesses				75%
Total revenue of all sectors (HKS 000s)				69,600,000							

Notes:

\* Benefits apportioned in accordance with number of premises in sector

\*\* From Census and Statistics Department Data

\*\*\* Consultants calculation based on CSD data and Fire Services Department survey

\*\*\*\* Karaokees are assumed to have a similar profitability as bars



**Table D5: Option B2 Revenue Impacts to Other Indoor Workplaces**

<b>HK\$ ('000s)</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Total</b>	
<i>Costs</i>												
Cost of installing smoking rooms	375,000	-	-	-	-	-	-	-	-	-	375,000	
Total Costs	375,000	-	-	-	-	-	-	-	-	-	375,000	
<i>Benefits</i>												
Increased productivity due to no SHS	197,622	197,622	197,622	197,622	197,622	197,622	197,622	197,622	197,622	197,622	1,976,223	
Avoided fire damage costs	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	25,000	
Avoided medical expenses	40,658	40,658	40,658	40,658	40,658	40,658	40,658	40,658	40,658	40,658	406,575	
Total Benefits	240,780	240,780	240,780	240,780	240,780	240,780	240,780	240,780	240,780	240,780	2,407,798	
Net revenue impacts	-	134,220	240,780	240,780	240,780	240,780	240,780	240,780	240,780	240,780	2,032,798	
Net present value	1,592,363											
Benefit to cost ratio (>1.0=positive)	5.4											
Discount rate				4%							Days lost due to exposure to SHS at work (per annum)	0.7
Number of employed smokers				588,900							Average fire damage costs per fire (HK\$ 000s)	500
Percentage of workers working mainly indoors				79.5%							Number of fire incidents avoided per annum	5
Median salary (HK\$ 000s)				10							Average cost of installing separate ventilation (HK\$ 000s)	75
Working days per month				26							Number of companies installing smoking rooms	5,000
Number of workers exposed to SHS in indoor workplace				734,026							Annual medical costs due to SHS exposure of staff (HK\$ 000s)	40,658





Net present value	-	11																				
Tour Operator profit losses		11	-	-	-	-	-	-	-	-	-	-	11									
Net present value	-	11																				
'Other' industry profit losses		31	-	-	-	-	-	-	-	-	-	-	31									
Net present value	-	30																				
Net Costs		276	-	-	-	-	-	-	-	-	-	-	276									
Net present value	-	265																				
Total Costs		209,976	112,472	87,343	62,214	37,085	24,256	24,256	24,256	24,256	24,256	24,256	630,370									
<i>Benefits</i>																						
None		-	-	-	-	-	-	-	-	-	-	-	-									
Net revenue impacts	-	209,976	-	112,472	-	87,343	-	62,214	-	37,085	-	24,256	-	24,256	-	24,256	-	24,256	-	24,256	-	630,370
Net present value	-	555,951																				
Benefit to cost ratio (>1.0=positive)		-																				

Discount rate	4%	Percentage of tourist spending on hotels**	26%
Number of hawkers advertising tobacco products	600	Average Hotel Profitability*	4.2%
Number of small retailers advertising tobacco products	9,400	Percentage of tourist spending on restaurants**	14.5%
Average annual advertising revenue from tobacco firms (HK\$ 000s)	12	Average Restaurant Profitability*	4.6%
Percentage of advertising revenue recovered every year from other sources	20%	Percentage of tourist spending on entertainment**	2%
Percentage of advertising revenue never recovered	10%	Percentage of tourist spending on tours**	2%
Hawker & Small Retailer % of profit from tobacco sales	10%	Percentage of tourist spending on 'other'***	5.5%
Average revenue (HK\$ 000s) of Hawkers and Small Retailers*	715	Average Entertainment, Tour Operator and 'Other' Profitability	10%
Average profitability of Hawkers & Small Retailers*	10%	Reduction in smoking due to amendments (per annum over 5 five years)	0.3%
Loss of Hawker & Small Retailer profit from tobacco sales due to no advertising	10%	Value of tobacco goods imported for domestic consumption (HK\$ 000s)*	450,000
Average cost of removing current advertising from hawkers (HK\$ 000s)	1	Average profitability of tobacco importer (%)*	3.7%
Average cost of removing current advertising from small retailers (HK\$ 000s)	5	Average revenue of tobacco wholesaler (HK\$ 000s)*	11,100
Value of tobacco advertising (HK\$ 000s to advertising and related trades)	7,500	Average profitability of tobacco wholesaler (%)*	2.7%
Percentage of advertising revenue going to printers and related industries	80%	Number of tobacco wholesalers*	26
Value of tobacco sponsorship (HK\$ 000s to event organisers)	50,000	Average revenue of tobacco retailer (HK\$ 000s)*	2,980
Value of tobacco sponsorship advertising (HK\$ 000s to advertisers & related industries)	10,000	Average profitability of tobacco retailer (%)*	2.7%
Percentage of sponsorship recovered from other sources (2002)	60%	Number of tobacco retailers * & ***	26
Percentage of sponsorship recovered from other sources (2003-onwards)	95%	Cost of replacing price board and markers (HK\$ 000s)	0.5
Per capita overseas visitor spending (HK\$ 000s) **	4.539	Number of price board and markers requiring replacement	2,000
Number of visitor not travelling to Hong Kong to attend	1,250	Manufacturer profit per stick (HK\$)****	0.04
Percentage of tourist spending on retail**	50%	Number of sticks sold in Hong Kong (000s in 2001) *****	3,093,000
Average Retailer Profitability*	4.3%		

Notes:

\* Estimated From Census and Statistics Department Data

\*\* From Hong Kong Tourism Board, A Statistical Review of Hong Kong Tourism 2000

\*\*\* Number of tobacco retailers only includes those retailers whose main sales are of tobacco products

\*\*\*\* Manufacturer profits are calculated on a per stick basis from figures found in British American Tobacco's Annual Report (for Asia Pacific Region)

\*\*\*\*\* Number of sticks sold in Hong Kong for 2001 is estimated from figures available for year 2000 and first six months of 2001 (source Customs and Exercise Department)



Tour Operator profit losses	11	-	-	-	-	-	-	-	-	-	-	11
Net present value	- 11											
'Other' industry profit losses	31	-	-	-	-	-	-	-	-	-	-	31
Net present value	- 30											
Net Costs	276	-	-	-	-	-	-	-	-	-	-	276
Net present value	- 265											
Total Costs	75,176	3,048	3,295	3,543	3,790	3,737	3,737	3,737	3,737	3,737	3,737	107,539
<i>Benefits</i>												
None	-	-	-	-	-	-	-	-	-	-	-	-
Net revenue impacts	- 75,176	- 3,048	- 3,295	- 3,543	- 3,790	- 3,737	- 3,737	- 3,737	- 3,737	- 3,737	- 3,737	- 107,539
Net present value	- 97,851											
Benefit to cost ratio (>1.0=positive)	-											
<hr/>												
Discount rate				4%				Percentage of tourist spending on entertainment**				2%
Number of hawkers advertising tobacco products				600				Percentage of tourist spending on tours**				2%
Number of small retailers advertising tobacco products				9,400				Percentage of tourist spending on 'other'***				5.5%
Average cost of removing current advertising from hawkers (HK\$ 000s)				1				Average Entertainment, Tour Operator and 'Other' Profitability				10%
Average cost of removing current advertising from small retailers (HK\$ 000s)				5				Reduction in smoking due to options (per annum over 5 five years)				0.20%
Value of tobacco sponsorship (HK\$ 000s to event organisers)				50,000				Value of tobacco goods imported for domestic consumption (HK\$ 000s)*				450,000
Value of tobacco sponsorship advertising (HK\$ 000s to advertisers & related indus				10,000				Average profitability of tobacco importer (%)*				3.7%
Percentage of advertising revenue going to printers and related industries				80%				Average revenue of tobacco wholesaler (HK\$ 000s)*				11,100
Percentage of sponsorship recovered from other sources (2002)				60%				Average profitability of tobacco wholesaler (%)*				2.7%
Percentage of sponsorship recovered from other sources (2003-onwards)				95%				Number of tobacco wholesalers*				26
Per capita overseas visitor spending (HK\$ 000s) **				4.539				Average revenue of tobacco retailer (HK\$ 000s)*				2,980
Number of visitor not travelling to Hong Kong to attend				1,250				Average profitability of tobacco retailer (%)*				2.7%
Percentage of tourist spending on retail**				50%				Number of tobacco retailers * & ***				26
Average Retailer Profitability*				4.3%				Cost of replacing price board and markers (HK\$ 000s)				0.5
Percentage of tourist spending on hotels**				26%				Number of price board and markers requiring replacement				2,000
Average Hotel Profitability*				4.2%				Manufacturer profit per stick (HK\$)****				0.04
Percentage of tourist spending on restaurants**				14.5%				Number of sticks sold in Hong Kong (000s in 2001) *****				3,093,000
Average Restaurant Profitability*				4.6%								

Notes:

\* From Census and Statistics Department Data

\*\* From Hong Kong Tourism Board, A Statistical Review of Hong Kong Tourism 2000

\*\*\* Number of tobacco retailers only includes those retailers whose main sales are of tobacco products

\*\*\*\* Manufacturer profits are calculated on a per stick basis from figures found in British American Tobacco's Annual Report (for Asia Pacific Region)

\*\*\*\*\* Number of sticks sold in Hong Kong for 2001 is estimated from figures available for year 2000 and first six months of 2001 (source Customs and Exercise Department)



Tour Operator profit losses	9	-	-	-	-	-	-	-	-	-	-	9	
Net present value	- 9												
'Other' industry profit losses	25	-	-	-	-	-	-	-	-	-	-	25	
Net present value	- 24												
Net Costs	221	-	-	-	-	-	-	-	-	-	-	221	
Net present value	- 212												
Total Costs	69,271	2,274	2,398	2,521	2,645	2,619	2,619	2,619	2,619	2,619	2,619	92,202	
<i>Benefits</i>													
None	-	-	-	-	-	-	-	-	-	-	-	-	
Net revenue impacts	- 69,271	- 2,274	- 2,398	- 2,521	- 2,645	- 2,619	- 2,619	- 2,619	- 2,619	- 2,619	- 2,619	- 92,202	
Net present value	- 84,752												
Benefit to cost ratio (>1.0=positive)	-												
<hr/>													
Discount rate				4%								Percentage of tourist spending on entertainment**	2%
Number of hawkers advertising tobacco products				600								Percentage of tourist spending on tours**	2%
Number of small retailers advertising tobacco products				9,400								Percentage of tourist spending on 'other'**	5.5%
Average cost of removing current advertising from hawkers (HK\$ 000s)				1								Average Entertainment, Tour Operator and 'Other' Profitability	10%
Average cost of removing current advertising from small retailers (HK\$ 000s)				5								Reduction in smoking due to options (per annum over 5 five years)	0.10%
Value of tobacco sponsorship (HK\$ 000s to event organisers)				40,000								Value of tobacco goods imported for domestic consumption (HK\$ 000s)*	450,000
Value of tobacco sponsorship advertising (HK\$ 000s to advertisers & related indus				8,000								Average profitability of tobacco importer (%)*	3.7%
Percentage of advertising revenue going to printers and related industries				80%								Average revenue of tobacco wholesaler (HK\$ 000s)*	11,100
Percentage of sponsorship recovered from other sources (2002)				60%								Average profitability of tobacco wholesaler (%)*	2.7%
Percentage of sponsorship recovered from other sources (2003-onwards)				95%								Number of tobacco wholesalers*	26
Per capita overseas visitor spending (HK\$ 000s) **				4.539								Average revenue of tobacco retailer (HK\$ 000s)*	2,980
Number of visitor not travelling to Hong Kong to attend				1,000								Average profitability of tobacco retailer (%)*	2.7%
Percentage of tourist spending on retail**				50%								Number of tobacco retailers * & ***	26
Average Retailer Profitability*				4.3%								Cost of replacing price board and markers (HK\$ 000s)	0.5
Percentage of tourist spending on hotels**				26%								Number of price board and markers requiring replacement	1,000
Average Hotel Profitability*				4.2%								Manufacturer profit per stick (HK\$S)****	0.04
Percentage of tourist spending on restaurants**				14.5%								Number of sticks sold in Hong Kong (000s in 2001) *****	3,093,000
Average Restaurant Profitability*				4.6%									

Notes:

\* From Census and Statistics Department Data

\*\* From Hong Kong Tourism Board, A Statistical Review of Hong Kong Tourism 2000

\*\*\* Number of tobacco retailers only includes those retailers whose main sales are of tobacco products

\*\*\*\* Manufacturer profits are calculated on a per stick basis from figures found in British American Tobacco's Annual Report (for Asia Pacific Region)

\*\*\*\*\* Number of sticks sold in Hong Kong for 2001 is estimated from figures available for year 2000 and first six months of 2001 (source Customs and Exercise Department)

**Table D9: Option A1 Economic Analysis**

HK\$ ('000s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
<i>Costs</i>											
Government enforcement costs	57	57	57	57	57	57	57	57	57	57	567
Total Costs	57	57	57	57	57	57	57	57	57	57	567
<i>Benefits</i>											
Fire damage costs	496	500	500	500	500	500	500	500	500	500	4,996
Reduced maintenance costs	69,600	69,600	69,600	69,600	69,600	69,600	69,600	69,600	69,600	69,600	696,000
Savings in emergency services	226	226	226	226	226	226	226	226	226	226	2,263
Total Benefits	70,322	70,326	70,326	70,326	70,326	70,326	70,326	70,326	70,326	70,326	703,259
Net economic impacts	70,266	70,270	70,270	70,270	70,270	70,270	70,270	70,270	70,270	70,270	702,693
Net present value	569,946										
Benefit to cost ratio (>1.0=positive)	1,241.0										
Discount rate				4%							1
Number of new TCO staff				10							226
Average salary of TCO staff (HK\$ 000s)				17							

**Table D10: Option A2 Economic Analysis**

HKS ('000s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
<i>Costs</i>											
Cost of installing smoking rooms	250,000	-	-	-	-	-	-	-	-	-	250,000
Government enforcement costs	57	57	57	57	57	57	57	57	57	57	567
Total Costs	250,057	57	57	57	57	57	57	57	57	57	567
<i>Benefits</i>											
Fire damage costs	333	333	333	333	333	333	333	333	333	333	3,333
Reduced maintenance costs	46,400	46,400	46,400	46,400	46,400	46,400	46,400	46,400	46,400	46,400	464,000
Savings in emergency services	151	151	151	151	151	151	151	151	151	151	1,509
Total Benefits	46,884	46,884	46,884	46,884	46,884	46,884	46,884	46,884	46,884	46,884	468,842
Net economic impacts	-	203,172	46,828	46,828	46,828	46,828	46,828	46,828	46,828	46,828	468,276
Net present value	139,429										
Benefit to cost ratio (>1.0=positive)	1.6										
Discount rate				4%							1
Number of new TCO staff				10							33%
Average salary of TCO staff (HK\$s 000s)				17							226
											Number of fire incidents avoided
											Percentage of venues installing smoking rooms
											Emergency services attendance costs for fire incidents (HK\$ 000s)



**Table D11: Option A3 Economic Analysis**

HK\$ ('000s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
<i>Costs</i>											
Government enforcement costs	57	57	57	57	57	57	57	57	57	57	567
Total Costs	57	57	57	57	57	57	57	57	57	57	567
<i>Benefits</i>											
Fire damage costs	465	465	465	465	465	465	465	465	465	465	4,650
Reduced maintenance costs	64,728	64,728	64,728	64,728	64,728	64,728	64,728	64,728	64,728	64,728	647,280
Savings in emergency services	210	210	210	210	210	210	210	210	210	210	2,105
Total Benefits	65,403	65,403	65,403	65,403	65,403	65,403	65,403	65,403	65,403	65,403	654,035
Net economic impacts	65,347	65,347	65,347	65,347	65,347	65,347	65,347	65,347	65,347	65,347	653,468
Net present value	530,021										
Benefit to cost ratio (>1.0=positive)	1,154										
Discount rate				4%		Number of Restaurants					9,300
Number of new TCO staff				10		Number of Bars					460
Average salary of TCO staff (HK\$ 000s)				17		Number of Karaoke					240
Possible number of fire incidents avoided in all venues				1		Total number of venues					10,000
Emergency services attendance costs for fire incidents (HK\$ 000s)				226							

**Table D12: Option B1 Economic Analysis**

HKS ('000s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
<i>Costs</i>											
Government enforcement costs	57	57	57	57	57	57	57	57	57	57	567
Lost productivity of smoking workers	294,084	294,084	294,084	294,084	294,084	294,084	294,084	294,084	294,084	294,084	2,940,836
Total Costs	294,140	294,084	294,084	294,084	294,084	294,084	294,084	294,084	294,084	294,084	2,940,836
<i>Benefits</i>											
Fire damage costs	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	45,000
Avoided loss of productivity due to injury	1	1	1	1	1	1	1	1	1	1	12
Savings in emergency services	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	20,370
Increased productivity due to no SHS	197,622	197,622	197,622	197,622	197,622	197,622	197,622	197,622	197,622	197,622	1,976,223
Avoided medical costs	143,906	143,906	143,906	143,906	143,906	143,906	143,906	143,906	143,906	143,906	1,439,062
Total Benefits	348,067	348,067	348,067	348,067	348,067	348,067	348,067	348,067	348,067	348,067	3,480,666
Net economic impacts	53,926	53,983	53,983	53,983	53,983	53,983	53,983	53,983	53,983	53,983	539,830
Net present value	437,796										
Benefit to cost ratio (>1.0=positive)	1.2										
Discount rate				4%			Annual medical costs from SHS exposure of staff (HKS 000s)				143,906
Number of new TCO staff				10			Number of fire incidents avoided				9
Average salary of TCO staff (HKSs 000s)				17			Emergency services attendance costs for fire incidents (HKS 000s)				226

**Table D13: Option B2 Economic Analysis**

HKS ('000s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
<i>Costs</i>											
Government enforcement costs	57	57	57	57	57	57	57	57	57	57	567
Cost of installing smoking rooms	375,000	-	-	-	-	-	-	-	-	-	375,000
<b>Total Costs</b>	<b>375,057</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>375,567</b>
<i>Benefits</i>											
Fire damage costs	2,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	43,000
Savings in emergency services	1,132	1,132	1,132	1,132	1,132	1,132	1,132	1,132	1,132	1,132	11,317
Increased productivity of office workers	197,622	197,622	197,622	197,622	197,622	197,622	197,622	197,622	197,622	197,622	1,976,223
Avoided medical costs	143,520	143,520	143,520	143,520	143,520	143,520	143,520	143,520	143,520	143,520	1,435,200
<b>Total Benefits</b>	<b>344,774</b>	<b>346,774</b>	<b>346,774</b>	<b>346,774</b>	<b>346,774</b>	<b>346,774</b>	<b>346,774</b>	<b>346,774</b>	<b>346,774</b>	<b>346,774</b>	<b>3,465,739</b>
Net economic impacts	-	30,283	346,717	346,717	346,717	346,717	346,717	346,717	346,717	346,717	3,090,173
Net present value		2,449,688									
Benefit to cost ratio (>1.0=positive)		7.8									
Discount rate				4%							143,520
Number of new TCO staff				10							5
Average salary of TCO staff (HK\$ 000s)				17							226

**Table D14: Option D1 Economic Analysis**

HKS ('000s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
<i>Costs</i>											
Cost of removing current advertising	47,600	-	-	-	-	-	-	-	-	-	47,600
Replacing price boards and markers	1,000	-	-	-	-	-	-	-	-	-	1,000
Loss of tourism related profit	276	-	-	-	-	-	-	-	-	-	276
Government enforcement costs	85	85	85	85	85	85	85	85	85	85	850
Total Costs	48,961	85	85	85	85	85	85	85	85	85	49,726
<i>Benefits</i>											
Reduced morbidity costs		1,920	3,839	5,759	7,679	9,599	9,599	9,599	9,599	9,599	67,190
Total Benefits	-	1,920	3,839	5,759	7,679	9,599	9,599	9,599	9,599	9,599	67,190
Net economic impacts	-	48,961	1,835	3,754	5,674	7,594	9,514	9,514	9,514	9,514	17,464
Net present value		3,859									
Benefit to cost ratio (>1.0=positive)		1.1									
Discount rate				4%							804,200
Number of new TCO staff				10							0.3%
Average salary of TCO staff (HK\$ 000s)				17							0.88
Current morbidity costs (HK\$ 000s)				711,000							90%

**Table D15: Option D2 Economic Analysis**

HKS ('000s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
<i>Costs</i>											
Cost of removing current advertising	47,600	-	-	-	-	-	-	-	-	-	47,600
Replacing price boards and markers	1,000	-	-	-	-	-	-	-	-	-	1,000
Loss of tourism related profit	276	-	-	-	-	-	-	-	-	-	276
Government enforcement costs	57	57	57	57	57	57	57	57	57	57	567
<b>Total Costs</b>	<b>48,932</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>49,442</b>
<i>Benefits</i>											
Reduced morbidity costs	-	1,280	2,560	3,839	5,119	6,399	6,399	6,399	6,399	6,399	44,793
<b>Total Benefits</b>	<b>-</b>	<b>1,280</b>	<b>2,560</b>	<b>3,839</b>	<b>5,119</b>	<b>6,399</b>	<b>6,399</b>	<b>6,399</b>	<b>6,399</b>	<b>6,399</b>	<b>44,793</b>
Net economic impacts	-	48,932	1,223	2,503	3,783	5,063	6,342	6,342	6,342	6,342	4,649
Net present value	-	13,093									
Benefit to cost ratio (>1.0=positive)		0.7									
Discount rate				4%							804,200
Number of new TCO staff				10							0.2%
Average salary of TCO staff (HK\$ 000s)				17							0.88
Current morbidity costs (HK\$ 000s)				711,000							90%

**Table D16: Option D3 Economic Analysis**

HKS ('000s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
<i>Costs</i>											
Cost of removing current advertising	47,600	-	-	-	-	-	-	-	-	-	47,600
Replacing price boards and markers	500	-	-	-	-	-	-	-	-	-	500
Loss of tourism related profit	221	-	-	-	-	-	-	-	-	-	221
Government enforcement costs	57	57	57	57	57	57	57	57	57	57	567
<b>Total Costs</b>	<b>48,377</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>57</b>	<b>48,887</b>
<i>Benefits</i>											
Reduced morbidity costs	-	640	1,280	1,920	2,560	3,200	3,200	3,200	3,200	3,200	22,397
<b>Total Benefits</b>	<b>-</b>	<b>640</b>	<b>1,280</b>	<b>1,920</b>	<b>2,560</b>	<b>3,200</b>	<b>3,200</b>	<b>3,200</b>	<b>3,200</b>	<b>3,200</b>	<b>22,397</b>
Net economic impacts	-	48,377	583	1,223	1,863	2,503	3,143	3,143	3,143	3,143	26,491
Net present value	-	29,740									
Benefit to cost ratio (>1.0=positive)		0.4									
Discount rate				4%							804,200
Number of new TCO staff				10							0.1%
Average salary of TCO staff (HK\$ 000s)				17							0.88
Current morbidity costs (HK\$ 000s)				711,000							90%

## ***EXECUTIVE SUMMARY***

### ***BACKGROUND***

The Hong Kong Government's established policy on tobacco control is to seek, through a gradual step-by-step approach, to discourage smoking, contain the proliferation of tobacco use and protect the public from passive smoking to the maximum extent possible. In May 2001, the Secretary for Health and Welfare put forward to the LegCo Health Services Panel, a number of proposed amendments to the *Smoking (Public Health) Ordinance*. The proposed amendments were principally aimed at addressing the following needs:

- ***Reduce the exposure and impacts of second hand smoke (SHS).*** The legislative amendments aim to reduce the exposure and impacts of SHS by banning smoking in hospitality venues, educational establishments and other workplaces.
- ***Reduce the uptake of smoking and hence overall smoking rates.*** The legislative amendments are aimed at reducing the uptake of smoking (and hence overall smoking rates) by closing loopholes in the current ban on advertising and promotion of tobacco products, and reducing the exposure of young people (particularly in educational establishments) to smokers. In addition the legislative amendments aim to raise awareness of the impacts of smoking, and hence reduce the uptake of smoking (and hence overall smoking rates) by including an enabling provision in the Ordinance that allows for the inclusion of graphic and/or pictorial health warnings.

Against this background, ERM-Hong Kong Ltd was engaged to conduct a *Regulatory Impact Assessment* of the proposed amendments.

### ***INTERNATIONAL REVIEW***

ERM undertook a review of tobacco control legislation in 15 localities. Key findings of the International Review are as follows:

- smoking bans in restaurants and other public areas are most effective when supported by public awareness and expectations which lead to 'self-enforcement' of the bans;
- phased introduction is an effective method of implementing smoking bans in areas where smoking is firmly entrenched, once bans have been socially accepted elsewhere;
- exemptions to smoking bans should be avoided wherever possible, in order to avoid confusion as to where the bans apply and to avoid creating an "unlevel playing field" amongst affected premises;

- key terms within tobacco control legislation should be clearly defined to avoid non-compliance through exploitation of “loop-holes”;
- voluntary or partial bans are largely ineffective and the prevalence of smoking tends to be higher where these are in place; and
- the proposed amendments will bring Hong Kong into line with countries and states with the strictest tobacco control legislation world-wide.

#### ***REGULATORY AND NON-REGULATORY OPTIONS***

A regulatory impact assessment needs to evaluate the proposed legislative option against other regulatory or non-regulatory options. Based on a review of the available literature and discussions with stakeholders ERM identified a number of feasible options to be taken forward in the analysis.

##### *Options for Reducing the Impact of SHS in Hospitality Venues*

The study considered the following possible options:

- Proposed legislative amendments to ban smoking in all hospitality venues
- Legislate to allow designated smoking rooms but prohibiting smoking outside these rooms
- Proposed amendments but allow for exemptions for certain types of hospitality venues (eg Bars and Karaoke)

Another option, aimed at changing the current legislative requirements to increase the availability and size of no smoking areas in restaurants has not been considered as it is unlikely to reduce SHS exposure of staff and patrons in restaurants.

##### *Options for Reducing SHS exposure in Educational Establishments*

The study considered the following possible options:

- Proposed legislative amendments to ban smoking in all educational establishments
- Legislate to allow designated smoking rooms but prohibiting smoking outside these rooms
- Exclude universities (& other tertiary institutions) from the proposed amendments (however voluntary schemes in Universities would remain legally enforceable under the current legislation)

##### *Options for Reducing the Impact of SHS in Indoor Workplaces*

The study considered the following possible options:

- Proposed legislative amendments to ban smoking in all indoor workplaces



- Legislate to allow designated smoking rooms but prohibiting smoking outside these rooms
- Provide for voluntary measures in workplaces to be legally enforceable under the current legislation

#### *Options for Reducing the Impact of Tobacco Advertising and Promotion*

The study considered the following possible options:

- Proposed legislative amendments to further restrict tobacco advertising and promotion.
- Amend the Ordinance/ subsidiary regulations so tobacco advertising/promotion is limited in size and/or content and/or frequency
- Issue strict guidelines with the threat of future regulation if these guidelines are not followed.

#### ***Analysis of Options***

The various options were subject to analysis to identify the impacts to businesses and society as a whole. A distinction was drawn between *economic* and *revenue* impacts. *Economic* analysis seeks to assess impacts from the perspective of society as a whole, while *revenue* impact analysis only considers direct cash implications for businesses affected by the proposed options.

In addition, the study identified small businesses interests that could be adversely impacted by the proposed options. An *affordability* analysis was then carried out to identify whether the various options would impact on the viability of these businesses.

#### ***FINDINGS AND RECOMMENDATIONS***

##### ***Expansion of Statutory No Smoking Areas***

###### *Restaurants and Other Hospitality Venues*

The study found that there is potentially both revenue (to the venues themselves) and economic benefits from pursuing a total smoking ban in hospitality venues. In particular the study found that the economic benefits are likely to be significant. However, the revenue analysis is unsurprisingly sensitive (particularly for bars and karaokes) to the assumptions made about the impact of such a ban on the sales at these premises. Although international experience of implementing such smoking bans suggests that they would not have an overall negative impact on sales, there are clearly concerns within the catering industry that they might do so. If the proposed amendments did reduce sales significantly in restaurants, bars and karaokes then there would no longer be a revenue benefit to these venues and the economic benefit to Hong Kong as a whole would be less significant.

Furthermore, given the competition between restaurants, bars and karaokes (they are all able to serve food) and the results of the affordability analysis, it is likely that the granting of exemptions to a particular sector(s) (eg, karaokes and/or bars) could have long term and possibly catastrophic impacts for some small businesses not exempted from such a smoking ban.

Given the views of both the public and the trades themselves, one solution to these issues would be to allow an initial exemption of karaokes and possibly bars, but to limit the 'competition for smokers' to certain times of the day - ie provide a level playing field of a total smoking ban throughout most of the day but allow karaokes (and possibly bars) to apply for and/or automatically receive exemptions between, say 10.00 pm and 6.00 am. It should be noted that this proposed exemption is not being recommended as an indefinite solution but solely in response to the consultation paper (eg that bars and karaokes being given a longer grace period if deemed necessary).

This would allow all premises, notably small restaurants, to compete (for smokers and non-smokers alike) on a level playing field during the key hours of business for serving food (eg breakfast, lunch and dinner). It would also reduce staff exposure to SHS in these premises to certain hours of the day (although clearly not eliminate it altogether) and allow for further tightening of the legislation in the future (through the removal of the exemption).

It is not recommended that the smoking ban be extended to outdoor areas of restaurants as, while such a move could have health (and hence economic) benefits, the magnitude of these are uncertain and such a move appears to be out of line with international approaches.

#### *Schools, Universities and Tertiary Institutions*

It is recommended that statutory no smoking areas are expanded to include all indoor and outdoor areas of schools. While it has been impossible, within the time-frame available for this study, to quantify the likely revenue and economic impacts of such a measure, it is clear that such a measure would both meet the objectives of the legislation (to reduce the exposure to SHS and create a desirable example to young people) and is unlikely to have any revenue or economic costs. Indeed there are likely to be only financial and economic benefits associated with such a measure.

The same argument is made with regard to tertiary institutions and universities and this study finds that there is likely to be both an economic and financial argument for extending statutory no smoking bans to tertiary institutions and universities. In addition, the international review suggested that banning (or limiting) smoking in indoor premises of universities and tertiary institutions is not out of line with international practice.

#### *Other Indoor Workplaces*

The study found that, although there is currently insufficient data available to conclude that a total smoking ban in all indoor offices would have revenue benefits to employers, there would be a net economic benefit to Hong Kong of

banning smoking in all indoor offices and this is likely to be significant. Furthermore, the literature review suggests that if further study were undertaken then it would provide a convincing business case for banning smoking in all indoor offices once all the pertinent costs were quantified.

Thus, while this study has been unable to demonstrate a net revenue benefit to businesses in Hong Kong, it is likely that there will be one. As such, and given the level of public support for such a measure (demonstrated by the 88% approval rating noted in the survey of public opinion undertaken by the Hong Kong Polytechnic University) the Administration could reasonably proceed with the proposed amendment. It is suggested that such an amendment should allow for exemptions for businesses, such as cigar divans and other speciality smoking venues, who would be put out of business by such a measure, and independently ventilated enclosed smoking rooms in buildings where such rooms are a feature of the building's design and would become redundant space if they were not exempted. Without the facility to provide such exemptions, the proposed amendment might place significant costs on individual businesses. The conditions for allowing such exemptions should include that no one is required to perform the duties of their employment in the area to be exempted. The process for applying for such an exemption should be kept as simple as possible while ensuring the protection of workers. The same exemption facility could be applied to those premises that, as suggested by the consultation document (issued by the Health and Welfare Bureau on 21 June 2001), have "genuine difficulty in complying with the smoking ban requirement".

However, if it were felt that the current absence of data demonstrating a net revenue benefit to businesses in Hong Kong precludes such a step, then the Administration could allow for voluntary measures to be legally enforceable under the current legislation. This, a relative simple measure that would not impose any costs on business, could be clearly presented as an intermediary step to a full ban in the future. A date could be set to review progress of companies in implementing a smoking ban in the office (eg using the *Thematic Household Survey*). This measure would not preclude the future total banning of smoking in indoor offices and would not impose any costs on business (unlike regulating to allow for smoking rooms). Alternatively, this option could be utilised for those business sectors that, as suggested by the consultation document, have "genuine difficulty in complying with the smoking ban requirement".

### ***Tobacco Advertising and Promotion***

#### ***Display of Tobacco Advertising***

The economic analysis does suggest a need to further restrict tobacco advertising if it will result in reduced smoking rates (which the literature review suggests will be the case). However, given the current economic climate and the identified revenue and affordability impacts of the proposed amendment (to remove the current exemption from hawkers and small

retailers) it is recommended that the exemption is further restricted but not entirely removed.

There are several reasons for the current, perceived or otherwise, abuse (and hence impact) of the current exemption, including:

- display of tobacco advertising by premises that are clearly unlikely to suffer from livelihood impacts if the exemption was removed; and
- the volume of tobacco advertising in localities that have a high visual impact (and hence are likely to promote tobacco use).

Recognising that there is a link between locality, demand for their advertising space, turnover and hence sustainability and long term profitability of their business, we recommend that the qualification for the current exemption is altered to exempt only those hawkers and small retailers whose annual turnover is less than HK\$ 500,000 and who sell tobacco products.

This level of turnover or gross income (HK\$500,000) is chosen as it is the level used by the tax authorities in Hong Kong to determine whether a 'small business' or 'small corporation' needs to submit supporting documents with their profits tax submission. Thus it would be relatively easy to enforce with reference to the previous year's tax submission (businesses and corporations are required by law to retain such documents for seven years).

To avoid abuse of this approach, new businesses who have never submitted a profits tax return should be prevented from displaying tobacco advertising.

Furthermore, it is recommended that guidelines on the content, size and display of tobacco advertising are agreed with tobacco manufacturers. These guidelines could include restrictions on the size of adverts, the content (limit those directed at youth audiences) as well as the number of adverts any one retailer or hawker could display. This is essentially a low cost option against which the need for any future restrictions on tobacco advertising could be identified (ie if the guidelines were not being met then further advertising restrictions could be imposed). The currently anticipated amendments to the Smoking Ordinance should allow for these further restrictions to be imposed without the need to revert to the Bills Committee (ie it would be an administrative action as opposed to a legislative one if the guidelines are not met). This would make the threat of future regulation more real to all parties concerned and hence support compliance with the guidelines.

#### *Price Boards and Markers*

Information provided during the course of the study suggests that the financial impact of altering the size of price boards and markers is unlikely to be significant (when compared to the turnover and profit of the industry concerned). It has however, been impossible to predict the economic impact of this measure in isolation from other measures to limit tobacco advertising and promotion.

In this light the study recommends that if the Administration feels that it cannot effectively restrict the advertising impact of price boards and markers through other means (such as by agreeing guidelines with manufacturers and/or retailers) then the proposed measure should be implemented.

#### *Sale of Tobacco Products in Association with Other Products*

Information provided during the course of the study suggests that the financial impact of banning the sale of tobacco products in association with other products is unlikely to be significant (when compared to the turnover and profit of the industry concerned). It has however, been impossible to predict the economic benefit of this measure in isolation from other measures to limit tobacco advertising and promotion (although there would appear to be no direct economic costs per se).

An argument has been made that banning such tobacco promotion entirely might restrict the ability of newcomers and incumbents alike to bring new products to the market. Given the acknowledged addictive nature of the product in question, this argument is persuasive. However, it is clear that the Administration should not be supporting the current status quo where significant incentives can be offered to non-smokers (including young people) to purchase tobacco products.

As such, it is recommended that at a minimum, tobacco promotions are limited through guidelines to products that are only of interest to current smokers (eg lighters) and/or cannot appeal directly to youth and non-smokers. Further, it is suggested that these guidelines include limits on the price of the good being promoted such that it cannot be less than some percentage (say 25%) of the tobacco product price (eg if the tobacco product costs HK\$ 100 the cost of the associated product must be at least HK\$ 25).

It is however acknowledged that such an endeavour might not be effective without the co-operation of the trade and, as such, any measure should be monitored. In addition, the current amendments to the Smoking Ordinance should allow for a simple administrative measure to be implemented to completely ban tobacco promotions (either altogether or by offending manufacturers) without the need to revert to the Bills Committee.

#### *Tobacco Sponsorship*

The study found that there are potentially direct negative revenue impacts to event organisers, advertisers and the tourism trade of further limiting tobacco sponsorship. Such revenue impacts are, for the most part, likely to be temporary in nature as alternative sponsors are likely to be found. Conversely, if such measures reduce the overall smoking rate, then they are likely to lead to long-term economic benefits.

Thus, if tobacco brand sponsorship results in increased smoking rates then any economic benefits to Hong Kong as a whole (from both tourism and a better quality of life through the provision of community events) are likely to be reduced or negated.

As such, it is recommended that the impact of tobacco brand sponsorship on smoking rates is limited through the use of guidelines. This could be done by prohibiting the use of tobacco brand names in events that attract a significant youth contingent and/or a wide audience (eg events that will be televised). These guidelines should allow for the gradual reduction and replacement of sponsors from events that attract a significant audience as opposed to a sudden ban (that might prevent such events seeking alternative sponsors). This gradual approach should go some way to mitigating the financial and economic impacts of restricting a source of sponsorship revenue.

Acknowledging that this is likely to be difficult without the co-operation of the trade, it is further recommended that such measures allow for a simple administrative measure to completely ban tobacco brand sponsorship (either altogether or by offending manufacturers) without the need to revert to the Bills Committee.

### ***Health Warnings on Tobacco Products***

It has not been possible to estimate the revenue impacts of the proposed measures as no details of how or what the exact requirements will be, have yet been developed. Experience from overseas suggests that equivalent measures may assist in reducing smoking rates and have corresponding economic benefits, although all such requirements do have a revenue impact on the tobacco industry (both direct and indirect).

As such it is recommended that the proposed amendment be enacted but that any future requirements for pictorial and graphic contents take into account the likely financial and economic costs of implementation and that these be weighed against the likely health and economic benefits likely to arise.