

Submission

No 4

**INQUIRY INTO TOBACCO SMOKING IN  
NEW SOUTH WALES**

**Organisation:** Australian Hotels Association (NSW)  
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**Theme:**

**Summary**

Received T.S.C.  
17 MAR 2006

14 March, 2006

Mr Richard Torbay, MP  
Member for Northern Tablelands  
Chairman,  
Joint Select Committee into Tobacco Smoking in New South Wales  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Mr Torbay

We note the recent resolution of the Legislative Council and the resultant formation of a Joint Select Committee appointed to inquire into and report on tobacco smoking in New South Wales and congratulate you on your appointment as Chair of that Committee.

We particularly note the terms of the resolution, namely to inquire into and report on:

- The effectiveness of strategies to reduce tobacco use,
- The effects of smoke-free indoor venues on the initiation and maintenance of the smoking habit, and
- Factors affecting initiatives for smoke-free indoor areas.

We ask that the following observations be placed by you, as Chair, before the Joint Select Committee on behalf of our Association which represents 2,060 hotels and 41,000 employees across in New South Wales.

#### **1. The Current & Immediate Future Situation**

Hotels in NSW, and indeed registered clubs and nightclubs, are presently in the throes of adjusting to the enormous changes that have been brought about by the Smoke-free Environment Amendment Act 2004 which provides for a phasing-in approach prior to the total prohibition on smoking inside licensed premises to take effect from 2 July 2007.

In the meantime and under the provisions of the Smoke-free Environment Amendment Act 2004, the present situation is that smoking has been restricted, since 4 July 2005, to no more than 50 percent of public drinking, gaming and recreational areas within each hotel.

Under that Act, as from 3 July this year (2006) smoking will be only permitted in an area that is no larger than 25 percent of certain internal floor space within licensed premises. That restricted smoking area is not calculated on the total floor space of the entire premises but only as a maximum of 25 percent of nominated areas, viz., internal public drinking, gaming and recreational areas. Thus, from July this year there will only be an extremely limited area available to smokers (who make up the majority of our customer base) in each licensed venue.

From 2 July 2007, when smoking is not permitted anywhere inside licensed premises, and all hotels, registered clubs and nightclubs become smoke-free, smokers will be moved to only those limited outdoor locations which qualify as being sufficiently unenclosed as defined under the Smoke-free Environment Amendment (Enclosed Places) Regulation 2006.

## **2. The Economic Downturn**

The restrictions on smoking that came into force on 4 July last year have resulted in hotels reporting revenue losses of between 10 percent and 40 percent. These are far from insignificant figures and quite severe for any small business undertaking.

When smoking is banned entirely inside licensed venues (July 2007), it can be expected that revenue losses of this magnitude will be experienced across a wider spectrum of hotels in all demographics and in all areas of the State.

Additionally, it can be predicted that those hotels that are now suffering the higher-range percentage losses due to the existing partial smoking bans, will stand to lose additional revenue due to total prohibition.

## **3. Other Factors that will contribute to Revenue Depletion**

For hotels where no possibility exists to create an outdoor area for smokers (and particularly hotels that are 'landlocked'), it can be expected that revenue losses will be even more substantial after July next year.

Adherents of a total prohibition policy towards smoking in licensed venues have traditionally pointed to a 'counter-balancing' injection of revenue that might come from people who are non-smokers and who suddenly want to frequent our venues.

AHA (NSW) and our members would welcome this but, regrettably, we must rely on the experience of our overseas and now Tasmanian colleagues, who all report that no such change in consumer habits occurs. These mythical replacement patrons have failed to materialise in all jurisdictions where smoking has been banned inside licensed premises and we cannot confidently expect that they might appear in NSW.

## **4. Employment Lay-Offs**

Reduction in small business income inevitably leads to a reduction in employment. We see this occurring in NSW hotels and we see it occurring as a direct result of the smoking bans.

Even when revenue reduces, a hotel business is still faced with the same fixed-costs (rates, taxes, insurance premiums, and the like) and the only way of restoring some profitability, or indeed surviving, is to make adjustments to variable costs. Pruning salaries and wages is the first and most obvious choice.

Assuming a similar financial downturn to that experienced overseas (and it could be greater in our culture) even if only 10 percent of the 41,500 staff employed in NSW hotels were to lose their jobs, there will be over 4,000 people immediately facing the prospect of having no job.

## **5. Time Is Required**

Whilst we see an enormous challenge for our industry and its operators, we are hopeful that there will be an eventual upturn, albeit over a quite prolonged period after the introduction of smoking bans.

We are giving constant advice to our members that they should be readying themselves for the change now and introducing measures to at least partially offset the hit they are going to take.

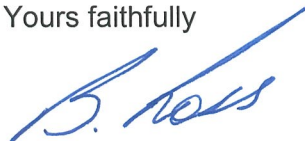
Our industry needs time in which to make these adjustments. Our operators need to develop, assess and implement far-reaching plans to rescue their businesses and give them a viable footing.

Whilst there will no doubt be immediate effects, the full consequences of the total smoking bans inside licensed premises will not be known for a considerable time after July 2007. Similarly, the value of outdoor areas (as prescribed by the Regulations) will not be able to be properly judged until after a period of stabilisation and until patrons adjust to the changes.

As such, our submission is that the requirements of the existing NSW Smoke-free Environment legislation be allowed to take proper and full effect before an assessment is made as to the effectiveness of the new laws as they impact on our member hoteliers and on our patrons.

In conclusion, I thank you and the Joint Committee for your consideration of this submission.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'B. Ross', written over a light blue horizontal line.

**Brian Ross**  
Chief Executive