

## Operating trends ...

AS LEGISLATORS STEP IN, CASINOS WEIGH REASONS TO GO SMOKEFREE

*Editor's note: The following analysis is by Karen Blumenfeld, Esq., Executive Director of Global Advisors on Smokefree Policy. GASP, as the group is known, advocates smoke-free workplaces but is not opposed to gaming.*

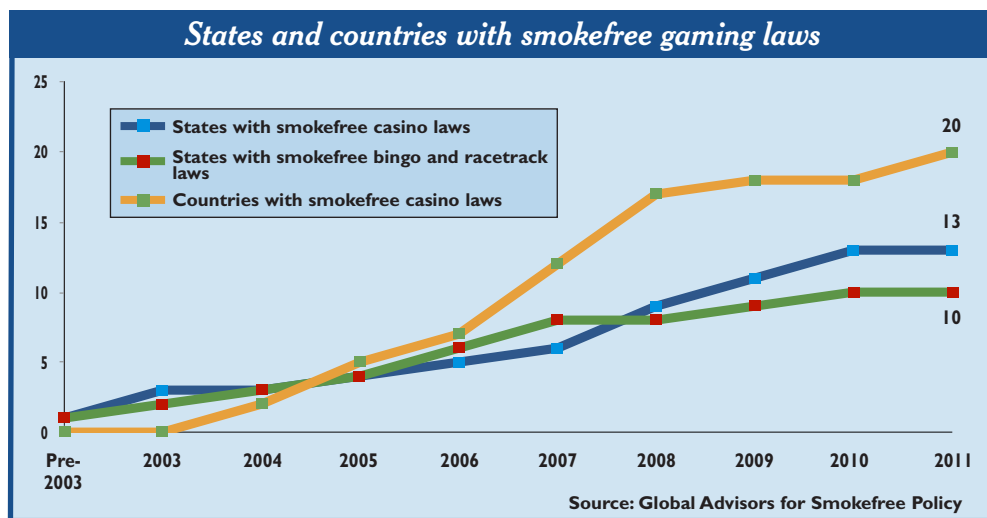
During the hard-hitting recession, one aspect of great interest to the gaming industry emerged undeterred: the global momentum of smokefree air laws in workplaces and public places, including casinos. From mid-2008 to the present, the United States saw a 25 percent increase in smokefree gaming laws. Overseas, there was a 50 percent increase in smokefree gaming laws. The latter is especially interesting, considering that adult smoking prevalence rates are typically higher outside the United States.

Outside of the United States, 12 nations, 15 provinces and two cities have enacted smokefree air laws that require smokefree gaming venues. More than half of such laws passed during or after the 2008 recession. Prior to mid-2008, 10 countries, 15 provinces in two nations, and one city already required smokefree gaming venues. From mid-2008 to the present day, 11 international jurisdictions enacted such laws, including Spain and Greece, as well as Puerto Rico.

To date, 12 states and many counties have enacted laws that include smokefree gaming venues, including three during the recession: Montana, Nebraska and South Dakota. Nine state laws passed pre-2008 recession. Additionally, more than a dozen counties and two towns in West Virginia passed laws requiring smokefree gaming. Only two states have passed smokefree laws exempting gaming venues since 2008: Iowa in 2008 and Michigan in 2010. Illinois defeated a recent 2011 challenge to exempt casinos from its current smokefree-air law.

This year, Louisiana is considering a repeal of the casino exemption under its smokefree air act. Massachusetts' proposal to expand gaming may require licensed gaming facilities to maintain a smokefree environment, which aligns with its 2004 smokefree law that includes bingo halls.

Tribal casinos are trailblazing with smokefree gaming policies. Ten tribal nations in North America require smokefree gaming. On April 25, Navajo Nation President **Ben Shelly** issued an executive order banning commercial tobacco use in public places and workplaces in the Navajo Nation. A 2009 poll showed that 91 percent of Navajo people supported commercial tobacco-free workplaces, with no exemption for casinos. A legal interpretation may be



required to determine whether the order pertains to the two existing Navajo Nation casinos and the planned Navajo Nation casino in Flagstaff, AZ, but Shelly plans to continue working with the Tribal Council to achieve a tobacco-free policy.

On May 9, the Blackfeet Nation of Montana voted to require its Glacier Falls casino to be smokefree. Win-River Casino in Redding, CA, went smokefree in January. Two of Oneida Nation's Wisconsin casinos went smokefree last July. Four other Tribal Nations have smokefree casino policies — in California, New Mexico, North Dakota and Washington State.

Why the increased interest in smokefree gaming policies?

- Pressure from public-health advocates to protect workers and patrons.
- Policymakers acknowledging incontrovertible scientific evidence on the dangers of secondhand smoke and now third-hand smoke, which is smoke embedded in surfaces like carpets, walls and upholstery emitting carcinogenic toxins for months.
- The economic benefits of going smokefree include lower employee healthcare and facility maintenance costs.

Where governments won't step in, casino operators in some instances are taking the initiative. They recognize that smokefree air is a global trend — and that it is no longer just about health; it is about a successful business model based upon innovation and differentiation that bypasses a saturated competitive market. In the process, they are redefining the industry's outdated, negative perception of smokefree gaming.

They may recognize lessons learned the hard way by two other industries. The US auto industry was late to adjust to the need for smaller, more fuel-efficient cars, lost market and profit share to imports, and never fully recovered. The railroad companies narrowly perceived themselves as being in the railroad business rather than the transportation business, losing market

share to the trucking and airline haulers.

Casinos operating in survival mode and unwilling to appeal to the 80 percent of the market of — i.e., those adults who do not smoke — may lead to unrecoverable market-share losses. Repositioning from a narrow gaming industry focus to a broader entertainment industry mindset will allow gaming operators to compete for entertainment dollars from customers who want smokefree, “friendly” venues. Being smoking-permitted allows those casinos to compete only with other smoking-permitted casinos, rather than with the broader universe of all entertainment venues, most of which are smokefree.

Market saturation requires differentiation, capturing new market share and retaining players through innovative customer-loyalty programs. The market for smokefree casinos is not saturated, and neither is the market for smokefree environments in general.

The US Centers for Disease Control estimates that only 20 percent of US adults smoke, which aligns with a University of Nevada survey that concluded 20 percent of Nevada gamblers smoke, and Atlantic City Convention & Visitors Authority's 2008 Atlantic City Visitors Profile Study that only 23 percent of Atlantic City's gamblers smoke. In the Northeast, however, only 15 percent of adults smoke. An estimated 70 percent of smokers want to quit, and many prefer smokefree public places and workplaces as an aid to their efforts to quit smoking. The overwhelming majority of the population is accustomed to, and wants or needs, smokefree environments.

Rather than spending \$4.5 million to settle individual casino worker lawsuits, such as with the Tropicana casino worker who developed lung cancer on the smoke-filled gaming floor in Atlantic City, the industry can innovate by adapting to change and capturing a vastly untapped, 80 percent market share of nonsmoking adults who do not want to gamble with their health.