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Casinos' fear may be so much smoke

Studies show business rebounds after smoking is banned

By Liz Benston

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Neither of two competing measures on next month's ballot to restrict smoking in Nevada dares to prohibit smoking in casinos.

The gaming-floor exemption to both smoking ban proposals reflects Nevada's libertarian attitude toward compulsive behavior and the understanding that smoking, drinking and gambling go hand in hand.

Preventing gamblers from smoking, the assumption goes, would be bad for business, and therefore bad for the state.

Some gaming insiders are quietly worried that in the next decade, a wave of public opinion may be calling for a total ban on casino smoking.

But evidence suggests that Nevada could acclimate to nonsmoking casinos and that the gaming industry could actually benefit by it over the long haul - while sparing casino employees the health risks of working around smokers.

Question 5 on next month's ballot, supported by the Nevada State Medical Association, the American Cancer Society and other health groups, would ban smoking in most venues save for the gaming floors of casinos. The initiative exempts bars that don't serve meals, although most bars in Nevada - partly to comply with a law allowing slot machines in bars only if gaming is "incidental" to the business - also prepare food.

Question 4, backed by gaming interests as a response to Question 5, would ban smoking in retail stores, galleries, libraries, museums and similar places that already tend to be nonsmoking, while allowing bars as well as grocery stores and convenience stores with slots to continue to accommodate smokers in those gambling alcoves.

If both petitions get more than half of the vote, the petition with the most votes would win.

The gaming industry's opposition to smoking bans is based on anecdotal information about customer preferences and a long-standing belief that smokers, who tend to gamble more than nonsmokers, have a right to smoke.

"It would make our job easier if no one smoked, but the fact is that they do," said Judy Patterson, executive director of the American Gaming Association. "We have to balance two sets of needs."

To accommodate nonsmokers, some casinos have improved their ventilation systems, leading to noticeably cleaner air. But not all casinos can afford to install the latest technology.

While there are long-standing assumptions that a smoking ban would hurt the casino industry, there is substantial evidence suggesting that smoking bans do not hurt businesses - and over time, might help them.

The casino trade publication Global Gaming Business will soon report a study it commissioned that concluded that casinos might pick up more business than they would lose if they banned smoking. In one poll, 31 percent of casino customers questioned indicated they would visit casinos more often if they were smoke-free, compared with 11 percent who said they would patronize another casino that allowed smoking, according to Global Gaming Business Editor Roger Gros.

"Most casino executives realize that the horse has left the barn and they're going to have to consider (a smoking ban) now or later," he said.

Casino executives have not needed to weigh in on the issue so far, because of successful efforts over the years to fend off smoking restrictions.

Dozens of studies indicate that the effect of smoking bans on bars and restaurants in other states, while perhaps not as rosy as some anti-smoking groups would submit, aren't nearly as doom-and-gloom as predicted.

Government-funded, peer-reviewed studies by academics tend to conclude that smoking bans have had a neutral to positive effect on business. Studies funded by the tobacco industry or other business groups suggest the opposite, by downplaying the potential increase in business over time from nonsmoking customers.

Experts on both sides of the debate say tax receipts are the most effective way to analyze the economic effect of smoking bans.

Figures in California and New York, the largest markets with smoking bans, suggest that bans could hurt restaurant and bar business in the short term but that business can improve in the long term.

According to the New York State Department of Taxation and Finance, taxable sales among bars and taverns statewide fell 3 percent in the first three months of the 2003 smoking ban from the previous year and were relatively flat over the next four quarters. Full-service restaurants averaged 3 percent to 4 percent increases in the four quarters following the ban. Trends for New York City were similar.

The increases occurred at a time when the city and state experienced rising retail sales, while comparisons were made against a period in which New York was still recovering from the residual effects of the Sept. 11, 2001, terrorist attacks.

The California Department of Health Services, using state reports on taxable sales from 1990 through 2002, found that the 1995 smoking ban in restaurants was followed by an increase in revenue and the 1998 smoking ban in bars was followed by increased bar revenue.

State statisticians concluded that any loss of business from smokers was "more than offset" by nonsmokers who had previously eschewed smoking environments.

While it's possible that the increases in revenue might have been larger had smoking remained legal, researchers said that conclusion is unlikely because they found significant increases in revenue even after controlling for trends in entertainment spending in specific counties.

Gaming and tavern interests say tax revenue information on bars and restaurants isn't comparable to casinos.

"We don't buy the premise that this is California or New York," said Ron Drake, owner of the Point After Lounge in Las Vegas and a board member of the Nevada Tavern Owners Association, which is backing Question 4 along with slot route operators who own slots in grocery and convenience stores. "This is a unique economy based on gaming revenue. Smoking is very much a part of (gamblers') lives."

Casinos fear what happened at Casino Windsor, which sits across the Canadian border from three Detroit casinos. It laid off hundreds of people and its revenues dropped about 20 percent in the early weeks of an Ontario smoking ban that took effect in June. Border slowdowns and a strong Canadian dollar also contributed to a decline in business from Americans, some of whom were lost to the Detroit casinos.

Data from Delaware suggest that casinos have been able to rebound from an initial drop in business after smoking bans were enacted.

Gambling revenue fell by about 10 percent in the year following a November 2002 smoking ban in Delaware that included the state's racetrack casinos. Revenue fell another 4 percent in the year following the ban. Since then gaming revenue has increased gradually.

A 2005 study conducted by researchers at the University of California, San Francisco - the first government-funded report on the economic effect of smoking bans in casinos - showed no correlation between the smoking ban and a decline in business when controlling for factors such as the economy and inflation.

Ed Sutor, chief executive of the company that owns the Dover Downs hotel and casino in Delaware, disputes that contention, but he said the ban ultimately proved a good thing for his business.

Sutor says the company's revenue effectively dropped by at least 20 percent given that the company's revenue prior to the ban was growing at a clip of about 10 percent from the previous year.

"It set the company back by at least a year," he said. "We lost all that growth."

Sutor said smoking bans "will hurt - but you'll get over it."

The ban has become a selling point for the property, which is attracting nonsmokers as well as smokers who continue to smoke outside.

"Long term, it's going to be good for the company," he said. "We don't have to clean the place as much. We have domes with clouds on the ceiling and the clouds were turning yellow. And it helps with health benefits."

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