

PARTIAL REGULATORY IMPACT ASSESSMENT – SMOKEFREE ASPECTS OF THE HEALTH BILL

INTRODUCTION

1. The *Choosing Health* White Paper announced the Government's proposed action on secondhand smoke. This is a revised version of a partial RIA first published alongside the White Paper in November 2004¹, then published in an updated form as part of the consultation run by the Department of Health from 5 June 2005² and updates again on the introduction of the Health Bill into the House of Commons on 27 October 2005.
2. This RIA sets out options for action, including the identifiable impacts on business and on health as a result of taking action in this area. The consultation and partial RIA asked for evidence to allow the RIA to be updated and, where provided, this evidence has been included. This RIA applies to proposals for England.

OBJECTIVE

3. The Government's objective through this legislation is to :
 - reduce the risk to health from exposure to secondhand smoke
 - recognise a person's right to be protected from harm and to enjoy smokefree air
 - increase the benefits of smokefree enclosed public places and workplaces for people trying to give up smoking so that they can succeed in an environment where social pressures to smoke are reduced and, as a result,
 - save thousands of lives over the next decade by reducing overall smoking rates.

BACKGROUND

4. Smoking rates in England have fallen from 28% in 1998 to 25% in 2004 – meaning around 1.2 million fewer smokers. The Department of Health has a target to reduce this further to 21% or less by 2010; and to reduce smoking among routine and manual groups to 26% or less over the same time period – from the 2003 level of 32%. The aim is to achieve this through a combination of policies, which will help those 70% of smokers who say they want to quit to be successful. One strand of policy has been to raise awareness of the health risks from secondhand smoke (for example, the “smoking children/if you smoke I

¹ See <http://www.dh.gov.uk/assetRoot/04/09/48/41/04094841.pdf>

² See

http://www.dh.gov.uk/Consultations/ClosedConsultations/ClosedConsultationsArticle/fs/en?CONTENT_ID=4118566&chk=LBiiaW

smoke” media campaign, the more recent “secondhand smoke is a killer” campaign and new pack warnings including “Smoking seriously harms you and others around you”) and to encourage public places and workplaces to become smokefree. The other strands contribute to deliver overall tobacco control policy, of which this proposal is part.

5. Potentially smokefree enclosed public places and workplaces would include those to which members of the public have access in the course of their daily business and leisure. They would include trains, buses, taxis, shops, schools, healthcare facilities, sports centres, offices, factories, cinemas, pubs, restaurants and clubs. Where a public place is also a workplace, action taken would not replace the existing duty of care under the Health and Safety at Work etc. Act 1974³.
6. Worldwide, action has been taken to reduce people’s exposure to the risks of secondhand smoke. Ireland introduced a ban on smoking in enclosed public places and workplaces in March 2004. In America, California has had a state-wide ban since 1998, while New York passed smokefree legislation in 2003. In total some nine US states have legislative bans. These bans have been effective in protecting people from secondhand smoke. The Journal of the American Medical Association documented a significant improvement in respiratory health among bartenders after the passage of the Californian smoke-free workplace legislation.⁴ In New York, cotinine levels (a nicotine by-product which is used to measure levels of secondhand smoke) in non-smoking bar and restaurant staff declined by 85%.⁵ Montana saw a 40% drop in hospital admissions for heart attacks during a 6 month period of smokefree workplaces.⁶ In Ireland, almost total compliance with the ban has been reported, with surveys showing that 97% of premises inspected being compliant in respect of the smoking prohibition, and 99% of all smokers who visited a pub either smoking outside or not smoking at all. Almost one in five smokers chose not to smoke at all when out socialising.⁷ Progress reports for countries and two major US states that have gone smokefree are available below and have been drawn on in compiling this RIA:

Norway: One year on:

http://www.shdir.no/tobakk/english/tobacco_control_in_norway/review_of_the_first_year_of_norway_s_ban_on_smoking_in_bars_and_restaurants_22156

³ See advice from Health and Safety Executive at www.hse.gov.uk/contact/faqs/smoking.htm

⁴ Eisner MD, Smith AK, Blanc PD, Bartenders’ respiratory health after establishment of smoke-free bars and taverns JAMA 1998;280:1909-1914

⁵ The State of Smoke-Free New York City: A One-Year Review. NYC Department of Finance, NYC Department of Health and Mental hygiene, NYC Department of Small Business Services, NYC Economic Development Corporation. March 2004.

⁶ Reduced incidence of admissions for myocardial infarction associated with public smoking ban: before and after study. Richard P. Sargent et al. BMJ, doi:10.1136/bmj.38055.715683.55 (published 5 April 2004).

⁷ Office of Tobacco Control Smoke-Free Workplace Legislation Implementation Progress Report May 2004

Ireland: One year review:

http://www.otc.ie/Uploads/1_Year_Report_FA.pdf

New Zealand: The Smoke is Clearing – one year anniversary report:

[http://www.moh.govt.nz/moh.nsf/0/7EC01E1971949178CC2570D20019E782/\\$File/SmokeClearing.pdf](http://www.moh.govt.nz/moh.nsf/0/7EC01E1971949178CC2570D20019E782/$File/SmokeClearing.pdf)

New York: One year report:

<http://www.nyc.gov/html/doh/downloads/pdf/smoke/sfaa-2004report.pdf>

California: Smokefree A case Study:

<http://www.dhs.ca.gov/tobacco/documents/pubs/smokefreeworkplacecasestudy.pdf>

7. Across Europe, there are moves towards smokefree places with bans in Norway and Finland (complete) and in Sweden and Italy (allowing smoking rooms). In the UK, Scotland, Wales and Northern Ireland have committed to introduce Ireland-style legislative bans in the coming years. The World Health Organisation Framework Convention on Tobacco Control, the first global treaty on public health, had, as of February 2006, been ratified by 124 countries including the UK. It came into force in February 2005, and states in Article 8:

“Each Party shall adopt and implement in areas of existing national jurisdiction as determined by national law and actively promote at other jurisdictional levels the adoption and implementation of effective legislative, executive, administrative and/or other measures, providing for protection from exposure to tobacco smoke in indoor workplaces, public transport, indoor public places and, as appropriate, other public places”

RATIONALE FOR GOVERNMENT INTERVENTION

8. The **health risks from secondhand smoke** were set out in the 1998 report of the Scientific Committee on Tobacco and Health (SCOTH), which concluded that exposure to secondhand smoke is a cause of among other conditions:
 - lung cancer
 - ischaemic heart disease
 - asthma attacks
 - childhood respiratory disease
 - and sudden infant death syndrome.

The 1998 report recommended restrictions on smoking in public places and workplaces to protect non-smokers.⁸

⁸<http://www.archive.official-documents.co.uk/document/doh/tobacco/part-2.htm>

9. Since the 1998 report further evidence has been published. The Committee has reviewed the new evidence in 2004 and its conclusion is that the evidence published since 1998 reinforces and strengthens the conclusions of the SCOTH report at that time. It also draws attention to new evidence of an association between secondhand smoke and reduced lung function. The latest report from SCOTH was published alongside the *Choosing Health* White Paper.

10. In general, the health benefits of action to provide protection from secondhand smoke include the following. The benefits for individual courses of action are estimated later in this RIA – they will have greater or lesser levels of these benefits:

- reduced illness and mortality from:
 - lung cancer
 - ischaemic heart disease
 - asthma attacks
 - childhood respiratory disease; and
 - sudden infant death syndrome.
- gain in life expectancy to smokers giving up as a result of smoke-free workplaces
- gain in life expectancy from reduced smoking uptake.

Benefits of lives saved can be converted into monetary terms using standard Government Economist calculations, based on value of life saved in Department for Transport analyses (see Annex A). Estimates of lives saved can be made by comparing the current levels of exposure to secondhand smoke (both in the workplace and in enclosed public places) with the levels in the suggested options, and reducing the known risk of mortality accordingly. Ranges are necessarily wide as there is a lack of evidence to inform more exact figures. Lives may also be saved by reductions in smoking rates.

11. Secondhand smoke in indoor places not only harms non-smokers, but also harms smokers and makes it difficult for the 7 out of 10 smokers who want to quit⁹ to succeed. Completely smoke free policies in indoor places will assist those people who want to quit but are deterred by the continuation of smoking in indoor public places. International evidence (based on looking at the impact of smoking bans in a range of settings) estimates that completely smoke free policies in workplaces indoors can reduce smoking prevalence by up to 4 percentage points.¹⁰ The 4 percentage point maximum figure is based on moving from a situation where there are no smoking restrictions – ie smoking is allowed in all enclosed public and work places - to a completely smokefree policy – ie smoking is banned in all enclosed public and work places.

12. However substantial progress in smokefree public places and workplaces has already been achieved. In England, 51% of people already say their workplace is

⁹ Statistical Bulletin 2003/21: Statistics on smoking: England, 2003 (Department of Health, Office for National Statistics)

¹⁰ West, R: Banning smoking in the Workplace *BMJ* 2002;325:174-175 (27 July)

completely smokefree, and a further 37% have smoking restricted.¹¹ After adjusting for the progress made so far, it is estimated that a move from the current situation to all indoor public places and workplaces being entirely smokefree might reduce smoking rates among the general population by 0.7 percentage points. This figure is the estimated reduction delivered due to reductions in smoking as a direct result of people's own place of work becoming completely smokefree.

13. In addition, there will be a reduction in overall smoking due to more places being smokefree outside of the smoker's own workplace. This is more difficult to estimate. For the purposes of the RIA it is estimated that the wider benefit is a reduction in overall prevalence of 1 percentage point. This estimate was reached combining evidence as to the current distribution of the workforce by degree of smoking restriction with evidence as to the effect on smoking cessation of different degrees of smoking restriction. The estimate of the numbers giving up as a result of a ban in public places is based on restrictions in pubs (as the most significant smoking venue). It extrapolates from the workplace ban adjusting for the different period of enforced abstinence and an estimate of the time smokers spend in pubs.
14. Overall, the total benefit, in reduced smoking, of moving from the current situation to completely smokefree indoor public places (including workplaces) is therefore estimated at around a 1.7 percentage point fall in smoking prevalence in England. Overall smoking is estimated to cost the NHS around £1.5bn a year, and a reduction in smoking will reduce that burden. (A 1.7 percentage point reduction in smoking rate from 25% would mean an estimated annual saving of £100m to the NHS.)

Current situation/voluntary route

15. In 1998, the Government set out a package of measures in the White Paper *Smoking Kills*¹² to reduce the 120,000 deaths caused by smoking every year and increase awareness of the risks associated with second-hand smoke. At the time the Government made clear that "completely smoke-free enclosed public places are the ideal", but "[did] not think that a universal ban on smoking in all public places is justified while we can make fast and substantial progress in partnership with industry".
16. Since publication of the White Paper in 1998, the Department of Health has taken action to increase awareness of the risks associated with secondhand smoke through the following:
 - UK's first ever media and education campaign,
 - funding to facilitate the development of a smoke-free cities network and resultant template to help cities move towards smoke-free on a voluntary basis and

¹¹Lader, D Goddard, E: Smoking-related behaviour and attitudes, 2004, Office for National Statistics Table 6.9

¹²Smoking Kills A White Paper on Tobacco <http://www.archive.official-documents.co.uk/document/cm41/4177/chap-07.htm>

- funding of Regional Tobacco Policy Managers who have, as one stream of their work, worked to increase local awareness of the risks associated with secondhand smoke and worked with local players to encourage more smokefree facilities.

17. *Smoking Kills* also announced a voluntary agreement, led by the hospitality industry, in which signatories were to commit to “increasing provision of facilities for non-smokers and the availability of clear air”. The detail behind this was later launched formally as the **Public Places Charter**¹³. The Charter provided for written policies for venues to state whether they are smoking or non-smoking, provision of non-smoking areas, air cleaning and ventilation, signs (smoking or no-smoking etc), monitoring, staff training and sharing of practice. The industry agreed to have a national industry-led scheme for signage. Alongside the Charter, targets were also set:

- 50% of all pubs (of which there are over 60,000 in the UK) and half the members of the Restaurant Association (which represents over 10,500 group and individual restaurants) should have a formal written smoking policy and signage
- 35% of these premises should restrict smoking to designated and enforced areas and/or have ventilation that meets the agreed standard (‘good practice’ category).

18. An independent evaluation in 2003 showed that the key target had not been met and that only 43% of pubs had a formal written smoking policy and appropriate signage in place, although of these 53% were in the ‘good practice’ category.¹⁴ Nearly half of pubs that were Charter compliant allowed smoking throughout and only a handful were entirely smokefree. Health ministers in response to the Charter Group stated that they were disappointed with the progress that had been made. Substantial progress in developing new plans for voluntary change has been made by the hospitality industry since that time (see paragraph 24 for details), but there is still much more that could be done to protect people from secondhand smoke in public places.

Benefits of Action on Secondhand Smoke

19. Economic and environmental benefits for individuals, society and industry include:

- reduction in NHS expenditure through reduced smoking prevalence (estimates can be derived from annual cost to the NHS from smoking, reduced by the estimated drop in smoking prevalence)
- reduced costs from sickness absence

¹³ Smoking Kills, paragraph 7.14, www.archive.official-documents.co.uk/document/cm41/4177/chap-07.htm

¹⁴ The Public Places Charter on smoking. Industry progress report. The Charter Group, April 2003

- greater efficiency through reduction in time lost by smoking breaks (through closure of smoking rooms as smokers going outside take less work time than smokers going to smoking rooms)¹⁵
- safety benefits such as reduced fire risks¹⁶
- reduced cleaning and maintenance costs¹⁷
- asthma - Asthma UK report that there are 5.1 million people in UK with asthma and cigarette smoke is the second most common asthma trigger in the workplace. They found that "20% of people with asthma feel excluded from parts of their workplace because other people smoke there. This inhibits their daily life as well as opportunities for promotion and development."¹⁸
- reduction in death and disability among those smokers who quit as a result of action to make more places completely smokefree
- benefits to manufacturers of stop smoking aids

The following sections attempt to put numbers to these benefits.

Costs of Action on Secondhand Smoke

20. In general, costs of action to provide protection from secondhand smoke may include the following. The costs for individual courses of action are estimated later in this RIA – they will have greater or lesser levels of these costs.

Implementation Costs

- Dependent on the option chosen, costs to industry will vary. There has been speculation that there could be a major negative impact on the hospitality industry from bans on smoking in enclosed venues – for example, there have been reports of falling bar sales in Ireland following the ban. Indeed responses to the consultation from the pub industry quote figures of volume sales in pubs in Ireland of between “10% and 15%” and “as much as 25%”. However, Irish retail sales data from the Central Statistics Office shows bar sales falls after the ban in line with year on year falls since 2000.¹⁹ In general, there is a lack of international evidence to support a prediction of a significant drop in sales in the hospitality industry.

Enforcement Costs

- Dependent on the option chosen, there may be enforcement costs for central and local government. This would primarily be undertaken by local

¹⁵ Curbing the Epidemic : Governments and the Economics of Tobacco Control.

(c) 1999 THE WORLD BANK, WASHINGTON D.C.

¹⁶ Parrott, Godfrey and Raw, Costs of employee smoking in the workplace in Scotland, Tob Control 2000;9:187-192 (Summer) – This article estimates that 18% of fire damage is caused by smokers materials along with matches. As well as the direct cost to businesses, insurance premiums are higher to cover this.

¹⁷ Ref: World Bank Smoke-free workplaces at a glance. 2002.

<http://www1.worldbank.org/tobacco/AAG%20SmokeFree%20Workplaces.pdf>

¹⁸ <http://www.asthma.org.uk/news/news82.php>

¹⁹ Retail Sales Index Central Statistic Office (Ireland) 20 August 2004 www.cso.ie

environmental health officers. A substantive set of estimates were commissioned from an independent expert enforcement consultant (working with LACORS) by ASH. The Chartered Institute of Environmental Health (CIEH) did not submit separate enforcement estimates but drew attention in their response to the LACORS work. The Local Government Association (LGA) similarly did not submit estimates.

Education and Communication

- A level of publicity, education, and communication will be needed, depending on what option is chosen. For example, it is normal also to set up a helpline to support the implementation and enforcement of smokefree legislation, as well as making the public fully aware of the changes. Costs for this RIA are estimated based on the experience of current Department of Health tobacco education and awareness campaigns.

Losses to the Exchequer from Tax

- As action on secondhand smoke is likely to mean that some smokers will quit or smoke less, there may be a loss to the Exchequer from taxes on cigarettes. This can be measured using the reduction in the amount smoked per day by continuing smokers, and the tax per cigarette. This has been adjusted by reducing the figure by around a quarter to reflect the proportion of cigarettes consumed that do not attract UK tax/duty. Nevertheless, it should be borne in mind that there is an overarching Government target to reduce smoking substantially by 2010. So reductions to the Exchequer are expected as a result of delivering the Government's target of smoking rates of 21% or less by 2010 (equivalent to 2 million fewer smokers in England). This point also applies to the next bullet.

Loss of Profit to the Tobacco Industry and Tobacco Retailers

- As action on secondhand smoke is likely to mean that some smokers will quit or smoke less, the tobacco industry and tobacco retailers may see a loss of profits. This is estimated as unlikely to exceed 10% of the tax loss.

Unintended Consequences

- There may be unintended consequences of action, including costs to local authorities or businesses in cleaning up/providing disposal for cigarette butts in outdoor public places, and possible increases in antisocial behaviour from smokers drinking on the streets or at home, rather than in licensed premises. Although the police are not expected to have responsibility for enforcement, consideration has been given, based on other jurisdictions' experience, as to how they might be affected, for example in cases where smokers refuse to leave a smokefree area. These are recognised, but the costs are likely to be relatively small, and therefore figures are not included in the cost/benefit table, reflecting

responses to the consultation on this point which was raised in the partial RIA.

Production Losses and Consumer Surplus Losses

- Some costs can be expected from smokers who were previously allowed to smoke at work and continue to smoke taking smoking breaks (see Annex A for explanation of production losses and consumer surplus).

21. More detail on the specific options and the costs, benefits, and risks of each are set out below.

THE OPTIONS

Four options have been identified:

- Option 1 – Continue with a voluntary approach**
- Option 2 – National legislation to make all indoor public places and workplaces completely smokefree (with minimal exemptions)**
- Option 3 - Legislation giving local authorities new powers to control secondhand smoke in indoor public places and workplaces**
- Option 4 - National legislation to make all indoor public places and workplaces completely smokefree (with exemptions as put forward in Choosing Health)**

Further detail is set out below, along with a table of estimated costs and benefits.

Option 1 - Continue with a voluntary approach

22. Option 1 is to continue a voluntary approach to reducing secondhand smoke. Employers and businesses would be encouraged to take steps to make more places smokefree, and the dangers of secondhand smoke would continue to be communicated in media campaigns, but there would be no statutory requirement for smokefree places, or enforcement of them.

Benefits of Option 1

23. Paragraphs 17 and 18 set out the situation as it currently stands. Given the history of voluntary change the option of doing nothing would seem likely to result in only limited progress (especially in the hospitality sector, as seen with the lack of progress towards the Government's stated ideal through the voluntary approach taken since 1998). The benefits will be as set out above, but we could expect these to be much limited in comparison with the other three options. If we assume that indoor workplaces without bans are those least willing to apply them, we could estimate that only half will voluntarily choose a ban. For other indoor public places, largely the hospitality industry, for illustrative purposes it is assumed that half the customers would be protected from secondhand smoke,

but that smokers would be accommodated, and therefore none would stop or cut down. Accordingly, the cost and benefits of Option 1 have been estimated as half those in Option 2 (see table). We have continued to use this estimate reflecting responses to the consultation on this point which was raised in the partial RIA.

24. In September 2004, following a series of meetings with Government ministers, and in response to the White Paper consultation, a group within the hospitality industry launched an initiative for further voluntary action to provide for:

- 35% of the trading space in their pubs and bars to become no smoking by December 2005, moving progressively to 80% by 2009;
- 50% of pubs' food consumption areas to become no smoking by December 2005; and
- no smoking 'at the bar' and 'back of house' (including cellar and food preparation areas) by December 2005.

Costs of Option 1

25. The costs to Government in implementation and enforcement are considered to be zero, as this would be voluntary change (although the voluntary approach may benefit from ongoing media campaigns funded by the Department of Health). Again, we have estimated the other costs (for example loss of tobacco revenues from any fall in tobacco sales) at half those of Option 2. Cost to business will be dependent on how much action is taken voluntarily, including any initial cost of going smokefree, and cost/benefits of the effect of doing so.

Risks of Option 1

26. This initiative does not cover the whole of the hospitality industry, initially it was five large companies covering approximately one third of pubs. The British Beer and Pub Association (BBPA) in their consultation response report that around a half of pubs have now committed to the initiative. Even if completely successful, there would still be significant exposure to secondhand smoke for people in the premises and no guarantee of anyone being able to find a smokefree pub or bar. This would mean possibly little or no demonstrably increased protection from secondhand smoke; and no reason to believe that smoking rates would decrease significantly.

Option 2 – National legislation to make all indoor public places and workplaces completely smokefree (with minimal exemptions)

27. Option 2 would be to legislate to make all indoor public places and workplaces across the country completely smokefree. No exemptions would be made for the hospitality industry or others except on human rights or very specific grounds as set out in the consultation paper. The models for this Option are Ireland (March 2004), Norway (June 2004) and New Zealand (December 2004).

Benefits of Option 2

28. National legislation would provide protection from the health risks of secondhand smoke and would lead to considerable benefit over and above existing restrictions, with a potential value comfortably in excess of £3 billion annually, (including savings for the NHS and through increased productivity for industry). This is principally from the value of averted deaths from employees smoking; from customers' exposure to secondhand smoke and reduced initiation of smoking (see Table at paragraph 44 for detail). Of the five options, this option offers highest levels of the benefits set out in paragraph 19, including the highest reductions in prevalence, deaths from secondhand smoke, cleaning and fire risk, and increases in productivity. (Details of the methodology followed for assessing the costs and benefits are discussed in more detail in the published economic paper 'Smokefree public places - a report to the Chief Medical Officer' available at www.dh.gov.uk/assetRoot/04/10/27/66/04102766.pdf)

Costs of Option 2

29. There would be a minimal cost (see table at paragraph 44) to industry to implement Option 2 (for example, in providing 'no smoking' signage, provided this is sufficiently flexible as stated in many responses to the consultation) but there would be a cost to Government to enforce the legislation. It was estimated in the partial RIA accompanying the consultation, based on feedback from Ireland, that a ban might cost some £20m to enforce. The partial RIA asked for views and evidence on this through the consultation. The response received from Jane MacGregor Consulting Limited, commissioned by ASH and referenced by the Chartered Institute of Environmental Health (CIEH) in their submission, pulled together estimates from consultation involving 7 local authority environmental health services. This estimated the national enforcement costs for Option 2 at between £4.5m and £13.3m.

30. Coverage in the press has speculated that the pub sector would suffer from reduced profits, but the available published evidence does not support this (see also paragraph 20).²⁰ Evidence was provided to the consultation of reductions in volume sales in Ireland by the pub trade, however this did not take account of the underlying trends in the industry in Ireland. Costs, including loss to Exchequer and to tobacco industry and retailers as well as consumer surplus are detailed in the Table at paragraph 44.

Risks of Option 2

31. The main risk of Option 2 is that a total national ban may not reflect public opinion completely, and may therefore be more controversial and more difficult to enforce. The Office for National Statistics 2004 survey showed 88% of people in favour of restrictions at work and there are similarly high levels of support for complete bans in most public places and workplaces.

²⁰Scollo, M. et al. Review of the quality of studies on the economic effects of smoke-free policies on the hospitality industry. *Tobacco Control* 2003; 12: 13-20 <http://tc.bmjournals.com/cgi/content/full/12/1/13>

32. For pubs, the figures are 65% for restrictions in pubs and 31% for “no smoking allowed anywhere” in pubs when asked to choose between this and three other options: mostly smokefree with smoking area; mostly smoking with smokefree area; and smoking allowed throughout.²¹ Between 2003 and 2004 there was a significant shift in public attitudes towards smokefree and completely smokefree especially. More recent data (mid-2005) published by ASH from a YouGov poll appears to show this shift has continue with “no smoking allowed throughout” the preferred option in 2005. In December 2005, a further YouGov poll, commissioned by Cancer Research UK and ASH showed that 71% of respondents would “support a proposal to make ALL workplaces, including all pubs and all restaurants smokefree”. Moreover, experience from Ireland and other jurisdictions has not identified a significant enforcement problem.
33. A ban without exceptions would need to be careful to take account of those places which are primarily where someone lives on a day-to-day basis, for example hospices, prisons, or long stay residential care. Other countries around the world, which have a ban, have some exceptions of this type.

Option 3 – Legislation giving local authorities new powers to control secondhand smoke in indoor places

34. Option 3 is to legislate to give local authorities the power to make local legislation on smokefree places. Local authorities (LAs) would have the choice to regulate in their area based on local consultation and tailoring the regulation to local needs. They could also choose not to legislate at all.

Risks of Option 3

35. This Option would certainly be a longer term and more unpredictable route. In practical terms, the costs and benefits would not be known until the response from all local authorities was known. The main risk is that this may result in a confused system across the country, with business, workers and customers having to adapt to different regimes running in neighbouring LAs and there is every possibility that some local authorities may not make use of the legislation at all. This option is also the route that the hospitality industry have made clear they favour least – and have stated (though not quantified) there will be costs involved for national chains in ensuring multiple different sets of local legislation, potentially with different exceptions, are adhered to. Further, businesses in the leisure industry with premises on the border of a local authority which had smokefree legislation might lose smoking customers to businesses in the adjacent local authority. Though there may be some offsetting of customers looking for smokefree premises.

Benefits and Costs of Option 3

36. Consideration of the option of allowing local authorities the power to implement a ban within their own boundaries is not that different in terms of impact from a national ban, with or without exceptions. It is reasonable to assume that impact

²¹Lader, D Goddard E: Smoking-related behaviour and attitudes, 2004, Office for National Statistics Table 6.13 and 6.21

would eventually extend to the vast majority of the population. Many large city authorities across England have already declared their intention to go smokefree if empowered to do so.

37. In those countries such as the USA, Canada and Australia where local laws/ordinances have been introduced, the pattern has been one of growing momentum with city after city adopting a ban until entire states / provinces have adopted a complete ban. For example, in California, the first local ordinance was introduced in 1988. By 1995 there were 286 cities with smokefree provisions, and state-wide legislation produced a comprehensive ban in 1998, ten years after the first local ordinance.²² Therefore, this option may be considered as having no greater or lesser impact than national legislation, if the entire country eventually adopted smokefree legislation. In the cost/benefit table, implementation costs for Option 3 are given as 'unknown', as we do not know what requirements local authorities might put in place.

Option 4 - National legislation to make all indoor public places and workplaces completely smokefree (with exemptions as put forward in Choosing Health)

38. Option 4 would be similar to Option 2, including certain exceptions to mirror public opinion. The White Paper proposed a possible set of enclosed public places affected and exceptions as below.

All enclosed public places and workplaces (other than licensed premises which are dealt with below) will be smokefree;

Licensed premises will be treated as follows:

- all restaurants will be smokefree
- all pubs and bars preparing and serving food will be smokefree
- other pubs and bars will be free to choose whether to allow smoking or to be smokefree
- in membership clubs the members will be free to choose whether to allow smoking or to be smokefree
- smoking in the bar area will be prohibited everywhere.

Special arrangements will be looked at for certain establishments, such as hospices, prisons and long stay residential care that are where someone lives on a day-to-day basis.

The full range of costs and benefits, quantified, are set out in the Table at paragraph 44. What follows is a description of some of the key areas.

Benefits of Option 4

39. This Option is likely to provide the benefits set out in paragraph 19 above, at a level below that of Option 2, but at a much greater level than in Option 1. The loss of benefit in comparison with Option 2 will be likely to be in non-workplace

²² The California Tobacco Control Program: A Model for Change. Presentation by Colleen Stevens March 2003

enclosed places (for example pubs). Again, as smokers would be accommodated, we cannot predict the degree to which smokers' behaviour would change as a result of the exemptions in licensed premises. Therefore, the benefits from reductions in deaths due to customers giving up are estimated, at this stage, as between zero and the full benefits in Option 2, though it is unlikely that the actual benefit will be at the extremes of this range. Overall there would be a reduction in secondhand smoke and, for the purposes of this partial RIA, it has been estimated that more than half the deaths from secondhand smoke would be averted (see table at paragraph 44).

Costs of Option 4

40. Costs will include costs to enforce the legislation as with Options 2 and 3. The costs however were estimated in the partial RIA accompanying the consultation as "likely to be higher" than Option 2. In paragraph 29 we referred to the enforcement cost estimates submitted to the consultation by Jane MacGregor Associates Limited. This submission estimated that the enforcement costs would be some 50% higher than for Option 2, at between £6.8m and £19.9m.

Risks of Option 4

41. In the consultation document and partial RIA it was noted that a risk of this proposal is that food-led licensed premises, pubs in particular, may make a choice to give up serving food in favour of allowing smoking, therefore reversing the recent trend towards pubs being more than simply a place to drink alcohol (however we have been unable to quantify this risk). It was estimated that 10% to 30% of pubs might fall into the category of not "preparing and serving food"²³. In response to the consultation the British Beer and Pub Association (BBPA) and ASH submitted estimates of how many pubs fall into this category and how many might change as a result of the policy. The BBPA estimated a figure of 19% for July 2005 as "not preparing and serving food" and estimated that 20% of the food pubs would discontinue food sales. An ASH commissioned independent survey estimated that 29% of pubs would currently fall into the "not preparing and serving food" category, and that this would increase to 40% (therefore some 16% would discontinue serving food). It was also estimated that these smoking pubs would predominate in more deprived areas.

42. The hospitality industry submitted evidence that increased costs would be associated with this option – with pubs that choose to end food incurring costs such as removing kitchens and laying off food staff. The benefits estimated for Option 4 are smaller with regard to economic and environmental benefits, because the exceptions to a total ban will largely affect the hospitality industry where people are exposed to secondhand smoke. Therefore, as Option 4 will have lower impact on exposure to secondhand smoke than Option 2, for the purposes of this partial RIA they are estimated at 40% of the total ban benefits.

²³ Choosing Health, Chapter 4 paragraph 79 www.dh.gov.uk/assetRoot/04/09/47/60/04094760.pdf

NET SUM OF ALL COSTS AND BENEFITS

43. The table below gives a cost/benefit analysis of the five options that reflect the consultation responses and data submitted. The benefits for Options 1, 3 and 4 have been derived from Option 2, the full ban. Option 3 has the capability of equalling Option 2's effects, but with the possibility, though unlikely, of no impact at all. It has been suggested that the lower bound of Option 3 should be Option 1 – that is giving Local Authorities powers to legislate would at the very worst be no better than the voluntary change. However this assumes that Option 1, the voluntary change proposal as set out in paragraph 24, would still be honoured even if Option 3 were followed. Because the consequences for Option 1 of following Option 3 are not clear, we have decided not to make such an assumption. Options 1 and 4 are estimated as having less overall benefit than Option 2 as they deliver fewer completely smokefree enclosed public places and workplaces.

Cost/Benefits of Action on Secondhand Smoke (see Annex A for notes on the derivation of the figures, and paragraphs above for other general information)

44. These costs are estimates based on the information received from the consultation. Where costs are from previous research, we have not updated them to current prices. The table is to be used as a guide rather than a definitive costing of the options.

BENEFITS	Option 1 Voluntary action	Option 2 Full ban	Option 3 Local powers	Option 4 Ban with food/non- food exception
Annual benefits £m				
<u>Health benefits</u>				
a) Averted deaths from secondhand smoke				
Employees	4	21	0-21	21
Customers ²⁴	75	350	0-350	150 -250
b) Averted deaths from smokers giving up				
Employees	800	1600	0-1600	1600
Customers	-	180	0-180	0-180

²⁴ Employees are those benefitting from smokefree policies at their workplace. Customers are people making use of smokefree enclosed public places.

c) Averted deaths from reduced uptake of smoking	275	550	0-550	550
<u>Economic and environmental benefits</u>				
d) NHS expenditure saved through reduced smoking prevalence	20	100	0-100	40-100
e) Reduced sickness absence	14-28	70-140	0-140	28-140
f) Production gains (from reduced exposure to secondhand smoke)	68-136	340-680	0-680	306-612
g) Safety Benefits (damage, fire, injuries etc)	13	63	0-63	57-63
h) Reduced cleaning and maintenance costs	20	100	0-100	90-100
Total Benefits	1289-1371	3374-3784	0-3784	2842-3616

COSTS	Option 1 Voluntary action	Option 2 Full ban	Option 3 Local powers	Option 4 Ban with food/non- food exception
Annual Costs £m				
i) <u>Implementation</u> (changes to signage, alterations to premises, creation of smoking room where allowed etc) in workplaces and public places	-	- (minimal)	unknown	- (minimal)
j) <u>Enforcement</u>	-	5-13	0-20+	7-20
k) <u>Education/communication</u>	-	1	Unknown – dependent on local decisions	1
l) <u>Revenue losses to Exchequer</u> from falling cigarette sales (employees) (customers)	428 -	859 113	0-859 0-113	859 0-113
m) <u>Losses to the tobacco industry and retailers</u>	43	97	0-97	86-97
n) <u>Unintended Consequences</u> (mess on streets etc.)	-	-	-	-
o) Production losses (smoking breaks)	215	430	0-430	430
p) Consumers' surplus losses to continuing smokers	80	155	0-155	155
Total Costs	766	1660- 1668	0-1674	1538- 1675
Net benefit	523-605	1714- 2116	0-2110	1304- 1941

(Note: as set out in paragraphs 19 and 30 based on international evidence hospitality industry turnover effects are not included as not expected to be significantly changed.)

EQUITY AND FAIRNESS INCLUDING RACE EQUALITY ASSESSMENT

45. It has been considered whether these measures will have any disproportionate impacts including in the context of race equality issues. We do not consider that these measures will disadvantage any particular group. Evidence shows that smoking prevalence is particularly high among poorer people and in deprived

areas. We are committed to doing all we can to reduce prevalence of smoking in these groups and areas, to protect people from the health risks of exposure to secondhand smoke and reduce the likelihood of taking up the habit that may bring premature death or serious illness. As action will affect all groups equally, we do not think that there are serious race equality issues for action on secondhand smoke. However, we recognise that different cultures use tobacco differently – one example is restaurants where hookahs are smoked. Under Options 2 and 4 smoking would not be allowed in these food based premises.

COMPETITION ASSESSMENT

46. A Competition Assessment has been undertaken following RIA guidance. Based on this assessment a simple competition assessment is set out. The Options cover all businesses in England where activity takes place in an enclosed public place - including workplaces. Outside the hospitality sector no significant competition issues were identified. The biggest impact of action on secondhand smoke will be for the hospitality sector and, within the sector, for those businesses that have made least progress in becoming smokefree (for example, cinemas are almost universally smokefree whereas smokefree pubs are very rare).

- Option 1 is a continuation of existing policy and does not give rise to any issues based on the filter test.
- Option 2 provides for a level playing field to business with no increased entry costs (indeed it will decrease entry costs to the pub sector as expensive ventilation currently used will no longer need to be installed or maintained).
- Option 3 may result in impact on competition between businesses in different jurisdictions. This may result in smokers moving from a legally required smokefree public place in one local authority, to a smoking public place in the neighbouring local authority. There is potential for higher entry costs if a LA were to decide to require specified ventilation in local legislation.
- Option 4 will result in a decision for licensed public places whether to serve food or not. As with option 2 this route may decrease rather than increase barriers to entry for similar reasons in premises that will be smokefree. The exemption of Qualifying (members) Clubs from the legislation presents competition issues that were raised by the hospitality industry in responses to the consultation. Their concern is that smoking will continue unrestricted in these Clubs, whilst other premises and hospitality venues will have to choose either to be: completely smokefree but prepare and serve food; or allow smoking but no longer prepare and serve food.

RURAL PROOFING

47. We have also considered the impact of these measures in relation to rural areas and consider that they will not have a different or disproportionate impact on people living in rural areas. It has been suggested that rural pubs might be disproportionately affected, however no substantive evidence was provided in response to the consultation to support this. It may be that local powers (Option 3) result in different decisions in rural versus urban communities.

COSTS TO SMALL BUSINESS

48. The Department has consulted with relevant stakeholders and DTI's Small Business Service to consider the impact of the range of the proposal and the listed exceptions to establish whether these measures would have a disproportionate impact on small and medium size enterprises. Business concerns raised about the legislation were almost exclusively from the pub trade. For most other businesses no specific small business impact concerns were raised. However for the pub trade the strongest objections have been to Option 4 as this was felt to present an unfair choice between smoking and providing food: with the choice of one or the other likely to result in increased costs to the business or loss of revenue.

MONITORING AND REVIEW

49. Any action taken will need to be monitored to measure its effectiveness. If Option 4 were the final outcome it has been stated that a review of Option 4 will be completed after three years.

ENFORCEMENT AND SANCTIONS

50. These are set out above. The enforcement is expected to be through Local Authorities.

SUMMARY AND RECOMMENDATION

51. Option 4 was the originally preferred option, as it offers the highest level of benefits possible taking into account the original desire for limited exceptions from a complete ban on smoking in enclosed public places and workplaces, which would offer smokers some enclosed public places in which to continue to smoke. Option 4 was therefore brought forward in the Health Bill as introduced in October 2005. However, as a result of strong feelings inside and outside Parliament and changing public opinion, the Government brought forward alternative options for extending the smokefree provisions at Report stage in the House of Commons. The vote on these options resulted in a 384 to 184 vote in favour of Option 2.

52. See table below for a summary of the four options.

Option 1	Option 2	Option 3	Option 4
Least restrictive and costly but may not make significant progress	Most effective but may be seen by the public as too restrictive, as minimal exemptions are identified. However, supported by Report stage vote in the House of Commons and is the preferred option.	Potentially equally as effective as Option 2, but with no guarantee of action, no way of predicting what type of action would be taken, and no guarantee of a timescale for action	The original preferred Choosing Health option – it offered some degree of choice for customers and licensees however was likely to be less effective in reducing smoking and protecting from secondhand smoke than a total ban.
£m Net Benefit 523-605	£m Net Benefit 1714-2116	£m Net Benefit 0-2110	£m Net Benefit 1304-1941

Notes on derivation of figures

Calculation of value of life years - The mortality benefits from smoking cessation are converted into life years gained using epidemiological evidence as to the increase in life expectancy associated with smoking cessation. Each life year gained is valued at £30,000. This value of a life year in turn is derived from (a) the Department of Transport's value of a statistical life, about £1m or a little over (b) statistics showing that the average road death leads to a loss of about 35 years of life years.

Benefits

a) Averted deaths from secondhand smoke - The deaths averted from second hand smoke are calculated for the workplace and public places separately. The estimates rely on a combination of factors: (a) estimates of prevalence of exposure to secondhand smoke in different locations (b) epidemiological evidence as to the dangers of these levels of secondhand smoke exposure. The reductions in mortality are then converted into life years lost and evaluated in money terms using similar assumptions as in deaths averted by smoking cessation. For a complete ban the benefit in public places is £350m and in the workplace £21m. Option 1 uses 20% of these figures to illustrate the assumption that voluntary action would deliver much less than a ban. Option 4 is assumed to deliver less than half the secondhand smoke protection associated with a full ban for customers because of the exemptions in hospitality sector. Among workers the protection is, across the workforce, practically the same as for Option 2.

b) Averted deaths from smokers giving up - The numbers giving up were estimated by combining evidence as to (a) the current distribution of the workforce by degree of smoking restriction (b) evidence as to the effect on smoking cessation of different degrees of smoking restriction. Those stopping were assumed to gain on average one year of life expectancy, valued at about £30,000. The estimate of the numbers giving up as a result of a ban in public places is based on restrictions in pubs. It extrapolates from the workplace ban adjusting for the different period of enforced abstinence and an estimate of the time smokers spend in pubs.

c) Averted deaths from reduced uptake of smoking - This estimate is based on the number of young people who take up smoking at work, and evidence as to lower uptake in environments where smoking is restricted.

e), f) Reduced Sickness Absence and Production Gains - The production gains relate to employees working more productively in smoke free environments. Gains are also made from reduced time off work through smoking related illness. The figures are based on the ACoP RIA.²⁵

g) Safety Benefits - Safety benefits include damage, deaths, injuries, cost to fire services, and administration costs. Individually they are too small to be included so are rolled together. These are also based on the ACoP RIA.

²⁵ Health and Safety Executive RIA ACOP August 2000

h) Cleaning Costs - These are also based on the ACoP RIA.

f) – h) for Option 4 - As the exceptions to a total ban will largely affect the hospitality industry, these economic effects will be less great – they have been estimated at 90% of a total ban.

Costs

o) Production Losses – These relate to smokers taking smoking breaks away from workplaces that previously allowed smoking in the workplace. The figures are based on the ACoP RIA.

p) Consumer Surplus - Consumers' surplus is the value a consumer places on the opportunity to consume a good or service over and above the price. Smokers unable to smoke at work lose consumers' surplus. This can be thought of as the compensation which would be required to induce them voluntarily to accept a ban, or alternatively, the sum they would be prepared to pay to bribe the employer not to impose a ban. The amount is estimated by calculating the price rise (given evidence as to the "elasticity of demand") which would induce smokers to cut down by the amount associated with a ban. The loss of consumers' surplus is equal to half this price rise times the amount smoked. As each option has a potentially different effect on smoking the consumer surplus estimates will vary for different options.