



Smoking gun: is the smoking ban a major cause of the decline of the British pub?

Background

Between 2004 and 2007 all of the four United Kingdom legislatures, and that of the Republic of Ireland, voted to introduce a ban on smoking in most enclosed public places and workplaces.

The bans came after considerable and vigorous debate centred around the risks of exposure to environmental tobacco smoke (ETS) and especially on the likely impact of a ban on the hospitality industry and particularly Britain's pubs.

Studies were cited that demonstrated that a smoking ban would be good for the hospitality business overall, and on the other side that it would drive away customers.

Since the bans were introduced there has been a marked decline in the numbers of pubs in the various countries. The most widely reported measure originates from an authoritative database managed by CGA Strategy, a specialist consultancy, and reported by the British Beer and Pub Association.

The decline has been blamed on changing tastes, the economic recession, the high charges levied by some multiple landlords on their pub tenants and leaseholders, aggressive supermarket alcohol pricing and rising beer duty and red tape.

This study seeks to separate and identify the impact of the smoking ban from these factors.

Sources

The CGA database is a collation of industry commercial databases and notes the number of premises trading as pubs in Great Britain, separately for England, Scotland and Wales. To a certain extent the definition of 'pub' is subjective due to the changes brought in by the Licensing Act 2004, which simplified the licensing rules. The database is in wide-scale commercial use throughout the licensed trade. It does not cover Northern Ireland. The data have been provided on a quarterly basis.

The Northern Irish data has been collated since 2005 for 'licensed clubs, pubs and bars' as reported in the UK Business Tables see <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=933>. From 2005-7 the definition was enterprises registered for VAT, from 2008 this was widened to include PAYE registered enterprises – thus the data are not comparable and so have not been included.

The data for the Republic of Ireland is provided by the Revenue Commissioners on an annual basis and can be found in the Statistical Report on the Revenue Website, see EX20 in the Statistical Report at <http://www.revenue.ie/en/about/publications/statistical-reports.html>.

Both sources thus report the total number of enterprises trading as pubs although on different criteria and with differing reporting intervals, both starting in 2004 (final quarter for CGA, full year for the Revenue Commissioners).

The Standard Deviation was taken to demonstrate how close the results were to the average – the lower the Standard Deviation the closer the results correlate.

Methodology

The four data sets were compared in chronological order from the baseline of Quarter 4 (October/December) 2004; then they were assessed using the period of the introduction of the smoking ban as the base noting changes before and after the smoking ban date.

The smoking bans were introduced:

| | |
|---------------------|------------|
| Republic of Ireland | March 2004 |
| Scotland | March 2006 |
| Wales | April 2007 |
| England | July 2007 |



Results

The data (Table 1) show declines in the pub estates in all four countries for each of the five years from 2004-2009. It should of course be noted that only the Irish ban predated all of these numbers.

The Standard Deviation for the British countries varied from 0.06% to 2.31% (see Table 1).

Table 1: Chronological pub estate numbers

| | Total pubs | Cumulative percentage change vs Dec 2004 | | | | | Total pubs | Change |
|--------------------|------------|--|--------|--------|---------|---------|------------|--------|
| | Dec-04 | Dec-05 | Dec-06 | Dec-07 | Dec-08 | Dec-09 | Dec-09 | 2004-9 |
| England | 55881 | -0.50% | -1.10% | -2.90% | -5.40% | -9.40% | 50645 | -5236 |
| Scotland | 6677 | -0.40% | -1.10% | -5.60% | -8.00% | -11.90% | 5920 | -757 |
| Wales | 3765 | -0.40% | -0.10% | -1.00% | -4.10% | -7.60% | 3479 | -286 |
| Ireland | 9964 | -7.30% | -4.10% | -5.50% | -11.00% | n/a | n/a | n/a |
| Standard Deviation | GB | 0.06% | 0.58% | 2.31% | 1.99% | 2.16% | n/a | n/a |

The data when rebased on the date of the smoking bans show a Standard Deviation for the British countries of between 0.25% and 0.51% (see Table 2).

Table 2: Pub estate numbers vs smoking ban date

| | Pubs | Months post-ban | | | |
|---------------------------|---------------|-----------------|---------------|---------------|----------------|
| | | at ban | 12 | 24 | 33* |
| Scotland | 6,610 | 6,554 | 6,307 | 6,143 | 5,873 |
| Wales | 3,753 | 3,707 | 3,541 | 3,479 | n/a |
| England | 54,429 | 54,172 | 51,768 | 50,281 | n/a |
| Ireland | 9,964 | 9,237 | 9,555 | 9,418 | 8,867 |
| <i>Scotland</i> | <i>6,610</i> | <i>-0.80%</i> | <i>-4.60%</i> | <i>-7.10%</i> | <i>-11.10%</i> |
| <i>Wales</i> | <i>3,753</i> | <i>-1.20%</i> | <i>-5.60%</i> | <i>-7.30%</i> | <i>n/a</i> |
| <i>England</i> | <i>54,429</i> | <i>-0.50%</i> | <i>-4.90%</i> | <i>-7.60%</i> | <i>n/a</i> |
| <i>Ireland</i> | <i>9964</i> | <i>-7.30%</i> | <i>-4.10%</i> | <i>-5.50%</i> | <i>-11.00%</i> |
| <i>Standard Deviation</i> | <i>GB</i> | <i>0.35%</i> | <i>0.51%</i> | <i>0.25%</i> | <i>n/a</i> |

* This is the latest period for which data from all three GB countries are available. Irish 33 month data as reported is the 36 month (3 yr) result as the data are only reported annually.

Whilst these are small samples for this style of analysis the difference is considerable:

Table 3: Comparison of Standard Deviations

| | Highest | Lowest |
|---------------------|---------|--------|
| Ban-based data (GB) | 0.51% | 0.25% |



Chronological data (GB) 2.31% 0.06%

There is clearly a far closer correlation between the declines when the data are compared to the smoking ban than when compared just chronologically. This can be demonstrated graphically:

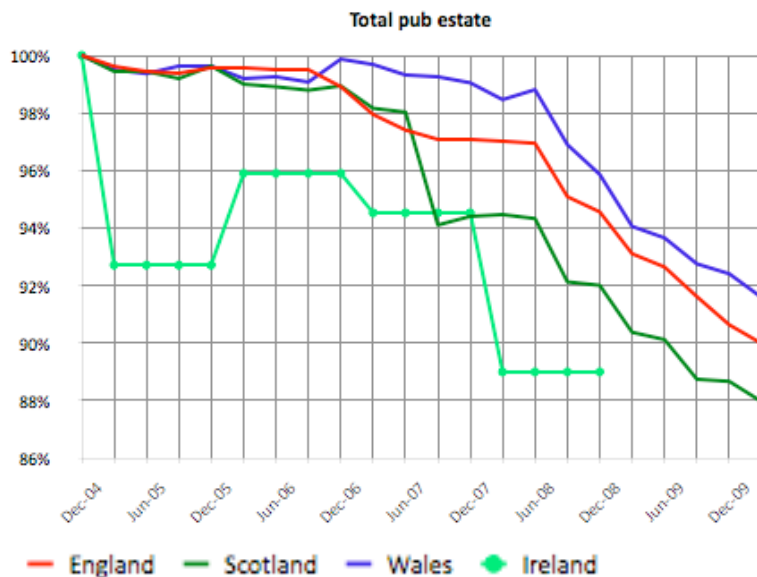


Figure 1: Chronological decline in pub estates since 2004

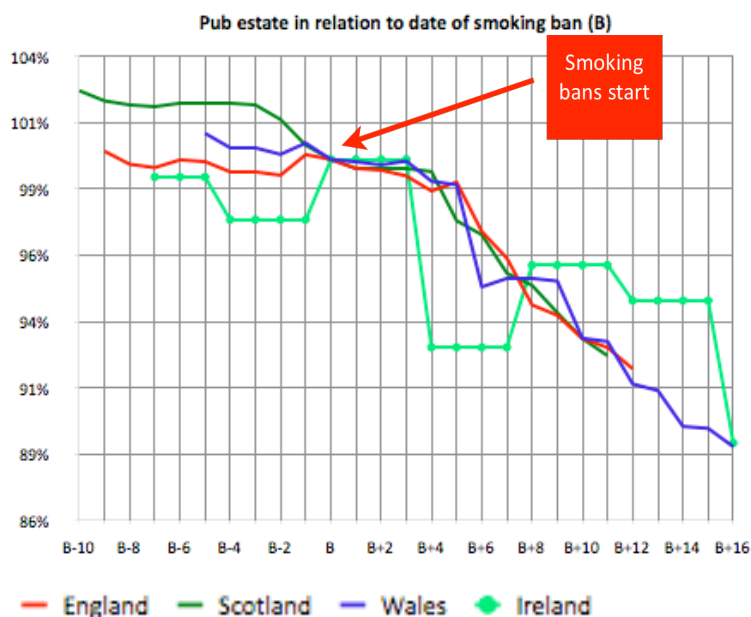


Figure 2: Decline in pub estates since date of smoking bans ('B')

After an initial year of an average decline of 0.8% in the British countries, this accelerated to 4.2% in the second year and 2.3% in the first three quarters of the third year (the last quarter for which all data are available) – suggesting an annualized rate of c.3.1%.

Only Scotland and the Republic of Ireland have experienced the ban for four years – with almost identical declines over the entire period of 11.0 and 11.1% respectively, figures that almost exactly continue the trendline.



Other factors

Whilst the very close relationship between the ban and the decline in pub estates has been demonstrated, other factors have undoubtedly influenced trade.

Most of these are continuous threats (changing tastes, the high charges levied by some multiple landlords on their pub tenants and leaseholders, aggressive supermarket alcohol pricing and red tape) rather than immediate events and so would be expected to show in the chronological data.

The economic recession started in the third quarter of 2008. Figure 1 shows clearly that the sharp decline in pub numbers began well before this.

The last factor is beer duty, which rose sharply during the period – however there is no obvious relationship between the timings of these increases and pub closure figures.

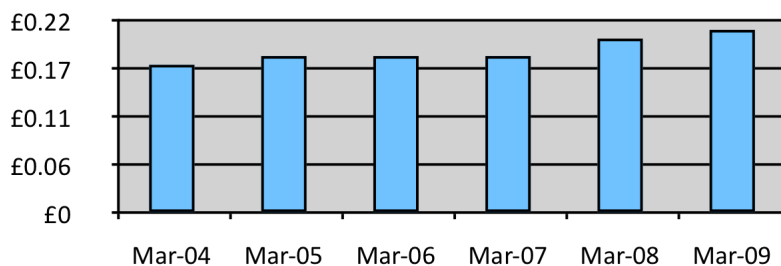


Figure 3: Beer Duty per 33cl @4% alcohol

Conclusions

The results demonstrate a very close statistical relationship between the introduction of the smoking bans and the acceleration of the decline of the British and Irish pubs. This relationship is considerably stronger than those that could be attributed to a change in the beer duty or the recession.

Scotland and the Republic of Ireland both offer data from four years of smoking ban rather than the 11 months that is available for England and Wales countries. These suggest that a further 3-4% of pubs will be lost in England and Wales between April 2010 and July 2011 – representing a total of approximately 2,000 pubs.

The rate of decline for Scotland and the Republic of Ireland in that fourth year shows little sign of reduction, suggesting that the 3-4% per year rate of closures could continue for a further year and quite probably longer.

In summary the decline of the British pub had started before the smoking ban but at a low level. The smoking ban had a sudden and marked impact accelerating the rate of decline. While not the only factor in causing pub closures, the smoking ban has made a very considerable contribution to the decline of the British pub.

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