

Study on financial and cultural impact based on Hookah ban

2015

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1. Executive Summary

1.1 Facts about Hookah establishments in Toronto

- There is more than 60 hookah bar in GTA provide the nontobacco herbal substance in water pipe
- Hookah sales represent 70-90% of overall sales
- Statistically 70% of the patrons visit hookah bars are Middle Eastern, South Asians and African background
- The ban on tobacco indoor was a practice since SFOA came in effect in 2006. Currently nontobacco only is served

1.2 What are our concerns?

- Most of hookah bars owners invested their money in hookah service as a core business, then food and beverages sales were added on
- Most of owners are immigrants entrepreneurs who spent almost their life saving on Hookah lounges and it is the only income for their families
- Hookah bars serve nontobacco product which does not break the tobacco smoke act
- To the best of our knowledge , burning charcoal in restaurants using hookah is similar to BBQ charcoal which is allowed , so CO level remain the same

2. Debates on HL4.1 Report

2.1 Background:

- As it was mentioned in TPH report (HL4.1), in page 3 (first paragraph), MLS recommended to license the hookah in October 2012, which in later stage was referred to Toronto public health for opinion.
- If this discussion was initiated long time ago, why the decision of ban should only take 4 month to pass through without consulting the business owners?
- The report estimated no financial impact on the city budget but ignored negative financial impact on the business owners.

2.2 International Hookah Regulation

- In this chapter of TPH (page 6, second paragraph) there is no confirmation of banning hookah in other jurisdiction in North America, especially in USA. Here is cut and paste of the original report: **(In the United States (US), the states of Illinois, New Mexico, Michigan and Maine, and the City of Chicago, specifically**

address hookah use in their smoke-free regulations. New York City's smoke-free air law prohibits smoking tobacco shisha in restaurants and bars, however the law does not specifically address the use of hookah.²³ In 2006, and the New Jersey Smoke-Free Air Act prohibited the use of hookahs for smoking tobacco or non-tobacco products. ²⁴ Some US jurisdictions exempt hookah establishments from smoking prohibitions under specific circumstances. For example, Illinois exempts hookah establishments from smoke-free regulations if more than 80% of total revenue comes from tobacco shisha sales. The states of Michigan and Maine, and the City of Chicago also require a special permit for hookah establishments.²⁵

- If we are treated with the same principle, then city of Toronto should consider the volume of more than 80% of revenues as it is the case in Illinois, USA.

3. Culture impact

- Many of immigrants do not drink alcohol and do not enjoy the nightclub as it is not in their culture, so hookah bar is the best spot for them to gather and socialize.
- Hookah bars provide afterhours service including hookah, food and soft beverages as low as \$7 per person.
- I request you kindly to see the comments on hookah ban petition online in the following link

<http://www.passmethhookah.ca>

4. Financial impact

- Our main concern when it comes to financial impact is the long term liabilities that we incur including
 - a- Lease
 - b- Long term loans , credit cards, bonds, and other liabilities
 - c- Staff indemnity
 - d- Demobilization cost
 - e- Deferred tax, expenses like insurance etc.;
- The following table shows consolidated long term financial impact (estimated only for 60 hookah bar as provided by sample of 19 owners)

CONOLIDATED FOR 60 BUSINESS		
LONG TERM LIABILITIES	PER PROJECT	TOTAL FOR 60 BUSINESS
<i>Lease Period (years)</i>		
Remaining lease in \$	\$ 267,953	\$ 16,077,176
Long tem Loan in \$		\$ -
Total investment	\$ 109,333	\$ 6,560,000
less Amortized value	\$ 58,400	\$ 3,504,000
Net investment as of 31/12/2015	\$ 50,933	\$ 3,056,000
	\$ -	\$ -
current liabilities as of 31/12/2015	\$ 20,167	\$ 1,210,000
	\$ -	\$ -
Deferred expenses	\$ 1,799	\$ 107,920
deferred taxes	\$ -	\$ -
demobilization cost	\$ 8,333	\$ 500,000
staff indemnitias	\$ 20,000	\$ 1,200,000
Property recovering cost	\$ 5,000	\$ 300,000
TOTAL LONG TERM LIABILITIES	\$ 541,918	\$ 32,515,096

- The impact on the market will also be significant taking in consideration estimated figure between \$15m-\$20m of goods, commodities and services will be lost

5. **Our recommendation and request:**

- Hookah bars to be licensed and legally operated
- Restricted age (only 19 years and above) are allowed to dine in
- Ventilation system to be available in all hookah bars
- Seating capacity to be in-line with the city rules
- Increase the annual license fees by 100%

End of report