



**KPMG LLP**  
**Financial Advisory Services**  
Suite 1000  
45 O'Connor St.  
Ottawa, ON K1P 1A4  
Canada

Telephone (613) 560-0011  
Telefax (613) 232-4430  
www.kpmg.ca

Dr. Robert Cushman, Medical Officer  
Public Health and Long Term Care  
City of Ottawa  
495 Richmond Road  
Ottawa, Ontario  
K2A 4B2

July 15, 2002

Dear Dr. Cushman:

### **Re: Bar and Pub Survey**

KPMG LLP was engaged to provide assistance in the ongoing monitoring of the economic and health impact of the no smoking legislation initiated August 1, 2001. Our report in December 2001 outlined two surveys that would be conducted to ascertain the impact on sales in the hospitality industry.

One survey was to be conducted by the Ontario Tobacco Research Unit (OTRU) of the Government of Ontario using data from the retail sales tax submissions of restaurants and bars in Ottawa. The data would be provided by the Government of Ontario, and as a consequence, would be comprehensive in addressing the sector. It will look not only at the experience in Ottawa, but at municipalities across the province and be able to compare sales in municipalities with comprehensive bans (such as Ottawa and Waterloo) with sales in other cities. This study is proceeding and results should be available in the near future, although they have been delayed by the recent strike of provincial employees which impacted data availability.

However, the provincial sales tax data does not distinguish between restaurants and bars. PUBCO, an association of pubs and bars opposed to the smoking by-law, argued that the impact on bars and pubs is much greater than the impact on restaurants, and would be hidden in this sector-wide examination. A second survey was therefore planned to focus exclusively on bars and pubs in Ottawa to determine if they were adversely affected as a sub-sector.

KPMG carried out this survey in March, April and May of this year after consultation with PUBCO and the Ottawa Chapter of the Ontario Restaurant Hotel and Motel Association concerning the methodology and approach. Despite extensive efforts, we were unable to obtain responses from a sufficient number of the bars and pubs identified in the sample to produce statistically valid results. We were also unable to obtain from Brewer's Retail or the breweries other data which allow us to establish the representativeness of the establishments that did respond. As a result, we are unable to report results from this survey.



Dr. Robert Cushman  
July 15, 2002  
Page 2

Following is a summary of the methodology employed and the results achieved during the survey of bars and pubs in the City of Ottawa.

KPMG met with PUBCO and with the Ottawa Chapter of the Ontario Restaurant Hotel and Motel Association to review the methodology and approach, including the range of information to be collected and to establish a list of "bars and pubs" to be surveyed. KPMG was provided with a listing of the top 300 beer-selling bars and pubs by PUBCO, based on data it apparently received from the breweries. While some "restaurants" are on the list, it clearly included all substantial bars and pubs and generally all establishments earning substantial income from bar and pub-like activities. It was agreed to use this list as a foundation and 150 establishments were selected randomly in a process agreed upon by KPMG and PUBCO.

The study methodology was designed by KPMG and comprised of two sections. First, operators were to be asked a series of standard questions relating to establishment size, age, date of opening, any changes to the establishment size and consumer conformance to the bylaw. Second, operators were to be asked to supply monthly sales information supported by Ontario Retail Sales Tax (RST) returns. Two seven-month periods were selected for comparison purposes, these being August 2000 through February 2001 and August 2001 through February 2002.

A letter was sent to establishment management introducing KPMG, explaining the purpose of and procedures for the study and requesting the cooperation of management. The letter mentioned that both PUBCO and the Ottawa Chapter of the Ontario Restaurant Hotel and Motel Association encouraged establishments to participate in the study. One week after the letters had been mailed attempts were made to contact management of each establishment by telephone to inform each establishment of the purpose and procedures for the study and to request cooperation.

Establishments that were successfully contacted and that agreed to participate were asked for an appointment to allow KPMG staff to visit the establishment, conduct the interview and collect the sales data. As the data collection phase progressed it became apparent that many establishments did not have the required RST forms at their disposal. KPMG took mitigating steps as described below to facilitate the provision of verifiable sales data. These included reliance on data provided by accounting professionals, and designing a form which would be faxed by the establishment to the Ontario Ministry of Finance authorizing release of the data from the Ministry of Finance. Establishments that did not have the required RST forms at their disposal were not ultimately visited and procedures were conducted by telephone instead. Procedures and results are noted as follows:

Extensive and repeated efforts were made by KPMG professional personnel to locate, contact and obtain the cooperation of each establishment in obtaining accurate data. Establishments initially refusing to participate were contacted again and it was explained that the failure of establishments to participate could result in the study producing no results, and therefore no opportunity to demonstrate an economic impact of the smoking by-law, if such an impact exists.



Dr. Robert Cushman  
July 15, 2002  
Page 3

Responses to the survey were categorized as follows:

## **1 Completed**

### **A. Completed (From RST Records)**

- i. Operators that were fully cooperative and responded to all questions and provided the requested sales data and the RST forms or who provided sales data which was prepared and/or certified by third party accounting professionals or by the Ontario Ministry of Finance (see following).
- ii. Operators that had initially refused and who cooperated after KPMG contacted them again.

### **B. Completed (From non-RST Records)**

- i. Operators that were cooperative and responded to all questions and provided the requested sales data from general ledger or sales receipts ledgers. These operators stated that they could not locate RST forms and did not obtain information from the Ontario Ministry of Finance. Others were unable to locate the RST forms but were able to provide sales data from the receipts or general ledger reports. If the sales data was held by the establishment's third party accountant (or bookkeeper), KPMG provided the operator with a release form authorizing the third party to prepare and/or release the sales data and RST forms directly.
  - If the third party was a designated accounting professional (CA, CGA or CMA) then KPMG relied on their certification that the sales data had been compiled from the operator's RST records.

## **2 Incomplete**

### **A. Incomplete (No Response)**

- i. Operators that were contacted repeatedly and from whom no response was ultimately received.

### **B. Incomplete (Refused)**

- i. Operators that were contacted and refused to cooperate. All of these operators were contacted later during the data collection period (generally repeatedly) and again asked to participate. Some of these operators did eventually cooperate, and are included in the completed category.



Dr. Robert Cushman  
 July 15, 2002  
 Page 4

- ii. Operators that agreed to cooperate and responded to some or all questions but were unwilling or unable to provide complete or reliable sales data.
  - If the operator did not have the information readily available, KPMG provided the operator with a pre-printed form and the contact numbers for the Ontario Ministry of Finance to assist the operator to obtain a summary of reported sales data from the Ministry's database. We noted that some operators did submit the form, obtained the sales data and forwarded the sales data to KPMG. They are included in the completed category.

**C. Incomplete (Not Possible)**

- i. Operators who had ceased operations and were not available for participation, or who opened recently and could not provide data for the comparison period.
- ii. Operators where business was deemed too seasonal to be relevant
- iii. Operators that could not be located.

**D. Incomplete (Outside City)**

- i. Operators outside of the City of Ottawa jurisdiction (the initial list provided by PUBCO was for a larger area than the City of Ottawa).

Table 1- Responses to Request For Survey Participation

SAMPLES AVAILABLE FOR ANALYSIS	Sample	% of	
		Available	% of Selected
1A: Complete (from RST records)	39	32.50%	26.00%
1B: Complete (from non-RST records)	10	8.33%	6.67%
2A: Incomplete (No response)	20	16.67%	13.33%
2B: Incomplete (Refused)	51	42.50%	34.00%
<b>SUBTOTAL SAMPLES AVAILABLE</b>	<b>120</b>	<b>100.00%</b>	<b>80.00%</b>
SAMPLES UNAVAILABLE FOR ANALYSIS	Sample	%	%
2C: Incomplete (Not Possible)	21	n/a	14.00%
2D: Incomplete (Outside City)	9	n/a	6.00%
<b>TOTAL SAMPLE SELECTED</b>	<b>150</b>		<b>100.00%</b>



Dr. Robert Cushman  
July 15, 2002  
Page 5

A completion rate (including confirmed sales from RST records) of 60% of the establishments that were available for participation was required in order for any statistically significant conclusion to be possible. This rate was set to ensure the results received were representative of all establishments (i.e. to ensure the sample did not overly represent establishments doing well, or doing poorly).

We noted the following:

- 33% of establishments contacted participated fully in the study and provided sales information from RST records
- 8% of establishments contacted participated fully in the study and provided sales information from other than RST records
- 17% of establishments contacted did not respond to contact efforts
- 43% of establishments contacted refused to participate in part or in full in the study

Despite repeated and persistent attempts to achieve the cooperation of all participants selected the required rate of participation of 60% was not achievable. This was mostly attributable to the very high rate of refusal and non-response from the selected establishments. In fact data was only obtained from 41% of the establishments.

A second approach was developed in an attempt to measure the representativeness of the respondents. Efforts were made to obtain ordered lists of the "Top 300" establishments during the period of the study (the list initially used to select the sample) and from a year earlier. This would have allowed a comparison of the position of respondents on the list at the time of the survey and a year earlier during the pre-by-law comparison period. This would have made it possible to determine whether the respondents had moved up the list (performed better than average) or down the list (performed less well than average), and therefore, to determine whether the respondents, on average, had performed over the year in a manner consistent with the performance of others on the list. We were unable to obtain the list from a year earlier, and therefore unable to perform this check.

With data only available from 40% of the selected, possible respondents, and no available means to verify the representativeness of the respondents, no conclusion can be drawn from the data collected.



Dr. Robert Cushman  
July 15, 2002  
Page 6

As mentioned earlier, the study being conducted by OTRU does not suffer the limitation of voluntary participation. It will be based on the retail sales tax returns of all licensed establishments in Ottawa, and indeed from municipalities across the province. While it will not be able to distinguish the results among establishments heavily dependent upon beer sales from those of other establishments, it will be able to determine the effect upon the sector as a whole.

Should you require any further information, please contact the undersigned.

Yours truly,

A handwritten signature in black ink that reads "Brian Bourns". The signature is written in a cursive, flowing style.

Brian Bourns, MBA  
Senior Manager