

Economic Impact Analysis of Supreme Court Judgmentⁱ Prohibiting Sale of Alcohol on Highways

This Policy Brief is the summary output of a study conducted in select locations in UP, Delhi, Haryana and Rajasthan for NITI Aayog on the economic impact of the Supreme Court's judgment prohibiting sale of alcohol within a distance of 500 metres from highways, subsequently amended twice to ease the barrier.

The study did not show any reduction in drunken driving cases. On the other hand, it did show that retail outlets did suffer economic and job losses due to reduction in sale of alcohol while state revenues contributed from the select locations did not register any significant negative impact.

In order to reduce accidents due to drunken driving, the apex court could have appointed an expert committee to examine the issue in depth and then taken action, as it has done in the case of road safety etc.

INTRODUCTION

On December 15, 2016, the Supreme Court of India, in the case: State of Tamil Nadu Vs. K. Balu and Anr., passed a judgment prohibiting sale of alcohol upto 500 metres from the outer edge of National and State Highways across India to rein in accidents due to drunken driving. In the subsequent order on March 31, 2017, the distance for the outlets which fall within jurisdictions of local bodies with a population of less than 20,000 was reduced by the Supreme Court to 220 meters from the outer edge of highways.

Further, on July 11, 2017ⁱⁱ, the Supreme Court exempted highways under the municipal jurisdiction from the purview of the above judgment.

Since India is one of the fastest growing alcohol markets in the world, growing at

a compounded annual growth rate (CAGR) of 8.8% and is expected to reach 16.8 billion litres of consumption by the year 2022ⁱⁱⁱ, any discontinuence in business is likely to cause significant disruptions.

This study looks at the economic impact of the above judgment and effect of the same on drunken driving in select locations, flanking select highways in four states namely Uttar Pradesh, Delhi, Haryana and Rajasthan^{iv}. Due to time and budget constraints, a countrywide impact of the judgment could not be analysed.

The study follows a 'Case Study' approach with each state treated as a separate case as there is a high degree of variance in data across states.

THE ANALYSES

Table 1: Summary of Impact on State Revenue and Retail Outlets in the Four States				
States	Uttar Pradesh	Delhi	Haryana	Rajasthan
Districts analysed	(Ghaziabad and Meerut)	(Entire Delhi)	(Rewari and Gurugram)	(Jaipur and Alwar)
Period of Study	(April - September, 2017)	(April - August, 2017)	(April - September, 2017)	(April - September, 2017)
Impact on State Revenue (In INR Crores)				
State Revenue Collection from select Locations within States	-0.38	-62.96	78.21	37.66
	Decreased	Decreased	Increased	Increased
Impact on Retail Outlets				
Country Liquor Vends	Procurement in Lac Bottles	N.A.	Procurement in Lac Proof Litres	Guarantee Amount paid in INR Crores
	-15.70		-3.00	-3.83
	Decreased		Decreased	Decreased
IMFL*-Retail Vends	Procurement in Lac Bottles	Revenue Loss in INR Crores	Procurement in Lac Proof Litres	Procurement in Lac Bulk Litres
	5.99	-98.56	-11.38	2.03
	Increased	Decreased	Decreased	Increased
Beer - Retail Vends (Procurement)	In Lac Bulk Litres	N.A.	Procurement in Lac Bulk Litres	In Lac Bulk Litres
	3.07		-102.93	8.02
	Increased		Decreased	Increased
IMFL-Hotel/Bar (Procurement)	In Lac Bottles	N.A.	N.A.	N.A.
	-0.02			
	Decreased			
Beer-Hotel/Bar (Procurement)	In Lac Bulk Litres	N.A.	N.A.	N.A.
	-0.37			
	Decreased			
Source: CUTS analysis				
*Indian Manufactured Foreign Liquor				

With regards to the economic impact, there are mainly two components that have been analysed in each state. These are, 'Impact of the judgment on State Revenue' and 'Impact of the judgment

on retail outlets' which mainly include vends, clubs, bars, restaurants and hotels, amongst others. The State Revenue analysis further focusses on two aspects, namely Excise Duty and

License Fee as these are the two main revenue components for respective excise departments in the four states.

The study measures the impact of the aforementioned judgment from April, 2017 to September, 2017. The above period was chosen because the aforementioned judgment of December 15, 2016 allowed the existing licenses to continue up to March 31, 2017 and later revised the same to September 30, 2017.

Further, hotels and restaurants were brought into the purview of the judgement on March 31, 2017. The study period also considers the impact of Supreme Court order dated July 11, 2017 which exempted highways falling within the local bodies.

From the evidence provided in the study, it can be concluded that significant adverse economic impact was felt at the retail outlet level. The state revenue did not see any significant negative impact except in Delhi where considerable excise duty was forgone with respect to only 97 retail outlets. In other words, Delhi has a total of 1773

retail outlets, 97 of which were adversely affected and the findings suggest that in Delhi when a retail outlet is shut, there is no excise duty collection as well.

As of March, 2018 most of the disrupted retail outlets have resumed operation either at the same location or with relocation.

OVERALL ECONOMIC IMPACT

The following tables provide a snap overview of overall economic impact of the judgment in select locations in the four states. Please note that the tables depict the economic impact in the following three ways:

- In INR for retail vends, where data was available in monetary terms
- In procurement levels for retail vends, where the data was available in procurement volume and not in monetary terms
- In INR for select hotels and restaurants for which primary survey was conducted

States	Uttar Pradesh	Delhi	Haryana	Rajasthan
Districts analysed	(Ghaziabad and Meerut Districts)	(entire Delhi)	(Rewari and Gurugram Districts)	(Jaipur and Alwar Districts)
Period of Study	(April - September, 2017)	(April - August, 2017)	(April - September, 2017)	(April - September, 2017)
Number of Hotels, Restaurants and Bars	3	8	3	N.A.
Change in Estimated Revenue (INR Crores)	-3.70	-25.24	-4.80	N.A.
Percentage Change in Estimated Revenue	-20-30%	-25-50%	-30-40%	N.A.
Estimated Loss of Jobs	30	225	103	N.A.
Source: CUTS analysis				

Further, ambiguities in the judgment such as lack of clarity on how to measure the distance of 500 metres or 220 metres (as the case may be), have raised questions on implementability of the judgment. This is because the judgment did not clarify whether the distance of 500 metres or 220 metres was motorable or aerial distance. As a result, there have been varied interpretations of the measurement of the distance in order to comply with the judgment. In other words, in many instances the location of a vend has remained the same while the distance to the vend from the highway has been increased to 500 metres or 220 metres (as the case may be).

Overall, the evidence (based on official data as well as primary survey) suggests that there is no significant reduction in drunken driving cases subsequent to the judgment.

Further, the evidence suggests that policing is an ineffective *ex ante* mechanism to rein in drunken driving incidence due to several limitations. Besides, it is also difficult to identify the role of intoxicants other than alcohol in accidents on highways.

THE NEED FOR A SCIENTIFIC IMPACT ASSESSMENT

These facts raise a serious question about the effective implementation of the judgment and therefore it is recommended that when an issue concerns a substantive social as well as economic dimension, the courts in India will do well to assess the impact before making any recommendations.

This could be done by setting up an expert committee under the directions of the Court which may look into the problematique and implementability of the proposed solutions in addition to assessing economic costs. The Supreme Court had established such expert group committees for cases in the past like Supreme Court Committee on Road Safety under the Chairmanship of Justice K.S. Radhakrishnan in 2014 and Justice Lodha Committee set up in 2015 for reforms within Board of Control for Cricket in India (BCCI), amongst others.

In all, the research shows that cases which involve substantial social and economic dimensions need to be studied in detail to assess whether they are implementable in the first place and whether the loss to economy outweighs the gains envisaged. This could be done if Courts set up expert committees to study these aspects which can also engage economists to analyse the cost/benefits before a judgment is pronounced.

ⁱ State of Tamil Nadu Vs. K. Balu and Anr.

ⁱⁱ Arrive Safe Society Vs. the Union Territory of Chandigarh & Anr.

ⁱⁱⁱ <https://www.businesswire.com/news/home/20171122005374/en/Indian-Alcohol-Consumption-Report-2017---Focus>

^{iv} NH 58 passing through Ghaziabad and Meerut in Uttar Pradesh, NH 24 passing from Uttar Pradesh to Delhi, Highways passing through municipal areas of Delhi and NH 8 from Delhi, Haryana (Gurugram and Rewari) to Rajasthan (ending at Jaipur)