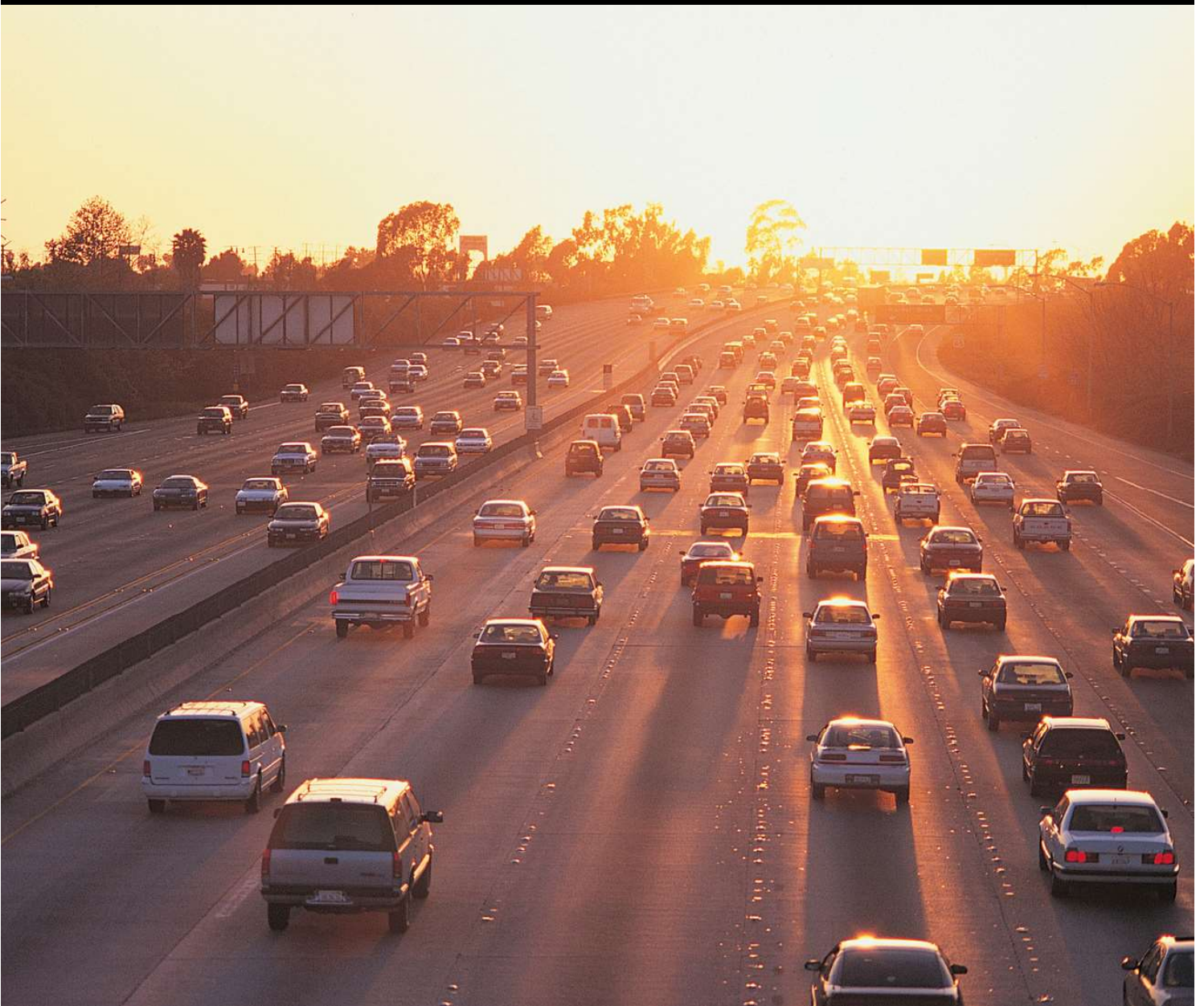


PERSPECTIVE

INDIA ALL SET TO BRING IN VEHICLE SCRAPPAGE POLICY: HOW WILL IT HELP THE AUTO INDUSTRY?

The much-awaited vehicle scrappage policy may soon be a reality for Indian automakers. The origination of the Vehicle scrappage policy dates back to July 2019 when the Central government had proposed amendments to the motor vehicle rules to allow scrapping of vehicles older than 15 years. This policy aims to remove old cars running on the roads in a phased out manner as they end up polluting the environment. Apart from improving the ecosystem, the scrappage policy will also increase the demand in the market and reduce the dependency on steel imports. So, let's find out from our experts what are some of the other benefits of this policy. Is it going to be the next big milestone for the Indian auto market after BS6? Let's find out...





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Nearly 4 million commercial vehicles in India are expected to ride into the sunset soon. The much-awaited vehicle scrappage policy, expected to be notified shortly by the Ministry of Road Transport and Highways (MoRTH), aims to scrap older commercial (more than 15 years) and private vehicles (more than 20 years). Currently, the total number of vehicles older than 15 years in the country is around 28 million (including all categories), of which nearly 4 million are commercial.

WHAT TO EXPECT

In fact, the 2016 Voluntary Vehicle Fleet Modernisation Programme (V-VMP) policy concept note, had proposed monetary benefits in three forms for old vehicle owners — (1) scrap value from the old vehicle, (2) a special discount by the automobile manufacturer for a new vehicle, and (3) a partial excise duty exemption for a new vehicle. Together, these discounts would reduce the cost of a new vehicle by 8%–12%.

In addition, once fully functional, the programme would generate huge employment opportunities through automobile scrapping, recycling, and manufacturing. Industrialised countries such as the USA, Germany, and China already have successful vehicle scrappage policies in place. Since India's policy is in the final stage before notification, it is necessary to look at the major positive or negative externalities and the likelihood of the scheme to succeed.

NEED FOR THE MOVE

The move has been necessitated by the worsening air pollution scenario in the country. In 2015, diesel vehicle exhaust emissions caused nearly two-thirds of the air-pollution-related deaths in India.

Further, medium and heavy commercial vehicles such as trucks and buses, with a fleet share of only 2.5%, contribute 60% of the pollution from the transport sector. Vehicles more than 10 years old cause 10–12 times more air pollution than a new vehicle.

Based on the V-VMP concept note, the scheme plans to remove old, inefficient medium and heavy vehicles

off the road, thereby reducing carbon monoxide and particulate matter emissions in the transport sector by 17% and 24%, respectively. In addition, it aims to revive the auto industry from the current downturn in vehicle sales and hasten the adoption of Bharat Stage-VI and electric vehicles. The policy would also aid in scrapping and recycling old vehicles in a systematic manner.

This will reduce the import of metal scrap and aid in meeting targets set under the National Steel Policy 2017. Finally, the policy would help in making India an automobile production hub—one of the objectives of Make in India programme.

ROADBLOCKS

The inadequate number of vehicle collection centres and authorised scrapping facilities are the major deterrents for implementing V-VMP. Lack of skilled manpower to carry out scrapping and dismantling activities is another hurdle. Scrapping facilities need to be integrated with recycling units and steel plants. Moreover, setting up a scrappage facility will require a huge land area. Currently, India has only one authorised automobile scrapping unit—CERO (a joint venture of Mahindra Accelo and Metal Scrap Trade Corporation Limited).

THE ROAD AHEAD

Setting up vehicle collection centres under the private–public partnership model at the state level would help in reducing vehicle-handling issues. Central and state ministries should provide the necessary support for scrappage facilities by providing land in industrial areas. Further, government technical institutes can offer certified courses for dismantling and managing scrap to address the shortage of skilled manpower.

State governments should voluntarily replace old buses owned by them. They should also develop infrastructure for EV charging stations at bus stations for transitioning to electric buses. Additionally, government and local administrations should identify abandoned vehicles on roadsides and make arrangements to scrap them.

For owners opting for V-VMP, low-interest-rate vehicle loans could be provided for buying new vehicles. Provisions to legally transfer the scrappage certificate received at the scrappage facility are also needed, as some owners might not want to buy a new vehicle.

For the successful implementation of the scheme, regular monitoring of vehicle fitness and pollution compliance is necessary. Traffic department, highway police, and RTOs together have to undertake regular vehicle checks for such monitoring. That said, a comprehensive policy will green-light a sustainable path for Indian automobile industry.