

## **PPP in Vehicular Scrapping to boost Auto Demand**

The Ministry of Road Transport and Highways is introducing a 'Vehicle Scrapping Policy' aimed at creating an ecosystem for phasing out unfit and polluting vehicles. The objectives of the policy are to reduce the number of old and defective vehicles, achieve reduction in vehicular air pollution, improve road and vehicular safety, achieve better fuel efficiency, formalise the currently informal vehicle scrapping industry and boost availability of low-cost raw materials for automotive, steel and electronics industries.

The criteria for a vehicle to be scrapped is primarily based on the fitness of vehicles through Automated Fitness Centres in case of commercial vehicles and Non-Renewal of Registration in case of private vehicles. A vehicle failing the fitness test or failing to get a renewal of its registration certificate may be declared as End of Life Vehicle. Criteria to determine vehicle fitness will be primarily emission tests, braking and safety equipment, among other tests.

The scheme shall provide strong incentives to owners of old vehicles to scrap old and unfit vehicles through registered scrapping centres, which shall provide the owners with a scrapping certificate. Some of these incentives include:

- Scrap Value for the old vehicle given by the scrapping centre, which is approximately 4-6% of ex-showroom price of a new vehicle.
- The state governments may be advised to offer a road-tax rebate of up to 25% for personal vehicles and up to 15% for commercial vehicles
- The vehicle manufacturers are also advised for providing a discount of 5% on purchase of new vehicle against the scrapping certificate.
- In addition, the registration fees may also be waived for purchase of new vehicle against the scrapping certificate.

Tentative timeline for application of Proposed Scrapping Policy is as follows:

1. Rules for Fitness Tests and Scrapping Centres: 01st October 2021
2. Scrapping of Government and PSU vehicles above 15 years of age: 01st April 2022
3. Mandatory Fitness Testing for Heavy Comm. Vehicles: 01st April 2023
4. Mandatory Fitness-Testing (Phased manner for other categories): 01st June 2024

The 'Vehicle Scrapping Policy' is likely to boost demand for new vehicles, but first it will require creation of the necessary infrastructure for testing and scrapping of old vehicles. This will require robust participation from the private sector, along with the government, in the form of public-private-partnership.

While the scrapping and fitness centres will generate economic activity, thereby creating employment opportunities, the whole ecosystem is likely to create forward and backward linkages in terms of demand for raw materials such as iron and steel, and auto components, and a market

for environment-efficient fuels and electric vehicles. However, the key to the success of the scheme lies in its timely implementation, and enthusiastic participation from the auto and ancillary industries to meet the rising standards.

## **Notifications**

### **PIB**

NPPA brings 80 plus medicines under Price Regulation

<https://pib.gov.in/PressReleasePage.aspx?PRID=1706257>

20 States implement ease of doing business reforms

<https://pib.gov.in/PressReleasePage.aspx?PRID=1706246>

EPFO adds 13.36 lakh net subscribers in January, 2021

<https://pib.gov.in/PressReleasePage.aspx?PRID=1706312>