

## Vehicle Scrappage Policy

The Union Minister of Road, Transport and Highways, Shri Nitin Gadkari, announced the vehicle scrappage policy in the Lok Sabha in March 2021. This is an important topic for the [UPSC exam](#) since it comes under multiple subjects such as polity, economy and environment segments of the exam.

### Vehicle Scrappage Policy

The vehicle scrappage policy was initially announced by the Finance Minister in the [Union Budget 2021-22](#). The policy will cover Light Motor Vehicles (LMVs) and medium and heavy commercial vehicles.

#### Policy Objectives:

The aim of the policy is to create an ecosystem for flushing out from our roads old and unfit vehicles that cause pollution in order to reduce pollution. It also aims at improving road and vehicular safety in the country.

It is also expected to give a fillip to the automobile industry, which was already down even before the COVID-19 pandemic.

In the long run, the policy is expected to enhance the fuel efficiency of vehicles, augment the availability of low-cost raw materials for automotive, electronics and steel industries and increase the government's Goods and Services Tax (GST) revenues. The scheme also seeks to formalise the currently informal vehicle scrapping industry.

#### Vehicle Scrappage Policy Features

The major features of the new vehicle scrappage policy (Voluntary Vehicle-Fleet Modernization Program) are given below:

- The policy has provisions to scrap private vehicles that are over 20 years old and commercial vehicles that are more than 15 years old.
- The policy will start with commercial vehicles first and then be expanded to private vehicles later.
- Old vehicles will have to pass a fitness test before re-registration.
- Old vehicles will be tested at the Automated Fitness Centres and the fitness test of the vehicles will be done in conformity with international standards.
  - The vehicles will undergo emission testing, safety components' testing, braking system tests, etc.

- The criteria for a vehicle to be scrapped is chiefly 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.
  - The criteria have been adapted from international best practices after a comparative study of standards from various countries like Germany, UK, USA and Japan.
  - Automated fitness centres will be set up under PPP mode.
- To incentivize the scrapping of old vehicles, the policy proposes a lesser GST of 5% or a complete waiver on replaced commercial vehicles instead of 28% levied currently on commercial vehicles and on those carrying 10 or more persons.
- All government vehicles and those owned by PSUs will be de-registered after 15 years.
- Those opting for the scheme will get scrap value of the old vehicle at the scrapping centre, which is about 4-6 percent of the ex-showroom price of new vehicles and will get a road tax rebate of up to 25 percent on personal vehicles and up to 15 percent on commercial vehicles.
- They can also avail of a 5 per cent manufacturer discount against the scrapping certificate and also a waiver in the registration fee while buying new vehicles.
- The government (Dept. of Heavy Industries) will open vehicle scrapping centres to create an ecosystem for the policy to take off.
  - Clusters would be developed for this purpose close to the ports under the Sagarmala initiative.
  - It is expected that the clusters will cater to the global scrapping demands as well.
- The policy will kick in for government vehicles from April 1, 2022.
- Mandatory fitness testing for heavy commercial vehicles will start from April 1, 2023.
- For all other categories of vehicles, including personal vehicles, it will start in phases from June 1, 2024.

### Vehicle Scrappage Policy Need

There was a pressing need for a vehicle scrappage policy in the country. The number of LMVs older than 20 years is estimated to be 51 lakh, out of which 34 lakh are more than 15 years old. There are about 17 lakh medium/heavy commercial vehicles that are older than 15 years.

- Older vehicles cause more pollution and this policy is expected to cut down vehicular air pollution by 25-30%.
- Fuel efficiency of older vehicles are less.
- Older vehicles are short on the latest safety features, thus having them removed from the roads will increase road safety.

### Vehicle Scrappage Policy Benefits

The policy is expected to benefit the individual vehicle owner, the automotive industry and the government.

1. The policy is expected to increase the tax collection from the automobile industry to the tune of Rs.10000 crores.
2. It will give a big boost to the automotive industry in the country with the increasing demand for new vehicles and also reduced costs due to the availability of scrap and other raw materials.
3. Old vehicles do not conform to the [Bharat Stage Emissions norms](#) VI and flushing them out of the roads will lead to reduced air pollution.
4. The policy has benefits for the steel industry also, apart from generating fresh demand for steel, it will also reduce the import of steel. Also read: [National Steel Policy](#).
5. Scrapping of old vehicles can reduce the consumption of oil to the extent of 3.2 billion litres per year. This will help save nearly Rs 7,000 crore in oil import.
6. It will lead to the establishment of more scrap yards in the country and lead to effective recovery of waste from old vehicles.
7. In the new fitness centres, 35 thousand people will get employment and see an investment of Rs 10,000 crores.
8. The scheme in the long run will lead to reduced automobile prices.
9. The policy will give a boost to new technologies with better mileage of vehicles besides promoting green fuel and electricity.