

# An Analysis of Vehicle Scrappage Policy, 2021

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**Abstract:** *This paper provides an in-depth analysis of the Vehicle Scrappage Policy and the key facets of the Policy. India is one of the largest manufacturers and consumers of vehicles in the world. With a population of over 1.4 billion people and developing public transport facilities to all corners of the country, owning a vehicle is often referred to as a convenient way of transport and a status symbol. A substantial number of vehicles bought by any household have an element of attachment to the same and as such the individual is unwilling to dispose of the vehicle. However, the vast majority of the population has no means to purchase new vehicle/s owing to the implementation of heavy taxes, expensive production costs, and changing production plants to adhere to changing emission norms. Thus, the prices of the new vehicles are skyrocketing day by day. As such, people are keen on retaining their old vehicles which in turn are more polluting, less safe and prone to accidents and breakdowns. This paper provides with the scrapping mandates as issued by the government in various states and the incentives provided by the government for people who opt for voluntary scrapping as well as mandatory scrapping of their vehicles. It also enumerates the exceptions to the policy along with the researchers' suggestion for effective implementation of the Policy.*

**Keywords:** Vehicle Scrappage Policy, National Green Tribunal

## 1. Introduction

The most cost effective mode of transport in India is road transport. The primary reason for this would be the availability of roadways in India to each and every remote location. The level of penetration in populated areas which road transport offers helps the general public reach its destination in an effective and hassle free manner. Road transport emerged as the dominant segment in India's transport sector and contributed about 3.06 per cent to GVA against the total transport sector contribution of 4.77 percentages for the year 2017-18, where the share of Railways was at 0.75 per cent, Air Transport at 0.15 percent and Water Transport at 0.06 per cent [1]. A report published by the National Transport Development Policy Committee stated that as of 2011-2012, the Road Transport sector amongst other sectors accounts for around 69% of Freight and 90% of passenger traffic movements in India. India has a network of over 62, 15, 797 kilometres of roads as of 31<sup>st</sup> March, 2018 [2]. The road network of India is the second-largest in the world after the United States. Old vehicles plying on the road are prone to breakdowns and are more prone to malfunction and lack of safety. The vehicles manufactured prior to 2005 are equipped with minimal to no safety features offered by the manufacturers. In a report prepared on Road Accidents in India 2019 by Ministry of Road Transport and Highways, Transport Research Wing stated that vehicles more than 10 years of age accounted for 41% of accident related deaths. The old vehicles are around 12 times more polluting than new vehicles. In the light of these circumstances, the Government of India has introduced the Vehicle Scrappage Policy in order to phase out the older vehicles.

## 2. History behind the Policy

India is the seventh largest country by area and the second most populous country [3] in the world with a population of about 1.4 billion people [4]. In India, owning a car is greatly associated with prestige and status symbol. As such, India accounts for a heavy market for vehicle sales in

the entire world. Around 2.94 million units of cars and commercial vehicles were sold in India in 2020 alone [5]. However, the country never had a policy relating to scrapping and effective disposal of old vehicles till now. It is estimated that around 80 trucks are dismantled in the country on a daily basis [6]. As such, the country needed a policy which made sure that the old vehicles plying on the road networks which are more polluting than the regular vehicles as well have are unsafe and prone to breakdowns need to be taken off the roads and scrapped in an effective manner and therefore the Vehicle Scrappage Policy was introduced in the Lok Sabha on 18-03-2021 by Shri. Nitin Gadkari, Minister of Road Transport and Highways of India.

The Vehicle Scrappage Policy was in the pipeline since the year 2015. The National Green Tribunal, Principal Bench, New Delhi vide its order dated 7<sup>th</sup> April, 2015 banned all diesel vehicles which are over 10 years (which is to be calculated from the date of its first registration) plying in the region of Delhi and NCR. The decision came when the air quality index of the area of Delhi was depleting day by day. Said order dated 7<sup>th</sup> April, 2015 was further challenged before the Hon'ble Supreme Court of India by the aggrieved party therein, however, the same came to be dismissed by the Apex Court as well and the decision dated 7<sup>th</sup> April, 2015 passed by the National Green Tribunal was upheld by the Apex Court, .

The Hon'ble Supreme Court vide its order dated 29<sup>th</sup> October, 2018 in the matter of Writ Petition (Civil) No. 13029 of 1985 between M. C. Mehta versus Union of India and Ors. ordered that in consonance with the order dated 7<sup>th</sup> April, 2015 passed by the National Green Tribunal all diesel vehicles having more than 10 years of age and all petrol vehicles having more than 15 years of age shall not ply in the area of Delhi NCR. This order was passed in order to reduce use of BS I and BS II vehicles. This order came into play when Delhi's air quality index was degrading day by day. At many places in the city the pollution level had crossed over 400 micrograms per cubic meters of level where the healthy level is only 60

micrograms per cubic meters. Failure to comply with these directions would result in a fine of Rs. 10, 000/- for every offending vehicle which can be compounded till the amount of Rs. 5, 000/- and even would result in scrapping of the offending vehicle. The Hon'ble Supreme Court also issued a direction to the Central Government to set up a policy and facility of End of Life (EOL) Vehicles. This was necessary to ensure that the EOL vehicles do not end up polluting other parts of the country outside Delhi NCR and subsequently the Vehicle Scrapage Policy was introduced.

### 3.Features of the Policy

The Vehicle Scrapage Policy was introduced in the Lok Sabha on 18-03-2021 by Shri. Nitin Gadkari, Minister of Road Transport and Highways of India. The Policy was introduced by the Finance Minister of India, Shri. Nirmala Sitharaman in the Union Budget of 2021 held in the month of January, 2021. Further the Policy was launched by Prime Minister, Shri. Narendra Modi on 12-08-2021 in the Gujarat state investor summit described it as a significant step towards "Atmanirbhar Bharat".

The Government in relation to the emission norms prevalent in the country had to adopt the norms as prescribed on the international forums. As such, the Government of India made a massive shift from BS IV to BS VI emission norms in consonance with the United Nations and other international forums. BS VI provided for lesser harmful emissions from the automobiles as compared to the BS IV vehicles. BS IV vehicles are however still allowed to ply on the roads. The manufacturers were ordered for production of BS VI vehicles only and the sale of old BS IV vehicles was allowed in the country till April, 2020. Any sale of BS IV vehicles after April, 2020 is illegal and has penal actions.

Under the new Vehicle Scrapage Policy,

- a) Any vehicle shall not be scrapped on the basis of "age", however, the parameter shall be "fitness of the vehicle"
- b) "Fitness tests" for commercial and private vehicles are made mandatory.
- c) Fitness tests for private vehicles and commercial vehicles shall be done after 20 years and 15 years respectively from the date of registration.
- d) In the area of Delhi there shall be no use of old diesel vehicles over 10 years old and petrol vehicles over 15 years old. The Policy is not applicable to this area.
- e) The policy also mandates compulsory scrapping of all Government four wheeler vehicles that are more than 15 years old. This rule is not applicable to two wheelers.
- f) Fitness tests shall be carried out only at Government Certified Fitness Centres which shall be constituted all over the country in various cities.
- g) Appointments for fitness tests can be made through online mode and the test reports shall also be made available online.
- h) If the vehicle fails the fitness test, it shall be given a chance for re-fitness and further failure in the re-fitness shall mean to compulsorily scrap the vehicle.

- i) Registered Scrapping Facilities shall be established all over the country so as to enable the general public to scrap their EOL vehicles.
- j) Scrapping of the vehicle can be done anywhere in the country, irrespective of the place of registration of the vehicle.

The Policy also benefits the people by,

- a) Issuance of a Scrapage Certificate after successful scrapping of the EOL vehicle.
- b) The person who has scrapped his/her EOL vehicle and further purchases a new vehicle with the BS VI norms or other norms as may be prescribed by the competent authority from time to time shall be eligible for complete waiver on the registration charges levied upon by the Regional Transport Office (RTO) of the new vehicle.
- c) The Centre and State Governments would provide upto 25% of rebate on Road Tax levied upon by the RTO for vehicles which are purchased after scrapping of old vehicles.
- d) The scrap value of the EOL vehicle which is estimated to be around 5% of a new vehicle shall also be given to the certificate holder.
- e) The new vehicles are less maintenance as compared to the old vehicles.
- f) The new vehicles also have equipped safety features and help avoid road accidents.
- g) The new vehicles are also less polluting as they are in consonance with the latest emission norms issued by the Government as compared to the old vehicles. As such, it also helps fight air pollution.

Further benefits if any in the GST sector and/or the Income Tax sector shall be taken and informed by the Finance Ministry and the GST Council.

The Policy is aimed to make Waste to well i.e. Kachre se kanchan as described by the Prime Minister Shri. Narendra Modi. The Policy also aims in reducing the pollution and improvement of the environment. The Policy is based on the idea of reuse, recycle and recovery. The Scrapage Policy will benefit all stakeholders from different parts as it boosts manufacturing, creates employment and helps the Central as well as State Government to earn GST.

The Policy is likely to affect 40 lakh vehicles in the state of Karnataka. Karnataka has the highest number of vehicles which are over 20 years (39.4 lakh) followed by Delhi (36.1 lakh), Uttar Pradesh (26.2 lakhs), Kerala (20.6 lakh), Tamil Nadu (15.9 lakh) and Punjab (15.3 lakh) [7].

### 4.Implementation of the Policy

The Finance Minister of India in the Union Budget of 2021 held in the month of January, 2021 has given a go to the Vehicle Scrapage Policy wherein any individual can go for scrapping of his/her EOL vehicle at any Registered Scrapping Facility voluntarily. In simple words such a scrapping shall be voluntary and not mandatory.

However, owing to the vast features and the scale of projection in the light of the Policy, the Government has

yet to set up scrapping facilities all over the country. Currently there are only few registered scrapping facilities in the country including the centre in Kurla (Mumbai) and Delhi.

Owing to the new Policy many manufacturers including Mahindra group, Maruti Suzuki group and even the Tata Motors group have taken up to establish registered vehicles scrapping facilities all over the country.

Mahindra Group has the first-mover advantage with its Cero Recycling plant, which began vehicle scrapping and recycling a few years ago. On November 23, Maruti Suzuki Toyotsu commenced vehicle dismantling and recycling operations in Noida, Uttar Pradesh. It has a scrapping capacity of 2, 000 units a month, or 24, 000 units annually. On December 17, Tata Motors inked a Memorandum of Understanding (MoU) with Maharashtra government to set up a scrapping facility [8]. It is estimated that upto 70 scrapping centres will come up over the period of next 5 years.

The Policy shall be effective to the vehicles owned by the State and Central Governments and Public Sector Undertakings (PUS's) from 1<sup>st</sup> April, 2022. Policy shall be applicable to the heavy commercial vehicles from 1<sup>st</sup> April, 2023. So far as the private vehicles older than 20 years are concerned the Policy shall be applicable from 1<sup>st</sup> June, 2024.

## 5.Exceptions

### a) Delhi

There is a 5 year disadvantage to the diesel vehicles over petrol vehicles in the area of Delhi. As per the registration certificate issued by the Regional Transport Office on purchase on any vehicle, the period of life given to any vehicle is 15 years. However, the Hon'ble Supreme Court vide its order dated 29<sup>th</sup> October, 2018 in the matter of Writ Petition (Civil) No. 13029 of 1985 between M. C. Mehta versus Union of India and Ors. has banned all diesel vehicles more than 10 years old and petrol vehicles which are more than 15 years old to ply in the area of Delhi. As such, the vehicle cannot be used after the expiry of the respective EOL cycle. Thereafter, the vehicle is to be compulsorily scrapped. As such, the concept and option of Fitness Test available under the Policy to the other States is not available to the capital of the country.

### b) Vintage vehicles

India holds a very rich heritage of vintage cars. The very first cars of Maharaja's and royalties are still preserved in the family and passed on a family heirloom from one generation to another. There is also a very big collectors' market for vintage cars in India. Nowadays people are restoring old abandoned classic cars and getting them to classic car rallies.

The Ministry of Road Transport and Highways vide its letter dated 12<sup>th</sup> December, 2019 has issued a draft order referred to as "THE REGULATION OF VINTAGE

MOTOR VEHICLES ORDER, 2019" to all Principal Secretaries of Department of Transport of all States/Union Territories and Transport Commissioners of all States/Union Territories calling upon them to give their additional comments on the draft order. It is also mentioned in the draft order that the vintage vehicles (vehicles which are more than 50 years old from the date of its first registration to any RTO) shall be exempted from the other provisions under the Motor Vehicles Act, 1988 and Central Motor Vehicle Rules, 1989. As such, the vintage vehicles are exempted from the Vehicle Scrapping Policy as well.

## 6.Conclusion and Suggestions

The automotive sector has been undergoing various regulatory changes and challenges over a period of 2-3 years. The Vehicle Scrapping Policy is one policy which was long due and now is being implemented in a phase wise manner all over the country. The perks for the vehicle user are lucrative so as to compel him to go for scrapping. This will result in more production of raw materials and less dependency on the foreign imports for many raw materials. However, proper implementation of the policy is sine qua non for the effective successes of the policy which will make sure that more people buy new vehicles and the sales increase which will in turn help not only the manufacturers but also the Government. The policy will also help create job opportunities for a large sector of employees. However, there should be more incentive on the part of GST to an individual holding a scrapping certificate on the purchase of a new vehicle as the automobiles are heavily taxed in the country. Successful implementation of the Policy will surely help the country on the path of being "Atmanirbhar Bharat".

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