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‘LIMITED SOPS MAKE SCRAPPAGE POLICY FOR VEHICLES UNATTRACTIVE’

Relevant for: Developmental Issues | Topic: Government policies & interventions for development in various Sectors and issues arising out of their design & implementation incl. Housing

Limited incentives and poor cost economics for trucks in the Vehicle Scrappage Policy, coupled with lack of addressable volumes for other segments is unlikely to drive freight transporters to replace their old vehicles with new ones, a report said on Wednesday.

Though the scrappage volume of buses, PVs and two-wheelers is expected to be limited as well, the policy’s impact on new commercial vehicle (CV) sales could be sizeable, based on addressable volume, ratings agency Crisil Research said in its report.

The policy proposes to de-register vehicles that fail fitness tests or are unable to renew registrations after 15-20 years of use.

According to Crisil, many buses owned by state transport undertakings will have a life of more than 15 years. In comparison, buses operated for intercity, staff, school and tourist segments typically do not have a life beyond 15 years, and would thus be outside the ambit of the scrappage policy.

As for passenger vehicles, renewal of registration fees is proposed to be increased from Rs. 600 to Rs. 5,000 (valid for five years) for PVs older than 15 years, which is a more than eightfold increase.

The potential benefit from scrapping a 15-year-old, entry-level small car will be Rs. 70,000, whereas its resale value is around Rs. 95,000. That makes scrapping unattractive, Crisil said in the report.

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