

BUDGET 2021: GOVT PROPOSES VOLUNTARY VEHICLE SCRAPPAGE POLICY

Relevant for: Environment | Topic: Environmental Conservation, Sustainable Development, and EIA

New Delhi: Finance minister Nirmala Sitharaman on Monday, while presenting the [Union Budget](#) for FY22, announced the much-awaited voluntary vehicle scrappage policy to phase out unfit, pollution-causing vehicles.

Announcement

The policy will help reduce vehicular pollution and cut oil import bill. Vehicles will undergo fitness test in automated centres. Age of the vehicles will be 15 years in case of commercial vehicles and 20 years in case of personal vehicles. The ministry of road transport and highways will announce the finer details of the policy.

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Implication

The policy, when implemented, is expected to increase production and capacity utilization of vehicles. It is seen as an attempt by the government to boost automobile demand, which has been hit by weak consumer sentiment amid a slowdown in the broader economy. Last week, transport minister Nitin Gadkari had approved the policy of deregistration and scrapping of vehicles owned by government departments and public sector entities. Such vehicles will have to be more than 15 years old. The policy will come into effect from 1 April, 2022.

Context

The voluntary vehicle scrappage policy has been under consideration for close to five years. It was stuck at various levels owing to concerns of revenue loss of the government. According to government data, commercial vehicles, which constitute about 5% of the total vehicle fleet contribute about 65-70% of total vehicular pollution. The older fleet, typically manufactured before 2000, constitutes less than 1% of the total fleet but contributes around 15% to total vehicular pollution. These older vehicles pollute 10-25 times more than modern vehicles.

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