

Low discount may not drive old vehicles to scrap yard

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The recent discount by automobile makers for vehicle scrapping may not be enough to lure customers.

Automobile sector experts argue that consumers may find more value in continuing to drive their existing vehicles or selling them to third parties. This would make scrapping a less appealing option.

Commercial and passenger vehicle manufacturers recently introduced discounts in the range of 1.5-3.5 per cent of the ex-showroom price. This is on buying a new vehicle if the customer scraps the older one.

Sector experts believe that increasing the incentives to around 10 per cent would drive more meaningful behavioural change.

“The current incentive isn’t sufficient to make consumers choose scrapping over selling or continuing to use their cars,” said Puneet Gupta, director, S&P Global Mobility.

Gupta highlighted that many people hold on to their old vehicles primarily because they lack the funds for a new purchase.

He pointed out that if the incentives were raised to 10 per cent,

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▶ Less than 45,000 private vehicles scrapped since implementation of vehicle scrapping policy in August 2022

▶ Automakers offering 1.5-3.5% discount on vehicle purchase if customers scrap their old vehicles

▶ Discounts insufficient to encourage customers to scrap their old vehicles, experts say

▶ Incentives need to be increased to around 10% to drive behaviour change, they argue



as seen in China, it could significantly influence consumer behaviour.

A query sent to major car manufacturers in India, including Maruti Suzuki, Tata Motors, and Hyundai Motor, regarding the total number of vehicles sold with such discounts did not receive any response till the time of going to press. Since August 1, 2022, fewer than 45,000 private vehicles have been scrapped, indicating a slow uptake of the programme.

The Voluntary Vehicle-Fleet Modernisation Program or Vehicle Scrapping Policy aims to create an ecosystem that phases out unfit and

polluting vehicles. This reduces air pollutants, improving road safety and achieving better fuel efficiency.

Preetesh Singh, a specialist in CASE and alternate powertrains at NRI Consulting & Solutions, also emphasised the need for more incentives.

He said that both original equipment manufacturers (OEMs) and the government need to contribute.

“The government can either provide additional incentives or, like Japan, incorporate the cost of recycling into the initial price of vehicles to drive change,” Singh said.

In 2021, during a discussion on the vehicle scrapping policy, Minister for Road Transport & Highways (MoRTH) Nitin Gadkari highlighted the pressing need for such a policy.

According to Gadkari, India has 5.1 million light motor vehicles older than 20 years and 3.4 million light motor vehicles older than 15 years.

Additionally, around 1.7 million medium and heavy commercial vehicles older than 15 years are on the roads without valid fitness certificates. These older vehicles pollute the environment 10 to 12 times more than fit vehicles and pose significant road safety risks.

The policy was envisioned by the MoRTH to create a comprehensive ecosystem for phasing out unfit and polluting vehicles.

The objectives of the policy include reducing the population of old and defective vehicles, achieving a reduction in vehicular air pollutants, improving road and vehicular safety and enhancing fuel efficiency. Among others are formalising the informal vehicle scrapping industry, and boosting the availability of low-cost raw materials for the automotive, steel, and electronics industries.

A source from one of India’s

largest car companies stated that while the current incentive is a step in the right direction, further government intervention is needed.

“OEMs cannot bear the entire financial burden alone,” the source said, stressing the need for government support to make the policy more effective.

At present, commercial vehicles (CVs) are required to undergo a fitness test every two years for the first eight years, and annually thereafter, with their registration linked to the validity of the fitness certificate.

Private vehicles have an initial registration valid for 15 years, after which a valid fitness certificate is needed for renewal, which is then valid for five years.

From April 1, 2023, fitness testing for heavy commercial vehicles was mandated exclusively through automated testing stations with all other classes of CVs and PVs transitioning to this system in phases from June 1, 2024.

If a vehicle fails an automated fitness test, it is allowed one re-test after necessary repairs. If it fails again, it may be declared an end-of-life vehicle (ELV) following re-inspection by the appellate authority.