

Ashok Leyland CEO advocates hybrid approach to vehicle scrappage policy

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The Chief Executive of Ashok Leyland has proposed a hybrid approach for the upcoming scrappage policy to enhance its effectiveness and ensure compliance with environmental standards.

This strategy seeks to balance the need for vehicle retirement with the necessity of maintaining trucks that meet stringent emission regulations, thus promoting a more sustainable and eco-friendly transport sector.

It is gathered that the Centre is considering revisions to the policy, shifting the focus from an age-based mandate to one linked to tailpipe emissions.

Supporting the idea of linking scrappage decisions to emissions rather than age,

Shenu Agarwal, MD & CEO of Ashok Leyland, recommended the introduction of mandatory inspections at regular intervals. "If a truck meets the necessary emissions and safety standards, there would be no need for scrapping. However, if it fails, appropriate measures should be taken to remove it from service. We support this approach as it ensures that vehicles comply with environmental regulations," he said.

When asked about the potential impact of this shift on new truck sales, Agarwal acknowledged that it could influence the market but emphasized the challenge of establishing a comprehensive testing infrastructure. A hybrid approach could prove more effective, allowing the government to set an age limit for trucks while also re-



Shenu Agarwal, MD and CEO, Ashok Leyland BUJOY GHOSH

quiring inspections before they reach that threshold. This dual strategy would ensure that older trucks remain safe and environmentally compliant while promoting the replacement of those that do not meet the necessary standards.

The Voluntary Vehicle Fleet Modernization Programme, commonly known

as the Scrappage Policy, was introduced in India in March 2021 and is being implemented in phases starting from April 1, 2023. In the initial phase, it is mandated that government vehicles older than 15 years be scrapped, affecting over 900,000 such vehicles. "As of August 31, 2024, only around 41,432 Government vehicles have been scrapped under this policy," according to rating agency ICRA.

FITNESS TEST

The second phase of the policy shifts focus from age to vehicle fitness, making it more voluntary. As of October 1, 2024, heavy commercial vehicles (HCVs) over 15 years old, and other vehicles older than 20 years, must pass a mandatory fitness test.

Vehicles that fail this test

will be scrapped. ICRA estimates that as of March 31, 2024, there are approximately 1.1 million medium and heavy commercial vehicles (M&HCVs) over 15 years old, representing a significant opportunity for scrappage. However, the actual scrappage rates may be lower than expected due to the typical usage patterns.

Nonetheless, if a portion of these older vehicles is scrapped, alongside the mandatory scrapping of government vehicles, it could stimulate vehicle sales by generating replacement demand. In contrast, the potential for scrappage in other segments, such as two-wheelers, passenger vehicles, and light commercial vehicles (LCVs), is limited, as these types are rarely used beyond 15 years, it added.