



KAMARAJ IAS ACADEMY
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National Automobile Scrappage Policy, 2021

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Why is in news? Safer roads for a greener, more sustainable environment

The Vehicle Scrapping Policy was announced in **March 2021** by the government.

The owners of old and unfit vehicles will **receive a scrap value** that is equivalent to **4-6% of the ex-showroom cost of the new vehicle** that they would buy. If the owner shows the **certificate of deposit no registration fees** will be charged for the purchase of a new vehicle.

Reducing the population of old and defective vehicles, bringing down vehicular air pollutants, improving road and vehicular safety.

Old vehicles will have to pass a fitness test before re-registration and as per the policy government **commercial vehicles more than 15 years old** and **private vehicles** which are **over 20 years old** will be scrapped.

As a disincentive, increased **re-registration fees** would be applicable **for vehicles 15 years or older from the initial date registration**.

The state governments may be advised to **offer a road-tax rebate of up to 25% for personal vehicles** and up to **15% for commercial vehicles** to provide incentive to owners of old vehicles to scrap old and unfit vehicles.

Significance:

The vehicle scrapping policy is aimed at **creating an eco-system for phasing out unfit and polluting vehicles** in an environmentally friendly and safe manner.

The initiative will **promote a circular economy** and make the process of economic development more sustainable and environment friendly.

The policy will also bring in investments of around Rs 10,000 crore and create 35,000 job opportunities.

Issues with the new policy:

Limited incentive and poor cost economics for trucks.

Lack of addressable volumes for other segments.

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

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