

# INTERNAL COMBUSTION

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**A 5 PER CENT REBATE ON BUYING NEW VEHICLES IS NOT ENOUGH INCENTIVE TO SCRAP YOUR OLD ONES**

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In her budget speech on February 1st, the Finance Minister Nirmala Sitharaman, announced that a 'Voluntary Scrappage Policy' will soon be introduced. Ever since, there is growing anticipation of the contents of this long awaited policy and just recently, Nitin Gadkari the Minister for Road Transport and Highways, who is giving the finishing touches to it said "Automobile manufacturers will provide about 5 per cent rebate on new car purchases to the consumers in lieu of scrapping the old. There are four major components of the policy. Apart from rebate, there are provisions of green taxes and other levies on old polluting vehicles. These will be required to undergo mandatory fitness and pollution

tests in automated facilities. For this automated fitness centres would be required throughout the country and we are working in that direction."

In my view, the 5 per cent rebate for discarding old vehicles is too little and not enough incentive to scrap them and buy new ones. In contrast, the disincentives to retain old cars appear to be stronger. This is because the government will be charging a higher amount for renewing the registration, and states are also free to levy an additional "green tax". All these new taxes along with the increase in cost of getting a fitness certificate will make it more expensive to continue using an old vehicle. Commercial vehicles that are over 15 years old and private vehicles (both four-wheelers and two-wheelers) that are more than 20 years in age will have to undergo the fitness tests. The government says that at the fully automated fitness test facilities which will be set up, there will be no possibility of human intervention or fudging of the fitness reports! And those who continue to drive a vehicle that has failed this automatic fitness test will have to pay substantial fines and the vehicle can be impounded too! But paying the heavy additional (disincentive) taxes and fees may be expensive and unaffordable for many owners, especially retired senior citizens or pensioners, who don't even use their vehicles on a daily basis.

Given this, to balance the incentives with the disincentives, I personally think the government should offer more than just the 5 per cent rebate. For those who surrender and scrap their vehicles, it could also reduce or give a small concession on the GST and provide some additional incentives like lower interest loans, free registration, exemption from one-time tax, and so forth. These things will act like a booster shot for the auto industry too, while also giving those who really don't want to scrap their old vehicles and buy new ones an additional and lucrative incentive to do so.

There is also the opportunity of creating authorised vehicle scrappage facilities. Presently we have a disorganised but somewhat effective way of scrapping vehicles, which are our "Chor Bazaars" or flea markets. Anything and everything is broken down here and sold in pieces, including vehicles. With proper professional vehicle scrap yards, there is huge potential for recycling materials used in making vehicles. Recycling of steel

and other metals will obviously be beneficial from a cost and environment point of view, but also things like rubber, plastic, vinyl, glass, and what have you, can all either be recycled or discarded in an environment friendly manner. Parts that are in good shape like engine and gearbox assemblies, body panels, lights, windscreens, etc., can all be dismantled and stored and cataloged in a way, where they can be reused by other vehicle owners, who may not want to spend a higher amount on brand new parts. There is a very valid possibility of making vehicle scrap yards a profitable business venture, while also contributing to recycling and our environment. So it's vital this potential is attained in a proper manner.

Refurbishing of old vehicles is also something that can become a profitable small scale cottage industry. While the government may want to scrap older vehicles, it should not shut its eyes to the prospects of reconditioning and completely overhauling them. We are fortunate to have highly skilled mechanics, denters and painters, welders, electricians, fabricators, and so on, spread all across our country. Many of them now struggle to make a living because of newer vehicles that require less maintenance and the fact that normally such modern vehicles only go to company authorised service stations or workshops.

Therefore by creating a viable old vehicle reconditioning industry with factories where vehicles are completely stripped and rebuilt from ground up, we can gainfully employ all these people. And such vehicles that get debarred from use in India can be overhauled and exported to less prosperous countries not only in our neighbourhood, but also on other continents like Africa, etc.

Presently, under the 'Vaccine Maitri' initiative, we are sending made in India vaccines with the aim of helping more countries combat the coronavirus pandemic. So why can't our Prime Minister Narendra Modi ask his team to come up with a 'Vehicle Maitri' initiative to export at reasonable prices old vehicles, which have been fully refurbished in India. If these vehicles have a proper warranty and service back up, I am sure some of the not-so-wealthy nations would be more than happy to source them. While it would expand our international trade footprint, it would also lay the foundations for a profitable small scale cottage industry employing many people in India. 