

Axle norms may not help lower tariff

Transporters plying new trucks alone will benefit, says Crisil Research

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The government's decision to increase truck axle load by 20-25% will be beneficial for transporters and could reduce traffic in the long run, but it will not lead to immediate reduction in tariff, said analysts.

The Ministry of Road Transport and Highways has notified the changes following which the ceiling for gross vehicle weight of a new two-axle truck has been increased to 18.5 tonnes from the existing 16.2 tonnes.

The gross vehicle weight of a new three-axle truck has been raised to 28.5 tonnes from the existing 25 tonnes and a new five-axle truck can carry 43.5 tonnes instead of the existing 37 tonnes.

The carrying capacity of a



tractor trailer has been increased by 36%. This enhanced tonnage is allowed for new vehicles only and not for an existing fleet.

"Efficiency benefit will only be realised by transporters plying new trucks," said Hetal Gandhi, director, Crisil Research. "Crisil Research does not believe there will be any meaningful impact on freight rates. Freight rates are determined by the oper-

ating economics of the entire fleet of trucks."

'Higher growth'

More pre-purchases are expected in fiscals 2019 and 2020, she said. "We believe that commercial vehicle volumes in the higher tonnage segment (MHCVs) could see a further upside than the 7-9% growth expected earlier.

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However, long term growth may subside given benefits from higher load capacity. The implementation of norms will also arrest the tonnage shift in the MHCV segment to a certain extent that was based on vehicle economics," Ms Gandhi said.

Logistics companies see

efficiencies improving.

"The timing is perfect as now highways as well as arterial roads have improved considerably," said Pirojshaw Sarkari, CEO, Mahindra Logistics. "Most trucks in the country are running with lower capacities. Their engines are equipped to carry much more. This move will help in capacity utilisation and will provide a huge fillip to the logistics sector."

Auto component makers are also eyeing benefits.

"The replacement cycle will increase, which is good for the component market," said Udit Sheth, vice chairman, Setco Automotive. "It is a good way to control overloading and fleet replacement would start as everyone wants to be competitive," Mr. Sheth said.