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Merger of SPN and EcoLine and their future

Proper recycling of next-generation vehicles, a common issue

The year 2014 started off with a big shock for Japan's automotive recycled parts industry when major recycled parts networks SPN Co. and EcoLine Co. announced that they aim to merge on May 1. With the industry already struggling to secure a supply of end-of-life-vehicles, which are the core source of recycled parts, and recyclers facing a growing need to handle hybrid vehicles and other next-generation ELVs, consolidation and alliance-building among recycler groups are likely to accelerate. The SPN-EcoLine merger could be the harbinger of an industry-wide realignment.

The two companies, both with broad networks, jointly formed with Big Wave Co., ARN, and SSG, the BEST Recyclers Alliance, which has been conducting promotional activities and training courses under the BEST brand and engaging in joint efforts to draw in ELVs for the industry and to market recycled auto parts. The alliance's members have deepened ties to each other in various fields, including system development. With the alliance seemingly on the right track, the timing of the merger announcement took many people by surprise.

Through the merger, SPN will be the surviving company, in which 42 percent of the capital will be invested by Toyota Tsusho Corp., the parent company of EcoLine. Toyota Tsusho will be the top shareholder of the new company. Although an executive team is expected to be announced until after a signing ceremony to be held on March 14. SPN President Soshō Kitajima is likely to take the post of president.

Industry's largest network

The merger will mean that the new company will have 186 members, surpassing 141 members of long-time leader NGP to become the largest number in the industry. That said, however, SPN and EcoLine, under the banner of "mutual distribution", had already formed seven years ago what was and is in all practicality a common network for sales of recycled parts. As such, "No big change in our distribution is expected for the future," said Kitajima.

Merger for generating synergy

According to the two companies, the merger is aimed at generating synergy by putting to use the strengths of each sides amid a greatly changing industry. In particular, SPN has expertise in personnel training, while EcoLine is backed up by Toyota Tsusho's group-wide power and has its ties to Toyota Motor Corp.

The changing industry that the merger is meant to address is expected will be triggered by the growing presence of hybrid and other next-generation vehicles in the market. Advanced automotive technology will stimulate changes in ELV recycling. New knowledge and technologies are required for the proper recycling of advanced vehicles. These factors are a driving force that is encouraging the formation of alliances across existing groups.

SPN will benefit from the merger, as the new relationship with Toyota Motor will bring significant merits in the form of acquiring knowledge of the next-generation

vehicles. At the same time, the merger presents a great opportunity for the Toyota side in terms of expanding its organization-building efforts to include major recyclers. When next-generation vehicles become widespread, the proper recycling of such vehicles will become essential to protect their marketability. Thus, organizing leading recyclers that can properly recycle next-generation ELVs is an urgent issue.

How to address the recycling of the next-generation vehicles is an issue that affects the entire vehicle recycling industry. Because of that, consolidation and realignment are likely to further expand in the future.

How to integrate company cultures

But not everything is expected to go smoothly immediately after the merger. SPN and EcoLine have different corporate policies and operational processes, and both companies' leaders realize this. "What will require the most time is encouraging exchange among members of both groups," said Kitajima. "Cultural exchange seems easy, but it will be more difficult than expected," admitted Katsunori Imahara, president of EcoLine. (*Daily Automotive News February 6, 2014 issue*)

BEST introduces business division system

The BEST Recyclers Alliance, consisting of five recycled auto parts sales networks, held its 2014 new-year meeting on January 29 at the Shinagawa Prince Hotel in Tokyo, and announced that it will transform the organizational structure by introducing a business division system. Under the new system, the head of each BEST member company will take responsibility for each of five divisions: public relations,

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BEST division system

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ing and seminar, ELV acquisition promotion, logistics, and rebuilt parts. The move is part of it's the alliances' efforts to be actively involved in each area, thereby facilitating the growth of transactions.

At the meeting, Atsushi Hattori, president of Big Wave Co., which is the BEST administrative company for 2014, made an address. "BEST has entered its third year and continues to see an increase in transactions among members year by year. Last year, we saw an increase of seven percent from a year earlier. We want to keep the pace for this year."

The public relations division in the new business divisional system will be headed by Hattori of Big Wave, while staff education and training by Sosho Kitajima, president of SPN Co., ELV acquisition promotion by Katsunori Imahara, president of EcoLine Co., logistics by Kinichi Furuta, president of SSG, and rebuilt parts by Takanori Okada, president of ARN. Also, Satoshi Fujizuka, secretary-general of BEST,



Atsushi Hattori,
president of Big Wave



will head the secretariat.

The primary objectives of the public relations division are 1) establishment of a BEST website, 2) provision of air caps and other products for members at low cost through bulk purchase, and 3) promotion of BEST by launching new advertisements. Staff education and training will focus on basic skills training, automotive technology seminar and factory visits, as well as marketing seminars. As for ELV acquisition promotion, BEST succeeded to receiving 3,600 ELVs last year from Orix Eco Services Corporation and plans to introduce a new approach to further increase ELV acquisition this year.

In the logistics division, through the "Recycled Auto Parts Logistics Research Association or "Logi-ken" for short in Japanese, objectives have been identified in the area of transport cost-saving, exchange of opinions with transport firms, and joint development of packaging materials. The objectives of the rebuilt parts division include hosting study visit to rebuilt parts factories and conducting a rebuilt parts sales campaign through the BEST brand.

At the meeting, Tadashi Ono of the Automobile Recycling Department of the Ministry of Economy, Trade and Industry, also addressed the audience, followed by Yuji Yamaguchi of the Recycling Promotion Bureau, the Ministry of Environment, and Kimio Isobe, president of BS Summit Association. (*Daily Automotive News February 6, 2014 issue*)

Logistics research association adopts official prospectus

In January, the first meeting of the "Recycled Auto Parts Logistics Research

Association, or "Logi-ken" for short in Japanese, was held in a meeting room of SPN Co. head office, Tokyo. At the meeting, the association formally adopted its prospectus and decided to choose standard methods for door packaging at the next meeting to be held in March.

After an exchange of opinions about the moves in the industry, attending members decided the contents of the prospectus. Activities described in the prospectus are 1) creation of common packaging methods for recycled parts transport and compilation of a standard manual, 2) promote to secure the average quality in transport and take out transport insurance, 3) a signing and conclusion of a declaration for the "Cooperation during a Severe Disaster," and 4) establishment of safety working layout for packaging and shipment of recycled auto parts.

Regarding the standardizing of packaging methods and materials, major transport firms will examine results of recyclers' packaging samples using a front door on the left side of the Toyota Crown model code 177 series. At the next meeting, the standard packaging will be finalized in light of "a packaging with cheaper materials, in short time."

On the other hand, the association agreed to find numerical merits of the use of returnable materials for packaging, which is already used by NGP members, because it is seen to help shorten packaging time and reduce cost.

Attending firms on the association include the NGP, Big Wave, EcoLine, SPN, ARN, SSG, Broadleaf and a major transport company. The association was formed December 4 last year to take across-the-group actions toward cost savings of transport of recycled parts. (*Daily Automotive News February 13 issue*)

Govt. conducts on-site inspection over recyclers across the country

The Ministry of Environment jointly with Ministry of Economy, Trade and Industry conducted on-site inspections over automotive recyclers across the country during a period of July through November 2013.

With the supports from the Japan Auto Recycling Partnership and the Japan Automobile Recycling Promotion Center, the recycling industry requested the prefectural authorities to conduct the inspection to grasp operation steps for proper recycling taken by recyclers. It is reported that some recyclers are still doing inappropriate collection of used airbags and chlorofluorocarbon gases of the vehicles.

As the result, in 117 local government bodies, 256 operation sites of total 989 were identified as those doing inappropriate or illegal steps. In particular, severe violations of law were found in the above-mentioned sites, such as alteration of the delivery report. Many other cases of the inappropriate steps are

caused by a lack of knowledge on the Automobile Recycling Law.

MITI and MOE will, through the local government bodies, host skills up training for recyclers as well as correct illegal operators by applying administrative disposition. (*Garagia January 2014 issue*)

Key Findings of the Inspection

Cases found in Recyclers & related operators:

- Do not post the sign board in place which is easily seen by the public. (Clause 50)
- Do not submit in accordance with law (Clause 46)
- Do not submit delivery report within prescribed period (Clause 81)
- Do alter delivery report (Clause 81)
- Do store ELV in violence of storage rule (Waste Disposal Law Clause 12)

Cases found in ELV acceptance operators:

- Fail to confirm that the recycling fee was paid or not when accepting ELV (Clause 9, 81)
- Fail to confirm that the vehicle comes with airbags or chlorofluorocarbon gases or not when accepting ELV (Clause 9, 81)
- Fail to issue legal document to the owner when accepting ELV (Clause 80)

Cases found in chlorofluorocarbon gas col-

lectors:

- Gas cylinder is out of expiration date. (High-pressure gas cylinder security act clause 48)
- Do deliver ELV to dismantler despite chlorofluorocarbon gas collection is not completed. (Clause 12)

Cases found in dismantlers and shredder operators:

- Fail to have standard operation manual (Clause 46)
- Prescribed contents are not included in the standard operation manual (Clause 46)
- Do dismantle ELV, store ELV or parts at the place where is not registered as operation site. (Clause 62)
- Fail to store the record which shows the delivery of the vehicle to selected recycler who does a complete recycling of the vehicle. (Clause 16)
- Do deliver the vehicle to shredder operator or exporter despite airbags is not processed. (Clause 16)
- Fail to deliver collected airbags to automobile maker. (Clause 16)
- Do dismantle the vehicle at the place where is not registered as the operating site. (Clause 16)
- Fail to collect prescribed objects to be collected prior to operation. (Clause 16)
- As for industrial waste emitted from the site, the treatment work is processed by consignee despite it does not meet the waste disposal law. (Waste Disposal Law Clause 12)

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