

## Recycling Businesses

Declining generation of end-of-life-vehicles (ELVs) due to shrinking new car demand, changes in distribution routes of ELVs, falling steel scrap prices, and the rising cost of parts transportation—in 2016, the automobile recycling businesses confronted accumulating problems. Despite 10 years having passed since the Automobile Recycling Law was introduced, the business environment of recyclers has not improved, resulting in serious damage to their businesses. One after another, recyclers across the country entered bankruptcy or were forced to leave the business. On the other hand, 2016 was a starting point for the industry to begin get back on the path of growth. And 2017, it seems, will see to see a move toward sustainable growth of the industry for the future.

The Japan Automobile Recycling Promotion Center (JARC) had forecasted the number of recovered ELVs for fiscal 2016 ending March 2017 to “around 3.3 million units, if the consumption tax hike is put into force, and suppressed by around 110,000 units if the tax hike is prolonged.” However, recovered ELVs for April through November 2016 numbered 2,006,079 units. JARC also says, “The number would likely end up being just above 3.06 million (for the year),” suggesting a further downward forecast.

The two major reasons for declining recovered ELVs are a decrease in ELV generation due to shrinking new car demand and an increase in used vehicle exports. The impact is especially large from used vehicle exports, which is far above 1 million units a year. Not to mention the number itself, “The average vehicle age of exported vehicles is nine to 10 years, compared to 14.9-years for recovered ELVs. In other words, the

vehicles that should be recovered in Japan are going abroad. Many ELVs are pre-consumed by exports.” This encourages the decrease of recovered ELVs. JARC said that the declining trend would remain in 2017 and after.

In 2017, the auto recycling industry is expected to feel a sense of uncertainty about the future. Nevertheless, operators are working hard to sell more recycled parts, by strengthening human resources development, promoting precise dismantling, and making operations efficient by using IT.

Notably, a cross-group move arose in the industry. The Japan ELV Recycler’s Association (JAERA) hosted on November 18 a “Related Groups Gathering,” inviting 14 groups and government officials. JAERA Chairman Yasuo Sakai recognizes the importance of such gatherings, saying: “It is appreciated if we could collect opinions and exchange information with the whole industry. It is vital for us to conduct such events in an industry-wide manner.” Sakai plans to hold the event periodically in 2017 and after.

Meanwhile, the “Eco Premium Car System (tentative name)” will enter under the examination stage in 2017. The system is designed to allow buyers of cars that use recycled plastics to pay a reduced recycling fee. A working group was formed by the Ministry of Environment and the Ministry of Economy and includes experts, automakers, user representatives, recycle-plastic manufacturers, the Japan Automobile Recycling Promotion Center and others. The working group met in both in November and December 2016. Toward full implementation of the system in 2018 or later, the working group will examine details of the volume and the usage rate of recycled plastics, quality assurance, vehicle type, etc. The introduction of an incentive system for precise dismantling operators is also being considered. Government moves related to auto recycling are expected to be active in 2017. (*Daily Automotive News, Dec. 22, 2016 issue*)

