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Merger talks start between JARA and Big Wave

Major online sales groups of automotive recycled parts, JARA Corporation and Big Wave Co., unveiled their plans to create a new integrated company. JARA Corporation was established in April 2014 when the former SPN Co. and EcoLine Co. merged. The new entity, if created, would have approximately 250 members, the most in the industry. The move will also help accelerate reorganization in the recycled parts industry, which faces mounting problems such as difficulty in end-of-life-vehicle acquisition and intensifying competition with rivals.

JARA President Soshō Kitajima stressed the significance of the planned management merger at a press conference jointly held with Big Wave in Tokyo on Mar. 12, saying: "I think the pros (of the management integration) would outweigh the cons". The two companies have so far pursued collaboration with each other in the areas of mutual distribution of parts through network linkage and holding joint seminars under the BEST brand. As a result, both parts distribution and communication between the two companies

the attitude toward the coming talks, saying: "By taking into account the difference in culture of the two companies, we should all discuss this together and come to an agreement". Big Wave, which was established in 1986, has led the market as the oldest distributor of recycled parts in Japan. On the other hand, reborn-JARA started its business last year. Since there is a complete difference of business circumstances between the two companies, a key focus will be how they set up the new entity's management structure after the merger.

As for SSG and ARN, both which joined BEST, "The relationship with these two groups will remain unchanged. We will be doing mutual distribution with ARN as before", said Hattori.

The business environment of the automotive recycled parts industry is becoming tougher and tougher due to not only a shortage in ELVs acquisition, but also transport cost hikes. Thus, the diffusion of recycled parts has not progressed and is actually at a standstill. To break through this situation, JARA and Big Wave "will expand

have progressed. With the planned integration, "We will build a stronger organization", said JARA Chairman Goro Domon. The two companies hope to reach a basic integration agreement within this year.

Big Wave President Atsushi Hattori referred to the importance of

CO₂ Reduction Effect (based on Super-Line System)

The use of Reuse Parts saved
2,883 tons of CO₂ emissions
in February 2015

The reference figure represents the difference of carbon dioxide (CO₂) emissions at the vehicle repair using genuine (new) parts and recycled parts.*

*: Based on "Green Point System", which was jointly developed by the Japan Automotive Parts Recyclers Association and Waseda University Environmental Research Institute using a life cycle assessment (LCA) technique.

both distribution and its organization to survive", said Hattori. Even if integration takes place, despite expanded membership, a key issue will remain: How to raise the profitability of each member company. (Daily Automotive News, Mar. 19 issue)

Current status and issues for auto recycling

(Part 2 of a series reporting on the proceedings at "The 1st Auto Recycling Summit" held in Tokyo on Jan. 29 by the Nikkan Jidosha Shimbun Co.)

The ELV generation in Japan is expected to decline in the future. Under such circumstances, some groups in the automotive recycled parts businesses are making efforts to strengthen their business foundations, such as by keeping close contact with auto auction

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METI, MOE review auto recycling law focusing on three themes

The sorting out of necessary issues for review of the automobile recycling law began on Feb. 17 with the Ministry of Economy, Trade and Industry (METI) and the Ministry of Environment (MOE) kick-starting discussion by outlining three key themes that take into consideration information gathered from organizations concerned. The operational status of the law and related issues are at the core of the discussions, during which participants were quick in the inaugural session to voice their opinions, thus heightening anticipation about the outcome. Whether the current system will remain in place or not is already a key point for members of the automobile recycling industry. And, in response to the globalization of the industry, the discussions are also expected to touch on, for the first time, the “internationalization of automobile recycling.”

At the first session, METI and MOE proposed that overall discussions focus on: (1) promotion of the 3Rs related to automobiles and quality improvement, (2) stable and efficient use of the law, and (3) the ideal system for automobile recycling in the future.

For the promotion of the 3Rs in automobiles and quality improvement, considerations include the promotion of 2R (reuse and reduce) and strengthening measures to respond to the next-generation vehicles and new materials.

As for the stable and efficient use of the law, discussions are expected to center on the overall automobile recycling system, itself. Main topics will be how to raise the awareness of rebuilt and reuse parts among users, as well as cost savings in the entire recycling scheme on the social level, including review of the use of earmarked deposit for resource recycling, and the sorting out of roles of designated corporations. In addition, the position of “ELV collectors” will be discussed, as many people have said that the position of such is unclear. The strengthening of measures to respond to illegal yards and inappropriate processes, for which dismantlers previously urged that action be taken, was also identified as an issue needing discussion. As for the remaining items after resource recycling, the authority identified inappropriate processes and false reports by related operators, so these also will be issues to be discussed in the scope of evaluation system and recycling process monitoring under the law.

In discussing the ideal system for automobile recycling in the future, “the sustainable and autonomous development of the automobile recycling law” has been set as the main topic.

As the automobile recycling system is always affected by changes in new car sales and the price fluctuation of resources, it needs to be able to flexibly respond to external factors, as well as make achievements in cost-reduction. Therefore, the necessity of possible measures to be taken will be discussed. As for the “internationalization of automobile recycling,” which is likely to become a big issue in the future, not only dismantlers but also knowledgeable persons are calling for Japanese know-hows to be provided to help developing countries address problems with discarded cars, thereby contributing to the global environment.” As such, discussions will look at how to Japanese technologies and systems can be used to contribute to the world.

Participating members also voiced opinions on the necessity of value chain creation for the collection of precious metals from next-generation vehicles and how to recycle such materials, as well as on the role and duty of designated corporations.

Also at the Feb. 17 meeting, the results of information-gathering by the General Insurance Association of Japan, the status of ASR recycling, and the developments of next-generation vehicles were explained. Discussions are to continue under the three themes outlined by METI and MOE. A conclusion, originally set to be reached within this fiscal year ending March 31, 2015, is expected by this summer, at the latest. (*Daily Automotive News, Feb. 19 issue*)

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operators to secure ELVs for recycling.

The East Japan Auto Dismantlers Association, which has been actively involved in resource collection, is now rolling out its precise dismantling process called “East Japan Model”. “We are making effort to add value as much as possible despite few ELVs”, said Chairman Chiyoshi Tsubo, at the summit. To do so, the group has conducted a series of analyses on materials that can be retrieved from parts. Management efforts to eke out profits in a shrinking market are essential.

Many representatives expressed their concerns about transport cost hike. Overall truck transport traffic has increased partly due to a boom in mail-order services, resulting in a shortage of drivers, which, thus, had led to increased transport costs. “Transport costs have gone up in an excessive manner”, said Yoshio Amaoka, chairman of the Sea Lion’s Club. The extra cost is absorbed by recyclers in some cases, but it is burdened by customers in other cases. At any rate, the price advantage of recycled parts over new parts only weakens as the price gap narrows.

There is a move to get a handle on the problem. System Auto Parts rents a joint

warehouse for its members in Yokohama and manage the parts inventory. “Parts can go from Yokohama to Hakata in a day”, said Managing Director Yuki Sato. “Although my company is in Akita, deals with member companies have increased. By using the Yokohama warehouse, the market simply expands.” Joint warehousing is likely to become one way to break through the logistics problem of high transport cost. On the other hand, NGP is making effort to reduce transport costs by use of common packaging made of returnable materials for recycled parts, such as engines and bumpers. Transport costs represent the “Achilles tendon” of recycled parts distribution, and will remain an important challenge for the industry.

What is wanted for market expansion is to further promote the wide-spread use of recycled parts. The market share of such parts is said to stand at only five percent of total replacement parts sales in Japan. Hiroshi Fukazawa, chairman of Rebuilt Manufacturers Association Japan, pointed out, “Compared to Europe and the United States, Japanese consumers have a different value.” The awareness of recycled parts in the general public is far low in Japan. Commercial vehicles are not an exception. Maki

Miyamoto, chairman of the Truck Refine Parts Association, said, “The awareness might even be lower than that in the case of passenger cars.”

Actions for raising awareness and promotion of use in society are already underway. Shimizu Nobuo, chairman of the Japan Automotive Parts Recyclers Association, introduced the association’s activities, saying, “Five groups including JAPRA and general insurance companies are conducting promotional activities aimed at end users.” JAPRA is doing such things as distributing flyers to people in front of a train station in metropolitan Tokyo that describe the benefits of using recycled parts. On the other hand, SSG, a Hokkaido-based group, targets end users. “We distribute flyers to the general public, and last year, created a poster targeting consumers, which we asked be put up at repair shops,” said Yasuomi Hamada, president of SSG.

The users of recycled parts are repair shops, while the end users of such parts are general consumers. To achieve the widespread acceptance and use of recycled parts, a steady and continuing effort is needed. (*Daily Automotive News, Feb. 6 issue*)

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