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2016 Auto Market Overview in Japan

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*)



ELV generation is expected to decline in the future



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Government to speed up public data disclosure

The government is to accelerate the disclosure of public data stored by administrative organs. Based on the “Basic Act for Promotion of Use of the Government and People’s Data,” enacted on December 7, 2016, it will urge intensified efforts by 2020. Traffic data related to the advancement of autonomous driving is likely to be subject to the new act.

The act was designed to facilitate the diffusion of online procedures and to create new business by utilizing public data held by administrative organs. A strategy meeting for utilization and promotion of government and people’s data, which is headed by Prime Minister Shinzo Abe, will be formed to establish basic plans. At the Future Investment Meeting held on December 19, Abe said, “By disclosing data related to roads and infrastructure, and by bringing together the abilities of the government and the people, we will create promising markets.”

In the autonomous driving field, road data for a national autonomous driving map will be a candidate for disclosure. In addition to information on road elements, such as signs, lane markers, and various installations, the disclosure of information on construction, accidents, congestion, and traffic signal status would improve the convenience of digital maps’ and lower the cost of data updates. The government, toward the Tokyo Olympic Games 2020, will integrate information on railways, buses and other public transport systems into data on weather, train stations, and commercial facilities to smoothly guide foreign and domestic visitors to game sites.

The government’s vision for use of traffic data is also included in the “Government and People’s ITS Road Map”. These moves are likely to further accelerate when promotional activities are ready under the new law. (*D.A.N., Dec. 21, 2016 issue*)



Combining various data could give birth to a new industry



Strategic HQ for autonomous driving launched by transport ministry

The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) hosted on December 9 the first meeting of the Autonomous Driving Strategic Headquarters. Minister Keiichi Ishii, who serves as chief of the headquarters, expressed readiness to development and promote widespread use of autonomous driving technologies, by saying: "In order to lead the world in autonomous driving, we need to accelerate our ministry-wide efforts toward international rule making, promotion of the spread of technologies, social testing, and installment on actual vehicles, while grasping the international trend of technological development, as well as social needs.

The headquarters members consists of bureau chiefs from: the Automobile Bureau, which is in charge of the development of advanced safety vehicles and creation of technical standards, the Bureau of Public Roads, which is responsible for road infrastructure maintenance and prevention of driving in the wrong direction, the City Bureau, which is in charge of urban development, as well as the director of the Public Transportation Policy Department, the deputy vice-minister for logistics, and the commissioner of the Japan Tourism Agency. As sub-committees, three working groups were formed: "Environment Maintenance", "Technical Development and Diffusion Promotion", and "Verification Testing and Installment in Actual Social Stage". Items to be studied include actively involvement in establishment of international standards, rules governing accident indemnification, autonomous

CO2 Reduction Effect (based on Super-Line System)

The use of Reuse Parts saved
3,185 tons of CO2 emissions
in November 2016

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.

driving verification tests, truck convoy travelling and michinoeki roadside stations.

Until now, government projects for developing intelligent transport systems (ITS) had been centered on MLIT's Road Transport Bureau and Bureau of Public Roads. But autonomous driving, which is rapidly developing, is expected to not only help reduce accidents and congestion, but also have a wider social effects, such as in helping assuage driver shortages, facilitating transportation in less-populated areas, and preventing driving in the wrong direction. Moreover, it will relate to efficient land use and urban planning, such as in a compact city projects. As such, the ministry decided to form much closer relations inside the ministry to maximize the effect of policy and the efficient management of projects.

The Ministry of the Environment recently announced that Japanese greenhouse gas emissions (converted value to carbon dioxide emissions) for fiscal 2015 ended March 2016 declined 3.0 percent from the previous year to 132.1 million tons (preliminary figure), making a yearly decrease for two consecutive years. The decrease was affected by an expansion of renewable energy use and reduced emissions from the generation of electricity dues to resumed use of nuclear power. FY2015 emissions were down 5.2 percent compared to FY2005 and down 6.0 percent compared to FY2013. The government posted emissions reduction targets of more than 3.8 percent in FY2020 compared to FY2005, and 26 percent in FY2030 compared to FY2013.

Environment Minister Koichi Yamamoto said at a press meeting after the Dec. 8 Cabinet meeting, "Without letting up, we need to continue moving this policy forward." (*Daily Automotive New, Dec. 9, 2016 issue*)

Environment ministry to introduce carbon price system, eyeing carbon tax

The Ministry of the Environment (MOE) is moving to introduce a "carbon price" system, aimed at helping reduction of greenhouse emissions by converting such emissions into prices. The ministry will have a meeting in January 2017 to discuss overseas examples and the effect of such a system on controlling global warming. Although MOE is considering a carbon tax, which is already used in emissions trade in Europe, the Ministry of Economy, Trade and Industry (METI) and various industries are likely to reject such.

The idea of introducing a carbon price system was revealed by Environment Minister Koichi Yamamoto at a press meeting on November 30, 2016, when he showed a positive stance toward introducing such by saying, "Carbon price system is a global trend."

MOE had earlier announced its vision for an "environment tax", but it abandoned it in response to opposition from METI and industries. Instead, MOE partially embodied it's

vision as an extenuation of the oil and coal tax as a "tax for counter measures to address global warming". METI views a carbon price system negatively because (according to METI's Industrial Technology and Environment Bureau), "CO2 emissions depend on the configuration of electricity generation types, population and households, and economy, meaning the impact of a carbon price would be limited."

As for what is now being called a "tax rate for the time being" (formerly "temporary tariffs") to be imposed on gasoline, etc., such might be set under the name of a carbon tax, which would ignite opposition from the automotive and oil industries. (*Daily Automotive News, Nov. 30, 2016 issue*)

Tesla Motors gets closer to full self-driving

U.S. electric vehicle manufacturer Tesla Motors, Inc.'s "Model X" –equipped with eight cameras and other hardware for full self-driving is likely to be delivered in Japan by the end of 2016. The company will equip every Model X, which is the company's first SUV, with cameras and ultrasonic wave sensors, among others, thereby providing the option of self-driving. The car's technologies can be put to use in line with software evolution and moves in legislation.

The Model X features double-hinged "Falcon Wing", which open upwards and out from the second row. It was developed as a premium EV priced at above 10 million yen. The price ranges from 8.95 million yen to 16.492 million yen, depending on battery capacity.

Nicolas Villeger, who heads Tesla's Japan unit, hosted on December 1 the first test ride for the press in Nagoya. On the same day, the company installed a quick battery charger exclusive for its EVs in Gifu Hashima, as the 12st such EV charger across Japan. (*Daily Automotive News Dec. 2 2016 issue*)



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