



JARA NEWS

JAPAN AUTOMOBILE RECYCLE NETWORK NEWS

Vol. 80 OCTOBER 2014 <http://www.jara.co.jp>

Published by JARA Corporation

Tokyo Head Office: Shinwa Bldg. 1-2-2-7F

Nihonbashi, Chuo-ku, Tokyo, JAPAN 103-0027

Phone: +81 3 3548 3010 / Fax: +81 3 3231 4690

METI report cites lack of awareness of reuse and rebuilt parts and need for classification

An interim report released on August 18 by a Ministry of Economy, Trade and Industry group studying the establishment of standards for automotive reuse and rebuilt parts found that 90 percent of vehicle owners who did not have repairs done with reuse or rebuilt parts were unaware of such parts. The report said a parts-classification system was needed to make it easier for both vehicle owners and repair shops to understand reuse and rebuilt parts. The group was formed on Jan. 14, 2014 under the auspice of the Automobile Division of METI's Manufacturing Industries Bureau. The interim report was issued after the group's fifth meeting. All meetings have been attended by knowledgeable persons, industry and consumer representatives. Below is a summary of the report.

Concerns of quality among car owners

According to a survey on recycled parts, conducted by the General Insurance Association of Japan in 2013, while many car owners who had reuse or rebuilt parts used in repair expressed

satisfaction, some expressed dissatisfaction in terms of quality and safety.

Of those who had not had repair on their vehicles done using reuse or rebuilt parts, 90 percent gave such reasons as "Did not know about recycled parts" or "Was not told about such parts by the repair shop or insurance company". The study group concludes that it is important to create an environment in which the existence of reuse and rebuilt parts is easily communicated from repair shops to car users, thereby reducing opportunity loss.

Among vehicle owners who were aware of reuse or rebuilt parts, nearly 65 percent did not use such parts cited "Dissatisfied with or have concerns about such parts" as the reason. The study group concludes that it is important that vehicle owners should be helped to understand the conditions of reuse and rebuilt parts so that they can consider their use. Accurate and easy-to-understand information on such parts

Direction toward establishment of standards for reuse and rebuilt parts

The difference between reuse and rebuilt parts has been defined based on the difference in the processes for commercialization of such parts. As such, reuse parts are defined as "parts for which quality checks, cleaning or beautification are performed without disassembling," and rebuilt parts are defined as "parts reassembled using new components to replace worn or deteriorated ones."

On the other hand, vehicle owners and

CO2 Reduction Result (based on Super-Line System)

The use of Reuse Parts saved
2,725 tons of CO2 emissions
in August 2014

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.

repair shops view reuse and rebuilt parts in terms of how their functions and performance compare with new genuine replacement parts.

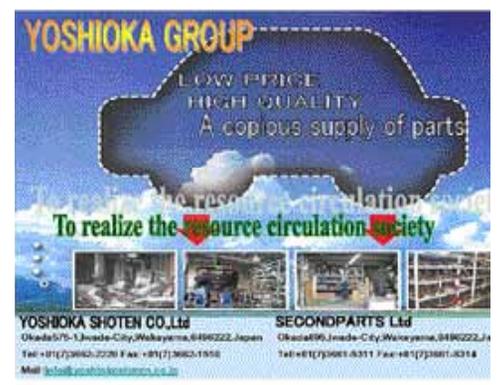
The study group concludes that, taking into consideration ease of understanding by vehicle owners and repair shops, a rough classification should be used that groups reuse parts into "used parts for reuse as is", and that groups rebuilt parts into "used parts with restored functionality for reuse".

Expected effects of the standards

1) Forming an appropriate market environment

Reuse and rebuilt parts are currently commercialized depending on each company's criteria, and then supplied to the market. A well-established practice in

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Logistics study group holds 6th meeting

On September 6, the “Automobile Recycled Parts Logistics Study Association,” formed by a total of eight companies and groups, including system developer and transport companies, held its sixth regular meeting. Two groups, System Auto Parts and *Buyukai*, newly joined as official members. Following the previous discussions, the meeting members exchanged opinions on how to reduce transport costs, as well as on the common packaging of recycled parts. As new development, one member suggested, “When packaging is standardized, how create labeling that promotes the reliability (of recycled parts)?”

Cost reduction, the center of argument

The sixth meeting kicked off with a review of videos showing packaging for bumpers and doors, which was discussed at preceding meetings. A member hinted that the video, itself, was useful, saying “It could be good for explaining packaging to our group

companies.” As such, the members agreed to create common video manuals for each parts, including engines, transmissions, and mufflers. Video manuals will be prepared by each group and then common specifications will be discussed at the next meeting.

The study group is also

considering differentiation of its common packaging to make it stand out. Among other ideas and opinions was to have something that showed the quality of the planned common packaging, as, currently, not much is being done to advertise the quality of recycled parts packaging.

Discussions also began to cover parts pricing. System Auto Parts President Hideyuki Doi acknowledged the realities of the current business situation, saying: “They say parts prices are going up, but the prices for which they are sold to customers are declining. Together with transport costs, parts prices are high.” Meeting Chairperson Soshō Kitajima said; “I want to know whether the parts price includes the transport cost or is separated at other groups”. In response, member of the study group decided to clarify the pricing systems of each group in order to grasp the exact situation of transport costs for recycled parts.

Meanwhile, face with rising costs, transport companies also began to actively discuss issues on the transport side. They explained the situation of the

businesses and asked understanding of cost hikes, explaining that their driver shortage has recently worsened, meaning that they could not send trucks to receive new orders, and that the cargo damage rate has become an issue seriously discussed within their companies.

At the sixth meeting, the study group agreed to gather from each group cases of damaged cargo. “It will be easier to take necessary measures if we see actual cases of damaged cargo inside a truck,” said a meeting member responsible for logistics-system management. Damage cases and claims due to transport accidents will be compiled monthly, without establishing detailed rules for each type of part.

Representatives from transport companies gave a lecture on the causes of transport accidents. A transport company, which aims to improve the transport environment, presented a drawing of ideal packaging. “Both the returnable packaging and exclusive materials for bumper packaging have good and bad points. A box-shape is the best,” the representative insisted. However, the recycled parts industry argued that it could not know whether such would be durable enough, without see a full-scale sample. As a result, the transport company agreed to provide a sample for the next discussion.

Furthermore, an issue involving the delivery date was brought up. “I think the transport cost will be reduced if the delivery date is not set at tomorrow only,” a member said. The transport company explained; “We have no discount fee system for delayed or no-date-specified delivery.” He added; “It is a fact that faster delivery or date-specified delivery will increase the burden on our operations.”

The study group consists of NGP, Big Wave, JARA, ARN, SSG, Broadleaf, System Auto Parts, and *Buyukai*. (*Daily Automotive News, Sept. 11 issue*)

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METI report on reuse/rebuilt parts

the industry is that any defects are viewed as business issue between only two parties—the recycler (supplier) and the repair shop (user).

Establishing standards will clarify what practices suppliers need to follow, including as concerns observance of related law, and, thus, encourage active efforts by the industry members to adhere to such standards. It is believed that such would help build an

appropriate market environment.

2) Earning trust

Standardizing the inspections, record-keeping and management scope needed for reuse and rebuilt parts production, and evaluating such efforts by a third party would confirm that parts would be functionally capable of serving as replacement parts. This would help raise the reputation of such parts and strengthen the market.

3) Market expansion

Making clear the conditions of reuse

and rebuilt parts before such parts are use in repair would lessen the concerns of vehicle owners.

Raising the reputation of parts suppliers would expand sales channels that had previously not used many reuse and rebuilt parts. Transparency in the conditions of such parts would lead to trade prices being set at appropriate levels.

Expanding opportunities for using reuse and rebuilt parts would help the market grow.

(*Garagia September issue*)

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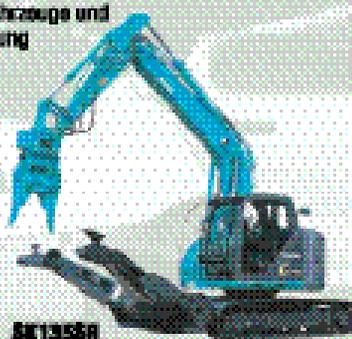
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