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Royal Auto Parts accelerates vehicle collection to survive

The generation of end-of-life-vehicles has been declining as new vehicle sales weaken. Overseas demand for ELVs is also strong, especially in the Middle East and Southeast Asia, and many low-priced used vehicles are going to auto auctions as sources for used parts. Such factors mean automobile dismantling businesses continue to face tough conditions. Driven by fears that the number of ELVs entering dismantlers' sites will continue to decline, Mie Prefecture-based Royal Auto Parts Co., has begun to diversify how it procures ELVs. It seems that entering a new business is becoming necessary to survive these days.

Seeking sources of ELVs

Royal Auto Parts was established in 1972 in Nada Ward of Kobe City as Sasaki Automobile Dismantler. It was spun off in 1991 and then incorporated. Currently the company has a factory in



Miki City and two sales branches in Suminoe Ward, Osaka and Sumoto City, Hyogo Prefecture.

Large-scale operations highlight the company. The factory has a 1,700 square-meter floor area on a 26,000 square-meter site. Its monthly dismantling capacity is 2,000 vehicles, making it one of the largest dismantlers in Hyogo. President Kenkichi Sasaki said, "Our industry is facing tough conditions. This is why we need to take on new businesses in addition to recycled-parts sales and overseas operations."

In order to diversify the procurement route of ELVs, the company will set up a new site around this summer. It aims to go beyond just ELVs and gather a wider variety of vehicles in terms of both age and models. "This is a challenge that a dismantler has to attempt. We want to collect all kinds of vehicles. We are planning to be profitable, even in the first year," Sasaki said in a show of commitment.

Young leader drives change

Sasaki became president in July 2014. The 39-year-old leader is the driving force

CO2 Reduction Effect (based on Super-Line System)

The use of Reuse Parts saved
3,190 tons of CO2 emissions
in March 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.

behind 60 employees. The president has a sense of crisis and believes that sticking to the status quo is no guarantee for surviving the hard times in the auto recycling market.

These are tough times. That's why we need to find ways to survive." Although his sense of danger started when he was still vice president, he said, "My sense of crisis has become stronger. My role is to transfer such a sense of crisis to the next generation."

Diversifying risk exposure

One key is directly purchasing vehicles from general consumers. Dismantlers are often thanked by vehicle owners when they buy vehicles that can no longer operate due to accidents or mechanical breakdowns. This has spurred Royal Auto Parts to use the Internet to actively call on vehicle

—Continued on Page 2

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10th year of introduction of automobile recycling law

Current status and issues for recycling

Tidal wave of globalization

(Part 3 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.)

Although many years have passed since globalization first came to the fore, with a tidal wave looming over the automobile recycling businesses, the summit also took up the theme of cross-border activities. Japanese recyclers groups and individual companies have already started doing business in overseas markets. Such moves are prominent in emerging economies, which are considered to hold great potential.

Non-profit organization JARA is eyeing worldwide development through its alliances with recyclers groups in North America and Southeast Asia. Soshō Kitajima of JARA, which often participates in international conferences, said, “As one might expect, much information from Japan is dispersed (at such conferences). From now, I think what is important is providing information on receiving trainees and on know-how in the form of the distribution of educational and other materials.”

In reality, the establishment of automobile recycling systems in emerging economies such as in South America, Asia, and Africa, is still forthcoming. From now, along with the development of motorization, problems with ELVs are likely to arise in such economies. By

fulfilling the role of recycling leader, Japan will have an opportunity to meet demand. “I am always thinking of how we can contribute to world society, and how we can achieve something through globalization,” said Norihiko Kondo, Chairman of RUM Alliance. Kondo is also president of Kaiho Sangyo Co., which is developing business in Brazil, Nigeria, the United Arab Emirates, among other countries. Kaiho Sangyo is a company that takes bold offensives overseas, when it senses future opportunity.

On the other hand, Takanori Okada, ARN Chairman, taking into consideration relationships with automobile manufacturers, pointed out, “I think we should probably protect parts through the registration of intellectual property.” The overseas business as a whole is still a work in progress and has inherent risks, which are among the considerations that need to be made as future policy unfolds.

From a global perspective, automobile recycling has a great potential for growth. The Japanese market also has room for expansion in consideration of its current size. To strengthen the foundation of the industry, the development of human resources will be key. Nishio Kawamura, Chairman of the Japan ELV Recycler’s Association, suggested, “We want to enrich our certified recycling technician system.” Other groups also host their own seminars and technical contests. Such exchanges toward industry-wide development should be continued.

At the summit, calls to carmakers and government authorities were also made. “We want more information exchange and disclosure with carmakers,” said Takehiko Ohashi, Chairman of Total Car Recycle Group. “We want the government to officially recognize our Green Point system, in which reduction of CO₂ emissions through the use of recycled parts can be converted into numerical values,” said Yoshio Amaoka, Chairman of Sea Lions

Club. As the automobile recycling law has entered the 10th year since its introduction, discussions started on review of the law. The circumstances of the recycling industry have started to sharply change.

“Deepen relationships with related industries” was adopted as the summit declaration. Strengthening relationships between carmakers on the manufacturing side and the auto service industry on the user side is must task. A participant pointed out “Galapagosization” of the Japanese industry, ringing an alarm over the existing ways of the industry thus far. Masayuki Harigaya, president of TECLS Network, stressed, “Nobody can tell the market size and actual sales volume of our industry as a whole. We need to make much more efforts to be able to announce official market figure to the public, thereby gaining recognition of our industry.” The need is growing for the industry to demonstrate unity.

In recent years, ELV acquisition has been a headache for recyclers. As mentioned earlier in this series of reports on the summit, Japan ELV Recyclers Association Chairman Nishio Kawamura pointed out: “Many old vehicles 14 years or older are flowing out of Japan to overseas. I think the brakes need to be applied to a certain extent to sustain our industry”. A drastic solution has yet to be found. On the other hand, many recyclers suggest that each company should accept the situation and move forward by undertaking self-initiatives. “Guidelines for handling ELVs were established under the automobile recycling law, but they are no more than empty words today. I am sure that self-help is the only way to overcome this situation”, said TCR Group Chairman Takehiko Ohashi. “Buy expensive ELVs at auto auctions and sell recycled parts at higher prices. I think we need that kind of samurai-like mental readiness to do so”, said Japan Parts Association Chairman Ichiji Hayakawa. It is important for each group to tackle the problem squarely, as it is not avoidable. (*Daily Automotive News, Feb. 7 issue*)

Dismantler accelerating vehicle collection

—Continued from Page 1

owners to sell the company no-longer-wanted vehicles. The company is now ambitiously aiming at having vehicles purchased directly from consumers making up to 40 percent of its total vehicles intake in the future. “Concerns

may be few while demand lasts toward the 2020 Tokyo Olympic Games. But the end will come.” As the Japanese consumption tax is scheduled to be hiked to 10 percent in October 2017, economic conditions are uncertain. Steel scrap prices might also fluctuate. Royal Auto Parts’ diversification is its way of diversifying risk exposure. (*Daily Automotive News, Apr. 23 issue*)



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