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The Tomorrow of Automotive Recycling

Summary of the second Automotive Recycling Summit

Opportunity lays in how to collect valued ELVs

Daily Automotive News hosted the "Second Automotive Recycling Summit" on Feb. 3 in Tokyo. Under the theme of "Recycling business for connecting dreams to the next generation", directions and issues for the industry were discussed by a total of 10 recycling-related groups. At the end, a "Summit Declaration" was adopted by the participants, who agreed to steadily respond to the changing environment, in addition to contributing to a recycling-oriented society. Amid the worsening business environment, each group is forced to cope with difficult issues, such as globalization and personnel development.

Key note speeches were given by Akira Hosaka, director of the Office for Automobile Recycling Policy, Automobile Division, Manufacturing Industries Bureau of Ministry of Economy, Trade and Industry, who spoke about "Industry trends and measures for expanding recycled parts market", and Yuji Yamaguchi, deputy director of the Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment, who spoke about the "recycling industry in light of the environmental policy".

METI's Hosaka referred to the worsening business environment in Japan, and urged people to "throw away your differences for the sake of the common good", suggesting that the

whole industry should work through issues. Meanwhile, MOE's Yamaguchi said, "There is a variety of players emerging through MOE's projects in the areas of issues related to global warming and natural circulation. The automotive recycling industry should have a wider viewpoint," suggesting that cross-sectional communications will be needed for the industry.

At the summit, three major agenda were set: "Today's business environment and measures", "Securing human resources and training" and "International development of the recycling business." With these, discussions took place centering on the direction for the future.

Participants mostly referred to the chronic status of the declining number of ELVs. "The decline in ELVs is our biggest problem," said Masayuki Kiuchi of the Japan ELV Recycler's Association. "Lack of core (vehicles) fuels a battle of vehicle acquisition", said Michito Ota of NGP Group. Recently, ELV generation has been running at the lowest level ever since such statistics were first compiled.

The causes of the decline in ELVs are stagnant new car sales and increasing used vehicle exports. For recyclers, ELVs are "the rice of the business", from which recycled parts and scrap steel are produced. Their disappearance would have dire consequences for the industry.

Buyukai Corporation Chairman Shojiro Hatomura admitted, "Our business starts with vehicle acquisition. You can't do business without vehicles." On the other hand, JARA Corporation President Sosho Kitajima said, "Our sales are rising, so we feel the recycled parts market is expanding."

In terms of recycled parts sales, the business

Participants in the 2nd Automotive Recycling Summit

- Japan ELV Recycler's Association
- Japan Truck Refine Parts Association
- NGP Group
- East Japan Automobile Dismantling Union
- RUM Alliance
- JARA Corporation
- Big Wave Inc.
- SSG
- Japan Parts Association
- Buyukai Corporation

might rely on how to collect as many valued vehicles as possible, and not simply seek large volumes of ELVs. It is increasingly becoming important for the industry to make sure of the right route of ELV collection.

Overseas development conflicts with domestic market

Since last year, the falling price of scrap steel has been a serious concern of the automotive recycling industry. Recyclers attending on the summit expressed this concern one after another. For a recycler whose earnings depend mostly on scrap steel shipments, "the situation is becoming difficult, if you solely depend on the resource business," said Sakae Hasegawa, chairman of the East Japan Automobile Dismantling Union. In addition to the worsening business environment, Japan's declining population is causing the domestic market to shrink. The industry is searching for clues on how to overcome the situation. In fact, some recyclers are looking for solutions overseas.

Scrap steel prices have fallen approximately 40 percent, compared with January of 2015, to

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The Tomorrow of Automotive Recycling

International development is becoming an important theme for the recycling industry



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around 15,000 yen a ton. Due to the sluggish Chinese economy, “It is hard to see a price hike in scrap steels”, said NGP Group’s Ota, suggesting a common view of the industry.

On the other hand, Atsushi Hattori, President of Big Wave Inc., expressed his thoughts, saying, “The price of scrap steel is necessarily affected by the market price. It changes according to time and circumstances. We should keep that in mind.” Hokkaido-based SSG also takes an original approach toward addressing the market prices. “We will overcome the situation by launching a regional campaign for ELV collection and parts sales”, said SSG’s Kouji Kudo.

However, it is a fact that recyclers are facing the new challenge of falling scrap steep price, in addition to the existing issues of the decline in ELVs and transport cost hikes. Therefore, the majority of them expressed difficulty in foreseeing the future of their business.

In recent years, overseas business development has been increasingly attracting attentions in the industry. Major recyclers and recycled parts sales groups began to put their eyes on overseas markets, where, unlike the domestic market, demand growth is expected. Some have already established joint ventures and factories abroad to cultivate a new market.

JARA Corporation’s Kitajima said, “Aftermarket parts go abroad because Japanese vehicles are international products”, underlining his perspective on recycled parts in the entire stream of the auto market. The Japan Parts Association’s Hiroyasu Furuyama said, “Even abroad, demands are for the same quality of such parts as those sold domestically.” The high quality of Japanese recycled parts being well recognized overseas might assist the move toward overseas business.

Meanwhile the Japanese government is exploring a way to export Japan’s automotive recycling system as a form of environmental contribution to the world. Masayuki Kiuchi of the Japan ELV Recycler’s Association supported the vision, by saying, “It is needed to make an effort to export the infrastructure system.” Others agreed. However, Masaki Miyamoto of the Japan Truck Refine Parts Association warned, “The automobile recycling

law should help domestic circulation inside Japan, such as in the reuse of parts.” His comment underlined fears that increasing exports of parts would collapse the fundamental system of the reuse of automotive resources in Japan.

Yoichiro Akasu of RUM Alliance, said, “We need to have a standing point between the global view and the domestic production for domestic use of recycled parts.” It is a fact that recyclers face the difficult choice of whether or not to chase both the hare of business expansion overseas and the hare of domestic circulation, at the risk of not being able to catch either. With the two governmental authorities of METI and MOE, which have jurisdiction over the automobile recycling law, the whole industry should share the future directions together.

Image improvement for securing human resources

Declining population and aging society are creeping over Japan. Personnel shortages will be expected in all industries. The automotive recycling industry is not exception. Recyclers attending on the summit expressed how they were struggling and experiencing trial-and-error attempts at “securing human resources.” How should they show the way for the industry and how can they replace the old guard with the new? The industry is entering a period of transition.

In terms of personnel training and education, each recycling group has various courses, resulting in the most-ample menu of such among other aftermarket industries. SSG created “a unique workshop called ‘Joshikai’, exclusively for women to learn how to handle complaints”, according to SSG’s Kudo.

However, the East Japan Automobile Dismantling Union’s Hasegawa pointed out that the important thing is “how young trainees use what they learn when they return to each company.” Such training courses are provided to only member companies of each group. As a whole, the industry has yet to find an effective way to promote recruitment.

As Big Wave’s Hattori says, the industry has “the image of being hard, dirty and dark, among people.” Not a few participants in the summit recognize that the industry’s image is not good. So how to appeal to others is an urgent issue for the industry.

Japan Truck Refine Parts Association’s Miyamoto, whose company hires new graduates, said, “We need to show students that our workplace is rewarding. Company owners should meet students with the specific intention that we have industrial value.” Lack of promotional activities in recruitment is not a unique problem in the recycling industry. Against the backdrop of the growing image of recycling business being “black (dark) companies”, it is necessary to review the approach to recruitment.

CO2 Reduction Effect

(based on Super-Line System)

The use of Reuse Parts saved
3,347 tons of CO2 emissions
in January 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.

Step-by-step activities for “the improvement of the image and awareness might be the seed for future development”, suggested the Japan ELV Recycler’s Association’s Kiuchi.

On the other hand, NGP Group’s Ota, chief of NGP’s youth group, called for accepting foreign personnel, saying, “It is important to invite foreign trainees, rather than focusing on domestic recruitment only.” Since the recycling business is not covered by the government’s technical training system for foreigners, the acceptance of foreign personnel under the system is not allowed in the industry. In order to widen human resources, the recycling industry should “open the door to foreign trainees”, said Big Wave’s Hattori as already seen in the auto repair industry.

Staffing is highly likely to become a serious problem, not only in the recycling businesses, but also in the Japanese economy.

The industry is forced to take on challenges that are not seen before, such as countermeasures for next-generation vehicles, new materials and internationalization. JARA Corporation’s Kitajima said, “We completed the generation change among executives.” Greater mobility in staffing will be needed in the industry. In order to connect the business to the following generation, the first step is to share the sense of crisis and then find points for collaboration. (Daily Automotive News, Feb. 10, 12, and 16 issues)



Discussions at the summit centered on how to staff the next generation.

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