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Honda Trading System's impact on recyclers

Is it against the Antimonopoly Act?

Metal Recycling Japan has sent a letter of inquiry to the Kinki-Chugoku-Shikoku Office of the Japanese Fair Trade Commission (JFTC) as to whether Honda Trading Co.'s HT System will be considered to be "abuse of a superior bargaining position," which is prescribed in Article 2 of the Antimonopoly Act.

What is abuse of a superior bargaining position?

According to the guidelines concerning abuse of a superior bargaining position under the Antimonopoly Act, Nov. 30, 2010, the following are against the law.

Engaging in any conduct, in a way that is unjust in light of normal business practices, by making use of a superior bargaining position against the counterparty:

(a) causing the counterparty in an ongoing transaction (including a new counterparty with whom there is intended to be an ongoing transaction; the same applies in (b) below) to purchase goods or services other than those that are concerned in the relevant transaction;

(b) causing the counterparty in an ongoing transaction to provide oneself with money, services, or other economic benefits;

(c) refusing to receive the goods concerned in a transaction from the counterparty, causing the counterparty to take back the goods concerned in a transaction after receiving those goods from the counterparty, or reducing the amount of that payment, or otherwise establishing or changing trade terms or executing transactions in a way that is disadvantageous to the counterparty.

What is a superior bargaining position?

According to the above-mentioned guide-

lines, in order for one party in a transaction (Party A) to have a superior bargaining position over the counterparty (Party B), Party A does not need to have a market-dominant position nor an absolutely dominant bargaining position; Party A only needs to have a relatively superior bargaining position compared to the counterparty. When Part A has a superior bargaining position over its business partner Party B, it produces a situation in which, Party A makes a request, even if it is substantially disadvantageous to Party B, Party B has no choice but to meet that request, because any difficulty Party B has in continuing the transaction with Party A would substantially impede Party B's business management.

For each case, JFTC makes a decision as to whether it is against the Antimonopoly Act or not in consideration of the degree of Party B's dependency on transactions with Party A, Party A's position in the market, the possibility of Party B changing business partners, and other concrete facts indicating the need for Party B to carry out transactions with Party A.

JFTC's answer to the inquiry

JFTC answered our inquiry saying that there was no presence of a superior bargaining position. Although our inquiry did not include specific names of recyclers, JFTC gave us a general viewpoint of its thoughts. They pointed out that there was no limitation for counterparties (recyclers) to sell their products and they (recyclers) will be able to sell to firms other than Honda Trading. We understood why JFTC sent a prudent answer to this newspaper. JFTC might have come to its conclusion based on Part A's position in the market and related examples of past cases.

Recyclers fear carmaker's move

We showed JFTC's answer to some recyclers. "Actually, we cannot sell our products to firms other than Honda Trading because HT will reduce the purchasing volume next time. We have no choice but to deal with HT," complained a recycler. "They have grasped our products. We cannot move an inch. I am anxious that other carmakers will do the same way as Honda Trading." We felt that "weak recyclers" fear the threat of Honda Trading's approach in the market. <Metal Recycling Japan July 13 issue>

Honda Trading to form nationwide network for ELV collection

Honda Trading Co. will form an end-of-life-vehicle (ELV) collection network across the country by March 2014. The network will cover Honda Cars dealers to promote the natural resource recycling in Japan. Through the network, Honda Trading will collect and recycle steel scrap, copper, and aluminum from ELVs, as well as rare earth metals used in hybrid cars.

The target dealers are 32 firms which are consolidated in Honda Motor Co.'s financial report. Honda Trading already tested the ELV collection network with 12 dealers located in the Tokyo Metropolitan, Kinki and Chogoku areas.

So far, as for ELV recycling, each car dealer has made a contract with local recyclers in the region. On the other hand, in the newly formed network, all ELVs collected by each dealer will be controlled by the central office and contracted recyclers must go to a designated ELV storage depot to pick up the ELVs. Moreover, contracted recyclers must deliver recycled metals and materials to the delivery points that Honda Trading designates.

The move toward forming the network met with complaints from recyclers, suggesting it would be against the Antimonopoly Act. But Honda Trading thinks that it is not in conflict with the law because the ELVs to be handled by the company's network will account for only 3.5 percent of total ELVs generated in the market.

Meanwhile, Honda Trading admitted that its approach might cause misunderstanding in the industry as recyclers see the company as one backed up by carmaker Honda Motor Co. Therefore, Honda Trading will review the past approaches and make efforts to gain harmony with existing recyclers to achieve an efficient ELV recycling system. The company also will make it a clear that the ELV recycling contracts are signed between recyclers and car dealers. Honda Trading will be specialized in the management of the metal resource recycling process.

The company also said that it will review the transportation role of contracted recyclers from ELV depots to recyclers' sites, which was determined before. <Daily Automotive News August 2, 2012>

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RECYCLERS TODAY

Rising transport costs for reuse auto parts

Transportation of reuse auto parts has been increasingly costly. The primary factor for the rise is major transportation firms' request for a hike in transportation rates for large and heavy goods, including reuse auto parts. With the transport cost rise, the price of reuse parts is getting closer to that of new parts. For some reuse parts, the prices exceeded those of new ones. The move may discourage the growth of reuse parts in the market.

Transporting firms ask for rate hike

"We were surprised when a transporting firm sent an estimate amounting to 20,000 yen to us for carrying a used door, which had been around 2,000 yen just before," a Tohoku region-



based recycler said. For the past 2-3 months, a major transporting company, which has long been carrying reuse parts, has asked recyclers for an increase of transportation rates for such parts. The rate hike targets heavy goods, such as used engines and transmissions, as well as large cargo-space requiring goods such as doors and fenders.

As a result, the industry's common sense of "prices of reuse parts are half of new ones" has begun to crumble. "We soon changed the transportation firm on that day but it took another day to complete delivery," the recycler complained. Unlike major recyclers, which usually send lots of reuse parts, most recyclers are running a small- to middle-scale business so that they are not capable of doing price-negotiation with transport firms.

The first step of the distribution flow of reuse parts is taken by recyclers, who register their products (reuse parts) with online inventory sharing systems, which are operated by parts recycling networks or associations. Then the registered reuse parts are purchased by car repair shops, regional wholesalers or other recyclers through the system.

So far, prices of reuse parts have been seen as roughly half of new parts, and reuse parts steadily gained users in the market, who want to repair their cars at low cost. However, if

the repair cost is not improved with the use of reuse parts, there is little merit in doing so with reuse parts. The transport rate hike became a barrier for expansion of reuse parts in the market.

In order to improve this difficult situation, recyclers groups are making efforts to help reduce the transportation cost of reuse parts. For example, a group signed an agreement with a transportation firm to set up group-wide unified rates of transport based on weight and distance. Members of the group will also choose other transport firms based on their own contracts, depending on each reuse parts to be delivered. They may benefit from the cheapest transport rate that they can choose. This measure is hoped to help recyclers to save transport costs.

The business environment of recyclers has been getting difficult amid intensifying competition of ELV procurement as well as price falls of steel and non-ferrous metals. They are also attacked by the transport rate hike of reuse parts. Moreover, Chinese-made low-priced used parts and Taiwanese-made rebuilt parts are entering the recycled parts market in Japan.

Under these hard conditions, industry-wide efforts to reduce transport costs are being taken to meet the needs of reuse parts. <Daily Automotive News July 30 issue>

IRT 2012 held in the U.K.

From June 14 -16, the International Roundtable on Auto Recycling (IRT) was held in Liverpool, the United Kingdom. IRT is an international conference which is attended by representatives from auto recycling industry and government officials all over the world. The 6th international conference was attended by 6 regional and national associations of professional recyclers as well as industry officials from around the world to discuss the challenges and opportunities facing the auto recycling business on a global scale. Through the country reports, a major session in the conference, attendees can clearly understand what is going on in automotive recycling in each country. From Japan, members of the Japan Automotive Recyclers Association (JARA) attend IRT every time.

Liverpool is a port town which is located in the northwest of England. It is famous because the Beatles were formed there. IRT 2012 took place in the suburbs of Liverpool, where Hills Motors Salvage & Recycling operates. In the program of the 15th and 16th days of June, country reports were presented by developing countries as well as developed countries.

India achieved the most rapid growth of motorization in the world, which grew to the second-largest producer of motorcycles and to the fourth-ranked producer of automobiles. That country is now facing serious problems with the treatment of ELVs. Officials of the Society of Indian

Automotive Manufacturers reported that the environment of the country has been damaged by the burning of fields to create car dismantling yards, discharge of polluted waste oil, water, and harmful heavy metals from the yard. Laborers of dismantling yards have begun to suffer from serious healthy problems. The industry group, to help the Ministry of Heavy Industry, has built the Global Automotive Research Center so as to study the dismantling process of ELVs. But it doesn't work well due to a lack of equipment and staff's immature skills for operations.

In Malaysia, a bill prohibiting the import of used auto parts was recently abolished. The Malaysian Automotive Recyclers Association said that it was achieved by support from automotive recycling groups overseas.

Although the Malaysian auto industry has been rapidly growing, there are around 500,000 units of vehicles aged 25 years or more on that nation's roads. At present, the government is planning to introduce an automobile recycling law so that an accreditation program for certified personnel and facilities for recycling, as well as a training program will be needed.

Meanwhile, in North America, promotional programs for switching old cars to environmentally friendly new models, such as the Retire Your Ride program, were introduced. With the moves, the role of the recyclers association, including the Automotive Recyclers Association (ARA) of the U.S. and the Automotive Recyclers of Canada (ARC) has been getting bigger.

A serious problem was reported by a European representative. According to the



European Group of Automotive Recycling Associations (EGARA), the number of ELVs in the EU region, which stood at around 13 million units in 2007, sharply declined to 6.5 million units in 2008. At the same time, nearly 6.5 million units of ELVs have been exported to developing countries, which is almost the same volume as the difference in volume between 2007 and 2008. With the sharp decline of ELVs, only recyclers who have an authorized treatment facility (ATF) can survive in the European market, EGARAsaid. The group also presented forecasts of automotive recycling in the region saying that the online trade of reuse parts is expected to grow on a global basis, and that technological development for auto recycling is highly expected across the EU region.

The Japanese JARA representative introduced a report and thanked supporter from overseas for disaster relief efforts. Nationwide efforts taken by recyclers to help disaster relief in the Sendai City area were featured. JARA also said that Japanese recyclers were damaged by the market price fall of metals, as well as the sales status of reuse parts. In 2008, the 3rd IRT, which was arranged by JARA, was held in Tokyo.

<Daily Automotive News August 2 issue>