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## Industry in Japan faces tough times

The automotive industry in Japan is putting pressure on its government to tackle issues around taxation amid a sustained drop in the number of cars being made and sold there.

Sizeable decreases over the past fiscal year have mostly come on the back of a hike in consumption tax – the country's equivalent of GST – in April last year.

On top of that, an increase in the rate of taxation on mini vehicles came into effect on April 1 this year, while another rise in sales tax is scheduled for a few years' time.

Even as the weaker yen boosts the value of exporters' earnings from overseas sales, some analysts estimate Japan's annual automotive output may shrink by more than 1.6 million units over the coming decade.

Production of cars, trucks and buses there plummeted by 7.5 per cent during the financial year to March 31, marking the 10th consecutive month of falls, reports the Japan Automobile Manufacturers' Association (JAMA).

The association believes the outlook for the country's

domestic vehicle market is "tempered by concerns about the adverse impacts" of past and future tax increases.

"A crucial activity for JAMA will be to continue lobbying the government for further revisions to taxes related to the automotive industry to reduce their burden on vehicle owners," says chairman Fumihiko Ike.

Shinzo Abe's government raised consumption tax from five to eight per cent on April 1, 2014, and will probably increase it again – to 10 per cent – in April 2017.

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## Summit progress despite stalemate

The inaugural Tyre Industry Summit has been described as successful despite the lobbying for a regulated end-of-life tyres (ELTs) stewardship programme ending at an impasse with the government.

Adele Rose, chief executive of the 3R Group, told Autofile aside from the Ministry for the Environment (MfE) withdrawing its long-held

support to regulate the industry, the conference was "fantastic".

She says 87 people from every part of the supply chain spent two days in Auckland talking about what has got them to this point and how to move forward.

"There they were, all in the same room, with one intention and that was to keep conversations going that have occurred as a result of

everybody getting together in the first place," says Rose.

Delegates included Liezel Jahnke, environmental and fuel services manager at the Motor Trade Association, who says her organisation was pleased to support the summit.

"It provided a timely and important opportunity to reinvigorate the industry and other

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### Feeling the need for speed



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# Tyre industry calls for meeting

stakeholders around the need for concerted action on ELTs in New Zealand," she says.

"With inspiring examples of best practice and lessons from other parts of the world, it confirmed we're on the right track and reinforced the need for us to continue working to make the Tyrewise product stewardship scheme happen to achieve better outcomes than the status quo."

Jo Knight, facilitator of the New Zealand Tyre Recyclers and Collectors Association, says the conference brought a focus to the "very uncertain future" for ELTs in this country.

With so much open support for the national stewardship programme – and the industry doing most of the leg work itself – nobody can understand why Environment Minister Nick Smith has had such a turnabout in his

backing of the self-funding scheme.

"Our members feel there is a real need to develop markets for products from tyres," says Knight.

"This is a difficult task given the news, during the summit, of no commitment to priority-product status for tyres from the government"

government's change in focus because, as far as it was concerned, it was working towards regulating the industry.

"Now the process has hit a full stop, they want to know why and want an urgent meeting."

She says the MfE and the

draft national policy guidelines for councils regarding tyre storage while delegates took away a wealth of knowledge from speakers, all of whom came to New Zealand with decades of experience in their fields.

The summit's first speaker was Veena Sahajwalla, founding



**"No sector of the industry will move forward on a voluntary basis."**

– Adele Rose, the 3R Group

It was this announcement – first reported by Autofile Online – that has resulted in the Tyrewise Working Group penning a letter to Smith requesting a meeting to explain why the MfE has withdrawn its support.

Rose says the group wants to understand the reasons for the

minister have acknowledged the letter, and the working group is waiting for a response.

In spite of much-hoped-for government support, Rose says the summit did move ELT issues forward and achieved several outcomes.

These included a decision to

director of NSW's SMaRT Centre – an acronym for "sustainable materials research and technology".

Her presentation focused on complex waste products that can be transformed into raw material resources by taking them back to their elemental forms, ▶

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## The government's views

The Ministry for the Environment (MfE) deciding against progressing with giving tyres priority status under the Waste Minimisation Act was announced at the industry summit in Auckland.

In a nutshell, such status would have enabled tyres to be tracked from when they are imported to the time their useful lives finish to give end users surety of supply and ensure their correct disposal.

The news was delivered by Mike Mendonça, director of operations for the MfE.

"With respect to tyres, the obvious issues are risk of fires, vermin and air quality in these areas," he told delegates.

"With regard to fires, it seems to be the risk really isn't so much spontaneous combustion. It's arson we're really talking about.

"Leaching is often touted as the big issue for tyres and

waterways. There's not a lot of evidence to support that.

"Tyres can be a problem in landfills, but not a significant problem. Most landfills accept about 2.5 million tonnes of waste.

"In terms of tyres, it's about 60,000 or 70,000 tonnes. As a percentage – and I'm not saying we don't have a problem with tyres – less than one per cent of our waste is tyres.

"Tyres in New Zealand are probably as safe in a landfill as they are anywhere else."

Mendonça acknowledged the tyre industry's push for regulation has been made clear to the government over the past few years with it being discussed with Amy Adams, Minister for the Environment before Nick Smith took on the portfolio.

"We did consult last year on more priority products and whether or not we should put priorities in place," he added.

"Feedback was supportive, ▶

◀ such as carbon, oxygen and hydrogen, for use in different manufacturing processes.

Sahajwalla is also the inventor of a process that recycles plastics and tyres for use in the steel-making process, which is now known globally as "green steel".

"The purpose of doing that at the start of the conference was to get people away from the fact we are in a holding pattern right now and we feel we've been like that for many years," says Rose.

"She talked to the industry about, while we aren't at that stage now, this is what the future looks like when you will invest in taking that base ingredient in tyres and changing it so it's more useful in other applications, as opposed to burning it for energy.

"Attendees were able to see there is light at the end of the tunnel and there is actually a future here in New Zealand, but we have to get past the regulation place first to be able to do it."

Rose says a valuable outcome of



Representatives of the tyre industry are calling for a meeting with Environment Minister Nick Smith to discuss the way forward for a product stewardship scheme

the conference on June 2 and 3 was Glenn Maidment sharing his top 10 dos and don'ts when it comes to regulation.

"Don't give up, you are so close – don't give up, but don't proceed without that critical piece of regulation you need," Rose paraphrases.

She stresses this is why government regulation is so important.

"Every report recommends it

needs to say that tyres are regulated and the easiest way at the moment is through product stewardship.

"It is about regulation of ELTs. They don't have to be declared priority products. It just has to be this product, when it is imported into or manufactured in New Zealand, then the importer or manufacturer has to participate in a product stewardship scheme. That is all it needs to say."

With such a seemingly simplistic way forward, Rose cannot fathom why Smith has shifted his focus – especially as one of the stewardship models, which has been proposed by Tyrewise, comes at almost no cost to the government.

She says with support lacking, it will be difficult to implement such a scheme as no member of the industry is likely to volunteer to self-regulate.

"No sector of the industry – the entire supply chain – none of them will move forward on a voluntary basis," says Rose.

"All around the world, schemes

that have that critical piece of legislation. This has then enabled an industry programme to develop. All of them reinvest a significant portion of the fund into market development.

"Countries that don't have that critical regulation don't. All they do is manage the flow of tyres."

As it stands, the fate of the stewardship scheme for ELTs is in the government's hands. Either it agrees to regulate the industry, tells stakeholders to regulate themselves or assists them in looking for other ways forward.

"The industry already has its scheme developed, which is the Tyrewise scheme," says Rose.

"It won't be implemented without regulation. Every participant in the programme wants to move forward in some way, shape or form.

"But none of them will do it on a voluntary basis though, so they will keep lobbying until they get that regulation in place. It is at a stalemate until that happens." ☺

◀ but there was some qualification about ensuring it was economically sustainable.

"As a result, we have been asked by the cabinet to do some economic analysis led by KPMG.

"One of the key things for tyres and all waste streams is a focus on end markets and disposal rather than on processing."

Mendonça stressed the importance of ensuring markets are available upfront when it comes to processing waste.

"The KPMG report analysed three options. The first one was managed product stewardship. The second was an enhanced status quo with a bit more regulation. The third was a halfway house.

"There isn't much difference economically between the three. In terms of benefits, the numbers are \$15 million for the status quo, \$14m for the enhanced version and \$16m for stewardship.

"There isn't a clear case for any of them, but managed

product stewardship does come out in front."

KPMG's report will go to Smith before being made available to the public after he has been advised about it.

"I acknowledge progress is slow for regulating this industry," said Mendonça. "The reality is we don't have regulation of the tyre sector on our work programme for the next 12 months, so it's not something we are looking at. That's not to say it's not going to happen."

Some comments were also made on other issues. Mendonça said about half of New Zealand's emissions come from agriculture, with road transport responsible for about 20 per cent.

"There's a lot of noise at the moment about the switch to electric vehicles," he added.

"Something we are focused on is the future of our fleet and how we're going to deal with that over the next 30 or 50 years."

Visit [www.autofile.co.nz](http://www.autofile.co.nz) to read an extended edited version of Mendonça's speech. ☺



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