

Bumps in the road for India's metals recyclers

At the Metal Recycling Association of India's international conference in Delhi, the organisation's president Ikbal Nathani said that 'India is on the path to be one of the largest recyclable material generators over the next decade'. But for this to take place, the country would need to overcome the many challenges facing the Indian metals recycling industry today, such as the lack of domestic legislation and of zones specially designated for metals recycling, as well as obstacles that impact free trade of scrap.



The Metal Recycling Association of India (MRAI) staged its first-ever international conference in late April, with Delhi as the venue. The event, which covered various aspects of the ferrous and non-ferrous recycling trade, attracted more than 750 delegates from India and around the world. In his opening address, the MRAI's president Ikbal Nathani said that with growing GDP and per-capita consumption, India is on the path to be one of the largest recyclable material genera-

tors over the next decade. In order for this to happen, however, the country would need to surmount the many challenges facing its metals recycling industry. He identified the following in particular:

- The lack of domestic legislation applying to the metals recycling industry, such as an end-of-life vehicle regulation;
- The lack of central and state government promotion of recycling and the multitude of government departments involved;

- The lack of any specially-designated zones/ areas for metals recycling;
- Obstacles to free trade of scrap erected from time to time by the government and notably the environment ministry, such as through banning traders from importing scrap and the classification of all scrap as 'hazardous' waste;
- Red tape and other bureaucratic hurdles;
- The non-uniform duty structure on imports of the different grades of metal scrap, and special additional duty (SAD) levies on imported scrap.

The Indian steel story

- India has become the fourth largest producer of crude steel in the world after having occupied eighth position as recently as 2003, and it is expected to become the world's second largest producer by 2015;
- India continues to maintain its position as the world's largest producer of direct reduced iron (DRI) or sponge iron;
- India's per-capita steel consumption climbed from 38 kg in 2005/06 to 55 kg in 2010/11;
- Domestic crude steel production capacity was expanded from 51.17 million tonnes in 2005/06 to 78 million tonnes in 2010/11;
- Domestic crude steel production increased at a compound annual growth rate of 8% from 46.46 million tonnes in 2005/06 to 69.57 million tonnes in 2010/11;
- In 2010/11, Indian exports of finished steel reached 3.46 million tonnes while imports totalled 6.79 million tonnes.





By far the most important source of scrap for India's steel industry is the shipbreaking industry, which accounts for some 11 million tonnes.

Recycling thrust

As an example of how a government can boost its recycling industry, Nathani cited China. 'In that country, the government has realised the importance of recyclable material as an important raw material and it has given a thrust to the recycling industry,' he stated. 'In its current Five-Year Plan, the government encourages all cities in China to provide Recycling Zones and gives full assistance. It provides easy bank finance and subsidies for metal recycling companies.'

According to Nathani, the Indian authorities should appoint a single ministry to handle all recycling issues, including the framing of legislation to boost India's metals recycling industry. 'In addition, India should promote the setting-up of "Alang-type" shipbreaking yards along the country's coastlines and form specially-designated zones or areas for metals recycling on the outskirts of each major city.'

Nathani also stressed the utmost importance of promoting free trade of scrap and of putting an end to the restrictions placed on imports of metal scrap. 'India should abolish customs duty and special additional duties on imports of all grades

of both ferrous and non-ferrous scrap, whether imported by traders or actual users,' he insisted,

Shipping problems

MRAI vice president Sanjay Mehta of MTC Business addressed issues faced by the Indian metals recycling industry in relation to shipping, logistics and customs trade practices. As regards challenges when dealing with shipping lines, Mehta pointed to the lack of adequate online services, such as online invoices, accepting online payments and the issuing of online delivery orders. 'There is also often a mismatch in the working hours and holidays of the shipping lines and local business operations,' he said. 'In addition, the shipping lines often do not grant a detention free period, even when this is mentioned on the bill of lading.'

Other problems confronting India's metals recyclers include: the refusal to issue a delivery order even after the surrender of the original bill of lading; the shunting of containers; the fact that examination of cargo under customs supervision is not allowed prior to issuance of the delivery order; the very high, and some-



Metals sorters north of Mumbai.



MRAI urges India to abolish customs duties on all grades of ferrous and non-ferrous scrap.



MRAI's first-ever international metals recycling conference attracted more than 750 delegates from around the world.



Traditional lamp lighting ceremony.

times irrational, container damage charges; no choice of container freight station facilities despite a public note issued by the government; a huge variation in the inland haulage charges of the various shipping lines although they all use the same train service; and, in general, a lack of transparency, uniformity and clarity regarding the various charges.

No proper maintenance

Mehta also pointed to a lack of material handling equipment at container freight stations. 'Very often,' he added, 'there is no proper maintenance and calibration of the weighbridge, no

security surveillance, and they charge exorbitantly for moving containers.'

In addition to the above-mentioned problems, customs issues are also said to be making life harder for metals importers and exporters in India. 'Often, documents are not passed at the transaction value, while consignments are passed at different valuations at different locations,' Mehta noted.

There have also been complaints about the low number of scanners at ports and inland container depots, and about the fact that not all scrap grades are allowed to be cleared at all ports and inland container depots.

According to Mehta, the fact that the weighing of containers is not undertaken at the time of their arrival in the container freight station can raise mis-declaration or valuation issues which take a long time to be resolved.

Nathani also picked up on the fact that shipping lines levy too many ambiguous charges, including the hidden costs when importing metal scrap such as delivery, cleaning, service, lift-on, seal, import service and relocation charges. 'Our government has given too much discretionary power to customs,' he said.

Surging steel production

'Can India be the next steel recycling powerhouse?' was another question addressed in Mehta's presentation. In 2011/12, India produced some 80 million tonnes of steel, all of

Surprise increase in scrap import duties

On May 8, less than fortnight after the MRAI congress in which several high-ranking government officials participated, the Indian Ministry of Finance issued two customs notifications which were to enter force with immediate effect.

These notifications (numbers 25/2013 and 26/2013) enshrined the following modifications to the import duty structure:

- Aluminium, ferrous (iron and steel) and stainless steel scrap: an increase in the basic customs duty from 0% to 2.5%;
- Brass scrap: an increase of the special additional duty of customs (SAD) from 0% to 4%.

The MRAI has argued that these measures will hinder the use of metal scrap in India, impact domestic scrap operations and lead to an unnecessary increase in finished product prices. The association says it is 'extremely disappointed with the changes in duty structure that will negatively impact the domestic steel industry - especially the induction and electric arc furnaces - and the domestic non-ferrous industry'. India does not generate enough metal scrap domestically to cover its needs. Therefore, the

MRAI argues: 'The government of India should be promoting the usage and trade of metal scrap instead of putting hindrances and impediments in place that will negatively impact the domestic industry from having access to these raw materials and unnecessarily lead to increased prices of finished products due to increased import duties.' It continues: 'Such steps by the Indian government seem to benefit only a small number of manufacturers in India that are heavily reliant on virgin resources such as bauxite and iron ore. At a time when there are global concerns on carbon emissions, greenhouse gases and pollution and domestic concerns on illegal iron ore mining, it defies logic as to why the Indian government would take any steps to dissuade the usage and trade of metal scrap.'

The association expresses the hope that the Indian government will restore the previous duty structure at the earliest opportunity and agree instead to earlier demands from metals recyclers that duties on all grades of metal scrap should be abolished with immediate effect.



A regular speaker at international events, Salam Sharif, president and CEO of Sharif Metals.



MRAI's secretary Ehsan Gadawala (left) and Dhawal Shah, the organisation's vice president non-ferrous.



Sanjay Mehta: issues around 'misdeclaration'.



Ikbal Nathani: 'India must promote free trade.'

which was consumed by domestic industries. Hot metal is the preferred raw material (47%), followed by sponge iron (28%), scrap (19%) and pig iron (6%). Of the scrap arisings, by far the most important source is India's shipbreaking industry, which accounts for some 11 million tonnes.

There is still huge growth potential for steel consumption in India, which currently totals 55 kg per capita per annum - a very low figure when compared with other emerging economies such as China (427 kg), Mexico (140 kg) and Brazil (133 kg). The main drivers of steel demand in India are capital goods, the automotive sector, infrastructure, construction, consumer durables and power generation.

Over the next four years, the country is scheduled to invest some US\$ 259 billion in infrastructure alone. In addition, India will need to more than double its electricity capacity to 425 GW by the year 2022 from 200 GW at present. To achieve this, India will require 18 million tonnes of structural steel and more than 100 million tonnes of rebar. Furthermore, vehicle

production is forecast to grow considerably in the near future from the existing level of approaching 20 million units per year.

To help achieve required steel production growth, much more scrap will be needed. With Mehta forecasting that steel output will rise from 80 million tonnes at present to some 155 million tonnes by 2020, he went on to suggest that this would mean annual scrap usage soaring from 15.7 million tonnes to 31 million tonnes by the year 2020.

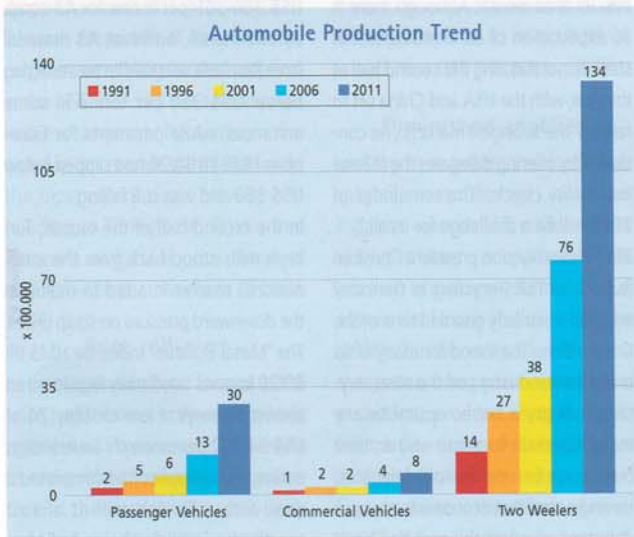
Challenges and recommendations

Among the many challenges that lie ahead for the Indian metals recycling industry, one of the most prominent is the lack of organised collection and processing of domestic scrap - despite huge arisings. Other obstacles include: low labour productivity; high power costs and insufficient power supply; very high shipping line, clearing, terminal handling and local freight costs; the high cost of finance and discouraging taxation policies; the lack of domestic regulations to assist scrap recycling; and even unfriendly policies such as PSIC.



Caroline and Patrick Craenhals of Belgian Scrap Terminal in Belgium.

The MRAI is recommending that the recycling industry be given priority sector status and special subsidies. The organisation is also calling for: the setting-up of special recycling zones; subsidised power tariffs for steel recycling plants; lower customs duties on scrap processing equipment; the removal of SAD on scrap imports; carbon credits for the recycling industry; enacting regulations such as on end-of life vehicles; compulsory radiation checks; waste disposal norms at household levels; the passing of a shipping trade practice bill; and the formation of a government body dedicated to the recycling industry. □



Some of the many challenges for the Indian metals recycling industry are terminal handling and local freight costs.

