

# **Terms of reference for the study on Current status of the Iron/Ferrous scrap Industry in Sri Lanka**

## **1. Introduction**

At present Sri Lanka has put forward several policy tools to address solid waste management in the country. 3 R Principle has been recognized as one of the vital practice that could effectively apply to manage solid waste.

Out of the total solid waste generation, metal scrap or metallic waste basically ferrous accounts for significant amount. However due to the high demand for the iron scrap it was one of the fastest moving waste stream in the country few months back. Iron recycling industry starting from scrap collection to final smelting contributes national economy through profit making and providing several direct and indirect job opportunities in formal and informal sector.

According to a study carried out by the Central Environmental Authority in 2012 roughly about 62 MTs of ferrous scrap is being collected annually in domestic basis. This figure accounts for the 1.6% of total municipal waste collected annually. As per the assumptions made in the same study total 135 MTs of iron scrap is generated domestically.

However, there are no any proper quantification data available for the metal recycling sector currently. Hence there is a vital requirement to make available of reliable data on this sector.

Most of the steel product manufacturing companies operated in Sri Lanka having scrap smelting processes as the primary operation of steel product manufacturing. However with decreasing of the rate of iron billets in the local market most of the industries have ceased their primary scrap smelting operations and run the operations with iron billets. This has created a significant falling down of the market value of the iron scrap leading to stockpiled in the collection yards.

According to the budget proposals put forwarded for 2016, a tax concession has been given to imported billets which are being used as a raw material for the steel industry.

However at present, there is a tendency to create a freezing status in the entire ferrous scrap recycling industry starting from collection to final smelting due to the tax concession.

On the other hand the global scrap to billet price spread fell to less than \$100 a metric ton in January. That was unsustainable as that is below the cost of melting scrap to make billet. Either scrap prices had to fall or billet prices go up. With 80% of merchant billet currently supplied by integrated steel mills in China and the former Commonwealth of Independent States and iron ore prices falling, the obvious result was falling scrap prices this was also lead to create the situation worse.

However as a national policy it is a vital requirement to promote the recycling industries in the country as they contribute in fluxing national resources in to the country's economical mechanism and also contributes to the waste management as the secondary role.

## **1. Objectives**

The objectives of the assignmet are

1. To assess how the tax consessions given on importation of iron billets and the global scenario of iron crap market value affect the iron scrap recycling industry in Sri Lanka.
2. Make recommendations to take policy descisions overcome the drawbacks and loopholes associated with the present iron crap management scenario.

## **3. Tasks**

- i. Collect basic information on national policies, legal requirements, existing collection mechanism and industries engaged in recycling of iron scrap.
- ii. Quantify the total generation of iron scrap through sample analysis and fraction that is directed for recycling.
- iii. Quantify the amount of iron that needs to cater the national requirement.

- iv. Assess the operational changes of the iron/steel industry after introducing the tax concessions.
- v. Analyse the opportunities to cater national and international market of iron scrap.
- vi. Assess the demand of the iron billets as a replacement of iron scrap after introducing tax concessions.
- vii. Assess the movements of the iron scrap in the collection yards after introducing the tax concessions.
- viii. Analyse how is the tax concession *affect the* iron scrap recycling industry after introducing tax concession.
- ix. Provide comprehensive economical analysis with respect to the national and global scenario on market value of the iron scrap.
- x. Make recommendations to enhance the national economy through promoting the iron scrap recycling industry.

#### **4. The technical report on e-waste should include the following chapters**

- Executive Summary
- Introduction to the report
- Background Information (related to Sri Lanka) eg. Policies, legal background etc.
- Existing collection mechanism and industries engaged in recycling of iron scrap.
- National requirement, Opportunities for ferrous/iron industry in national and international level
- Changes in the scrap iron collection and recycling industry with the tax concession.
- Analysis of the effect of the tax concession and the global scenario on the iron scrap industry in Sri Lanka.
- Total economical analysis with respect to the national and global scenario
- Recommendations

#### **3. Annexures**

- A complete database on importations of iron/ferrous billets in the country (10 year comparison)
- Complete data base on islandwide collectors, smelters of scrap, importers of billets

and steel product manufacturers.

- Names and addresses of key individuals and organizations.

#### **4. Time Frame**

Interim Report with structure – 01 month from the date of signing the agreement

Draft Final - in four months

Final Report - in six months

#### **5. Reporting**

The consultant shall submit an interim report listing preliminary findings within one month from the date of signing the agreement. It has to be presented in the presence of all the relevant agencies identified by the working group. The final report should be compiled in English in accordance with the format given in the part 05 above, printable format and submitted in three hard copies and also a CD. The final decision regarding the format and content lies with the working group.