



# The Impact of Current Policies on South Africa's Metals Recycling Sector

A Submission by the Recycling Association of South Africa (RASA)

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# Introduction: Who We Are

The Recycling Association of South Africa (RASA):

Firmly believe that responsible recycling is critical for both the environment, ensuring sustainability, and as a positive contributor to a circular economy in South Africa.

- Volunteer organisation - allows for inclusion and consultation with both members and non-members through the sector.
- Promotes free and fair trade in the metals recycling sector.
- Advocates for the responsible recycling of scrap metal within South Africa.
- Strives to identify equitable solutions that allow all sector participants access to a level playing field.
- Strives to identify and implement standards that encourage responsible recycling within the Industry.
- Does *not* support policies or mechanisms that disincentivize recycling.
- Works collaboratively with Industry Associations to identify improved methods to self-regulate the industry and establish responsible practices with and for scrap metal recycling in South Africa.

# Our Core Stance: Do Not Disincentivize Recycling

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- We do not support policies and/or measures that disincentivise and/or further disincentivises the recovery and recycling of scrap metal in South Africa.
- We advocate for fair and free trade in the metals recycling sector and inclusive policies that support this.
- Incentivising and supporting recycling is critical for maintaining a circular economy.





# The South African Metals Recycling Sector: A Vital Industry

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**Circular Economy :** Key component of the circular economy, conserving resources, reducing landfill waste, and lowering carbon emissions.

**Comprehensive Activity:** Involves collection, processing, and recycling of ferrous and non-ferrous metals.

**Diverse Sources:** From industrial enterprises, public entities, scrap metal dealers, and private individuals.

**Substantial Volumes:** Processes 2.5 to 3 million tonnes of scrap metal annually.

**Significant Employment:** 3,552 registered scrap metal dealers in 2024. Each employing an average of 20 employees. Provides direct employment to over 70,000 people in South Africa.

**Waste picker integration:** Supports livelihoods of an estimated 300,000 to 400,000 informal waste pickers.



# The Unsung Heroes:

**Waste Pickers**

# Waste Picker's : Major Contributors to Recycling

Estimated that over 82% of all waste recycled in SA is collected by informal waste pickers (Godfrey and Oelofse, 2017).


DTIC estimates 300,000 informal sector people sustain their livelihood from recyclable sales, with scrap metal being the most popular product.

## **Legitimate & Essential:**

Currently estimated 400,000 waste collectors are legitimate, honest workers, not thieves.

They are "unsung heroes" who contribute significantly to environmental sustainability by reducing waste and promoting recycling.

Current policies disproportionately affect these vulnerable individuals by reducing the value of collected scrap.





# Current Policy Challenges & Submissions <sup>7</sup>

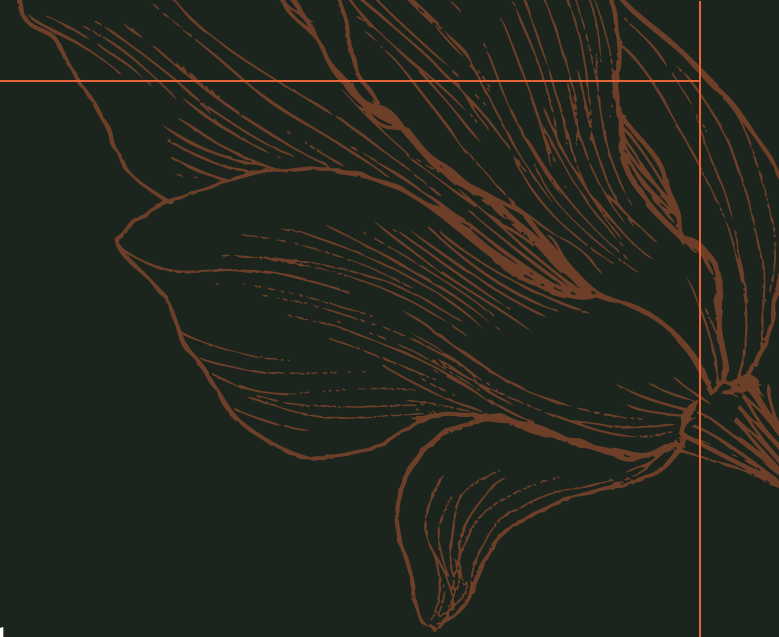
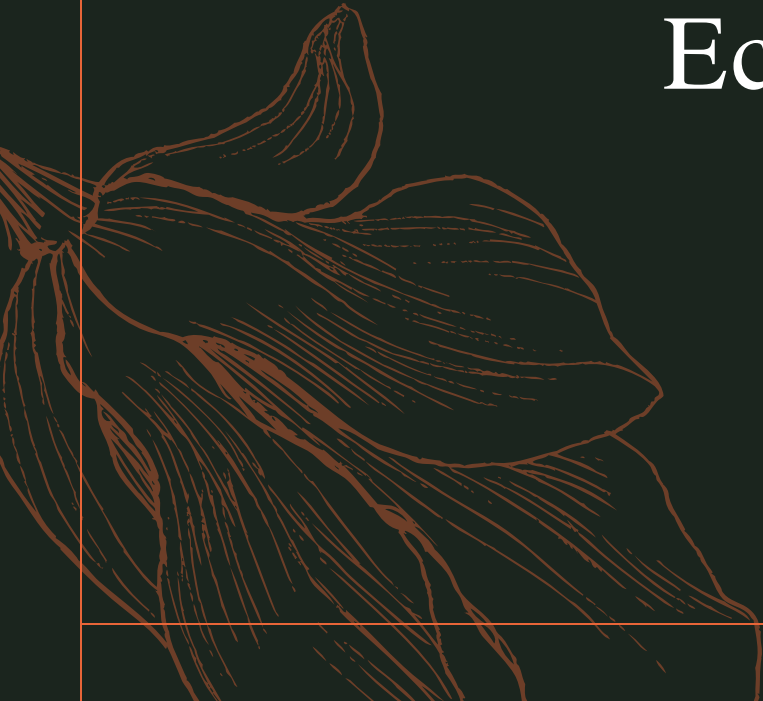
The recycling sector is currently awaiting outcomes on several key submissions:

- Existing Price Preference System (PPS): Review of its administration and percentage discount.
- Duty on the Export of Scrap Metal: Review of the export duty from South Africa.
- Steel Master Plan: Submissions made in February 2025.
- Tariffs: Recent submission on the impact (negative and positive) of tariff imposition on the scrap metal recycling sector.
- PPS Percentage review in respect of ferrous scrap. Currently 30% discount to local consumers.
- Export Application Fees : Submissions made on the impact of proposed export permit application fees.

RASA's View: These current policies (PPS and Export Duty) are, by design and nature, disincentivizing recycling by artificially reducing the achievable value of goods.



# Why Metal Recycling Matters: Driving a Circular Economy





# Importance of Incentivising Recycling

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## **Integral to South Africa's Circular Economy:**

Aims to minimize waste and maximize resource use by keeping products and materials in use. Metal recycling directly supports this goal.

**Environmental Benefits:** Resource conservation, pollution reduction, landfill diversion.

**Economic & Social Drivers:** Cost savings, job creation, livelihoods, public awareness.

**Significant Contribution:** Between 2.5 and 3 million tonnes of scrap metal recycled annually.

73% recovery rate for used beverage cans (globally remarkable).

**Core Principle:** Recycling will only happen if there is an incentive to recycle.

Restrictions in trade disincentivize recycling.

# Recycling Thrives on Incentives, Not Disincentives

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- The fundamental nature of recycling is that it occurs when there's an incentive to do so.
- Policies that devalue scrap metal directly disincentivize its collection, transportation, and processing.
- Restrictions in trade and artificial price controls undermine the viability of recycling operation
- Continually disincentivizing scrap metal recycling will have significant negative consequences across economic, environmental, and social spheres in South Africa.
- Current policies (PPS, Export Duty) disincentivize recovery and recycling.
- They create barriers to trade that unfairly advantage consumers of scrap metal without equivalent downstream benefits for local steel manufacturing or recyclers.
- These barriers create uncertainty for recyclers, reducing the achievable prices of scrap recovered and the effectiveness of recycling in the circular economy.

# The Challenging Policy Landscape

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## **Existing Detrimental Policies:**

- Price Preference System (PPS): Mandates a 30% discount on ferrous scrap for local consumers. This system is seen as artificially reducing the achievable value of goods.
- Export Duties: Imposed on scrap metal not taken up locally, further reducing net revenue for recyclers. These are also viewed as disincentivizing recycling.

**Combined Impact:** These two policies effectively devalue scrap metal in South Africa and disincentivize its recovery and recycling.

**Forced Discounts:** Scrap metal sold to local consumers is at forced discounted rates.

**Export Penalties:** Scrap metal rejected for local consumption can only be exported if an additional export duty is paid by the seller.

## **New Proposed Threat:**

- R3797 Administrative Fee per "Waste and scrap metal permit" application (Government Notice No. 52691 / DTIC Notice 3194 of 2025).

This directly reduces earnings for industries that generate scrap, scrap collectors, and waste pickers.



# The True Cost of the PPS: Transfer of Rents <sup>12</sup>

The "cost" of these artificial subsidies is being borne by every South African.

This leads to de-industrialisation, increasing company closures, rising unemployment, and higher costs of finished goods.

**Impact on the Vulnerable:** We are all affected, but the hardest hit are the marginalized and poorest of the poor.

**Recyclers Absorb Costs:** Metal Recyclers drop their purchasing prices to accommodate the forced discounts to scrap consumers.

If the achievable value for recovered metals is less than the cost of recovery, these materials lose their value and remain in waste streams.



# The Human Cost: Voices from the Ground

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## Impact on Livelihoods:

1. Nelisa Pambane (Engcobo): Travels hundreds of kilometers to sell scrap to feed six children, relying on this income since 2008. Diminished value of scrap makes her efforts less rewarding.
2. Mpho (Johannesburg village): 35-year-old single parent, scrap collector for 10 years. Prices received dropped from R3.50 to R2.00/kg. Struggling to pay for essentials.

***"We're not thieves; we're honest workers... Recycling scrap metal keeps our towns clean... but now our earnings are being cut."***

These policies mean waste pickers are paid significantly less, threatening their survival.



# Disincentivizing Recovery from Waste Streams: A Growing Disaster

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**Landfill Crisis:** South Africa generates up to 108 million tons of rubbish annually, over 90% ending in landfills, which are expected to be filled in a few years.

## **Contradicting Waste Act Goals:**

The Waste Act (NEM:WA) of 2008 classifies scrap metal as waste, placing burden on producers and aiming to reduce waste to landfill by incentivizing collection and recycling. The PPS contradicts these intentions by destroying real jobs and reducing the economic value of scrap collection.

**Risk of Stranded Scrap:** Disincentivizing collection does not guarantee mills use more; it risks scrap being landfilled (e.g., construction firms discarding low-grade ferrous).





# Disincentivizing Industry Recycling Efforts <sup>15</sup>

**Impact on Industrial By-products:** Industry generates large volumes of scrap metal and relies on its recovery value to offset production

**Reduced Motivation for Responsible Disposal:** When it costs more to recycle than the value recovered, industries are less motivated to ensure responsible recycling.

**Increased Dumping:** More likely to dump materials directly into landfills or even illegally.

**Escalating Production Costs:** Reduced recovery value means production costs escalate, further reducing industries' ability to produce competitive finished goods.



# Additional Losses in Value at the Point of Recovery

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**Cash Flow Constraints:** Recyclers experience capital tied up for 15+ days while international metal markets and exchange rates fluctuate, creating uncertainty. To account for this, recyclers must buy goods at a value reduced by more than 30%.

- 7-Day Storage: Recyclers must store goods for 7 days (Second Hand Goods Act) before resale.
- 15-Day Export Permit Circulation: Applications circulated for 15 days to local consumers who can purchase at a 30% discount.

**Goods Sold Under the PPS to Local Consumers Must Be Transported by the Recycler at Their Cost**

**Extraordinary Costs:** Irrespective of distance, the recycler pays for transport to the local consumer. Normally, the buyer is responsible for collection/delivery.

**Potential for Losses:** Transport costs can be so high that the forced sale through PPS leads to the recycler incurring a loss (selling for less than they paid).

**This forces recyclers to reduce what they pay for scrap at collection.**

# Exacerbation of Existing Market Distortions (PPS & Semi-Finished Goods)

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## The Arbitrage Problem:

- Local mills acquire ferrous scrap at PPS-discounted prices (artificially low).
- They can melt this into semi-finished goods (e.g., ingots, billets).
- These semi-finished goods, if exported, are often NOT subject to PPS discounts or the same export duties/fees as raw scrap.

## Consequences:

- "Obscene Transfer of Wealth": From scrap generators/collectors/recyclers & manufacturing to consuming mills.

PPS discount value reportedly rose from <R1bn (2014) to ~R9bn (2023). Jan-Apr 2025: electric steel producers applied to export ~400,000 tons of steel billet. This 4-month activity represents an estimated R1 billion wealth transfer.

- **Bypassing True Local Beneficiation:** Discounted scrap converted to easily exportable semi-finished goods undermines policy intent for deeper local value addition.
- **No Benefit to Downstream Manufacturers:** Little evidence of cost savings passed on; often cheaper to import finished goods.



# Current Steps being undertaken to Address Misalignment of Policies

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ITAC is seeking comments on whether the current policies should be amended.

## ■ **RASA's Opinion:**

The current 30% discount on Ferrous Scrap under the PPS is excessive and the imposition of an export duty on goods which have been rejected for local consumption is counterproductive. A balanced approach is needed to ensure local supply is given preference, without skewing the balance between advantages and disadvantage disproportionately.

We believe the PPS, if correctly administered, does add value by discouraging illegitimate businesses and can be utilized to ensure a future where all sector participants can thrive.

## ■ **Recommendation:**

1. Regulate export of scrap and derived products, through the PPS process to ensure compliance.
2. Encourage and stimulate the supply of secondary raw materials to the South African manufacturing sector.

The verification and application processes embedded in the PPS for export permits do add value as they discourage irregular business practices.

# Conclusion: Our Call to Action

- The current Price Preference System (PPS) and Export Duty policies are counterproductive.
- They undermine job creation, environmental sustainability, and economic growth.
- The unintended consequences of these policies far outweigh the benefits.
- There are more balanced approaches that can ensure the sustainability of all sectors of the steel value chain, including recycling, manufacturing and steel production.

## **RASA Recommends :**

- The removal of all policy instruments and/or aspects of current policy instruments that disincentivize the recovery and recycling of scrap metal in South Africa.
- A re-evaluation of the PPS discount formula and its administration to ensure it aligns with its stated intent and does not create excessive, hidden costs.
- The implementation of policies that truly incentivize fair and free trade in the metals recycling sector, fostering a thriving circular economy for all South Africans.
- Encourage and stimulate the supply of secondary raw materials to the South African manufacturing sector.

# Proposal : Local Sales : Supporting Local Consumption

In summary our proposal is to keep PPS guidelines, but zero the discount, then reduce duty to 10%.

## ▪ **Local Sales**

1. If someone wants to export, they follow the PPS process and local consumers get first right of refusal, but no discount. The consumer would pay the export permit application fee, if it is implemented.
2. The local foundries can make an offer for the material.
3. If the offer is rejected/not taken by local consumers the recycler is free to export but must pay the 10% duty and the export permit application fee. (Reduce the duty to 10%).
4. If there are no offers, in other words the local foundries are not interested in the material, then you can export with zero duty and the export permit application fee.

The idea is that foundries get the comfort of a discount but must behave in a decent manner, pay on time etc, or risk losing the material.

Additionally if there is no appetite for the material then scrap generators are not penalised.

Local foundries will still have priority to buy at market price, supporting local industry, while exporters can export surplus material without penalty if there's no local interest.



# Proposal : Direct Exports

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## **Export Only**

1. Recyclers may choose to export directly, following the PPS process for permit applications to ensure compliance, but this choice would automatically attract the duty at 10% and the export permit application fee.
2. The recycler would be at a price disadvantage over recyclers that had chosen to sell locally.
3. The process will also encourage both local supply to consumers and fair behaviour from consumers, as exporters might prefer exporting (even with 10% duty) if local consumers delay payments etc, pushing consumers to act responsibly.

# Call to Action & Vision for the Future

## **Broader Policy Reforms:**

### **1. Urgently Address Regulatory Arbitrage (Semi-Finished Goods):**

- Ensure exports of semi-finished goods made from discounted scrap attract equivalent costs/duties.
- Neutralise financial advantages (like PPS discounts) if minimally processed products are exported, to promote genuine local beneficiation.

### **2. Combat Mala Fide Offers:**

- Domestic consumers should be liable for ITAC administrative fees if they block a permit by expressing interest, regardless of purchase, to deter bad-faith actions.

### **3. Fundamental Review of Disincentivizing Policies:**

- Call for the urgent removal of all policy instrument aspects that disincentivize recycling (e.g., PPS, export duties).
- Re-evaluate the PPS discount formula and its administration to align with intent and avoid excessive hidden costs.

# Call to Action & Vision for the Future

- **Current Policy Landscape is Counterproductive:** Undermining job creation, economic development, environmental sustainability, and the livelihoods of the most vulnerable.
- **Collaboration is Key:** RASA stands ready to engage with government for constructive solutions.
- **Our Vision:**
  - A policy environment that incentivizes the recovery and recycling of scrap metal.
  - Fair and free trade in the metals recycling sector.
  - A thriving, sustainable circular economy benefiting all South Africans, the economy, and the environment.

# Thank you

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