

BIR Autumn Round-Table meetings in Düsseldorf

From Heaven to

HELL

Only six months ago during BIR's Spring Convention in Monte-Carlo, recycling markets were booming. By late October, however, traders had fallen from cloud nine and were facing the consequences of a global financial and economic crisis. Markets have come to a standstill, prices have collapsed and the recycling industry has been on the receiving end of unethical behaviour by some of its customers. In a series of articles, Recycling International provides feedback from the latest BIR Autumn Convention in Düsseldorf.



BIR's Communications Director Elisabeth Christ and Chairman of the Communications Committee Andy Wahl of Newell Recycling of Atlanta, USA.



Carmelo Paolucci (left) and Paolo Trentavizi (right), both of Trentavizi SpA in Italy, flank Piervittorio Vercesi of Acciai Mella SpA, also of Italy.



BIR Director General Francis Veys (left) and Jim Schwartz of Metso Texas Shredder.

BIR's 2008 Autumn Convention held late last month in Düsseldorf, Germany, was one of the most successful ever staged by the world recycling body. More than 900 delegates and some 150 accompanying persons converged on the Hilton Hotel to hear the latest news and international market analyses, no doubt in the hope of obtaining a clearer picture of what to expect in the coming months. Did they get what they wanted? Well, yes and no. What is clear is that a large proportion of recyclers are confronted with rock-bottom prices, no buyers and sky-high inventories. And while the crystal ball is blurred, there is a fear that many recycling businesses may be forced to shut up shop if the downturn becomes long-lasting.

Dearth of price information

This latest BIR Autumn Convention was remarkable in many ways. For a start, there was a dearth of price information ventured by speakers. This issue was addressed head-on by a number of them, with one saying: 'You will notice I am not mentioning current prices because there may not be one a buyer and supplier will accept.' It would also be true to say that speakers were wary of providing a price indication that would be rendered out of date even before delegates filed out of the conference suite.

Blake Kelley of Sims Metal Management captured the mood perhaps best of all in telling



in a few short months



Over the last six months, prices of recycling commodities have crashed to levels not witnessed in many years.

the Ferrous Round-Table meeting: 'It is time to plan for the worst, hope for the best, and be grateful for the prior prosperity.' Mr Kelley was also one of a number of speakers to tackle the most contentious issue of the entire convention. 'It is disturbing to see so many attempts by buyers to renegotiate contracts, make fictitious quality claims or allege Letter of Credit discrepancies,' he said. With increased business risks existing in most markets, recent events have brought into question the reliability of Letters of Credit, according to Mr Kelley. And he added: 'Simply said, a discrepancy is more easily accepted in a rising or stable market, but more certainly refused in a falling market or if the consumer or its opening bank is financially weak.'

'Outright and arbitrary cancellations'

Robert Stein, President of BIR's Non-Ferrous Metals Division, reported that scrap suppliers have been forced to accept customer demands for the renegotiation of contractual terms, and have even fallen victim to 'outright and arbitrary cancellations'.

While acknowledging that there are 'many consumers and processors throughout the world who are honouring their commitments', he described as 'reprehensible and absolutely inexcusable' the fact that some purchasers 'take advantage of situations like this'.

Prior to the convention in Düsseldorf, BIR had issued a statement attacking the 'unprofessional and unethical behaviour' of buyers guilty of completely ignoring the terms of contracts signed some weeks earlier. This is causing 'serious financial difficulties for many sellers', the world body claimed. The BIR's new International Trade Council also highlighted this same issue in a statement released at the start of the convention and reproduced in full on this page.

Sacrificing deposits

In Düsseldorf, many traders identified China as leading the way in terms of contract defaults. In



From left to right:

Full statement from BIR's International Trade Council

The following official statement was issued to the international press at the outset of the latest BIR Autumn Convention and was also read out during several of the plenary commodity sessions:

'The Bureau of International Recycling, the world federation of recycling industries, recognises that its members are involved in markets that are inherently volatile in nature. Recent conditions in commodities and financial markets have served to create circumstances under which a broad range of our members have been negatively impacted through various forms of lack of contractual performance.

BIR encourages its members and their trading partners to engage in business within the moral and ethical guidelines which form the very basis of the trust with which the recycling industry has transacted its business for so many years. Whilst BIR is not legally empowered to participate in any commercial matters, it urges suppliers and customers to fulfil their business obligations in accordance with good business ethics and to exercise appropriate and prudent diligence.'

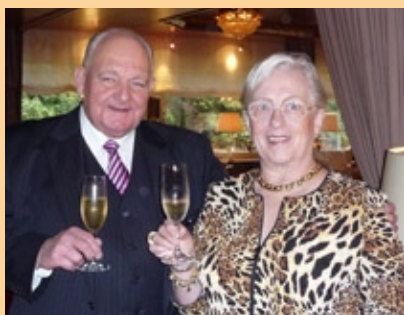


Robert Voss, Chairman of BIR's International Trade Committee which met for the first time in Düsseldorf.

Gerhard Teborg celebrates his 70th birthday

During the BIR Autumn Convention in Düsseldorf, Gerhard Teborg reached a significant milestone - his 70th birthday. Some 40 guests were taken by bus from the convention hotel to the Hotel-Restaurant Tannenhäuschen in Wesel where they were treated to a party with a buffet, jazz and a gospel choir.

Formerly a Vice-President of BIR's Stainless Steel & Special Alloys Committee for many years, Mr Teborg still works for German stainless steel company Scholz Recycling in Mülheim an der Ruhr. He also writes Recycling International's monthly nickel & stainless market analysis.



Gerhard and Margarete Teborg.

a recent Metal Bulletin article written by correspondent Lili She, it is suggested that Chinese scrap buyers are being far stricter with regard to the quality and quantities of scrap specified, while many are prepared to back out of deals even though cargoes have been delivered.



David Chiao of the Uni-All Group of Atlanta, Georgia, USA, and his wife Joan. In Düsseldorf, Mr Chiao was elected Vice-President of BIR's Non-Ferrous Metals Division.



Frank Gevelle (left) and Didier Hagelsteen of SGM Magnetics, the Italy-based sorting equipment manufacturer.

A scrap trader from Guangdong province is reported to have said: 'It is true that many Chinese buyers would rather sacrifice their deposit, usually around 20%, rather than take the overseas shipments lying at the ports. There is no reason for Chinese buyers alone to swallow the losses caused by abrupt price slumps. They (the suppliers) should (re)-negotiate prices with Chinese buyers now, so that both sides will not suffer big losses or even fall into bankruptcy.' Meanwhile, some Chinese traders have claimed evidence of foreign suppliers waiting for higher prices before breaking contracts at the last minute to sell to purchasers prepared to pay more.

Capitalism in question?

The global problems are so deep that the future of capitalism is coming under scrutiny. At the BIR Ferrous Round-Table in Düsseldorf, guest speaker Professor Dr Norbert Walter, Chief Economist at Deutsche Bank Group and Head of Deutsche Bank Research, said he is 'particularly frightened' by the distinct possibility that the current crisis will hamper the development of globalisation and foster increased protectionism. There is already talk, he said, that 'capitalism has outlived its welcome'.

And Paul Thomes of Aachen University's Faculty of Business and Economics in Germany, suggested to the BIR Non-Ferrous Metals Round-Table that the current economic crisis reinforces the need to aim for a fair allocation of resources and for more social responsibility which he termed 'responsible capitalism'. He called for 'a certain level of systemic control' of economic players while leaving 'space for creative entrepreneurial action'.

With the parlous state of many markets dominating proceedings in Düsseldorf, there was a danger that other important messages would become lost in the hubbub. However, the convention programme set aside ample time for discussion of, for example, key legislative developments. At the meeting of the International Environment Council (IEC), for instance, newly-installed Chairman Olivier François of Galloometal in Belgium welcomed the new EU Waste Framework Directive as 'giving us the possibility to have a view on end-of-waste status (for recyclables) after 30 years of effort'. And he added: 'If end-of-waste status is available in the medium term, it will mean we are selling substances.' □



BIR's Welcome Reception took place at the Rheinterrasse congress centre in Düsseldorf.

Future BIR Conventions

2009

May 25-27

Dubai
United Arab Emirates
Grand Hyatt Hotel

October 26-27

Amsterdam
The Netherlands
Okura Hotel

2010

May-June

Paris
France
Tentative

Autumn

Brussels
Belgium
Tentative