

Russian Steel Says New Decree Will Cost \$300M

By [The Moscow Times](#)

April 17, 2014



The average net cost of recycling scrap metal into usable steel is \$400 per ton, and even a \$20 increase in cost can lower profits.

A Ministry decree, in effect since March 21, may cost metals companies up to 11 billion rubles (\$306 million) said Russian Steel, an association of Russian steel producers who account for 90 percent of crude steel production in Russia.

The decree bans the transport of scrap metal in railway cars unless their bottom and top are covered with wooden boards. The ministry undertook the measure in order to ensure the safety of cars and cargo. State-owned Russian Railways has defended the move as necessary, and said the measure should prevent unsecured scrap metal being stolen, Vedomosti reported Thursday.

"We have to compensate metals companies for the theft. Boarding up the train cars is the simplest method for solving this issue," a Russian Railways representative said. Russian

Railways transports up to 16 million tons of scrap metal every year.

However, at least one metals company employee noted that the decision may come back to haunt the railways if companies decide it is more cost effective to switch to road transport to move their scrap metal.

According to Russian Steel, purchasing and installing the boards can cost upwards of 700 rubles (\$20) per ton of metal, eating away at scrap metals' already thin margins. The average net cost of recycling scrap metal into usable steel is \$400 per ton, and even a \$20 increase in cost can lower profits, said a metals company employee. In 2013 the export price for one ton of scrap-based billets decreased 6.9 percent, from \$540 to \$503.

Original url:

<https://www.themoscowtimes.com/2014/04/17/russian-steel-says-new-decree-will-cost-300m-a34186>