



Institute of
Scrap Recycling
Industries, Inc.

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Mr. Wang Jiwei
China Nonferrous Metals Association—Recycling Metals Branch
3/F, Chuangjing Building,
No.38 Capital Gymnasium South Road,
Xicheng District, Beijing, China

Via email to: cmra@chinacmra.org

Dear Mr. Wang,

Further to our discussions during the 2015 CMRA Annual Convention regarding China Certification & Inspection Group's (CCIC's) offshore inspection practices, ISRI would like to provide you with some examples of the challenges our members in North America have experienced.

1. The overwhelming majority of shippers of scrap material have asked numerous times why it is necessary to have a requirement for "double inspections." Stated simply, what is the purpose of the CCIC inspection at the shipping point if the load is going to be inspected again at the destination port by China Customs Inspection and Quarantine (CIQ) and clearance by CCIC does not assure clearance by CIQ?
2. One of the most frequently voiced concerns ISRI hears is that shippers of scrap materials to China must pay a significant fee to CCIC for the inspection services as well as travel expenses for the inspector, which can at times be very costly. However, despite paying this fee, CCIC's inspection is no assurance that the material will be cleared by CIQ upon arrival at the Chinese port. ISRI members have often opined that the principal reason for this disconnect lies with the fact that many of the CCIC inspectors are not familiar with the materials or the industry specifications¹ under which they were sold and also that the CCIC inspectors are not familiar with CIQ's criteria for clearing imports of scrap materials.

¹ The overwhelming majority of sales of scrap commodities to domestic and international manufacturers of new basic materials are made according to the *Scrap Specifications Circular: GUIDELINES FOR NONFERROUS SCRAP • FERROUS SCRAP • GLASS CULLET • PAPER STOCK • PLASTIC SCRAP • ELECTRONICS SCRAP • TIRE SCRAP* (the "Specs"), effective 1/21/2016. The Specs are published by the Institute of Scrap Recycling Industries, Washington, DC and may be viewed at <http://www.isri.org/docs/default->

3. For those shippers located outside of major metropolitan areas, we have heard that getting an inspector to the plant can take a long time. This has resulted in some instances where scrap shippers have had to pay excess demurrage charges for holding the container too long. ISRI members have also complained at times that they were not able to load a container in time for their scheduled sailing.
4. Each CCIC NA and global office works autonomously with different interpretations, guidance, documentation requirements and processes creating an uneven playing field between shippers in different nations. Working in this manner is also causing timing delays and added costs for what should be the same functional inspection services. Shippers have also experienced CCIC's poorly managed accounts receivable practices and in some instances required shippers to post large financial deposits to ensure timely processing of documentation.
5. Another common complaint from ISRI members is that CCIC inspectors are at times arbitrary or capricious in their assessment of the scrap materials. ISRI members have noted that two different inspectors viewing the same type of material at a single facility have had opposite opinions on whether or not the material is acceptable for shipment.
6. The "on-again, off-again" nature of self-inspection program and the absurd requirements for becoming recognized as a self-inspection company make it very difficult for shippers to participate in the program. There have been a couple of times over the past ten years when CCIC North America (CCICNA) has declared that they are withdrawing all self-inspection privileges. In most instances, notice of the change was issued in such close proximity to its effective date that there was no opportunity to seek amenable alternate arrangements to fulfill the inspection requirement. In the last case in which this happened, after keeping shippers on edge for several weeks CCICNA issued a set of rules that would have to be followed by any company seeking to be granted self-inspection status. Unfortunately, some of the rules contemplated shippers agreeing to absurd conditions without negotiation; for instance, the new rules had a "bonding" requirement that was tantamount to giving CCIC access to the self-inspection company's bank account, allowing CCIC to access funds in any instance where a shipment was denied entry by CIQ. There were no provisions for any administrative hearing before the penalty would be assessed and no provisions for appealing such penalty.
7. Another concern of scrap shippers is that, despite all the problems set forth above CCIC NA is the exclusive inspection agency for shipments bound for China. This is unlike any

<source/commodities/specsupdate.pdf?sfvrsn=24> . The scrap specifications address various criteria required to meet the quality, size and density requirements of the base materials manufacturers' end product and machinery constraints

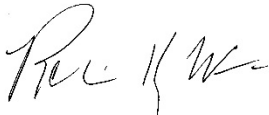
of country that may require pre-shipment inspection. Indeed, almost inevitably, those countries accredit several inspectorates allowing for competition that will keep pricing at reasonable levels and assure well trained inspectors that can make appropriate assessments of the materials before being loaded.

ISRI can appreciate why the Chinese government may require pre-shipment inspections, especially in light of the results of “Operation Green Fence” from 2013. Notwithstanding the fact that we can appreciate the government’s desire to protect the Chinese peoples’ health and the nation’s environment, we cannot understand how the Chinese government can appoint a single inspection entity that has free will to act in capricious ways and does so without regard to the consequences of their actions.

One solution to many of the problems outlined above would be to arrange in-person meetings where CCIC officials can discuss with shippers of scrap materials the problems that are regularly encountered. Additionally, ISRI would be very happy to provide training sessions for CCIC’s inspectors where they can get a better understanding of the scrap specifications² that are the basis of the transactions between ISRI members and CMRA’s members.

We greatly appreciate the initiative that CMRA has taken in trying to address this matter and stand willing to assist in any way we can. Please do not hesitate to contact me if there are any questions you may have or if you require further information.

Sincerely,



Robin K. Wiener
President

cc: Mr. Mark Lewon, ISRI Chair
Mr. David Chao, Chair, ISRI Trade Committee
Mr. Eric Harris, ISRI Staff Liaison, ISRI Trade Committee

² See footnote 1 on page 2.