

ITEKE Waste Recycling Co-operative

BUSINESS PLAN

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Executive Summary

This is a business plan for the ITEKE Waste Recycling Co-operative.

The objectives of this plan are to achieve the following :

- Facilitate registration;
- Highlight financial requirements for the sake of fundraising and sourcing of capital;
- Provide a plan for the start-up and development of the co-operative over time;
- Provide an evaluation tool to assess the progress and development of the co-operative.

Besides setting out the general economic activities, market analysis, strategies and organisational structure, the plan identifies the key financial requirements of the co-operative for start-up and details a set of priorities for implementation by the board.

Some of the main financial requirements for start-up of the co-operative relate to purchasing the following :

- Multi-purpose Crusher;
- Bakkie (1or 2 ton);
- 8 Collection Bins;
- Education and awareness building;
- Office infrastructure.

In terms of the Implementation plan, the following priorities have been identified for the board :

- Ensure members pay fees and purchase shares;
- Use business plan to raise finance or obtain donations for initial start-up capital requirements;
- Set up board committees;
- Obtain insurance as co-op expands;

1. Introduction

This is a business plan for the ITEKE Waste Recycling Co-operative. This co-operative was capacitated as part of the Eco-city project in Midrand. Before this ITEKE was a community based waste collection project, in Ivory Park, Midrand. It was established in 1996, as a voluntary association, and mainly collected tin cans. It was made up of ten members, with an even balance of men and women. By 1999 ITEKE has grown to about 16 members, 8 of whom are executive members. It has expanded its activities into collecting plastics, cardboard and paper.

ITEKE has its own operational site with an office and a shed. Donor support has been forthcoming from the United Nations, the Eco-city Project, Mondi and other NGOs. However, at this moment funding sources are drying up and the organisation has been given a final helping hand by the Eco-city project to turn its operations around. Funding has been provided for a six month period.

It is in this context that COPAC was brought in to assist ITEKE decide on conversion to a co-operative. At the first workshop held on the 26th and 27th September, about 14 members attended and it was unanimously agreed to adopt the co-operative option. It was felt ITEKE already operated as an informal co-operative working with co-operative values like voluntary membership, solidarity, community involvement and co-operation. Hence, the co-operative conversion was merely about consolidating, into a more formal framework, what already exists.

It is envisaged that the co-operative would not be for profit and would be 100% owned and controlled by its worker members. Women would be central to the life of the co-operative and the wider co-operative movement.

1.1 Objectives

The objectives of this business plan are fourfold and include the following:

- Facilitate registration;
- Highlight financial requirements for the sake of fundraising and sourcing of capital;
- Provide a plan for the start-up and development of the co-operative over time;
- Provide an evaluation tool to assess the progress and development of the co-operative.

1.2 Structure of the Report

Part I – sets out the co-operative economic activity;

Part II – provides a brief market analysis which highlights the prices, competitors and transport challenges;

Part III – elaborates the strategies the co-operative needs to utilise in order to start-up and expand. These strategies are for increased waste collection, processing, marketing, environmental education and awareness building and training;

Part IV – defines the organisational framework of the co-operative and maps out the decision-making structures and processes;

Part V – provides a perspective on how the co-operative would build an internal capital pool, deal with external sources of finance and identify its financial requirements;

Part VI – sets out an implementation plan that contains a set of priority action items for the incoming board, in order to ensure the co-operative is able to start-up and ultimately utilise the strategies that have been defined in the business plan.

Part I

2. Co-operative Activity

2.1 Objectives

The following objectives have been identified by the prospective co-operators for the agricultural co-operative :

- Eradicate poverty in the community;
- Become the main environmental waste collection agency in the community;
- Provide subsistence employment for members;
- Build unity amongst members;
- Build capacity for self reliance and self management;
- Expand the co-operative movement in the community by working with other co-operatives and doing education work;
- Provide marketing, transport, organisational infrastructure and processing facilities;

2.2 The Economic Activity

The root economic activity of ITEKE is the collection of cans, aluminium pieces, plastic, bottles, glass bottles and paper, from surrounding communities and industry.

Members and non-members, do the collection and then bring the eco-waste to the ITEKE site. The waste is sold to ITEKE according to a price list - per kilogram. After this sorting takes place: paper and plastic according to texture and bottles according to colour.

After sorting, baling takes place and bundles are sold to recycling centres. ITEKE normally hires transport and ensures that the eco-waste is delivered to buyers. By selling in large quantities ITEKE is able to secure a higher price for its waste. In terms of buyers for ITEKE waste, paper is sold to Mondi, glass to Consul, aluminium to Scrap Metals and plastic to Polyfill.

Currently there is no real processing or actual recycle treatment that takes place at ITEKE itself. Several problems also plague the operations of ITEKE at the moment which include :

- Lack of transport to take materials to recycling plants;
- Insufficient self management skills;
- Lack of operational infrastructure;
- Limited capital;

However, notwithstanding the problems facing ITEKE, the overall benefits to the community are important and these are :

- Less pollution from waste that is dumped into landfills;
- More land is available for development;
- Community awareness about the environment changes as they change their lifestyles to ensure recycling;
- Less costs to the municipality and ultimately the community with the decreased volumes of waste that are disposed.

2.3 Benefits to Members

The prospective co-operators identified the following advantages or benefits that can be derived through the co-operative :

- Equal share ownership as worker owners;
- Skills acquisition both to manage the co-operative and in collection, recycling and production;
- Surpluses which would be shared with members through higher wages;
- All worker owners will be entitled to contribute to decisionmaking in the co-operative;
- All worker owners can stand for election to the board;
- All worker owners could earn a 'wage'.

2.4 Types of Members

The co-operative would only have one type of member – a worker owner. This means every member has to work in the co-operative, that is, sell eco-waste to the co-operative and perform other volunteer activity, purchase a share and have one vote in the decision-making process.

2.5 Location

The local council has given ITEKE use of the Olifantsfontein transfer station and a site in Ivory Park Ext. 3.. Currently, ITEKE runs most of its collecting, sorting, buying and selling from the Ext. 3 site.

ITEKE's postal address : P.O. Box 16835
 Rabieridge
 Midrand
 1685

Part II

3. Market Analysis

3.1 Price of Eco-waste Material

At its buy back centre ITEKE buys recycable waste from it s members or the community and in turn sells this to recycling operators like Mondi, Consul etc. The price paid to the members and that paid by the recycling operators allows ITEKE to have a small profit margin which allows it to maintain its operations. The pricing is as follows :

| Material | ITEKE Price (per Kilogram) | Recycling Operator Price (per kilogram) |
|--------------|----------------------------|---|
| Paper | 15 c | 27 c |
| Cans - steel | 25c | 37c |
| Alluminium | R3.20 | R5.20 |
| Other | 3c | 5c |
| Bottles | 10c | 15c |
| | | |

Ultimately, the volumes or scale of materials bought and re-sold determines the viability of this enterprise.

3.2 Competitors

ITEKEs main source of recycable waste is from the industries surrounding the Ivory Park community. However, some of the recycling operators like NAMPAK are placing bins at supermarkets and retrieving waste on their own, thus cutting out the small operator. Agreements with supermarkets are tight and exclude new and small entrants.

Community waste is not a major source of recycable material. This is primarily because households have not been educated about seperating out recycable waste and this is not a widespread practice. This forces ITEKE to sort out waste enroute to the landfill site. At the same time, many smaller refuse collectors operate in Ivory Park but because of transport problems are not able to sell directly to recycling agents. This forces them to sell directly to ITEKE.

3.3 Transport

Transport is one of the biggest constraints facing ITEKE. It is forced to hire vehicles and this places a drain on its resources. The cost of hiring a truck from Imperial Cart hire is estimated at R720 p/day for a 4 ton doing 3-4 runs or R873,24 p/day for an 8 ton doing two runs in one day.

In the end a small local operator is being used but there are problems being experienced, ranging from a failure to reach pick up points on time or to fewer runs than are required are made per week.

Part III

4. Strategies

There are five main strategies that would guide the development of the co-operative : (1) Increased Collection (2) Processing (3) Marketing (4) Education or Awareness Building and (5) Training.

(1) Increased Collection

Goals :

- Increase waste collection from 12 tons per week to 36 tons per week;

Strategies :

- Purchase 4 (6 square metre) bins and place them at strategic locations in the industrial areas for collection;
- Purchase 4 (6 square metre) bins and place them at strategic locations around Ivory Park for households to deposit recyclable waste;

(2) Processing

Goals :

- Produce an ITEKE recycled waste product or products;
- Expand recycling activity beyond collection and re-sale;
- Provide employment.

Strategies :

- Secure project from Wits Technikon for paper-making plant and products;
- Involve Eco-builders Co-operative in the construction of the paper making plant;
- Engage Enoch Dlamini to secure plant for recycling plastic;

- Purchase crusher for glass bottles;
- Do a feasibility study on a joint venture with local toy makers to utilise tins for the production of toys;
- Develop a joint venture Greater Midrand Organic Agricultural Co-operative for a compost making project

(3) Marketing

Goals :

- Becoming the main buy back operation for eco-waste in Ivory Park;
- Prevent downward price competition between waste collectors;
- Build the membership base of the co-operative;
- Secure financial support from companies for the disposal of their waste;

Strategies :

- Have a workshop with all eco-waste collectors to inform them about the co-operative and invite them to join;
- Actively recruit eco-waste collectors when they come to sell to ITEKE;
- Approach companies to become main waste disposal agent and hence secure partnership. For example, SAB, local bottle stores and shebeens can be approached for a partnership regarding the disposal of beer cans and bottles.

(4) Education and Awareness Building

Goals :

- Make members and the community aware of the need for recycling in the community;
- Impact on households to separate eco-waste at source and thus utilise ITEKE bins;

Strategies :

- Produce and distribute a pamphlet;
- Hold workshops to encourage to encourage recycling and separation at source in homes;
- Use community radio stations, newspapers and Eco-city marketing to convey message about recycling and the environment;
- Produce a T-shirt;
- Organise groups, like churches, school children , social workers and so on, to visit the ITEKE site and have short on the site seminars;

(5) Training

Goals :

- Build capacity for self reliance and self management;
- Open pathways for vocational training;
- Contribute to literacy and numeracy of members.

Strategies:

- Work with COPAC to secure leadership training and financial management training for Co-operatives;
- Do a vocational training needs assessment of ITEKE members and develop appropriate training opportunities;
- Engage NGOs and even the Department of Education t for an Adult literacy program.

Part IV

5. Organisation

At the base of the co-operative are worker owners who have both ownership and decision-making rights. Worker-owners would compose the board of the co-operative. The board would exist at its apex and will be composed by a minimum of 8 and a maximum of 10 worker members, as directors. Sub-committees will be formed by the board which would focus on the core streams of economic activity:

- Collection;
- Processing;
- Marketing;
- Education and Awareness Building;
- Training; and
- Finance.

In addition the board would make policy decisions, managerial decisions and enact bye laws if necessary. The general members meetings are the most important meetings in ITEKE. It is in this forum that worker owners can provide mandates and take decisions on important issues for the board to develop policy on or operationalise.

Part V

6. Financial

6.1 Internal Sources

Goal : both in the short and long term is to build an internal capital pool for financial sustainability.

The following sources would be developed in the short term :

- Membership fees for shares (@ R30 p/share); and
- Annual subscription fees (@ R5 at every AGM)

In the long-term the following sources would be used to develop the internal capital pool :

- 60% of all surpluses would be re-invested into the co-operative or saved;
- 20% of all surpluses would be used for training;

6.2 External Sources

External sources are not central for the sustainability of the co-operative. These sources would only be used if the self reliance and independence of the co-operative would not be undermined.

Goal : add to the internal capital pool of the co-operative such that self reliance can be achieved.

The following sources of external finance can be used :

- Loans – Khula Enterprises, the local Co-operative Bank;
- Donors – for specific capital goods;
- Subsidies – in the context of national government policy;
- Partnerships - like SAB or other companies that can be convinced about spending on the environment and ultimately promote recycling.

6.3 Financial Requirements

The main financial requirements of the co-operative relate to the following :

| Need | Estimated Cost |
|---|-----------------------|
| 1. Multi-purpose Crusher | R45 000 |
| 2. Purchase Bakkie (2 ton) | R40 000 |
| 3. 8 * Refuse Bins (6 m squared) | R32 000 |
| 4. Education and Awareness Building | R10 000 |
| 5. Office infrastructure -computer, fax and printer | R15 000 |
| Total | R142 000 |

Part VI

7. Implementation Plan

The following priorities have been identified for the incoming board to ensure the co-operative can start-up and eventually implement the other strategies identified in the business plan:

- Ensure members pay fees and purchase shares;
- Use business plan to raise finance or obtain donations for initial start-up capital requirements;
- Set up board committees;
- Obtain insurance as co-op expands;