

RE: THE RELEASE OF MORE FUNDS TO SUPPLEMENT THE COST OF RECYCLING

Dear Patricia

Our GM has been on a roadshow for the past four weeks, visiting recyclers across the country. It is evident that the recycling industry is in crisis, with multiple factors (electricity, labour, virgin costs, cheap imports, etc.) impacting their viability. In recent months, numerous recyclers have decided to down scale or close down entirely. This threatens the livelihoods of many people employed in this industry. SAPRO is calling on Polyco to step in to fill the gap on behalf of the South African plastic recyclers.

From the 1st of March, the National Minimum Wage went up by 8.5%, while electricity increased by ~12.5% on the 1st of April. Loadshedding places a further cost burden of alternative energy solutions upon recyclers. Diesel costs are also growing steadily which impacts transport and generators. Furthermore, the cost of equipment and spares has increased beyond the capability of the recycling industry to recover this from their market. Meanwhile recyclers are unable to pass on cost increases to customers, who have the option of imported or virgin material. Both options frequently outcompete recycle, which destabilizes the local market.

There is an urgent need to improve the viability of our local recycling industry. It is apparent from recycler engagements, that the 10c/kg subsidy from Polyco is not making enough of an impact to mitigate the increasing operating expenses. It has been indicated that an operational subsidy of roughly 40c/kg would be required to save many of the ailing recycling companies and that regular cash pay-outs are a necessity.

We believe that the established recycling businesses have the greatest chance of surviving and achieving the targets set for increased recycling. This is due to resident expertise and experience. Furthermore, a small percentage growth in these companies would lead to a greater volume growth than for start-ups and is more likely to persist.


In light of the above, SAPRO formally requests that Polyco release more funds to their existing partners so that the volume-based subsidies adequately compensate for the aforementioned stressors. Furthermore, we would like to open a dialogue with you regarding funding moving forward.

Thank you for your attention to this matter. We look forward to your response.

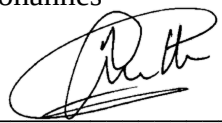
Yours faithfully
Chairman of the SAPRO board



Johann Conradie
Chairman




Rudi Johannes



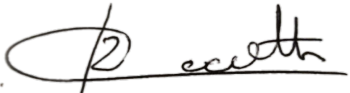
Fred Cheetham



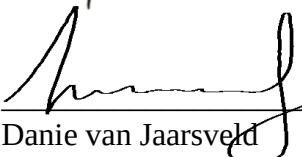
Douglas Greig



Charles Muller
Vice Chairman



Duard Raath



Danie van Jaarsveld



Johan van der Merwe