

Hauler & Processor Consultation Session October 29th 2013 - Questions and Answers

On July 1st 2014 OTS is proposing to shift the payment of TI incentive (TI) to a less complex model based on point of delivery and not point of pick-up, this reduces opportunity to game the system by misreporting point of pick- up, this also streamlines the TI rates to be simplify for Haulers and reduce OTS Administration.

Q: When OTS mentions the number of tires which are being generated out of specific areas that does not make sense, is this the data which they use to create the specific catchment areas?

A: No, OTS uses the Hauler TCR forms to generate this information also OTS will go back and audit Collectors within these areas which they believe may have provided insufficient, and then from the outcome of the audit OTS will determine how many tires should be removed from the data within that specific FSA zone.

Q: If there is a total of a 3 million tire capacity within the GTA, and a total of 2 million tires are picked up within the GTA throughout the year does OTS expect that all 2 million tires get shipped to a Processor within the GTA?

A: Yes, the TI incentive model has been built from the beginning of the program to work this way; it is expected that all tires should be delivered to the closes Processor within that catchment zone.

Q: Can you please define the GTA zone a little more?

A: The GTA zone will be outlined in the catchment zone maps and the comprehensive FSA model spreadsheet that will details all zones.

Q: Within the last month all the Processors have received a revised rate for selling reused tires, the rate is being calculated by the average of all the tires being delivered to our facility. Are the numbers on the board based on the average of tires being delivered to my facility today?

A: The numbers used to determine the average TI rate to that processor was based on straight deliveries to processors for 2012 data only. The TI model is based on the white paper which was done back in January 2013 and is available on the web for review.

Q: Is OTS proposing all of the North to be one complete area and consist of the same rate all around?

A: OTS is claiming that all zones which fall under the north category is any postal codes which start with the letter "P".

Q: Is OTS still expecting Processor's and Haulers who are integrated to post a bond?

A: OTS is currently looking into not having Processors who are integrated post a bond against themselves.

Q: If a Processor gets a waiver from a Hauler who they work closely with which states that the Hauler does not need for the Processor to post a bond for their company, would OTS allow this?

A: OTS would have to go back and confirm if this is okay as per the agreements.

Q: Is OTS going to be able to provide the Processors with a ruling that the incentive paid out to them for the Hauler TI will be exempted from HST?

A: Haulers will not be exempted from the HST. Since it is a taxable supply, the hauler may then offset the HST paid against the HST collected.

Q: When will the new participant agreements be released?

A: At the moment OTS is currently waiting on the lawyers to get back to us with the final release of the agreements. Once OTS has received the new agreements they will be sent to all participants and must be signed and returned to OTS within 45 days.

Q: What is going to happen in July 1st 2014, will the Collector also be receiving payment from the Processor and how will this work?

A: OTS will compensate the CA into the processor payment. In regards to the amount to pay out to each collector and how will have to be determined between the relationship of the processor and collector (as well as through hauler).

Q: Will there ever be a reduction in a CA incentive for the Collector or will the Hauler, Processors and RPM's continue to carry the cost of the CA incentive?

A: As of right now OTS is not proposing a CA incentive rate reduction.

Q: If the Processor is going to be receiving the Collection Allowance they would then have to pay the Collector, however most Processor within the program are not certain of which Collector the tires originated from because that relationship rests with the Hauler. How will Processor be able to effectively flow the CA to the Collector:

A: OTS is aware at the moment there is a significant amount of activity in the market where Collectors are receiving payments from their service providers for their tires, and that this is being funded by the Processors. As a result the fact that the Processor may not have direct connection with a Collector is not seen by OTS to be an impediment to the Processor being able to pay the Collector a direct incentive for their tires.

It should be noted that this approach also would likely result in some benefits for Collectors including:

- Receiving payment more quickly(vs. quarterly through OTS)
- Reducing the amount of information required to be reported to OTS on a regular basis
- Reduced liability for errors in reporting quantities of tires being picked-up

From a program perspective this approach would save OTS some administrative savings.

Q: What is the percentage cost to the program for the Collection Incentive?

A: OTS had paid out almost \$8 million in incentives to collectors in 2012 (approximately 19% of incentives paid out).