

A. INTRODUCTION

- Objective of consultation is to invite industry feedback on 3 proposed product incentives.
- To support the goal of an economically self-sustaining industry, the objectives are:
 - *From a program perspective* – to increase the volume of OTS rubber and fiber used; and increase the value and diversity of the products produced in Ontario.
 - *In terms of the incentive eligibility process* – to be fair, equitable and transparent while avoiding unintended consequences.
- Note: To reflect that some products deemed eligible for one of the new incentives might not traditionally be considered “manufactured” products, the existing term RPM (Recycled Product Manufacturer) has been modified to RPM/F (Recycled Product Manufacturer/Fabricator – *TO BE CONFIRMED*).

B. THE NEW INCENTIVES: PRODUCT & FINANCIAL CHARACTERISTICS

1. New Manufactured Products Incentive (NMPI) – incremental \$60 per tonne	
NMPI Overview	Product Details
<ul style="list-style-type: none"> • Offers an additional \$60 per tonne for the product’s Ontario sourced recycled rubber component, i.e., this incentive is in addition to the existing MI (Manufacturing Incentive) • After January 1, 2016 (targeted), this ongoing incremental incentive will be available for 18 – 24 months on each approved product, depending on whether the product is registered/sold in Q1-Q2 or in Q3-Q4 of the particular year • RPM/Fs may apply for the NMPI for more than one product over time • OTS’s total annual expense cap is \$2M for the incremental incentive <ul style="list-style-type: none"> ◦ After 2016, the OTS annual budget for NMPI may vary and as a result, the annual rate may also vary • Applies to manufactured products introduced by RPM/Fs which are “substantially new” or are manufactured using a “substantially new” manufacturing process (see details at right) 	<p>The product must use “MEC” technology (i.e., it must be Moulded, Extruded or Calendered)</p>
	<p>AND, if substantially new</p>
	<p>The product must contain Ontario sourced recycled rubber and meet a market opportunity that has not previously been met using a recycled rubber product by a Canadian manufacturer</p> <ul style="list-style-type: none"> • For a market opportunity to exist, the RPM/F must be able to identify its potential customers, the specific needs required to be met, the size of the market, and its capacity to capture market share
	<p>OR</p>
	<p>The product is an existing product using Ontario sourced recycled rubber and must have been re-formulated to increase the amount of recycled rubber by greater than 25%, by weight, in the product</p> <ul style="list-style-type: none"> • RPM/F must demonstrate that the re-formulated product meets an unsatisfied or unique market opportunity
	<p>AND / OR if from a substantially new manufacturing process</p>
	<p>The product must already be approved for the MI, and the changes in the manufacturing process by which it is produced must have the potential for a significant improvement in the manufacturing process as a result of a demonstrated capital or R&D investment</p> <ul style="list-style-type: none"> • RPM/F must demonstrate there will be improvement in its cost to produce the goods OR in its profit margin per lb. of rubber in the products sold (e.g., minimum of 5% improvement)

Incentive Scenario: RPM/F re-formulates an existing product with > 25% crumb added

	Year 0	Year 1	Year 2	Year 3 >>
Existing Product: 1000 tonne/yr. @\$80 (MI)	\$ 80,000			
New Product: 1250 tonne/yr. (MI on 1250 + NMPI on 250)		\$115,000	\$115,000	
New Product: 1250 tonne/yr. @\$80 (MI)				\$100,000

Incentive Scenario: RPM/F makes a new product, with (say) 10% rubber content

	Year 1	Year 2	Year 3 >>
New Product: 1000 tonne/yr. @\$140 (MI + NMPI)	\$140,000	\$140,000	
New Product: 1000 tonne/yr. @\$80 (MI)			\$ 80,000

QUESTIONS TO INDUSTRY RE NMPI:

- Are the definitions of “substantially new product” and “substantially new manufacturing process” clear in their intent?
- Is a >25% increase in rubber content the correct amount for re-formulated existing products?
- Based on the example calculations above, will the new incremental incentive encourage new/valued added products?
- Is the approach to calculating the maximum 24 month incentive period workable?
- Does a potential annual fluctuation in the NMPI per tonne rate (i.e., up or down from the original \$60) pose any issues?

2. Value-Added Products Incentive (VAPI) – \$40 per tonne

- Offers \$40 per tonne for **crumb** used in the production of finished products which **do not** meet the definition of a manufactured product (i.e., it does not use “MEC” technology); and \$40 per tonne of **fiber** used in finished products that **do or do not** use MEC technology, provided the fiber in these products serves as an integral component of the product, not simply as a filler.
 - incentive *excludes* rubber mulch and Rubber Modified Asphalt (RMA)
- After January 1, 2016 (targeted), this **ongoing** incentive will be paid for pre-approved products upon proof of sale of the product by the registered RPM/F (each RPM/F must have their products pre-approved by OTS)
- Any products not included in the following list must be supported by the RPM/F through the product Application process
 - crumb in in-situ “molding” or installation of walkways, driveways or pour-in-place playground surfaces
 - crumb in production of non-molded animal mattresses (where crumb is used as resilient filler inside a casing)
 - inclusion of fiber in manufactured products
- After 2016, the OTS annual budget for VAPI may vary and as a result, the annual rate may also vary

QUESTIONS TO INDUSTRY RE VAPI:

- Are there any other products and/or factors that OTS should be considering?
- Does a potential annual fluctuation in the VAPI per tonne rate pose any issues?

3. Rubber-Modified Asphalt Incentive (RMAI) – Initially \$250 per tonne

- Offers \$250 per tonne for 2016 – 2018; incentive rate will be adjusted to \$150 per tonne in 2019
- After January 1, 2016 (targeted), this **ongoing** incentive will be paid to the registered producer of the Rubberized Asphalt Cement (RAC) upon proof of sale of the product.
- Intent is to support the *production* of RMA in Ontario using Ontario crumb for Ontario projects

QUESTIONS TO INDUSTRY RE RMAI:

- Is the correct participant being paid?
- Should eligible projects (sales) be limited to those within Ontario?

C. ELIGIBILITY: APPLICATION & CLAIM PROCESSES

- A Registration Application to become an RPM/F (assuming manufacturer/fabricator is not already registered as an RPM) must be completed and approved by OTS before being considered for any incentives. Application/criteria will be substantially similar to the existing requirements for RPMs.
- Each product considered for one of the 3 incentives must be pre-approved by OTS.
 - Eligible products known to OTS will be assigned an “Eligible Product Code” as of Jan. 1, 2016.
 - For products not approved in advance, manufacturers/fabricators must complete an Application to OTS to request that they receive an “Eligible Product Code”.
- For existing products proposed for the NMPI due to significant manufacturing improvements, the onus will be on the RPM/F to demonstrate the level of investment and its potential for “significant improvement”.
- All claim approvals will be based on **proof of sale to eligible third parties**, substantially similar to the existing requirements for the MI.
- Claims must be submitted to OTS monthly, and approved claims will be paid quarterly.
- OTS will reserve the right to disallow some types of uses for any of the 3 incentives.

QUESTIONS TO INDUSTRY RE APPLICATION & CLAIM PROCESSES

- For any/all of the 3 incentives, should the RPM/F be required to meet published voluntary & mandatory standards as developed by the industry for the use of the product in its intended purpose? And if so, should the RPM/F be required to provide a warranty to the purchaser/user, based on those standards? (This could include installation standards where the RPM/F is also the installer.) Some examples include:
 - Canadian Standards Association (CSA) voluntary standards for playgrounds, including surfacing
 - Ontario Municipal / Provincial standards for road surfaces
 - Ontario Provincial Standards for sealing cracks in hot mix asphalt pavement

D. WHERE TO FROM HERE?

- Industry will provide written feedback to OTS within 2 weeks – **Deadline by November 9th 2015.**
- OTS will prepare full program description, procedures, etc. for consultation **on November 26, 2015.**