



# Rethink your relationship with tires

Proposed Amendments to OTS Steward Fee Rules for Wind Up

February 2018

## Why Steward Fee Rule Amendments are Necessary for OTS Wind Up

- Under the *Waste Diversion Transition Act, 2016* (WTDA), Steward fees under the Used Tire Program (UTP) can be set by Ontario Tire Stewardship (OTS) rules or through regulations passed under the Act.
- Current WTDA regulations codify current OTS fees and a reconciliation process for OTS fees up until June 30, 2017:
  - OTS Steward Fee rule amendments are required to amend Steward fees during the Wind Up period and to create a reconciliation processes for Steward fees beyond June 2017.
- Amended Steward Fees rules will be implemented in conjunction with approval of the OTS Wind Up plan (or shortly thereafter).

## Substance of Steward Fee Rule Amendments

1. Implementation of PLT Steward Fee elimination as per OTS Wind Up Plan;
2. Establish Steward Fee reconciliation processes for 2017 and 2018;
3. Establish a Steward Fee reconciliation process for the historic OTR account deficit;
4. Establish a process for OTS Wind Up and final distributions.
5. Housekeeping changes to reflect program Wind Up, passage of the *Waste Diversion Transition Act, 2016* and related regulations.

# 1. Implementation of PLT Steward Fee elimination as per OTS Wind Up Plan

- Current OTS Wind Up Plan proposes implementation of Steward PLT fee elimination for October 15, 2018 or alternate date pending resolution of other Wind Up Plan financial contingencies.
- Amended Steward Fee rules (section 4) will include provision enabling PLT fee elimination:

Tire Category	Current Fee Rate	Mar 31/18 to Oct 15/18 or Alternate Date	Oct 15/18 or Alternate Date to Dec 31/18
PLT	\$3.30	\$3.30	\$0.00*
MT	\$12.95	\$12.95	\$12.95
OTR (per PLT equivalent)	\$5.55	\$5.55	\$5.55

- Stewards will be given minimum of 30 days notice regarding any fee changes.
- *\*Note: Stewards will be obligated to submit monthly PLT volume reports to OTS even though fee is zero.*

## 2. Steward Fee Reconciliation Processes for 2017 and 2018

- Amended Steward Rules (section 5) will include a Steward Fee reconciliation process for the calendar years 2017 and 2018:
  - OTS will draw down reserve funds to balance the on-road accounts which are currently operating in a deficit situation:
    - There will be no rebates or invoices issued to PLT Stewards for these years as a result of the reconciliation process unless unanticipated financial contingencies in 2018 place OTS in a large deficit/surplus situation heading into Wind Up.
  - OTS will also use the reconciliation process to determine the exact amount by which the historic OTR account deficit has been reduced in each calendar year.
- Annual 2017 and 2018 tire category reconciliations are a necessary financial precursor to final program Wind Up and financial reconciliations.

### 3. Steward Fee reconciliation process for the historic OTR account deficit

- Section 6 of the proposed Steward Fee rules creates a reconciliation process for the historic OTR account deficit.
- OTS is current dealing with financial contingencies in relation to potential HST liability that may affect the level of OTR account deficit that needs to be repaid at program termination (December 31, 2018).
- Following resolution of HST liability in 2018, OTS will provide OTR Stewards of an initial estimate of OTR account deficit payments that may be required in 2019:
  - Final OTR account deficit statements will be issued by OTS to OTR Stewards prior to April 1, 2019;
  - In the event that OTR Stewards are required to make payments to balance the OTR account deficit those invoices will be due no later than April 30, 2019.

## 4.OTS Wind Up and Final Distribution

- Section 7 of the proposed Steward Fee rules creates a process for final distributions for the OTS program.
- OTS is targeting resolution of final financial obligations and program Wind Up for June-July 2019.
- Any surplus funds remaining with OTS following the resolution of Wind Up obligations in 2019 will be distributed to Stewards in proportion to their contribution to that surplus:
  - Dependent upon final liquidation activities, OTS disbursements made in relation to Stewards related to final program disbursements may be made in a multiple-stage process.

## 5. Housekeeping Changes to OTS Steward Fee Rules

- Proposed Steward Fee Amendments include a number of minor changes to current rules to reflect program Wind Up and related statutory and regulatory changes:
  - Update references to *Waste Diversion Transition Act, 2016* and related regulations;
  - Updated reporting requirements to address new Stewards reporting in last months of UTP;
  - Implementation of effective date for amended Rules.



# Proposed OTS Steward Fee Rule Amendments

- Questions?
- Comments?

# Appendix



## Section 33 *Waste Diversion Transition Act*

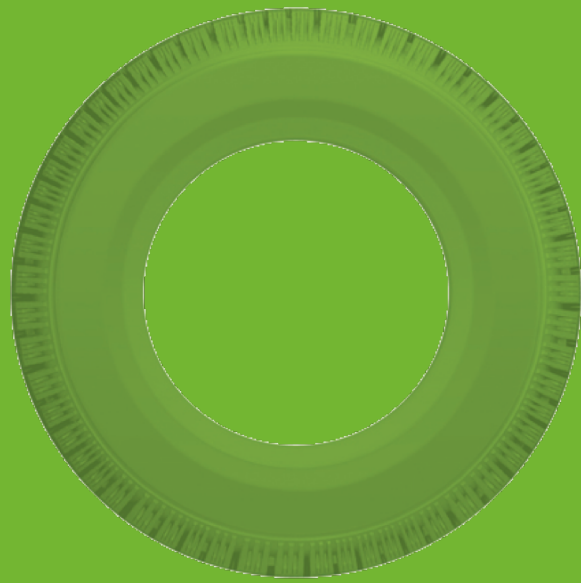
### Fees

(5) In making rules under clause (1) (b), the industry funding organization shall have regard to the following principles:

1. The total amount of fees paid by stewards under section 34 in respect of a waste diversion program for a designated waste should not exceed the sum of the following amounts:

- i. The costs of operating the program.
- ii. The costs of developing and implementing changes to the program.
- iii. The costs of developing and implementing a plan to wind up all or part of the program.
- iv. The costs incurred by the organization or the Authority to wind up all or part of the program.
- v. The costs incurred by the organization or the Authority to wind up the organization.
- vi. Costs incurred by the Authority in exercising its powers and carrying out its duties as they relate to the industry funding organization.
- vii. Costs incurred by the Crown in administering this Act and the regulations, as the costs relate to the industry funding organization and the Authority's oversight of it, including costs associated with appeals to the Tribunal of the Authority's orders.

2. The fee paid by a steward should fairly reflect the proportion of the sum referred to in paragraph 1 that is attributable to the steward.



 **OTS**