

**Processor Consultation Session August 14 2013 Question and Answer**

**Q: Is the new potential TI model, going to cause competitive disadvantage to processors who are not in a zone which pays more per tonne?**

**A:** The new TI model is the same as the current model where OTS has assumed that the tires which are picked up in a particular FSA zone are dropped off to a processor which is located closest to that zone.

**Q: When OTS reviews the map and uses it to determine where all tires are being picked up and delivered how they are going to ensure that the dollar amounts are accurate for each zone should there be loop holes.**

**A:** Once OTS has completed the map OTS will be using the information which the haulers provide us currently from the claims they submit and determine the amount of PTE's which are being picked up in that particular FSA zone to ensure that the dollar figure for each tonne dropped off to a particular processor is accurate.

**Q: What qualifies as current OTS challenges?**

**A:** Currently the challenges which OTS is facing are the gaming of the system which is happening.

Example:

**Q: Ontario Tire Stewardship is the only Stewardship program across the country which pays a collection allowance why is that?**

**A:** When they were first developing the program OTS was directed by the Minister's letter that they had to pay for the cost of collection. Therefore the .88 cents for PLT tires and \$3.05 for MT and OTR tires is paid to Collectors for the cost of handling and storing these used tires.

OTS has set up minimum standards for Collectors in order for them to receive the CA incentive.

**Q: If the processor becomes the point in which OTS decides to inject all the incentives to, would the processor be the one determining how much they pay to their downstream providers?**

**A:** It would be up to the commercial relationship between the Processor, Hauler and Collector on how the incentive would be. OTS rates will still be made public so all stake holders and the general public are able to see the figures.

**Q: If Haulers and Collectors would be receiving their incentives from the Processor they have chosen to work with, would that then make the Processor responsible for paying HST?**

**A:** Yes, the CA and TI incentives would be subject to HST even if the payment is being funneled down through the Processor. However Processors would be able to offset any payments against HST collector on TDP sales, resulting in the HST being simply a flow through as opposed to a cost (as it is for OTS). If HST payments are larger than HST collector a Processor would be eligible for a rebate of the difference from CRA. Currently if a Processor is making a payment to any Haulers or Collectors they should be paying HST on those incentives.

**Q: Will there be specific guidelines provided to the Processor by OTS as to how they are to pay their Haulers and Collectors?**

**A:** At the moment OTS is not planning on providing any guideline to the Processors on how they are to issue payments to their Haulers and Collectors. The relationship between the Processors, Haulers and Collectors will continue to be the responsibility of the stakeholders to manage as would the payment method. Should there be a change OTS will notify all the Processor a head of time of this change.

**Q: What generates the need for the change of the two tiered incentive?**

**A:** Having a two tiered incentive is fairly complex for OTS to track internally, therefore moving to a more stream lined model is much easier to manage.

**Q: With the changes to the TI structure how will OTS ensure that all areas of the province continue to be serviced by Haulers picking- up tires?**

**A:** Which ever changes are implemented OTS remains committed to ensuring all areas of the province are able to access free pick-up of their used tires. Based on current market dynamics OTS does not believe that this service will interrupted as there is currently a greater demand of tires by Processor than there are actual tires, resulting in Processors being highly motivated to ensure that tires from all over Ontario are pick-up and delivered to meet their needs. Additionally OTS has accumulated considerable data on tire pick-up and delivery costs and so anticipates being able to effectively set TI rates which will be adequate to ensure appropriate levels of service is maintained.

In the event that there area of the province which end- up being underserviced OTS has a number of options it may pursue to address these needs, including issuing and RFP for transport of tires from that area and contracting directly with a Hauler to provide the required service.

**Q: Will OTS be considering adopting and RFP/Allocation approach where OTS awards quantities of tires to Processors based on a tendering process?**

**A:** OTS is currently seeking to minimize its direct intervention into the market and so is not planning on moving to a program model where we directly manage used tire flows to individual Processors.

**Q: If you have a Processor is making a lower end of TDP would they then have less money to incent a Hauler or a Collector?**

**A:** What OTS pays for the Processing incentive would still be based on the type of TDP you're paying however the transportation and collection allowance would still be based on the factors OTS takes into account today

**Q: Based on the new incentive model, what would happen if a Processor is at its maximum capacity and a Hauler is forced to deliver their tire elsewhere?**

**A:** If you are a Hauler picking up tires in a certain FSA zone and the Processor which you normally deal with is not able to accept your tires due to capacity then it would be up to the Hauler and Processor to determine where the tires can be delivered.

**Q: Will Processors still be able to use the PIT form the way they have been once we move to the new model?**

**A:** Once, OTS moves to the new model PIT forms will still work as they currently do.

**Q: Is OTS willing to go back to the current proposed PI incentives if the Processor is able to provide substantial reasoning why they believe these rates are unfair?**

**A:** If a Processor is willing to provide OTS with substantial reasoning and can prove to OTS that the proposed rates are unfair then OTS is willing to review the rates.

**Q: What is the timeline in which OTS is seeking to implement all of these changes?**

**A:** OTS is asking that Processors provide feedback and comments regarding the changes by August 30<sup>th</sup> 2013, and then we will have another consultation session in September with the entire group of participants where we will present the combined revised plan.

**Q: What is OTS's commitment as per timing to provide the participants with all resources which OTS still needs to complete so that the Processors are able to provide OTS will feed back by August 30<sup>th</sup> 2013?**

**A:** OTS is currently working on those resources however if it does take OTS a little longer to provide these resources to the Processor's then OTS will extend the August 30<sup>th</sup> date.

**Q: For the proposed TI rate models why is OTS not able to have a delivery rate with a variance based on geography?**

**A:** OTS is definitely opened to these ideas and will have to go back and look into this model in further detail and provide the Processor's with their findings regarding this particular model at the next consultation session.

**Q: Based on the proposed Processor Bond calculation which OTS is looking into implementing, if you are an integrated Hauler and Processor would the bond for your own Hauling business still be necessary?**

**A:** OTS looks at TI (transportation incentive) payments separate from PI (processing incentive) payment. However for the first year of the shift OTS may ask for all the integrated Processors to post a bond on all of their tonnes of tires and TI which came through their integrated hauling account, then for the second year we may ask to just post a bond for the tonnes of tires which your Processing account is receiving just from the independent haulers. OTS is currently looking into this bond calculation and will definitely provide the Processors with more updates and final decisions.

**Q: How does OTS in vision the new field investigator to verify tire counts which have already been loaded into a truck?**

**A:** OTS will provide the field investigator with detailed training on how to go about verifying the correct tire counts which have already been loaded into a truck. OTS does not necessarily expect the field investigator to request that a Hauler unload his truck unless the field investigator suspects something otherwise.

**Q: When the OTS field investigator comes to a site what would be some of the health and safety issue which need to be taken into consideration by the participant?**

**A:** OTS is requesting that participants provide us with a check list of all the health and safety rules which need to be followed while on site; for example: Hard hats, Safety Boots, Eye Protection and other expectation which needs to be followed however they cannot interfere with the field investigator ability to complete and achieve his job.

**Q: In the past OTS has spoken about providing the Processors with a form which would allow for them to re-set their inventory, has this form been created yet?**

**A:** OTS is currently working on creating a form which allows Processor to re-set their inventory, once the form is completed it will be issued to all the Processors.