

RPM Consultation Session August 15th 2013- Questions and Answers

OTS is proposing to reduce the Manufacturing Incentive (MI) on July 1 2014 by 60%, and then another additional 38% on July 1st 2015.

Q: What is the main reason for the growth of participants from 2009-2013?

A: There can many things which drove this growth of participants a couple of the reasons can be:

1. The incentive in which OTS offers has attracted companies in the tires business to register for the program.
2. The growth and availability of Ontario crumb rubber. Also this crumb rubber is offered in a market which is lower compared to other Markets due to the incentive in which OTS pays to Processor's.

Q: In the January consultation sessions OTS put forward an approach that would see the emphasis on incenting manufacturing increase over time, why now is OTS presenting a plan that is the opposite of this strategy?

A: Since the January consultation the operating landscape has significantly changed for OTS and the necessity to reduce costs and streamline the program has taken on increased prominence. Longer- term strategic initiatives and strategies such as the focus on developing new markets and growing manufacturing capacity are not at this time consistent with these new priorities.

Q: With the proposed changes to the Manufacturing Incentives (MI) where does OTS see the proposed number of Registered Recycling Manufactures in Ontario to be within the years of 2015-2016?

A: OTS does not expect for more Recycle Product Manufactures to become registered with program as these changes happen.

Q: Has the Ministry of Economic Development been advised with the potential implications of the changes being proposed in the program and the effects it will have on Ontario?

A: OTS has not engaged in any consultations about the proposed changes with the Ministry of Economic Development however we have briefed the Ministers Office of these proposed changes.

Q: Trying to promote a green economy within Ontario, how does OTS feel about the effects that these changes will have on recruitment of other Manufacturing Companies coming to Ontario?

A: OTS is not currently pushing for other Manufacturing Companies to join the Ontario market given the proposed changes.

Q: What is the reason for the urgency on the incentive drop?

A: OTS currently has cost recovery regulations which the OTS Board needs to manage and regulate. The cost recovery regulation reads that if OTS runs a deficit at the end of 2013 and beyond the OTS Board will have to charge this deficit to the producer which is not able to happen. OTS will not be billing back the Stewards. Currently there is a lot of money in the program which was made like this by design. OTS does not have good enough visibility on the revenue side, currently our revenue is down by \$6 million.

Q: Is it a requirement of the Waste Diversion Act that OTS must return this money back to the On- Road Tire Stewards?

A: Under the Waste Diversion Act there is a prohibition on cross-subsidization between material categories. From 2009 to 2012 OTS effectively ran 2 programs, and On-Road tire program and Off-Road tire program, and each needs to “pay its own way” and not be reliant on revenues from the other category. In designing the program back in 2007-2008 we set up two categories of tires, “On- Road” and “Off- Road”, and the diversion and costs are tracked separately. While OTS has been cashed flowing the accumulated debt in the Off- Road program with surplus revenues from the On-Road program the policy restriction on cross-subsidization means that OTS must address this imbalance and pay down the debt using revenues from Off-Road tire fees.

Q: With the change to the new categories, and the addition of a debt repayment portion to the OTR tire TSF will all the OTR tires which formerly were remitted on as either PLTs or MTs also attract the share of the deficit?

A: Yes, when OTS moved to the new weight based categorization, we assigned OTR tires which used to be reported on as a PLT or MT tire and created categories specifically for tires of that size. It is important to note that while some OTR tires supplied were formerly reported and remitted on as On- Road tires they were always counted as OTR tires for the purposes of assigning costs, so including them in the debt repayment program is appropriate.

Q: Why is OTS continuing to pay the CA incentive when all the other provinces are currently not paying the Collectors an incentive?

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: How is OTS willing to listen to the ideas of the stakeholders regarding their opinions on the proposed incentive changes?

A: OTS is more than willing to listen to the feedback from all stakeholders however we would like to hear how these proposed changes can be done in a different way not that they cannot be done at all.