

OTS – Ontario Tire Stewardship

Steward Operational Webcast – September 30 2009

Objectives of the Used Tires Program

1. Promote reduction, reuse and recycling of Used Tires.
2. Financially support and expand the Used Tire collection system.
3. Divert 90% of used on-road tires over the next 5 years and 50% of used off-road tires.
4. Clean up all used tires in stockpiles within the first three years of the program
5. Ensure Used Tires are collected, transported and processed in a safe and environmentally sound manner.
6. Expand capacity in Ontario to process used tires and manufacture products from used tires and tire derived products, to be able ultimately to process all scrap tires in Ontario.
7. Undertake research and development to identify opportunities for new markets and uses of scrap tires
8. Shift the costs of managing Used Tires to the manufacturers and importers of tires into Ontario.

Two Main Groups in Program

1) Stewards

- Stewards are Legally obligated under the Program and must register with OTS.
- They also need to comply with the Program Rules contained in the Used Tires Program Plan.

2) Operational Registrants

- Collectors, Haulers, Processors and Recycled Product Manufacturers
- Receive incentive to participate in program

Program Background: OTS and Used Tire Program History

- Ontario Tire Stewardship (OTS) is a not-for-profit Industry Funding Organization (IFO) established under the Waste Diversion Act, 2002 by Waste Diversion Ontario (WDO)
- The purpose of this Act is to promote the reduction, reuse and recycling of waste and to provide for the development, implementation and operation of waste diversion programs and to shift responsibility and costs from the Government and Taxpayer to Industry and their Consumers
- OTS has been mandated to manage the Used Tires Program, which will implement a province-wide managed scrap tire solution for on-road and off-road tires supplied into the Ontario market, diverting these tires towards value added processing into a range of tire-derived products starting September 1, 2009

3 Players and Responsibilities

Provincial Government/Minister of the Environment

- Establishes diversion policy & sets program requirements
- Provides guidance during program development
- Approves or rejects program

WDO Board

- Co-ordinates industry initiatives by establishing IFO
- Monitors IFO performance

Industry Funding Organization (OTS)

- IFO manages program development & implementation
- Stewards contribute to plan development through participation in consultation process
- Stewards register, report & pay fees to IFO

Minister's Direction

All motor vehicle tires, incl OTR, Farm, Ind

Priority on diversion

- Higher end uses whenever possible
- Promote Ontario-based market for recycling & recycled products i.e. green technology

Disposal not part of program unless 3Rs options not available or technically feasible

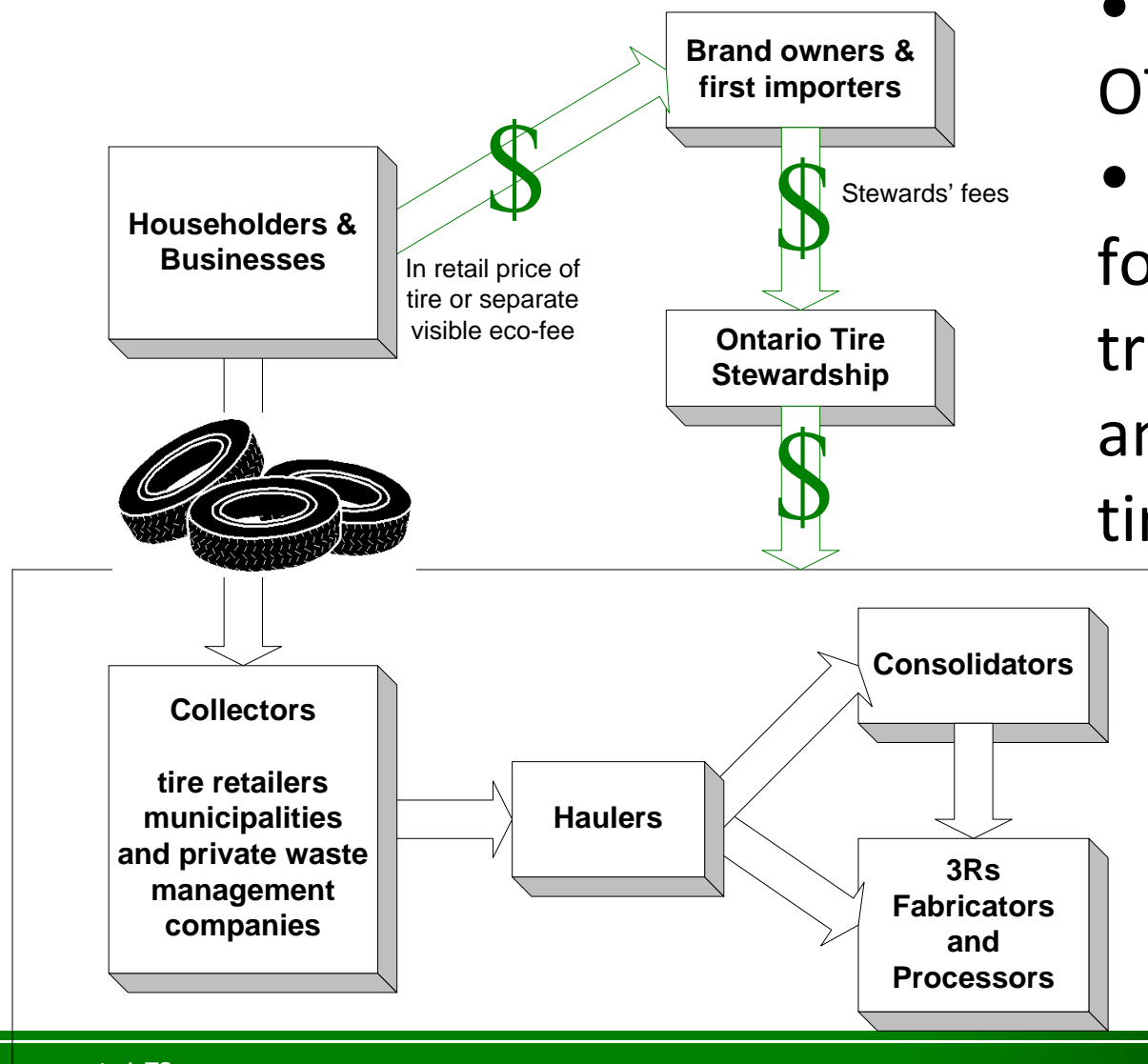
- Landfilling including use as daily cover
- Incineration including use as fuel

Ontario Tire Stewardship

The Used Tire Reg sets out governance:

- 9 Directors (voting) appointed as follows:
 - 3 members from RAC
 - 2 members from Ontario Tire Dealers Assoc.
 - 2 members from Retail Council of Canada
 - 1 member* from Cdn. Vehicle Mfr. Assoc.*
 - 1 member* from Assoc. of Int'l. Auto Mfr. of Canada*
- Observer (non-voting)
 - Representative, Waste Diversion Ontario

Used Tires – Program Plan



- Stewards pay fees to OTS
- OTS uses fees to pay for “collecting, storing, transporting, processing and marketing” scrap tires

IFO Rule-Making Authority

Sec 31(1) of the WDA says:

“A person who is designated under the rules made by an Industry Funding Organization as a Steward in respect to the designated waste, shall pay to the organization the fees determined in accordance with the rules at the time specified by the rules.”

Who is a Steward?

The Minister of Environment declared the steward would be Brand Owners and First Importers

A Steward has a Commercial Connection to the new tire, meaning that the Person derives a direct economic benefit when the particular New Tires are supplied in Ontario.

Other Important Definitions

Person: includes an individual, partnership, joint venture, sole proprietorship, company or corporation, government (all types), trust, trustee, executor, administrator or any other kind of legal personal representative, unincorporated organization, association, institution, entity, however designated.

Resident in Ontario, means either of the following:

- 1) Having a published address in Ontario
- 2) Having a permanent establishment in Ontario for the purposes of the Corporation Tax Act (Ontario)

Hierarchy of Stewards

Sec. 8(1)(2) of the OTS Plan outlines the hierarchy for determining which Person shall be designated as a Steward for New Tires. The following provisions shall apply, in the order in which they are set out. If two or more Persons are designated as a Steward pursuant to the following, the earlier provision shall prevail.

Hierarchy of Stewards

- (1) An **OEM** is designated as the Steward with respect to all New Tires on vehicles Supplied by the OEM;
- (2) A **Brand Owner** is designated as a Steward with respect to all New Tires:
 - (a) Supplied in the Data Period in respect of which it is the Brand Owner; and
 - (b) to which it has a Commercial Connection;
- (3) A **First Importer** is designated as a Steward with respect to all New Tires:
 - (a) Supplied in the Data Period of which it is the First Importer; or
 - (b) of which it is the First Importer in the Data Period for use by it or its Affiliate in the Province of Ontario, other than New Tires purchased by an individual for personal use;

Voluntary Stewards

Organizations which are not “Resident in Ontario” may still elect to become a Steward.

Examples of Voluntary Stewards:

- On-line tire retailers
- Brand Owners with no Ontario locations
- Importers located outside the province
- Equipment manufacturers with no Ontario locations

NOTE: In the event of a default by a voluntary Steward the obligation would remain with the in-province Steward

TSF Remittance: Remitters

Remitters

- Reports and remittances must come from the Steward of the tire
- At present administrative agreements between Stewards or between Stewards and their customers (e.g. distributors or retailers) to have the downstream party report and remit are not recognized by OTS

TSF Remittance: OTS Guiding Principles

The TSF Remittance is based on the following guiding principles:

1. TSF are due on tires staying in Ontario
2. Management method of TSF is in a way that reduce steward admin burden
3. Fair and Transparent, ensuring a level playing field among Stewards
4. Allow clear audit chain

TSF Remittance: Guidance Framework

1. TSF is due at the time that tires are first supplied into Ontario
2. OTS will collect TSF from Stewards on the supply / sold of the tires into Ontario
 - There may be uncertainty to whether the tire will be for Ontario end use
3. Stewards have the option to base their remittance on the estimated quantity of tires that will remain in Ontario
 - Supporting documentation (e.g. sales reports from Customers Distribution Centres, Retailers) must be available to validate the actual number of tires supplied into Ontario.
4. Any adjustments needed to counts after remittance will be included in next remittance period
5. Other considerations:
 - Steward must report in a manner that is auditable
 - Audits will be conducted by OTS to ensure intent of TSF remittance policy is being fulfilled consistently by each Steward

Tire Categories & Fees

Tire Category	Tire Fee
Passenger & Light Truck , also includes, but not limited to	\$5.84
- small RV, ST, Temp Spare, Motorcycle, Golf Cart, ATV, Free-rolling Farm, Utility, Small Trailer, - Small Industrial, Forklift and skid/steer tires 16" and under	
Medium Truck Tires	\$14.65
Industrial and Skid/Steer tires 16.5" rim diameter and >	\$12.51
Ag Drive and Logger Skidder	\$15.29
Small OTR - from 1300-24 to 23.5-25	\$22.24
Medium OTR - over 23.5-25 to 33" rim diameter	\$97.30
Large OTR - over 33" to and including 39" rim dia.	\$104.25
Giant OTR - over 39" rim dia.	\$250.20

Tire Categories & Fees

TSF is Applicable on:

- **All on-road and off-road motorized vehicles including equipment intended to be used with on-road or off-road vehicles or equipment (e.g. trailers, road-graders, farm implements)**

TSF Remittance: Approaches to Out-of-Province Shipments

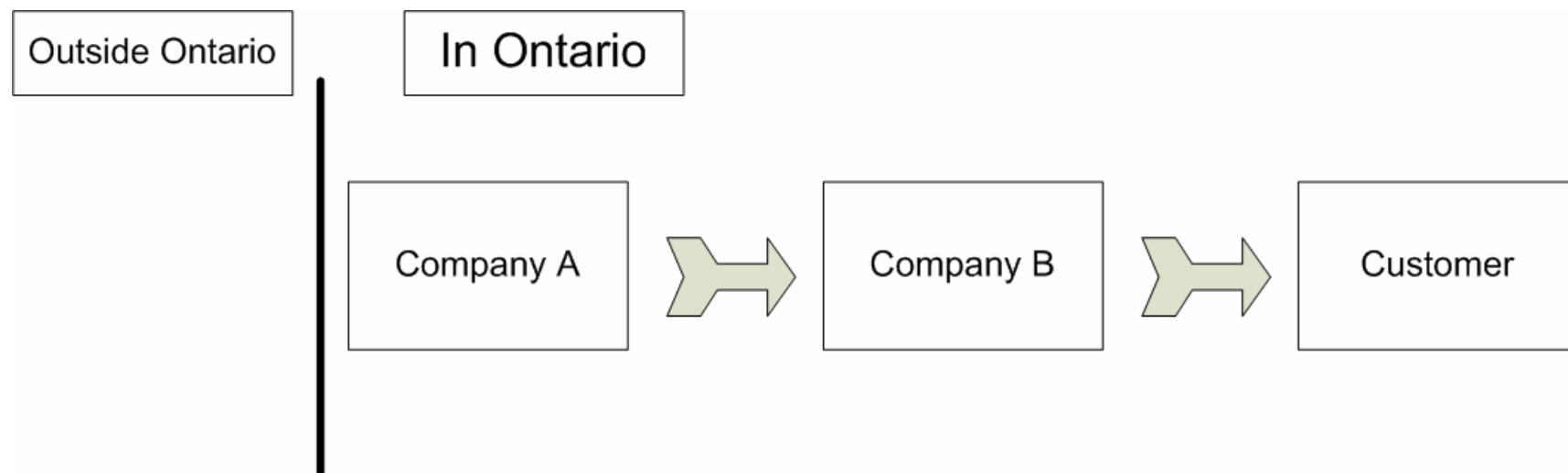
Remit on All Supply

- All tires supplied into Ontario during the reporting period attract the TSF
- Steward adjusts Remittances monthly based on confirmed supply of tires out of Province
- Steward must supply supporting documentation at time of Audit such as Bills of Lading, POS data, Inventory transfer logs

Remit Based on Estimate of Tires remaining in Ontario

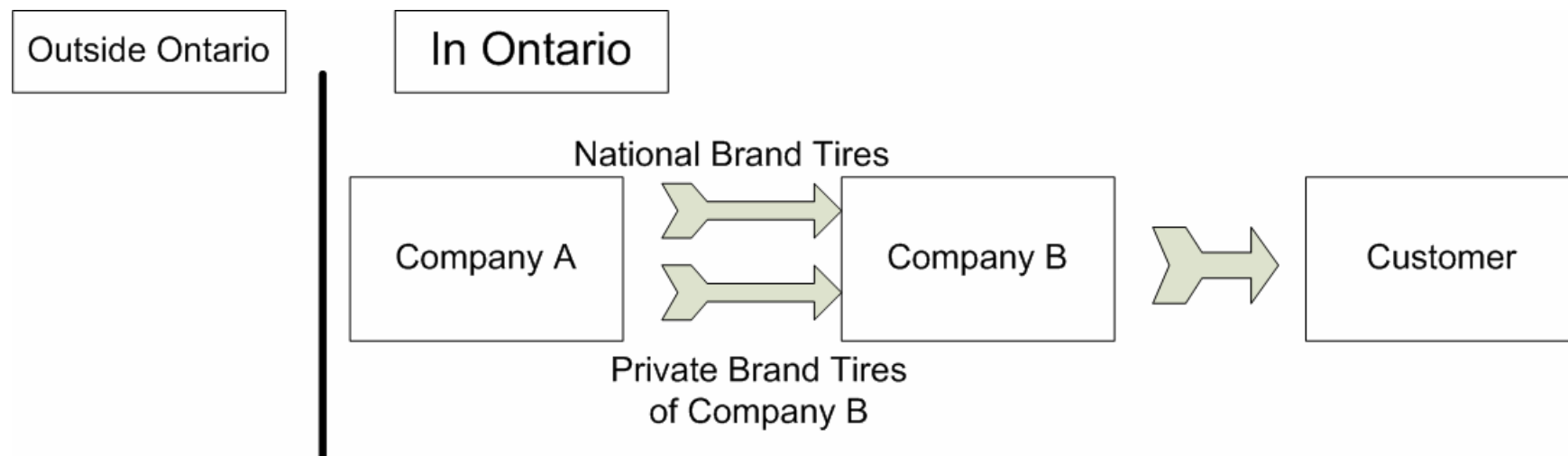
- Steward reports and remits on subset of tires supplied into Ontario based on supportable estimates of tire quantities expected to remain in the province
- Adjustments still acceptable, but expected to be less necessary
- Steward must supply supporting documentation at time of Audit such as Bills of Lading, POS data, Inventory transfer logs

Steward Scenario #1



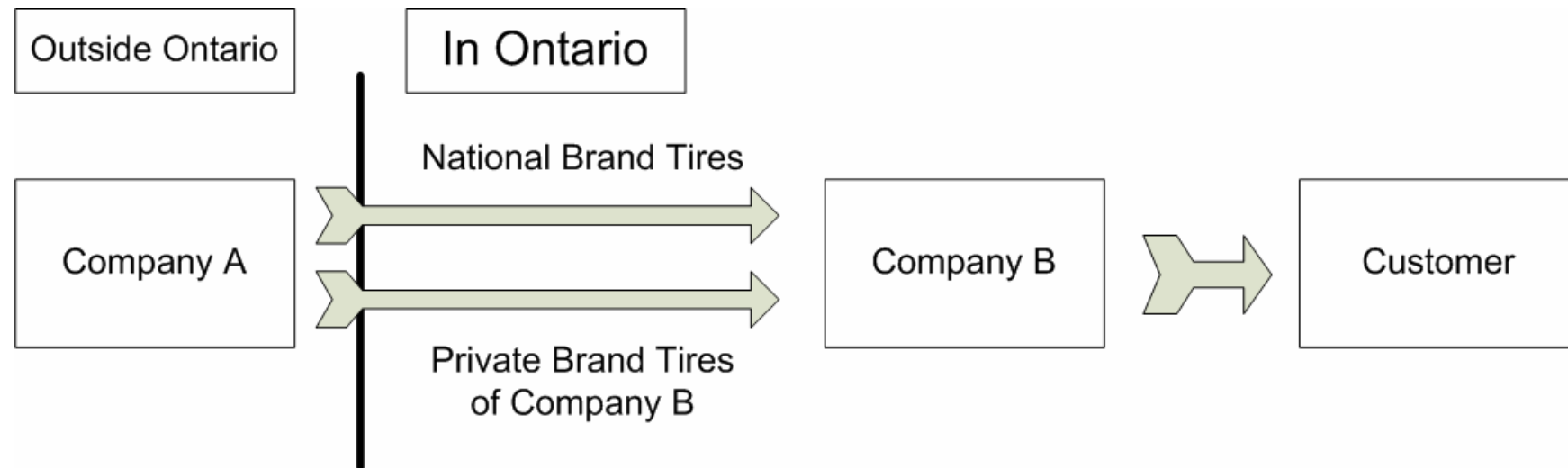
**With all stakeholders in Ontario,
Company A is the Steward**

Steward Scenario #2



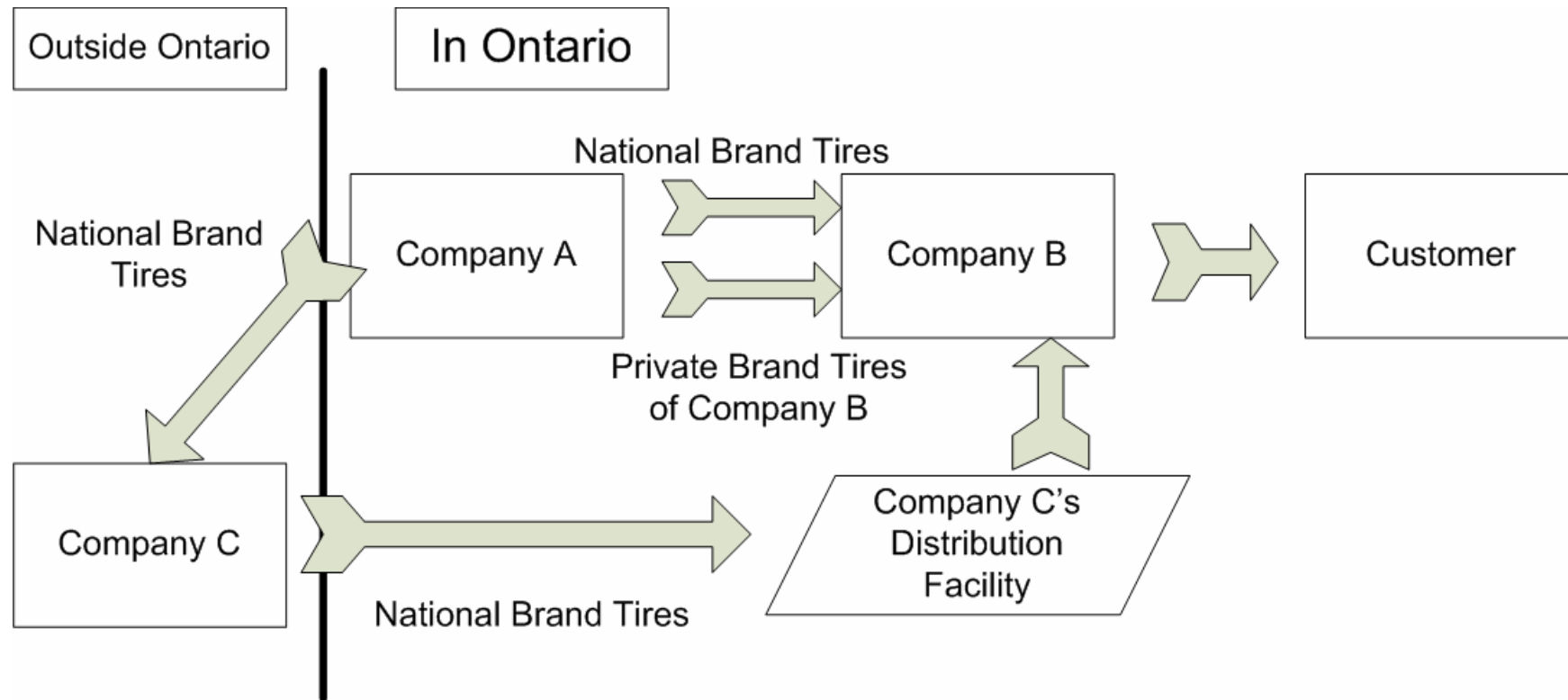
Company A is the Steward of the Tires as a Brand Owner (for NB Tires) and Company B is a Steward as a Brand Owner (for PB Tires)

Steward Scenario #3



**Company B is the Steward of the Tires
as both a First Importer (for NB Tires)
and Brand Owner (for PB Tires)**

Steward Scenario #4



- a) **Company A** is the **Steward of the NB Tires as a Brand Owner** for the tires it ships directly to **Company B**
- b) **Company B** is a **Steward as a Brand Owner for PB Tires**
- c) **Company C** is the **Steward as a First Importer** for the NB tires it supplies to **Company B**

TSF Remittance: Requirements

- Steward must remit the TSF Return form for every reporting period (currently monthly)
 - Steward must even remit for period with TSF value of \$ 0
- TSF Package will include
 - TSF Remittance Form (available for download on the OTS website)
 - Cheque
- Both Form and Cheque must be signed
- Cheque cannot be post dated
- Reporting Period information needs to be in the Memo field of the Cheque
- TSF Package needs to be mailed to OTS and addressed to TSF Remittance

TSF Remittance: Remittance Form

The TSF remittance form is available on the OTS website under **Roles & Operations – Steward** page

ONTARIO TIRE STEWARDSHIP (OTS)
TIRE STEWARDSHIP FEE RETURN

TSF v01

Registrant Name (Operating name)			Registration Number									
Reporting Period (Calendar month in which tire sales occurred)			Due Date The TSF Return and related payment are due at the end of the month following the Reporting Period. Interest is payable on all overdue amounts. A Return must be submitted for every month, even if there were no TSF applicable supply in the Reporting Period.									
SUPPLY OF TIRES & TSFs IN REPORTING PERIOD												
Tire Types* <small>*(Definitions are available at www.ontarioTS.ca)</small>	# Tires Supplied	TSF Rate Per Tire	\$ TSF Due									
Passenger & Light Truck Tires	X	\$ 5.84 =										
Medium Truck Tires	X	\$14.65 =										
Agricultural Drive and Logger Skidder Tires	X	\$15.29 =										
Small and Large Industrial tires	X	\$12.51 =										
Small OTR Tires	X	\$22.24 =										
Medium OTR Tires	X	\$97.30 =										
Large OTR Tires	X	\$104.25 =										
Giant OTR Tires	X	\$250.20 =										
TOTAL TSF DUE												
GST @ 5%												
Penalties (Pen.) and Interest (Int.)												
TOTAL REMITTANCE PAYABLE (TSFs + GST + Pen. + Int.)												
WHERE TO REMIT: A cheque or money order for the total amount should be made payable to Ontario Tire Stewardship , attached to this TSF Return, and forwarded to the following address: Ontario Tire Stewardship, Attention: TSF Processing Unit 405 The West Mall, Suite 500, Toronto, Ontario, M9C 5K7 <small>Note: Nil Returns can be faxed to 1-866-884-7372 (8-ONT-TIRES-2)</small>												
CERTIFICATION: I certify that the amounts indicated above are the amounts of the Tire Stewardship Fees that I am required to remit for the reporting period indicated. OTS is entitled to examine my records relating to supply of new tires and remittance of the Tire Stewardship Fees. Authorized signature: _____ Date: _____ / _____ / _____ Month Day Year												

GST # 874044803

Adjustments to earlier remittances are self-declared on this form, but must be supported at time of audit

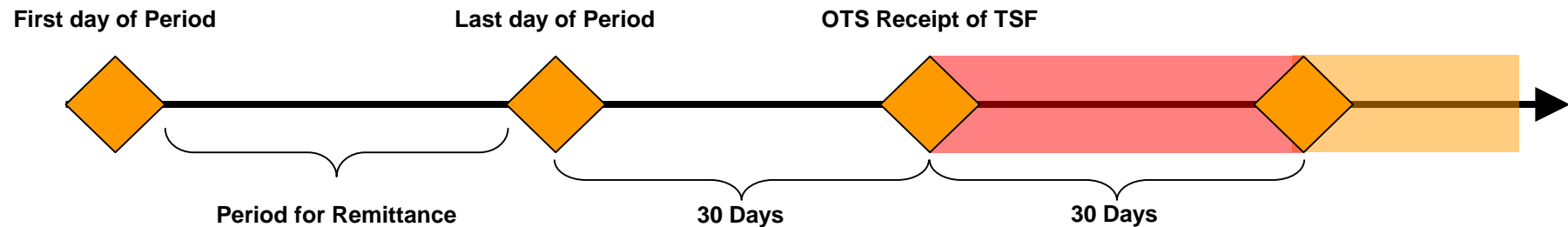
TSF Remittance: Remittance Form

TSF Remittances are composed of 2 components:

1. TSF Remittance Report
 2. Remittance cheque
- For the time being all reports and remittances must be submitted by mail to:

**Ontario Tire Stewardship
TSF Remittance
405 The West Mall, Suite 500
Toronto, Ontario
M9C 5K7**

TSF Remittance: Business Events and Processes



Steward who fail to pay TSF shall pay in addition:

A one time penalty of 10% of the TSF due and payable

Interest at the Base Interest Rate + 3% on any outstanding balance due

Steward Operational Readiness: Preparation

- Stewards should coordinate with both upstream (Suppliers, if any) and downstream (Customers, if any) to:
 - Determine if they are Stewards as well
 - Determine the Tire Brands for which each Steward will be responsible
 - Coordinate information need for TSF Remittance
- Stewards need to have processes, people and tools implemented to capture Tires for TSF Remittance starting Sep 1, 2009
- Steward Resources
 - OTS Program Plan
 - OTS website
 - TSF Remittance Form available on the OTS website
 - Rules for Stewards
 - Steward Guidebook
 - List of Registered Stewards available on the OTS website

Steward Operational Readiness: Resources

- OTS Program Plan
- OTS website
- TSF Remittance Form available on the OTS website
- Rules for Stewards
- Steward Guidebook
- List of Registered Stewards available on the OTS website
- Email questions to steward@ontarioTS.ca
- OTS Contact Center at 1-888-OTS-2202

Steward Operational Readiness: Important Dates

Time	Activities
Sept 28 & 30, 2009	Steward Operational Webcasts
Sep. 1, 2009	Steward must start tracking Tires supplied/sold into Ontario
By Oct 31, 2009	OTS receives Steward's September TSF Remittance

Questions and Answers