

OTS – Ontario Tire Stewardship

Steward Operational Webcast

Agenda

Time	Topic
08:50 – 09:05	Introduction
09:05 – 09:10	Program Background
09:10 – 09:20	Role and Importance of Stewards
09:20 – 09:40	TSF Remittance
09:40 – 09:45	Steward Operational Readiness
09:45 – 09:50	Summary
09:50 – 10:00	Questions and Answers

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

Waste Diversion Act

- *Waste Diversion Act, 2002*
- 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

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

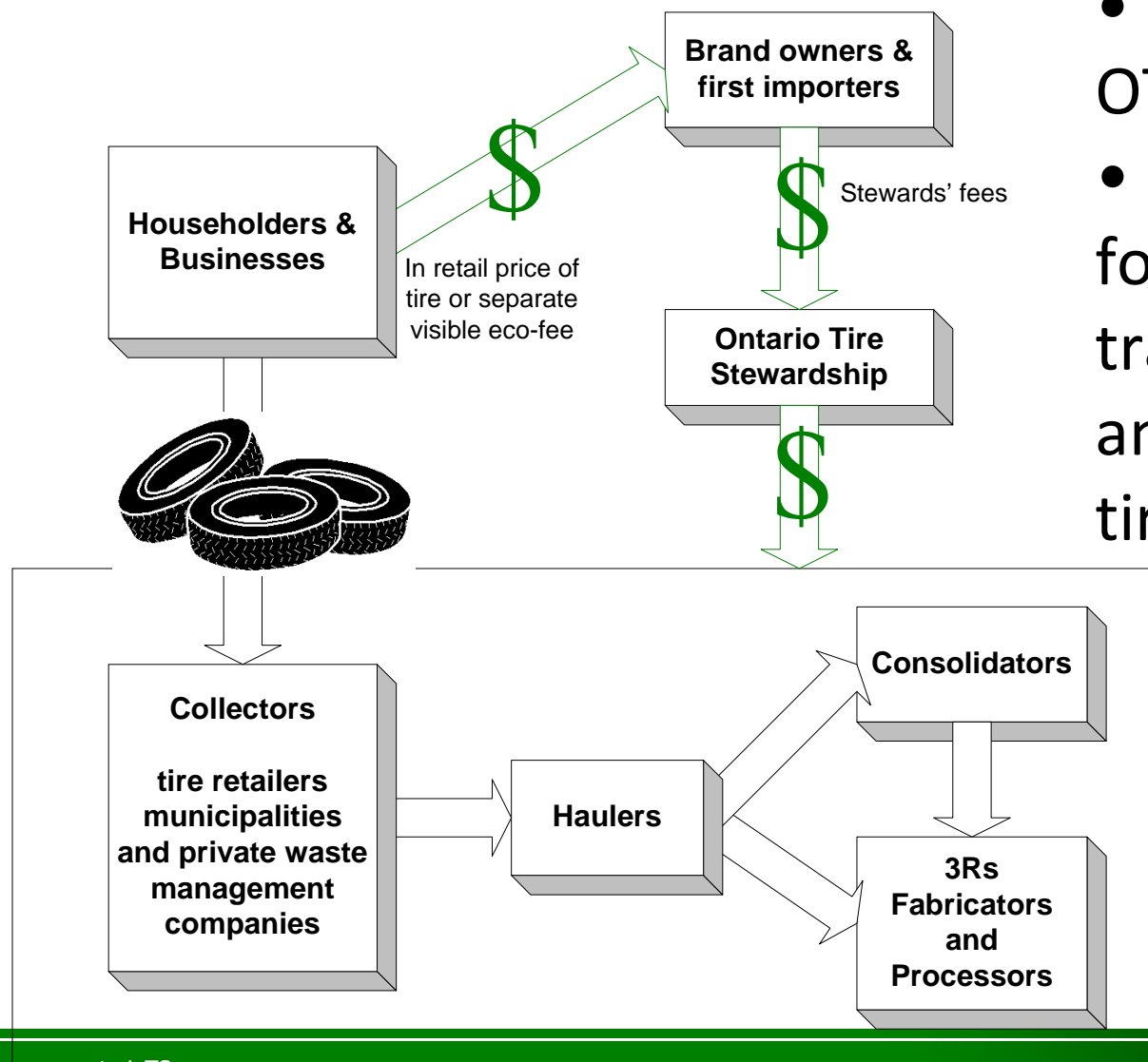
- Landfilling including use as daily cover
- Incineration including use as fuel

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

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

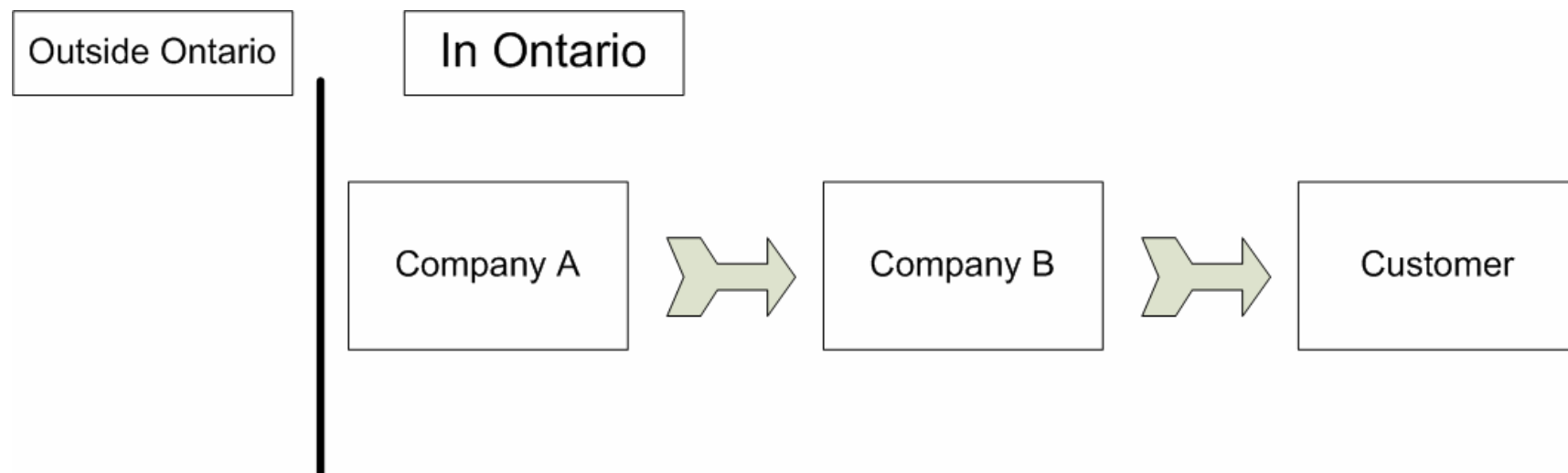
TSF Remittance: Guidance Framework

1. 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
2. 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.
3. Any adjustments needed to counts after remittance will be included in next remittance period
4. 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

TSF Remittance: Approaches

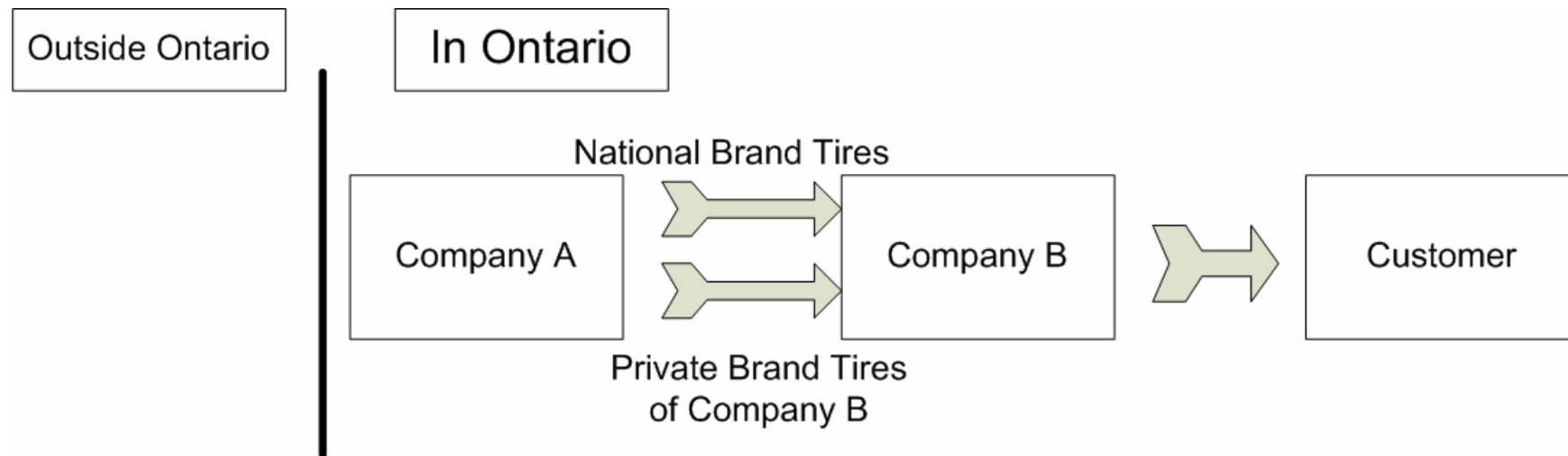
Conservative Estimate		Actual Count
TSF Remittance is based on all tires that the Steward knows is entering Ontario for a moment of time irrespective of end destination.	Description	TSF Remittance is based on all tires that the Steward knows in entering the Ontario end market.
No guarantee that tires will be for Ontario consumption.	Tires Remain in Ontario?	Highly confident that the tires are for the Ontario end market.
The counts are based on information known to the Steward and hence there is less administrative burden.	Administrative burden?	Depending on degree of separation and the desired accuracy of count, there may be significant administrative burden and coordination required.
Due to the isolated nature of the approach, there may be situations of double remittance.	Fair & Transparent?	Due to the collaborative and coordinated nature of the approach, lower likelihood of double remittance.
Counts should be based on supporting documents / reports that is part of the Steward normal business operation.	Auditable?	Counts should be based on supporting documents / reports that is part of the Steward normal business operation.
Degree of Separation has very little impact on TSF remittance because all counts are based on information known to the steward.	Impact of Degree of Separation	Depending on the degree of separation to the consumer, the actual count is not necessary accurate.
High probability of need for adjustments at the initial TSF remittance.	Need for Adjustment	Low / lower probability of need for adjustments.

Steward Scenario #1



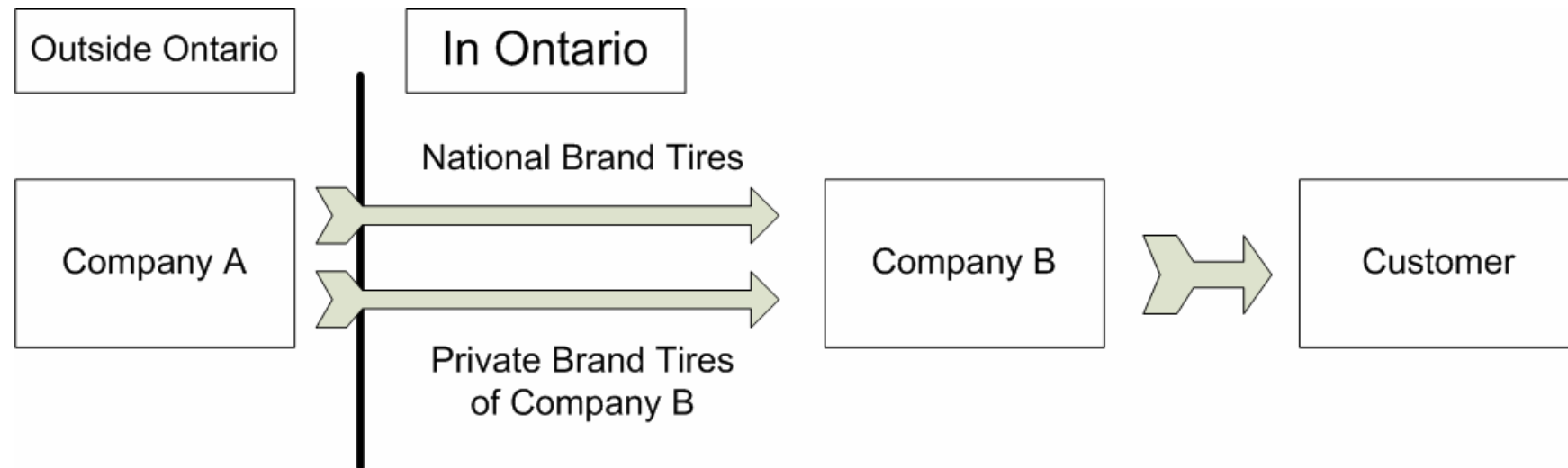
**With all stakeholders in Ontario,
Company A is the Steward**

Steward Scenario #3



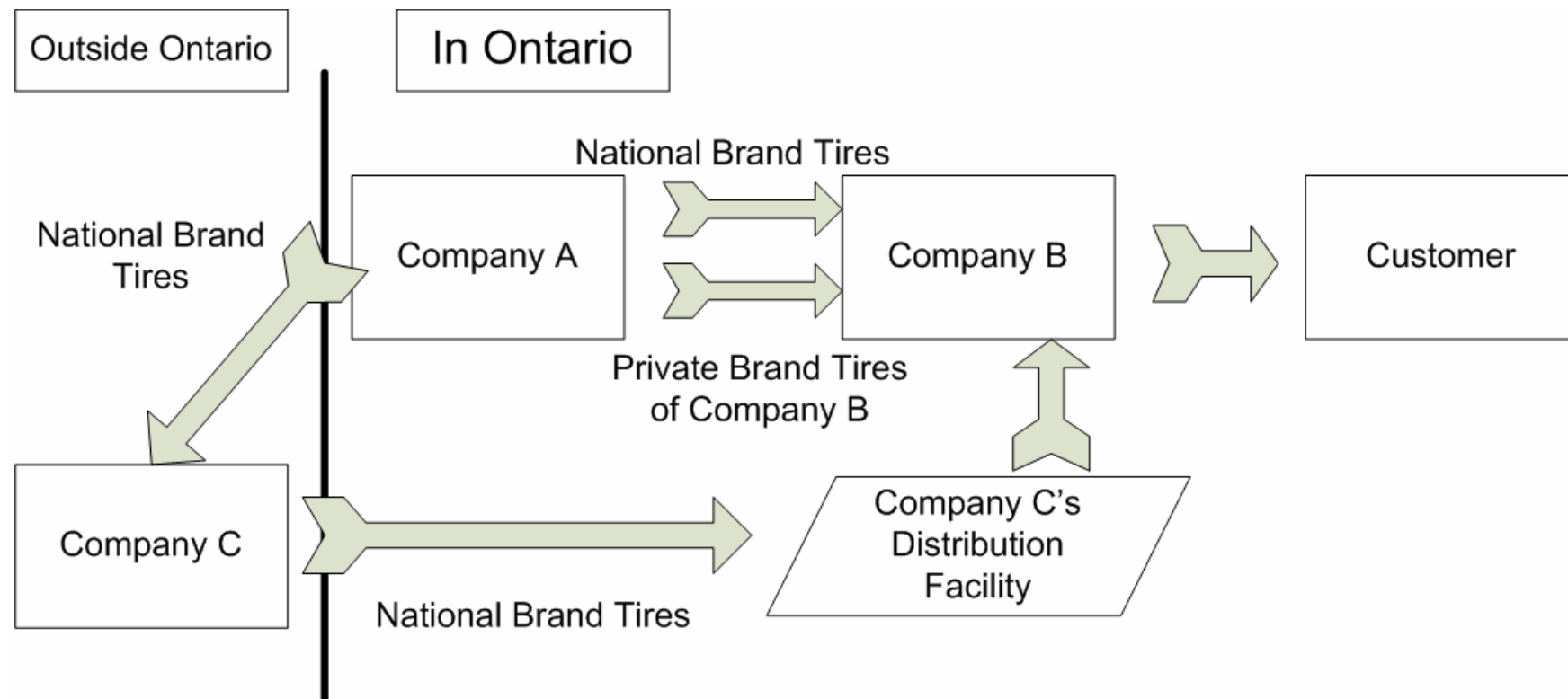
Company A is the Steward of the Tires as a Brand Owner (for NB Tires) and Company B is a Steward as a Brand Owner (for PB Tires)

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 #3

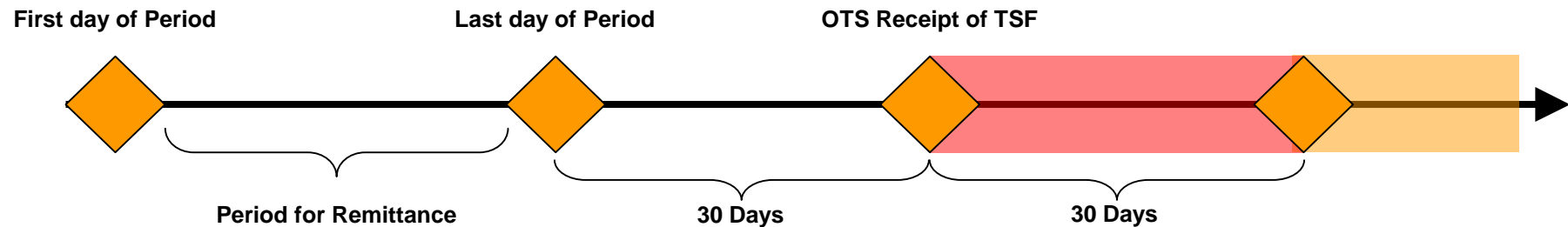


- a) **Company A** is the **Steward of the NB Tires as a Brand Owner** for the tires it ships directly to **Company B**
- b) **Company B** is a **Steward as a Brand Owner for PB Tires**
- c) **Company C** is the **Steward as a First Importer** for the NB tires it supplies to **Company B**

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: 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
Aug. 19, 2009	Steward Operational Webcast
Sep. 1, 2009	Steward must start tracking Tires supplied/sold into Ontario
Sep. 30, 2009	Steward needs to report the count of the tracked Tires
Oct 30, 2009	OTS receives Steward's September TSF Remittance

Questions and Answers