



# **OTS Technical Advisory Committee Meeting**

**November 16th, 2011**

**For Audio Dial 416-343-2285 or 1-877-969-8433**

**PIN# 4467765**

# Agenda

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- 1) Diversion Rates
- 2) Tire Collection Update
- 3) Tire Transportation and Delivery Update
  - a) September/October Surplus Review
  - b) Special Tire Collection (STC) Review/update
- 4) Tire Processing & Manufacturing Update
  - a) OTR Capacity
- 5) Claims Updates
- 6) Stockpile Update
- 7) Program Communications
- 8) Tires Sold for Reuse; Proposed Change
- 9) Transportation Incentive Rate Changes for 2012
- 10\*\*) Sub Collector Program Update
- 11) New Business:
  - a) Reporting Timeframes
- 12) Next Meeting Date: January 11<sup>th</sup> 2012, 9:00am – 11:00am Location TBD
- 13) Adjourn Meeting

## Meeting Objective

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The Technical Advisory Committee meeting is intended to provide updates from OTS, and get feedback and suggestions from program Participants of a general nature about the OTS Program

Open discussion is encouraged, the meeting is not intended to be advanced warning of upcoming changes, rather to discuss proposed changes.

NOTE: The Technical Advisory Committee meetings are open to all registered operational participants: Collectors, Haulers, Processors, RPMs.

# 1) Diversion Update

- Diversion rates shown based on data available to OTS in early September 2011 (reflective of YTD results ending in Q2 2011)
- OTS anticipates the diversion rates to climb slightly as additional data is uploaded to the system
- Collection figures slightly lower than 2010
- Next data pull December 2011

Tire Category	Diversion Rate
PLT	84%
MT	81%
OTR	96%

## 2) Tire Collection Update

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- Sub-Collector Activity:
- Changes to sub collector Program to be discussed under item 10  
Sub Collector Program Update

### 3) Tire Transportation & Delivery

- a) Ad Hocs & Redirects: Requests remain high, expect OTR requests to remain high for the remainder of the year, one new Out of Province Processor acquired; OTS continues discussions with other potential options for OTRs

Ad Hoc and Redirects:

Ad Hocs authorized in August = 61

Ad Hocs authorized in September = 101

Ad Hocs authorized in October = 124

Redirects authorized in August = 2

Redirects authorized in September = 3

Redirects authorized in October = 10

### 3) Tire Transportation & Delivery

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#### b) STC Review/Updates:

Number of STCs approved in September: 10

Number of STCs approved in October: 2

## 4) Tire Processing & Manufacturing Update

- Processing Capacity seen to be varying at times during recent months; Processors continue to update OTS on capacity and plans for coming months
- Expected PLT capacity increase in coming months in time for busy season (end of November into December)
- As mentioned previously one additional out of province processor has become available for OTRs
- OTS continues to pursue additional out of province processing options for OTRs
- Manufacturers: Actively seeking out new markets and innovative technologies



## 5) Claims Update

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### Collector Claims:

- Collector claims filing in accordance with typical trends
- Continue to look at Collectors who have not filed claims where Haulers report indicates significant quantities picked up and/or where the Hauler hasn't filed paperwork

### Hauler Claims:

- Claims coming in consistently
- Suggestion regarding timing of reporting window to be discussed under New Business, Reporting Timeframes for Haulers, Processors and RPMs

## 5) Claims Update

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### Processor Claims:

- Processors claims continue to be filed as normal

### RPM Claims:

- Continue to file as usual
- Suggestion from RPMs continue to come in regarding potential efficiencies for filing being reviewed for implementation in early 2012

## 6) Stockpile Update

- OTS is working with stockpile sites to come up with removal options
- Participants with questions regarding stockpiles can direct them to [info@ontariots.ca](mailto:info@ontariots.ca)
- As noted in previous TC meeting the 2012 proposed budget does not contain funds that are allocated for Stockpile clean-ups
  - OTS will continue to assess STC requests on a case-by-case for non-"stockpile" sites

## 7) Program Communications

### Refresher Training Sessions:

- OTS training sessions have been completed for the most part for 2011; sessions will be arranged for new participants and/or as refreshers as needed
- Training materials are also posted on the OTS website

### Other Communication Updates:

- Work continues on the development of a Tire Identification guideline for use in the field
- OTS issuing a consumer tips piece focused on winter tires and tire maintenance in over 40 regions across Ontario (via print media)

## 8) Tires Sold for Reuse; Proposed Change

### Background:

- OTS will be changing the way tires destined for reuse/retreading are incented to account for the fact that the reuse/retreading market is in itself a viable market and to address identified opportunities for gaming of the Claims system
- Commencing Feb. 1<sup>st</sup> 2012 tires sold to reuse/retreading will not attract payment at the time of "Sale/Delivery"
- Haulers will still be compensated for transportation of tires delivered to reuse from a collection location to an assumed sort yard (this is built into the 2012 TI model base rates)
- This change still requires that Haulers report all sales/deliveries to Reuse/Retreading to OTS; Haulers found to have underreported reuse/retreading will be assessed an amount determined by calculating the average inventory value multiplied by the weight of the undocumented / unreported tires delivered to the reuse application

## 8) Tires Sold for Reuse; Proposed Changes

### Tires Sold For Reuse: Proposed Changes

- OTS recognizes that some Processors may choose to cull tires for reuse/retreading based on tires delivered to them by Haulers
- Currently these tires are put on the Processors Disposition of Residuals tab and therefore not incented yet taken out of the Processors inventory
- Moving forward into the 2012 year, tires culled at a Processor location would have already had a TI paid on them; this is contrary to the intent of the reuse changes outlined for Haulers so therefore changes are required to ensure all participants are treated in a fair manner

## 8) Tires Sold for Reuse; Proposed Changes

### Tires Sold For Reuse: Proposed Changes Continued

- **OTS is proposing that the tires sold to reuse/retreading by a Processor would result in a deduction of the average TI value per PTE being deducted from the Processors Incentive claim**
- The average TI value for 2012 based on the TI schedule is set at \$1.50 per PTE
- This would mean that for every PTE sold to reuse/retreading by a Processor \$1.50 would be removed from their PI (any overall negative amount would result in an amount owing to OTS)
- The tires would continue to be reported on the disposition of residuals tab

## 8) Tires Sold for Reuse; Proposed Changes

Tires Sold For Reuse: Proposed Changes Continued

Example: Processor culls 5 PLTs; PI earned of \$100.00 in a given claim period:

- PI amount = \$100.00
  - TI deduction =  $\$1.50 \times 5 = \$7.50$
  - Total Incentive Paid = \$92.50
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- The proposed implementation Processor changes pertaining to reuse would be inline with the Hauler changes with a February 1<sup>st</sup> 2012 implementation date
  - Comments?



## 9) Transportation Incentive Rate Changes for 2012

### Managing the TI Rates

- Scheduled reviews annually
- Ad Hoc Adjustments if applicable
- Underlying assumptions change (many moving parts)
  - Processors enter/leave the business
  - Capacity Changes
  - Rapid change in costs
  - Tires not being collected
- Ad Hoc decreases with 90 day notice period (at this time, no changes are being proposed)
- Comment period for Haulers ended November 9<sup>th</sup> 2011 however OTS is open to reviewing rates at “off cycle” times based on drastic changes in the underlying assumptions

## 9) Transportation Incentive Rate Changes for 2012

Changes in 2012

Fuel Adjustment:

- Adjustment to be made in February (not January) to reflect the adjustments in fuel changes for Q3
- Based on fuel price index
- Overall decrease in the TI rate of 0.79%
- Fuel adjustments were calculated in accordance with Fuel Adjustment Policy
- Next fuel adjustment to be made as usual in April 2012

## 9) Transportation Incentive Rate Changes for 2012

### Price Index Adjustments

- The TI model takes numerous factors into account in terms of operating a Hauling business I.E:
  - Insurance Costs
  - Depreciation Costs
  - Labour Costs
  - Etc.
- On average these costs have increased slightly over the year

## 9) Transportation Incentive Rate Changes for 2012

### Reuse Adjustments:

- As discussed early in the meeting the way Haulers will be incented for Reuse tires will be changing; Haulers will still be compensated for transportation of tires delivered to reuse from a collection location to an assumed sort yard (this is built into the new TI rates for 2012)
- This adjustment would result in an average increase in the model if nothing else changed.

## 9) Transportation Incentive Rate Changes for 2012

### Reallocation of Delivery Destinations/Assumptions for Direct Deliveries

- As a result of additional capacity for certain tires adjustments are required to account for the increase in capacity (indicating an overall decrease in travel distance and an increase in the number of direct deliveries)
- This adjustment will result in an overall average decrease to the TI rates if nothing else in the model changed

## 9) Transportation Incentive Rate Changes for 2012

### Review of Estimated Weights vs Actual Weights and Adjustments

- In the course of reviewing claims in 2012, OTS will be comparing estimated weights delivered against the actual weights reported as being delivered and documented on scale tickets
- When the variance between the two weights is deemed to be substantial, OTS may investigate the claim/line further to determine if an adjustment to payment is applicable
- This review/adjustment system will work in tandem with the revised estimated OTR weights that will be discussed later on in the presentation.
- These adjustments could result in an increase or decrease in payment amounts

What do these things mean for 2012.....

## 9) Transportation Incentive Rate Changes for 2012

The PLT & MT TI Rate Changes can be summarized as follows:

- Decrease in fuel prices
- Decrease in average distance to a Processor due to increase in Ontario Capacity
- Increase in the number of assumed direct deliveries as a result of increased capacity
- Increase in some of the base costs of operating a business
- Adjustment to base rates to account for culled tire Collection costs in overall base rates

## 9) Transportation Incentive Rate Changes for 2012

The PLT & MT TI Rate Changes can be summarized as follows:

- Results: An overall average increase in the base rates of approximately 1.2% (rate changes vary by FSA, please see detailed Incentive listing for specifics as not all FSA rates have increased, some have decreased or remained the same)



## 9) Transportation Incentive Rate Changes for 2012

There will be two additional adjustments to the OTR TI Rates in addition to the standard adjustments outlined previously:

a) Premium Adjustments:

- During plan conception, a 25% premium was applied to OTR Tire transportation based rough assumptions from other jurisdictions
- In an effort to better ascertain what, if any, the premiums associated with transporting OTR tires in Ontario is, OTS has requested feedback on the actual costs associated with transporting OTR tires and a review of the tires moving on DOTs vs TCRs.
- Numerous Haulers provided data as part of the review
- As a result OTS is reducing the 25% premium that was previously applied to OTR tires as follows:
  - No premium on Ags, INDs or SOTR Tires
  - 15% premium on MOTR, LOTR and GOTR Tires

## 9) Transportation Incentive Rate Changes for 2012

- The OTRs where no premium is applicable would be MT cost assumptions with adjustments made regarding the Processing destinations
- DOT forms will continue to be authorized by OTS in order to qualify for the OTR rates, OTRs not part of an approved DOT will attract MT rates as is consistent with 2011

## 9) Transportation Incentive Rate Changes for 2012

### b) Estimated Weight Adjustments

- In an effort to ensure that Haulers are compensated in a fair manner, and to validate assumptions made pertaining to the estimated weights of used tires, OTS has undertaken a study to examine the average weight of Used OTR tires
- The results from this study were also compared with results from the OTS system (i.e. comparison of estimated scale weights, unit counts and actual scale weights) to determine more accurate estimated weights for the OTR tire categories.

## 9) Transportation Incentive Rate Changes for 2012

- Based on this analysis the following changes will be made to the estimated weights for OTR tires to better reflect the weights being transported in the market place today (no change to PLT or MT estimated Weights for 2012)

Tire Type	2011 Estimated Weight	2012 Proposed Estimated Weight
AG	110KG	60KG
IND	90KG	40KG
SOTR	160KG	120KG
MOTR	700KG	580KG
LOTR	750KG	740KG
GOTR	1800KG	1560KG

- To be coupled with minor category refinements as well (i.e. rim size coupled with upper weight limits for tire categories)

## 9) Transportation Incentive Rate Changes for 2012

The OTR TI Rate Changes can be summarized as follows:

- Decrease in fuel prices
- No substantial change in average distance to a Processor
- Increase in some of the base costs of operating a business
- Adjustment to base rates to account for culled tire Collection costs in overall base rates
- Reduction and elimination of premium

## 9) Transportation Incentive Rate Changes for 2012

The OTR TI Rate Changes can be summarized as follows:

Results: An overall average decrease in the base rates of 15% for AGS, IND and SOTR\*

An overall average decrease in the base rates 5% for MOTR, LOTR and GOTR\*

\* rate changes vary by FSA, please see detailed Incentive listing for specifics as not all FSA rates have decreased by the same percentage.

## 9) Transportation Incentive Rate Changes for 2012

The following changes will be implemented February 1<sup>st</sup> 2012:

- All applicable rate changes to TI Base Rates (PLT, MT and OTR)
- Removal of the incentive payout (and related items) on tires sold/delivered to Reuse/Retread
- Adjustment of Estimated Weights

\* Note HIT Changes proposed during last TC Meeting will be implemented on January 1<sup>st</sup> 2012 (recall delivery threshold of 75% to registered Processors and/or Reuse/Retreading)

## 10) Sub Collector Program Update

### Sub-Collector Program Changes:

- OTS will be implementing new guidelines and requirements surrounding the Sub-Collector Program to reduce the risk of fraud and negative impacts to OTS as a result of this program introduced for administrative efficiency for collectors
  - 1) Sub-Collectors will only be approved if they are located in a TI rate zone equal to or greater than that of the Collectors rate zone
  - 2) Collectors will need to post a \$500.00 bond per Sub-Collector Location
  - 3) Collectors will be required to submit a report to OTS detailing number of tires by type collected by each sub-collector location



## 10) Sub Collector Program Update

- Collectors with existing Sub-Collectors will be given a phase in period of 6 month in which to meet the above requirements (please note that in some cases this may result in Sub-Collector locations being disallowed)
- For new Collectors/Sub-collectors these requirements will come into force December 1st, 2011

## 11) New Business; Reporting Timeframes

- As discussed at previous TC meetings, there is currently a lag in which OTS obtains complete data in terms of reporting tire movements etc., from participants
- Currently all reporting must be submitted in full to OTS on or before the 90<sup>th</sup> (typically 3 months) following the close of said period
- Trends have shown that Haulers, Processors and RPMs typically file within the first 30 to 60 days following the close of the period; Collectors continue to file heavily in the last 61-90 days following the period

## 11) New Business; Reporting Timeframes

- **OTS is proposing that the reporting window for Haulers, Processors and RPMs be shortened from the current 90 days to a period of 60 days starting for the January 2012 reporting month**

Example:

January 2012 activity would need to be submitted in full (electronic and hardcopies received by OTS) on or before March 31<sup>st</sup> 2012

Questions/Comments?

## 11) New Business; Reporting Timeframes

- Late Claims; Haulers, Processors, RPMs
- In addition to incenting late claims at a zero dollar rate (current practice) **OTS is proposing that claims where no incentives are “cashed out”, but where credits or eligible inputs are earned that are received late are only eligible for half of the credits/eligible inputs**

Example:

- Hauler claim submitted late, however only included TCRs
- Credits earned will be reduced by half for the late period

Example:

- In Province Processor/RPM claim submitted late, however only included incoming material
- Eligible Material for future incentives will be reduced by half for the late period

## 12) Next Meeting

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- Wednesday January 11<sup>th</sup> 2012, 9:00am-11:00am
  - Location: TBD

Any suggested topics for the TC Meetings are to be sent via email to [communications@ontariots.ca](mailto:communications@ontariots.ca) prior to the meeting; all topics will be considered but may not be accommodated depending on the existing agenda.

## 13) Adjourn Meeting

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