



OTS Technical Advisory Committee Meeting

April 3rd, 2014

For Audio Dial 416-933-9440 or 1-855-453-6959
PIN# 1914188



Agenda

- 1) Diversion Rates
- 2) Tire Collection Update
- 3) Tire Transportation and Delivery Update
- 4) Tire Processing & Manufacturing Update
- 5) Claims Updates
- 6) Hauler Communications
- 7) DZM Model
- 8) UTP Changes
- 9) Adjourn Meeting



Meeting Objective

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.

Session is being recorded in order to accurately capture comments for preparation of notes.



1) Diversion Update

- Data below shows tonne of tires supplied, collected and delivered.
- Jan 2013 – Dec 2013
- Collected weight is based on estimated weight
- Deliveries is based on actual weight
- Higher weights for MT's and OTR's due to STC cleanups for 2013

Supply	Tonnes
PLT	99,897
MT	24,251
OTR	17,457

Collected	Tonnes
PLT	90,190
MT	30,349
OTR	19,425

Deliveries	Tonnes
PLT	86,176
MT	29,383
OTR	17,523



2) Tire Collection Update

- Tires being collected from locations by Haulers as applicable
- Hauler should cross reference the OTS website daily against the “Find a Participant” link to ensure the Collector is active in the program at the time of collection.
- OTS is now sending weekly notifications to all Haulers regarding Collector inactivation's.
- See Section 2.5 of the Collector Guidebook regarding making changes to a registrant information (i.e Change in Postal Codes, Change in Legal Business Names, Businesses that have been purchased or taken over).



3) Tire Transportation & Delivery

Weight Variance

- OTS will continue to contact Processor sites for large variances in weight
 - Some sites provide photos or backup of such discrepancies
 - If possible, being proactive and providing information of larger weight discrepancy loads would be greatly appreciated
 - Please be aware of late filing of claims, frequency has been increasing



4) Tire Processing & Manufacturing Update

- Capacity for all tires types has increased with all processors throughout the year
- C of A requests have been sent out to all participants
- Yard counts are being requested to compare with what is shown in the system
- OTS will be reaching out to a consultant firm to visit sites throughout the year to validate the weight of tires and piles at processing sites
- Intent is to minimize the discrepancy between weight on site and system numbers



5) Claims Update

Collector Claims:

- Collector claims filing in accordance with typical trends
- Reminder: Drop off Tires: As a reminder, with no documented support, these tires will be viewed as 'generated' thus resulting in no CA.

Hauler Claims:

- Haulers filing in accordance with typical trends
- Reviewing variances at the claims level. Continued contact with haulers in explanations of high numbers ongoing.



5) Claims Update

Processor Claims:

- Claims continue to be filed as usual
- When filing your Processor claim online please ensure that you enter 4 decimals places in the “ Inventory Received from Haulers” and “Summary of Product Sales Tab”.

For example:

- If each NET bag weight or scale tickets submitted is 5609kg it should read **5.6090 MT** (not 5.609 MT) or 47,750lbs = **21.6594 MT** not 21.659 MT.
- KG to Tonnes (metric) = KG/ 1000
- LBS. to Tonnes (metric) = LBS.* 0.00045359 (rounded up to 0.0004536)

RPM Claims:

- Claims continue to be filed as usual



6) Hauler Communications

EFT

- Not all haulers have provided information required for EFT's; hence why EFT has not been setup as of yet
- Not all haulers have specified how many mobile devices will be required for their place of business.
 - Mobile devices will be mandatory for payments



7) DZM Model

DZM Transportation Incentive Rates are based on the point of delivery (processor) and are calculated as a single blended rate per Delivery Zone based on assumptions on processing capacity and estimates of tire generation by point of origination and assumes an efficient collection pattern, i.e. tires go to the nearest processing facility with capacity and capability to process these tires on a reliable basis

- Rate is weight based
- The previous calculations of the cost of moving a tire from the point of generation are aggregated together to determine the average cost of delivering a tire from point of origin
- Premiums will be paid for tires that must leave the Northern processor collection zone



Key Input Received

- The selection of the FSAs deemed to supply the GTA and Brantford zones could be problematic – Can / Should the zones be consolidated.

Conclusion – Yes

- Program is not ready for one DZM rate province wide

Conclusion – Agreed

- OTR rates need further analysis (Ags/Ind from rest of OTR's) with regards to the collection points and processing destination

Conclusion : Agreed – Underway

- North FSA sub-zones should be consolidated and re-organized

Conclusion: Agreed – Consolidated to 4 northern zones

- Other cost elements (in addition to fuel) need to be adjusted

Completed as per annual review

Model Components Adjusted

Adjustments were made in the following areas:

- Driver/helper wage rates – increased 5%
- Non-fuel truck operating costs – increased 1.9%, CPI (Consumer Price Index) adjustment
- Adjustments based on changes in average generation statistics by FSA (3 year rolling average)
 - This is based on where tires originate from. Tires closer to a Processor, low DZM rates, further away, the higher the rate.
- Processing capacity averages by delivery zone by tire type reviewed and adjusted based on demonstrated and planned capacity



Model Components Adjusted

- DZM rate established for each DZM
 - 4 Delivery Zones for on-road
 - Moose Creek
 - GTA/Brantford
 - Windsor/Tilbury/Chatham
 - Sturgeon Falls
 - 3 Delivery Zones for off-road
 - Moose Creek
 - GTA/Brantford
 - Windsor/Tilbury/Chatham

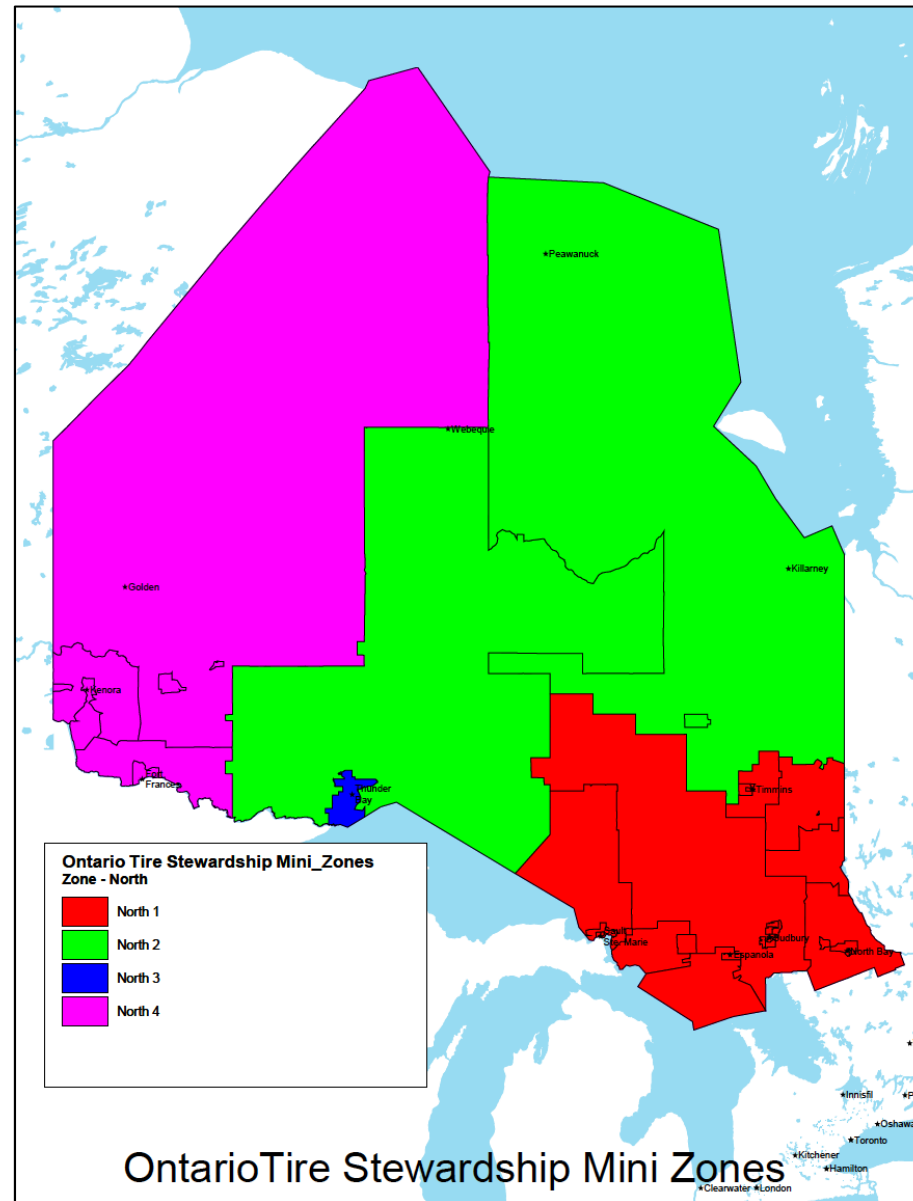


Model Components Adjusted

- Premiums paid for Northern Deliveries to each Delivery Zone from each Northern Collection Zone on top of DZM rates
 - 4 Northern Collection Zones (map attached)
 - North 1
 - North 2
 - North 3
 - North 4



Model Components Adjusted



Proposed Transport Cost Incentive Rates – On Road

Onroad Rates	
Delivery Zone	
Moose Creek	\$ 1.34
GTA/Brantford	\$ 1.27
Windsor/ Tilbury/ Chatham	\$ 1.49
Sturgeon Falls	\$ 2.25

Northern Premium	Premium to SF	Premium to South	Total TI to MC	Total TI to GTA/B	Total TI to W/T/C	Total TI to SF
N1	\$ -	\$ 0.73	\$ 2.06	\$ 2.00	\$ 2.22	\$ 2.25
N2	\$ 1.24	\$ 1.80	\$ 3.14	\$ 3.08	\$ 3.29	\$ 3.49
N3	\$ 0.21	\$ 0.92	\$ 2.26	\$ 2.20	\$ 2.41	\$ 2.45
N4	\$ 1.96	\$ 2.41	\$ 3.75	\$ 3.69	\$ 3.90	\$ 4.20



Proposed Transport Cost Incentive Rates – Off Road

Offroad Rates

Delivery Zone	
Moose Creek	\$ 1.66
GTA/Brantford	\$ 1.53
Windsor/ Tilbury/ Chatham	\$ 1.83

Northern Premium	Premium to South	Total TI to MC	Total TI to GTA/B	Total TI to W/T/C
N1	\$0.92	\$2.58	\$2.45	\$2.75
N2	\$1.84	\$3.50	\$3.36	\$3.67
N3	\$0.82	\$2.49	\$2.35	\$2.66
N4	\$2.54	\$4.20	\$4.07	\$4.37





DZM Questions to Follow Through On

- Is three (3) southern delivery zones the right number;
- Are there other methods of applying the northern premiums that should be considered;
- Additional analysis on originating location and processing site for OTR tires is being completed;
- M/L/G OTR premium is spread evenly across all OTR tires: how should it be applied (see previous issue)

OTS will be requesting any additional comments/questions be submitted by Thursday, April 17th.

Hauler Consultation is temporarily proposed for Thursday, May 1st.



8) UTP Changes

As OTS enters its 5th full year of operation in 2014 the Ontario tire recycling industry has been transformed:

- Recycling capacity has more than doubled
- Manufacturing using Ontario crumb rubber has increased by approximately 130%
- \$50 million+ of new investment and over 200 direct new jobs have been created



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OTS Technical Committee Meeting Agenda – April 3rd 2014

- 2013 Results
 - Diversion
 - Financial
- Schedule of Incentive Changes
 - Payment Process
 - Rates
- Ensuring Used Tire Diversion
- New OTS Agreements
- Clearing-up the Misconceptions about Bill 91
- OTS Electronic Manifest System



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2013 Diversion Results

	2013	2012
Tonnes Supplied	155,055	149,195
Tonnes Collected	139,934	154,004
Tonnes Reuse	10,535	13,149
% Reuse	7.5%	8.5%
Tonnes TDP	81,609	89,505
Tonnes Crumb	74,752	68,441
% Crumb	92%	76%
Tonnes crumb in Manufacturing	37,622	32,715
% TDP used in Manufacturing	50.3%	47.8%
% Diversion	110%	109%

2013 Diversion Results

	2013	2012
TSF Revenue	76,379,657	67,908,202
CA Expense (incl. HST)	9,361,696	7,937,008
TI Expense (incl. HST)	24,156,287	28,401,817
PI Expense	17,911,124	18,407,987
MI Expense	4,657,281	4,244,611
Program Administration (incl. WDO & HST ITC write-off)	4,657,180	5,545,311
OTR Debt repayment	2,000,000	0
Future liabilities (incl. Incentive expenses, R&D initiatives & Stockpile clean-ups)	2,500,000	32,715
Reserve Contribution	8,751,087	3,100,000

What are the Changes ? — December 2013

- **July 1 2014** - Shift the payment of the Collection Allowance (CA) to the Processor
- **July 1st 2014** – Reduce PI rates by 25% and OTR PI premium to 15%
- **July 1st 2014** – Reduce MI by 23% (to a flat rate of \$100/tonne)
- **October 1st 2014** – Shift Transportation Incentive (TI) Model to the DZM and shift payment of TI to the Processors
- **July 1st 2015** – Reduce PI rates by 10% and OTR PI premium to 10%
- **July 1st 2016** – Reduce the MI by 20% (to \$80/tonne)



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What are the Changes ? — April 2014

- ~~July 1 2014 – Shift the payment of the Collection Allowance (CA) to the Processor~~
- July 1st 2014 – Reduce PI rates by 25% and OTR PI premium to 15%
- July 1st 2014 – Reduce MI to a flat rate of \$120/tonne
- October 1st 2014 – Shift Transportation Incentive (TI) Model to the DZM and shift payment of TI to the Processors
- July 1st 2015 – Reduce PI rates by 10% and OTR PI premium to 10%
- July 1st 2016 – Reduce the MI to \$80/tonne



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Ensuring Used Tire Diversion

On March 7th a group of stakeholders wrote to the Premier of Ontario and WDO threatening to halt the collection of used tires across the province and “boycott” the Used Tires Program.

As a result OTS has begun developing and implementing contingency plans to ensure we continue to deliver on our commitment to provide pick-up service across the province. These include:

- Updating our “Control Tower” function to provide support to Haulers seeking delivery and financial support
- Updating existing and establishing new relationships with out of province processors
- Preparing communications to Collectors regarding how to connect with alternate service providers if their current one is unable to provide service
- Developing a mechanism to provide direct pick-up service to Collectors unable to get used tires picked-up



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UTP Agreement Changes

OTS has been working on revising the stakeholder registration Agreements and has received important feedback from stakeholders regarding the need for additional requirements.

The new Agreements were sent out by OTS on February 28th 2014.

They will become effective May 5th 2014.



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UTP Agreement Changes

Question on the new Agreements?

- Reporting requirements?
- OTS Inspections / Audits?
- Performance Bond?



Bill 91 Misconceptions

- **OTS is preparing to “go private”**

OTS is and remains focused on delivering the used tires program under the current legislation.

If Bill 91 were to become law OTS would (eventually, at a time of the Stewards’ choosing) cease to exist as an organization.

It is likely that a group of Stewards would seek to acquire the assets of OTS (staff, systems, etc...) and use these as the basis for the creation of an “Intermediary” (“New OTS”), which would provide service to the owner Stewards (and likely others as well).



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Bill 91 Misconceptions

- OTS is preparing to “go private” (continued)

Some Stewards may choose to secure their own arrangements with service providers directly, or may form/join a different “Intermediary”.

“New OTS” would likely be active in seeking additional Stewards to join so as to realize greater economies of scale. This could result in a situation where “New OTS” and a different “Intermediary” and/or a service provider seeking a direct relationship with the Steward, end up in competition for the Steward.

This is not an objective of OTS, it is simply how the Waste Reduction Act (WRA) is currently structured.



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OTS Electronic Manifest System

OTS is targeting a July 1st deployment of the Electronic Manifest system. This will be preceded by a number of preparatory steps to support a successful launch:

- Late April information session(s) for stakeholders on the system and review of the operation and functionality;
- May pilot deployments with limited stakeholders (last phase of User Acceptance Testing pre-deployment) & identification of “Point People (PP)” at Haulers and Processors
- June “Training and Set-up Days” for all Hauler and Processor PPs to come in, receive devices, set-up training and application training
- June distribution of coded identifications to all Collectors
- July 1st stakeholders use devices and Electronic Manifest system for all TCR, STC and PTR transactions



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UTP Incentive Changes

Next Steps

- OTS Technical Committee meeting April 3rd
- WDO Board meeting April 24th
- New Agreements take effect May 5th
- PI rate reductions July 1st 2014
- TI payment shift October 1st

OTS will continue to work with stakeholders to ensure the smooth delivery of the program, and to deliver on our commitments to ensuring Ontario's scrap tires are recycled responsibly



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UTP Incentive Changes

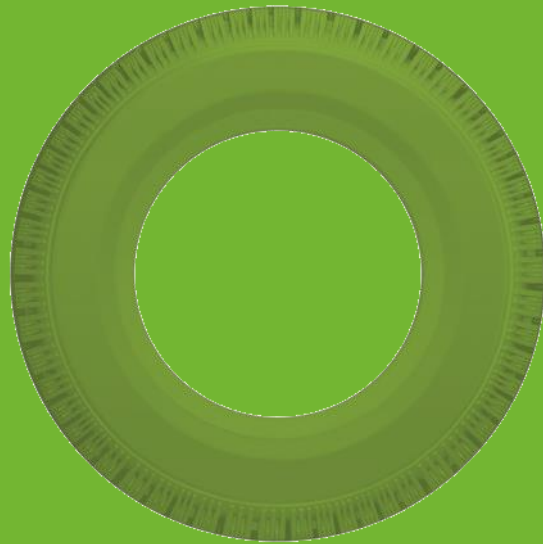
Questions?



9) Adjourn Meeting



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