

ONTARIO TIRE STEWARDSHIP

Used Tires Program Plan (Short Version)

1.0 INTRODUCTION

This diversion program has been prepared by Ontario Tire Stewardship (OTS), the Industry Funding Organization (IFO) established by Waste Diversion Ontario (WDO) to support development of a diversion program for Used Tires in Ontario. This plan has been developed with input from a wide representation of industry, government and non-government stakeholders. Its primary objective is to foster the implementation of a sustainable used tire stewardship program in the Province of Ontario.

The purpose of this document is to present the plan for the diversion of used tires generated in Ontario as well as clean-up of existing scrap tire stockpiles. Within this document, the term “scrap tire” is used to describe a Used Tire that has been discarded.

In order to facilitate review of this document, supplementary data and exhibits have been provided in the appendices rather than the main body of the plan. A summary of the consultation process and stakeholder comments is provided in a separate document titled Used Tires Consultation Report.

The Used Tires diversion programs in other provinces have been reviewed during preparation of the Used Tires Program Plan for Ontario. OTS thanks these jurisdictions for the work that they have done in establishing their programs. Their work has enabled OTS to learn from their best practices currently in place.

1.3 Designation of Stewards

Section 30 of the Waste Diversion Act defines a steward as a person or class of persons having a commercial connection to the designated waste, or to a product from which the designated waste is derived. The Minister’s Program Request Letter directs that the funding rules under the program define stewards as brand owners and first importers of tires into Ontario. The program request letter defines brand owners and first importers for the purposes of this program as:

- a. “The registered owner of the brand, or
 - b. A licensee of the brand, or
 - c. A person who owns the intellectual property rights to the brand, or
 - d. A person who is the licensee, in respect of the intellectual property rights of the brand.
- For the purpose of this program, a first importer means a person who imports tires into Ontario, for which a brand owner does not exist in Ontario, and who is the first to take title to the tires upon or after arrival in Ontario from elsewhere.”

4.4 Collection System

Registered Collectors

OTS and registered Collectors will enter into agreements (See Appendix 8: Terms and Conditions for Collectors and Appendix 9: Used Tire Tracking Manifest) that will obligate the parties to certain undertakings.

OTS, in retaining the services of tire Collectors, will undertake the following:

- Pay the Collector a Used Tire Collection Allowance (UTCA);
- Through its registered Haulers provide at no-charge to the Collector used tire hauling service for volumes of used tires greater than 50 PTE in southern Ontario and 75 PTE in northern Ontario;
- Ensure that Collectors are provided with no-charge used tire hauling by an OTS registered Hauler within 5 days of seeking such relief from OTS; and
- Perform any necessary audits to ensure the veracity of filed manifests and bills of lading.

OTS is proposing to provide registered Collectors with a Used Tire Collection Allowance of \$0.88 per PL/T tire and \$3.05 per Medium Truck and OTR tire (Appendix 19: OTDA Collector /Dealer Cost Study).

Southern Ontario

- Collectors and haulers will set arrangements for tire pick-up to give both parties respectively certainty of pick-up service frequency and recovery volume and timing;
- Service threshold: 3 day pick-up from the time of a call and a minimum pick-up threshold of 50 tires;
- No mandatory requirement for repeat service within 5 days of last pick-up Failing the first hauler providing service within 3 days, collectors must call at least 2 other haulers before approaching OTS for relief (and potential invoking of the dispute resolution mechanism).

Northern Ontario

- Collectors and haulers will set arrangements for tire pick-up to give both parties respectively certainty of pick-up service frequency and recovery volume and timing;
- Service threshold: 5 day pick-up from the time of a call and a minimum pick-up threshold of 75 tires;
- No mandatory requirement for repeat service within 7 days of last pick-up
- Failing the first hauler providing service within 5 days, collectors must call at least 2 other haulers before approaching OTS for relief (and potential invoking of the dispute resolution mechanism).

Off-Road Tires

Under the program OTR tires transported to registered Processors will receive a transportation incentive to support increased transportation of used OTR tires to registered Processors. Due to their size and weight, coupled with the often remote or rural locations where these tires are generated, a relatively higher transportation incentive is required in order to encourage this activity.

Based on research done in other Canadian jurisdictions (notably Alberta) transportation rates for OTR tires are approximately 25% higher than those for on-road tires (Appendix 16: Alberta Proposed OTR Tire Program presentation). Taking this into account OTS has determined that an average provincial transportation incentive rate of \$212 per tonne is appropriate. As with onroad used tire transportation this incentive will be paid to the Hauler upon delivery of the tires to an OTS registered Processor.

In general terms the transportation system will pick up all tires collected by registered Collectors and deliver them to OTS approved Processors. Practically this will mean the following roles and responsibilities:

Haulers

- OTS approved Haulers will relieve Collectors of used tires on whatever basis (i.e. prearranged time of pick-up, frequency of pick-up etc.) is mutually agreeable to both Hauler and a given Collector OR in the absence of such agreement the default service standard will be that a local Hauler will provide tire recovery to any Collector within 5 business days of being notified either by the Collector or OTS that used tire pick-up is required;
- Haulers will pick up tires from Collectors at no charge (provided the Terms & Conditions for Collectors are met);
- Haulers will initiate a manifest regarding the number of used tires picked up at a given Collector. The manifest will terminate at the OTS approved Processor; and
- Haulers will agree to audits to verify manifest claims as required by OTS.

OTS

- Will set Hauler qualification standards and register Haulers based on those standards;
- OTS will remunerate Haulers with transportation incentives that in year one will reflect as best as possible pre-program market rates for the hauling of tires from across Ontario to Processors; and
- OTS will undertake audits of Haulers as required to ensure accuracy of manifested tire flows.

5.4 Tracking and Auditing System

Steward Audits

OTS will also engage in an audit of stewards to ensure all subject tire sales into the province of Ontario are being reported and remitted on. OTS estimates that there are several hundred stewards captured under the brand owner and first importer steward definitions. OTS intends to perform financial audits of stewards representing 80% of the annual used tire volumes, and 98% on a rolling 3-year schedule.

OTS will seek audit efficiencies with other stewardship programs both within Ontario and outside the province, provided the degree of audit rigor necessary can be met.

6.2 Used Tire Product Categories

Three Tire Categories for the purpose of setting Tire Stewardship Fees have been established:

1. On Road Tires – Passenger/Light Truck Tires
2. On Road Tires – Medium Truck; and
3. Off Road Tires.

Table 25: Used Tire Definitions

Product Category Definition

1) On-Road Tires –

Passenger/Light Truck –

Passenger Tires, Small RV Tires, ST Trailer tires and Light Truck Tires and Temporary Spares Includes passenger tires are designed for use on passenger cars, light trucks, small RVs and multipurpose passenger vehicles (MPVs), including sport utility vehicles (SUVs) and crossover utility vehicles (CUV's), and to comply with Canadian Motor Vehicle Safety Standard (CMVSS No. 109). The light truck tire category is tires designed for use on consumer or commercial light trucks, under 10,000 lbs. Gross Vehicle Weight, and comply with Canadian Motor Vehicle Safety Standard (CMVSS No. 119). Codes found on the sidewall of light passenger and light truck tires are P (Passenger) and LT (Light Truck). Temporary spare tires are marked T (Temporary).

Motorcycle, Golf Cart and All Terrain Vehicle Tires

Includes all tires specifically designed for on/off highway motorcycles, motorcycle sidecars, motor bikes, mopeds, mini-cycles, golf carts and all terrain vehicles.

Forklift, Small Utility, Bobcat/Skid Steer Tires

Includes pneumatic forklift tires, Bobcat/Skid Steer tires measuring 16” rim size and under Free Rolling Farm Tires Includes free rolling farm and implement tires up to 16” rim size used on farm equipment.

2) On-Road Tires – Medium Truck

Medium Truck Tires

Also commonly known as Commercial Truck Tires – Truck and Bus tires including Wide Base or Heavy Truck tires designed for truck/bus applications and Larger RV tires not

marked "P or LT". All of which comply with Canadian Motor Vehicle Safety Standard (CMVSS No. 119).

3) Off-the-Road (OTR) Tires

Agricultural Drive and Logger Skidder Tires

Includes drive wheel tires used on tractors and combines and tree harvesting equipment. These tires are normally identified with a sidewall marking with suffix letters (R), or (HF) or (LS) and are 16.5" and up rim size. These tires are listed in The Tire and Rim Association Inc. annual yearbook Section 5 Agricultural.

Forklift, Bobcat/Skid Steer Tires

Includes pneumatic forklift tires, Bobcat/Skid Steer Tires measuring 16.5" and over.

Small Off The Road Tires

Sizes 1300R24 to 23.5R25 Rim Size

Medium Off The Road Tires

Above 23.5R25 to 33 inch Rim Size

Large Off The Road Tires Above

33 inch to and including 39 inch Rim Size

Giant Off The Road Tires

Over 39 inch Rim Size

Industrial (Solid) Tires

Solid Industrial Tires e.g. for Forklift Trucks etc.

7.8 Steward Fee Rates

Tire Stewardship Fees and Collection Processes

Stewards are required to remit a Tire Stewardship Fee (TSF) for each new eligible program tire sold in Ontario, either through replacement tire sales or together with a new vehicle e.g., when a new car is sold, the tire levy of \$5.84 must be collected on each of the tires, including the spare if the vehicle has one). Similarly, for Medium Truck tires, the TSF would be collected for every tire on the vehicle including the spare and on OTR tires a TSF per PTE will be remitted. The TSF will not be applied to reused or retreaded tires.

For the purpose of applying the TSF, a tire is considered to be new from the time when it is manufactured until the time it is sold for consumption or use, or is taken out of stock for consumption or use. The TSFs of \$5.84 for passenger (PT) or light truck (LT) tire and 14.65 for a Medium Truck (MT) tire and \$1.39 per PTE for OTR tires will be remitted 30 days after month-end to OTS. Interest penalties and administration fees for late payment are specified in the Steward's Rules.

OTS will engage the services of an outsourcing organization to register Brand Owners and First Importers. The outsourcing organization will also be accountable for collection of all TSFs and pursuit of delinquent accounts. They will also operate a 'compliance dashboard' to identify any program compliance issues that may require a spot audit to assess for compliance.

OTS will develop a financial audit protocol that will be administered by a third party auditor. The audit will serve to ensure TSF collection integrity and that Stewards are properly and accurately submitting fee remittances.

GST Status

The TSF is subject to PST; however, GST status remains to be determined. Some provincial tire boards have received approval from the Canada Revenue Agency (CRA) to not charge the Federal Goods and Services Tax (GST) on the TSF.

This position by CRA has not been consistent across the country and will require a specific ruling for the Ontario program. A plan has been initiated to obtain a ruling from CRA for the Ontario program.

Until such time as OTS receives a formal ruling on GST applicability, it will be assumed that the TSF is subject to GST.

Tire Retailers

Currently, most Ontario tire retailers charge customers a disposal fee to handle and dispose of customers' used tires and then pay a Hauler to remove the used tires for disposal.

Under the proposed Ontario plan, it is expected that the tire retailer will play a critical role as the primary Collector of used tires in the province and as such the primary financial impact on the tire retailer will be the end of the need to pay Haulers to pick-up used tires they have collected. It is expected that this will reduce the incidence of illegal dumping by removing one of the barriers to tire retailers accepting tires from consumers at no charge.

In addition the program will pay the Used Tire Collector under the program, a Collection Allowance to cover the costs of handling and storing the used tire after it is removed from the vehicle.

The Used Tire Collection Allowance for PL/T tires is \$0.88 per tire, for MT is \$3.05 per tire, for OTR tires ≤ 1 PTE is \$0.88 per tire and for OTR tires > 1 PTE is \$3.05 per tire.

8.0 PROGRAM RULES

8.1 Rules for Stewards

ONTARIO TIRE STEWARDSHIP

RULES FOR STEWARDS WITH RESPECT TO PAYMENT OF TIRE STEWARDSHIP FEES

1. Interpretation

In these Rules, the following terms shall have the following meanings. A reference to a statute or act of any legislature shall, unless otherwise expressly provided, be deemed to refer to such statute or act as it existed at the date of these Rules and as it may be amended or replaced from time to time. The headings used throughout these Rules are solely for convenience and are not to be used as an aid in the interpretation of these Rules. The singular or masculine or neuter, as used in these Rules, shall be construed to mean the plural or feminine or body corporate where the context of these Rules may so require. Capitalized terms which are not otherwise defined will have the meaning given to them in the Waste Diversion Act, 2002:

Affiliate means an affiliated body corporate within the meaning of subsection 1(4) of the Business Corporations Act (Ontario).

Base Interest Rate means the interest rate established from time to time under the Rules of Civil Procedure of the Courts of Justice Act, as amended from time to time, for prejudgment interest;

Brand means a trademark within the meaning of the Trade-marks Act (Canada), whether or not registered pursuant thereto;

Brand Owner means, with respect to Branded Tires, during any time in the Data Period:

- (a) a Person Resident in Ontario who is the registered owner of the Brand, or
- (b) a Person Resident in Ontario who is a licensee of the registered owner of the Brand, or
- (c) a Person Resident in Ontario, who owns the intellectual property rights to the Brand, or
- (d) a Person Resident in Ontario, who is a licensee, in respect of the intellectual property rights to the Brand;

First Importer means a Person Resident in Ontario who imports New Tires into Ontario but is not a Brand Owner of such New Tires, and includes a Person Resident in Ontario who is the first to take title to or delivery or possession of such Tires, upon or after arrival in Ontario from elsewhere during the Data Period. A Person who takes delivery/possession of New Tires only for the purpose of transporting them to another Person in Ontario is not the First Importer of the Tires;

2. Designation of Stewards

For the purposes of 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.

(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;

(4) If there are Unbranded Tires Supplied in the Data Period, and if the manufacturer is Resident in Ontario, the manufacturer of such Tires shall be designated as the Steward for such Tires; otherwise the First Importer shall be designated as the Steward for such Tires;

(5) If there are two or more Brand Owners for the same Tires Supplied in the same Data Period, the Brand Owner most directly connected to the manufacture of the Tires shall be designated as the Steward;

(6) Where there is no Steward for a particular Supply of New Tires in Ontario, any Person who elects to become a Steward for such New Tires shall, upon obtaining the consent of OTS and executing an agreement to be bound by these Rules, be designated a Steward for such Supply.

3. Steward's Report

(1) Every Steward shall file its first Steward's Report with OTS on or before the later of:
(a) the last day of the first calendar month after the end of the first Data Period after the Commencement Date; and
(b) 90 days after such Steward is notified of the existence of these Rules and how to obtain a copy of them.

(2) Stewards may amend a Steward's Report with the consent of OTS to correct information in the Steward's Report that is in error or to replace data previously reported.

(3) Once it has filed its first Steward's Report, a Steward shall file a Steward's Report in accordance with the schedule as set out in Appendix C.

(4) Notwithstanding the above OTS may require a Steward to file a Steward's Report by sending a written request to the Steward.

4. Fees Payable

(1) Stewards shall pay Tire Stewardship Fees to OTS on New Tires Supplied in the relevant Data Period in accordance with Appendix C. The amount of Tire Stewardship Fees shall be calculated in accordance with Appendix D by multiplying the number of units of each type of New Tires included in the Steward's Report by the Fee Rate set out opposite such type.

(2) Notwithstanding that a Steward has not received the notice in Rule 3(1), it is responsible for payment of Tire Stewardship Fees for all New Tires for which it is a Steward from and after the Commencement Date to the date on which it receives such notice.

(3) OTS may provide a credit for Tire Stewardship Fees which are overpaid, or which are for the same New Tires for which another Person has paid Tire Stewardship Fees.

(4) A Person described in any provision of Rule 2 who receives a Supply of New Tires from a Person who may be a Brand Owner, First Importer or OEM (the "provider") must ensure that the provider is a Steward with an OTS identification number. The OTS identification number will be posted on the OTS website.

(5) A Steward shall remit GST applicable to the Tire Stewardship Fee to OTS with each monthly remittance of the Tire Stewardship Fee.

8. Interpretive Memoranda

OTS may publish on its website non-binding interpretive memoranda on these Rules and how it proposes to administer them.

9. Publishing of Names

(1) OTS will provide all Stewards with an identification number.

(2) The names and identification numbers of Stewards filing Steward's Reports will be posted on the OTS website.

(3) OTS may post a list on its website of all Brands reported in Steward's Reports from time to time, and all OEM's, Brand Owners, First Importers and other Stewards associated with such Brands.

Appendix B

ONTARIO TIRE STEWARDSHIP (OTS)

TIRE STEWARDSHIP FEE RETURN

Revised: 02/13/09

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 30 days after 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 sales in the Reporting Period.		
SALES & TSFs IN REPORTING PERIOD			
Tire Types	# Tires Sold	TSF Rate Per Tire	\$ TSF Due
Passenger & Light Truck / Motor Cycle / ATV / Free Rolling Farm Tires	X	\$5.84 =	, . 0 0
Medium Truck Tires	X	\$14.65 =	, . 0 0
Agricultural Drive and Logger Skidder Tires	X	\$15.30 =	, . 0 0
Small & Large Industrial Tires	X	\$12.52 =	, . 0 0
Small Off The Road Tires	X	\$22.26 =	, . 0 0
Medium Off The Road Tires	X	\$97.38 =	, . 0 0
Large Off The Road Tires	X	\$104.34 =	, . 0 0
Giant Off The Road Tires	X	\$250.41 =	, . 0 0
TOTAL TSF DUE			, . 0 0
GST @ 5%			, . 0 0
TOTAL REMITTANCE PAYABLE (TSFs + GST)			, . 0 0
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:

Note: Nil Returns can be faxed to #####

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 sales of new tires and the remittance of the Tire Stewardship Fees.

Authorized signature:

Date: _____ / _____ / _____

Month

Day

Year

GST #: #####

Please tick this box to sign up for the Return to Retailer Program

☐

2006 “Mystery Shopper” Study

Report for:

The Rubber Association of Canada

Prepared by:

desrosiers
AUTOMOTIVE CONSULTANTS INC.

May 1, 2006

Introduction/Mandate

DesRosiers Automotive Consultants Inc. (DAC) was retained by the Rubber Association of Canada (RAC) to conduct a telephone survey of 300 Ontario tire retailers, broken down as follows:

- 200 tire dealers
- 50 new vehicle dealers
- 50 additional tire retailers (non-specialized)

The primary objective of this study was to ascertain the following information:

- Do tire retailers charge the consumer a fee for disposal of old tires?
- If yes, how much is the fee per tire?

Secondary information yielded by the study falls into the following categories:

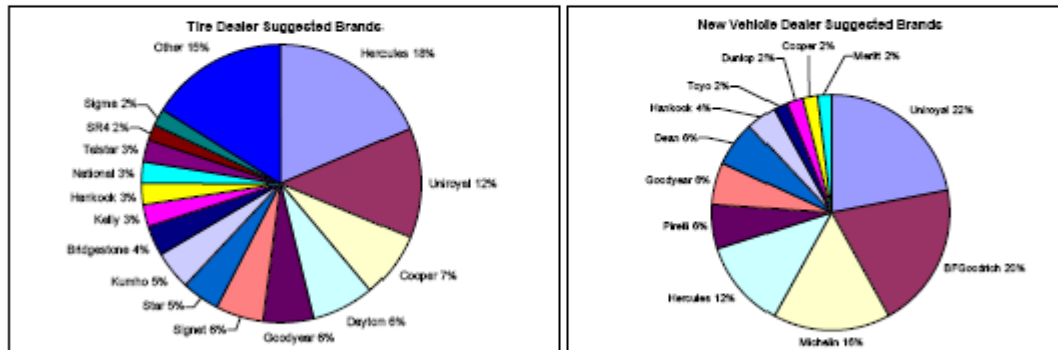
- Incidence of specific tire brands recommended as an “inexpensive alternative”

The primary deliverable from this study was a set of data tables documenting the results of the survey. In addition, this report presents a summary of some key findings.

Suggested Brands

DAC callers recorded the tire brand and model information (when available) during their conversations with tire retailers. It was common for the brand name to be provided, but not the model name or speed rating. Additionally, many lesser-known brands were often accompanied by a remark about their “real” manufacturer (e.g. “It’s an off-brand made by Goodyear”).

The largest group (18.5%) of tire dealers defaulted to the Hercules brand when asked to specify a low-cost tire. Other common brands were Uniroyal (13%), Cooper (7.5%), Dayton (7%), and Goodyear (6%). In total, 33 brands were suggested.



Despite their higher prices, a high number (22%) of new vehicle dealers suggested the same brand, Uniroyal, as their value-oriented counterparts at smaller tire retailers. Other brands suggested by car dealers included BFGoodrich (20%), Michelin (16%), Hercules (12%), and Pirelli (6%). In total, 12 brands were suggested.