

# **OTS Hauler Consultation Session**

**January 8<sup>th</sup>, 2013**

**OTS offices**

## 2009 – Launch of OTS

**OTS is the not-for-profit industry-funded organization (not government) responsible for developing, implementing and operating Ontario's Used Tires Program**

The Used Tires Program Goals include:

- Eliminate the approximately **1.4 million** stockpiled tires in dumpsites across Ontario,
- Ensure that the approximately 12 million plus scrap tires generated annually are diverted from burning and land filling to other uses
- ***To divert 90% of On-Road Tires, and 50% of Off-Road Tires in 5 years***

### **OTS strategic Objective:**

**Develop domestic markets to consume 100% of Ontario TDP's and products**



 Ontario Tire Stewardship

## Where is OTS Now?

Program can be divided roughly into 3 “Deliverable” Segments:

### 1. Short-term

- Ensure 100% of Ontario’s “divert-able” tires are diverted (i.e. not sent for fuel or landfilling)

### 2. Medium-term

- Work with the scrap-tire recycling industry to develop Ontario processing capacity to be able to manage 100% of the province’s scrap tires

### 3. Long-term

- Work to develop economically and environmentally sustainable markets to be able to “consume” 100% of the tire-derived products produced by the Ontario tire recycling industry

**We are here**



## Program Accomplishments To-date

### Diversion Rates

- Passenger and Light Truck tires exceed 95%
- Medium Truck tires exceed 95%
- Off-the-Road tires exceed 95%

To date OTS has cleaned-up over 500,000 tires in piles across the province



## Program Accomplishments To-date


Ontario Processing capacity has developed since program launch so capacity now exceeds supply of On-Road Tires

### Capacity Increases & Investment in Ontario

- 90+ new Haulers have entered the market since program launch
- 4 Ontario Processors have added 2.5 million tires of capacity
- 4 new Processors in place adding approx. 7.5 million tires of capacity
- 2 existing Rubber Product Manufacturers (RPM) adding capacity
- 2 new RPMs have established operations in Ontario
- **Combined investment to date \$20-30 million, expected investment in 2012 \$5-\$10 million**
- **Estimated new job creation to date = 200+**

To date OTS has not sent *any* tires to landfill either in or out of province.



 Ontario Tire Stewardship

## OTS Program design

The Ontario Used Tires Program is based on eliminating the financial barriers to the recycling of used tires and introducing a system of financial incentives that reward the movement of tires up-stream through the recycling system.

OTS Program has eliminated:

- Disposal fees for tire users and consumers
- Tire disposal costs for retailers
- Tip fees at Processors
- The option to dispose of used tires through landfilling, burning or stockpiling / baling

At launch the program introduced a manifest system that begins at the retailer/collector and ends with the sale of a manufactured product to an end consumer (includes tires sold for reuse / retreading)



## OTS Transportation Incentive Rates

The positive capacity developments in the Ontario market have resulted in a significantly changed tire transportation map that should result in a more efficient and less costly system:

- As Processors capacity stabilizes Haulers have greater certainty about where tires can be delivered resulting in opportunity for transportation efficiencies that reduce costs
- Haulers have had time to solidify relationships with Collectors, again providing greater certainty around routes, volumes etc.;
- The growing incidence of Haulers (these payments estimated to be \$2-\$2.5 million in 2012) paying for tires demonstrates that the TI rates are higher than is required simply to ensure the pick-up and delivery of tires.
- An analysis of TI rates across Canada shows that Ontario pays the highest Transportation rates of any province (except Newfoundland, where tires are loaded onto ships and sent to Quebec)

## OTS Transportation Incentive Rates

### Canadian Used Tire Program Incentive Rates - Transportation

	Transportation Incentive		
	2007	2012	Change
<b>BC</b>	108	128	19%
<b>AB</b>	62	84	35%
<b>SK</b>	132	145	10%
<b>MB</b>	56	111	98%
<b>ON</b>	n/a	170	n/a
<b>QC</b>	137	159	16%
<b>NB</b>	138	165	20%
<b>PE</b>	100	118	18%
<b>NS</b>	n/a	96	n/a
<b>NL</b>	n/a	342	n/a



# Adjusting the Transportation Incentives for 2013

## A Refresher - Components of Transportation Incentives

Incentive Rates are derived from three collection cost components:

- **Local collection costs**

- includes delivery costs to either processing facilities (where the facility is located within or proximate to the collection zone) or to a sorting or consolidation yard;
- zones are defined based on collection patterns, density and efficiency of collection:

- **Sorting yard costs**

- include the costs of sorting and reloading tires for delivery to a domestic processing facility;
- Not all tires hit a sorting yard but use averages across a collection zone:
- Assumed minimum annual volume for an efficient yard:

- **Final Transport costs from a sorting yard / collection point to a processing facility**

- Assumed average distance to processing facilities based on capacities:
- Ontario transport operating costs per Km from Transport Canada Truck Operating Cost Surveys adjusted for changes to the transportation component of the Consumer Price Index

## Adjustments to Local Collection Costs Components

Average # tires collected per load

- *increased average load for 5 ton trucks 10% based on 3 years collection data; smaller truck sizes not adjusted*

The point of origination is based on postal codes (FSA)

- *FSA rates were combined in zones to smoothen rates*
- *Weighted averages across 42 zones, however, still presented as individual FSA rates*
- *5 FSAs were moved to GTA*
- *SouthCentral zone extended to include Brantford and area – significant concentrated processing capacity*

## Adjustments to Sorting Yard Cost Components

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Assumed sorting yard usage:

- Lower percentage in GTA
- Higher in rural areas
- *Minor adjustments to smoothen percentages across new mini-zones*

## Adjustments to Final Transport Cost Components

Assumed average distance to processing facilities:

Facilities locations based on capacity

**2009** - *Model started with fictional facility in Milton*

**2010/2011** - *Processing capacity opened up in Moose Creek, GTA, Brantford, Chatham – capacity was up and down – still significant two way movement between SE and SC/GTA built into model to allow for these fluctuations*

**2012** – *Capacity expanded significantly in these areas, processing capacity exceeds supply ; Northern capacity emerged; capacity stabilized, need for two way east-west cross capacity appears to be gone*

## PLT Processing Capacity Adjustments

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- Northern processing capacity recognized for first time
  - 0% in 2012 to 75% in 2013
- Significant increase in southeast processing capacity recognized
  - ~45% increase from 2012
- Southwest capacity increased slightly

# PLT Processing Capacity Adjustments

PLT												
2011-12						2013						
	North	Southeast	SouthCentral	GTA	Southwest		North	Southeast	SouthCentral	GTA	Southwest	
North	0%	0%	35%	65%	0%	North	75%	0%	10%	15%	0%	
Southeast	0%	20%	29%	51%	0%	Southeast	0%	65%	25%	10%	0%	
SouthCentral	0%	0%	75%	25%	0%	SouthCentral	0%	0%	60%	40%	0%	
GTA	0%	0%	72%	28%	0%	GTA	0%	0%	75%	25%	0%	
Southwest	0%	0%	70%	0%	30%	Southwest	0%	0%	15%	45%	40%	



## MT Processing Capacity Adjustments

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- Northern processing capacity recognized for first time
- GTA/Southcentral processing capacity has centralized in Brantford area
- Southwest capacity increased slightly

# MT Processing Capacity Adjustments

MT												
2011-12							2013					
	North	Southeast	SouthCentral	GTA	Southwest			North	Southeast	SouthCentral	GTA	Southwest
North	0%	50%	50%	0%	0%	North	65%	10%	25%	0%	0%	0%
Southeast	0%	100%	0%	0%	0%	Southeast	0%	100%	0%	0%	0%	0%
SouthCentral	0%	0%	77%	23%	0%	SouthCentral	0%	0%	100%	0%	0%	0%
GTA	0%	0%	60%	7%	0%	GTA	0%	0%	100%	0%	0%	0%
Southwest	0%	0%	37%	0%	63%	Southwest	0%	0%	30%	0%	0%	70%

## OTR Processing Capacity Adjustments

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- Southcentral processing capacity recognized for the first time
- Southcentral and GTA tires now go to Southcentral processors

# OTR Processing Capacity Adjustments

OTR												
2011-12							2013					
	North	Southeast	SouthCentral	GTA	Southwest			North	Southeast	SouthCentral	GTA	Southwest
North	0%	100%	0%	0%	0%		North	0%	100%	0%	0%	0%
Southeast	0%	100%	0%	0%	0%		Southeast	0%	100%	0%	0%	0%
SouthCentral	0%	90%	0%	0%	10%		SouthCentral	0%	0%	100%	0%	0%
GTA	0%	68%	0%	0%	32%		GTA	0%	0%	100%	0%	0%
Southwest	0%	0%	0%	0%	100%		Southwest	0%	0%	0%	0%	100%

## Adjustments to Final Transport Cost Components

Assumed average distance to processing facilities:

Average Load Sizes of Final Loads

- Increased average long haul load size 10% based on 3 years collection data for PLTs and MTs, no changes to OTRs

Truck Operating Cost Assumptions

- Quarterly fuel adjustment – slight decrease to September 30

Assumed average distance to processing facilities

- Ontario transport operating costs per Km from Transport Canada Truck Operating Cost Surveys adjusted for changes to the transportation component of the Consumer Price Index

## The 2013 Rates

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### *Average Decreases throughout Province*

*PLTs – 15%*

*MTs – 13%*

*SOTRS – 12%*

*LOTRS – 11%*

# Pay on Actual Weight to Processors

- As of February 1<sup>st</sup>, OTS will be paying on actual weight delivered to Processors.
- OTS has reviewed the variance levels between estimated weight and actual weight of tires for haulers for the past 3 years and is currently creating an acceptable variance level and penalties for the program.
  - Penalties will be implemented if the variance is outside of the accepted amount (to be discussed at the Technical Meeting).
- The variance will be based on a monthly average and not per individual drop off.
- Why? Acceptable variance rates are used to assure that haulers are not weighing down the truck with anything other than the tires themselves



# Timelines and Expectations

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- Feedback on the consultation is very much appreciated
- January 22<sup>nd</sup>, 2013 (17:00) – Deadline for comments and questions by stakeholders
- February 1<sup>st</sup>, 2013 – Final Release of the new TI rates (assuming no fundamental changes are required).
- May 1<sup>st</sup>, 2013 – New rates implemented for the OTS program