

January 5, 2010

Re: 2011 Out of Province Processing

Dear Program Stakeholder,

This letter is to advise you of changes to the existing processes for managing surplus scrap tire processing through Out of Province Processors established by Ontario Tire Stewardship (OTS) at the launch of the Used Tires Program on September 1st 2009. These new processes will be effective for all requests for out of province shipments made as of March 1, 2011, requests made prior to March 1st 2011 will continue under the existing process.

Through the 2009-2010 program year OTS has been required to manage a significant portion of the annual flow of scrap PLT, MT and OTR tires as surplus to the capacity of Ontario processors. This has resulted in OTS dispatching loads to Out of Province Processors based on AD Hoc and Guaranteed Supply Agreements established with registered Haulers and Out of Province Processors.

To support this, OTS issued RFPs for bids from registered Haulers to transport these surplus tires under Guaranteed Supply agreements, and for bids from Out of Province Processors to receive these tires under Guaranteed and Ad Hoc Supply arrangements. These contracts specified the terms and conditions under which these services were to be provided, and established the eligible products that can be made by Out of Province Processors using Ontario scrap tires. Additionally, OTS established surplus Transportation Incentive (TI) rates based on the origination location of a load in Ontario and the approved Out of Province Processor destination selected by OTS.

OTS recognizes that while the existing process has functioned well and has allowed for the continuous flow of scrap tires surplus to the available Ontario processing capacity, it has occasionally resulted in disruptions in the planning processes of Ontario Haulers and may have constrained opportunities for achieving efficiencies through closer coordination between Haulers delivering approved surplus loads and Out of Province Processors.

In an effort to address the current situation and in recognition of the changing Ontario scrap tire processing situation OTS is making the following changes to the process for managing out of province deliveries of surplus scrap tires:

- The existing approval process for delivery of loads that cannot be accepted by local Ontario Processors will continue, however delivery destinations for loads approved to go out of Province by OTS will be at the discretion of the Hauler, provided that destination is an Out of Province Processor that has executed an Agreement with OTS and is listed on the approved Out of Province Processor list posted on the OTS website after February 25th 2011.
- Approved loads of PLT and MT tires (including loads of mixed PLT and MT tires) approved to be delivered to an out of province destination will receive a surplus Transportation Incentive (TI) of \$55 / tonne regardless of the current location of the load and type of tires on the load. Approved loads of OTR tires approved to be delivered to an out of province destination will receive a surplus TI of \$60 / tonne. Haulers will continue to follow the Surplus Request process and will still require OTS approval of the load prior to delivering to the preferred registered out of province processor.
- Out of Province Processors who choose to execute an Agreement with OTS and abide by the terms contained with said agreement will receive a "Processing Incentive" (PI) of \$55 / tonne of Ontario scrap PLT and MT tires received and \$150 / tonne of OTR tires received and processed in accordance with the terms and conditions in the Agreement.

OTS recognizes that these new rates represent a change to the existing process and that not all out of Province Processors may choose to execute an agreement with OTS. Processors wishing to execute a new agreement under these terms should confirm in writing to OTS at Processor@ontariots.ca. Processors wishing to terminate their existing agreements with OTS due to being unable or unwilling to accept these new terms are asked to respond in writing by January 30, 2011. The absence of a response will be construed as a negative response and will be considered as notice by the Processor of intent to terminate the existing agreement.

Following this process OTS will revise the list of approved Out of Province Processor destinations posted on the OTS website and will post a new list of approved destinations by end of day February 25th, 2011. This revised list, and any subsequent revisions will be the confirmed source for OTS-approved Out of Province Processor destinations and may not include all Out of Province Processors included on earlier versions of the list. Haulers must use the list dated February 25th, 2011 or later when booking approved deliveries to Out of Province Processors. Deliveries to out of province destinations not on this list may not receive the base or surplus TI that would otherwise apply to the load and may result in the termination of the Hauler's registration with OTS.

Haulers approved to deliver loads to approved Out of Province Processors must record the OTS authorization number on the PTR associated with the delivery. Haulers must obtain an OTS authorization number prior to delivering the load. OTS reserves the right to deny the issuance of an authorization number should the Hauler not comply with this process or the terms of their Agreement with OTS, or if there is available Ontario capacity available to process all or a portion of the tires on the load. Haulers who deliver loads to out of province destinations without prior authorization from OTS may not be paid their base and surplus TI that would normally have accrued to the load and may have their registration with OTS terminated. Haulers with questions regarding this process should contact OTS at Hauler@ontariots.ca.

This new structure for out of province processing will be open to both Out of Province Processors who have existing agreements with OTS, and to "new" processors seeking to potentially receive surplus scrap tires from Ontario and who are willing and able to comply with the terms and conditions of the Out of Province Processor Agreement. A sample of this agreement is attached to this letter.

Questions regarding this new approach to out of province processing for surplus scrap tires should be directed to OTS at Processor@ontariots.ca, or to the OTS Operations Center at 1-888-687-2202. The process outlined in this letter will go into effect for any loads approved to go out of province on March 1, 2011 or later.

Thank-you for your cooperation and support in getting to this point in the program, we hope that this new process will increase the overall collaboration and efficiency of the out of province processing of surplus scrap tires, and look forward to continuing to work with you to grow the Ontario-based processing capacity and the markets for value-added products manufactured from recycled tire rubber.

Regards,

Andrew Horsman
Executive Director