

OTS Technical Committee Meeting

August 4th, 2010

Committee Representation

The OTS Board decided to change the format of the Committee from an Official Committee of the Board to a formal Advisory Committee

- Representation is now open to all operational stakeholders
 - Limit of one per organization
 - TC meetings will be held in-person and webcast, attendance in person will be by RSVP on a first-come first-served basis
 - The call-in line will be muted for attendees; therefore any questions will need to be submitted via the webcast
- The Committee Terms of Reference will continue to apply
- Committee members will not be bound by the OTS Code of Conduct
- An OTS Board representative will not be formally part of the Committee membership
- The new OTS Manager of Operations and Special Projects, Jennifer Barbazza, will lead the committee

Meeting Content

- The Technical Committee is a forum where general operation program issues will be presented and discussed
- Individual participant cases will not be discussed in this forum they will be taken off line
- Going forward the meeting agenda will be sent out along with the meeting invite
- Suggestions for agenda topics may be submitted to communications@ontariots.ca leading up to the meeting; OTS will do their best to incorporate suggested topics
- Agendas, PowerPoint presentations and meeting notes from the TC meetings will be posted on the OTS website under the "Resources" section of the site

OTS Program Diversion Results to Date (end of April)

- PLTs: 123%
 - MTs: 102%
 - OTRs: 100%
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- Diversion figures for PLT tires greatly exceeding expectations
 - OTR diversion continues high due to reduced supply

OTS Program Diversion Results to Date (end of April)

- Using existing data and trend analysis OTS is forecasting an overall surplus for the 2009-2010 financial year
 - Surplus for PLT tires
 - Shortfall for MT tires
 - Shortfall for OTR tires
- Main reason for surplus is Ontario processing capacity not delivering the TDP production forecast during program development / implementation
- OTS will be addressing these variances in future years
- Ontario processing capacity is expected to increase during 2011 to eliminate most/all of the surplus tire deliveries out of the province

Tire Collection

- a) OTS is in the final stages of creating a 'sub-collector' agreement
 - Agreement may be used to accommodate larger collectors who receive tires from other smaller unregistered collection sites to account for their tire receipts
 - Sub-collector agreement will be available as of September 2010.
 - Only tires received from sub-collectors after the date that the sub-collector agreement is signed and submitted to OTS will be eligible for CA allowance (for the receiving collector)
 - Tires received by a Collector from other businesses prior to the sub-collector agreement being signed and submitted to OTS may not be eligible for the allowances or incentives included in the program

Tire Collection

b) Stockpile Update

- OTS is in discussions with the MoE on developing an approach to abatement that is agreeable to all parties
- OTS will provide details as we move forward

c) Pre-Program Tires

- OTS will be releasing an addendum to Collector contracts in September 2010 that will be available for organizations with pre-program tires to be removed
- Upon approval by OTS Collectors will be able to arrange pick ups for these tires through s Special Tire Collection (STC) event; the costs associated with the management of these tires will be evenly deducted over a set period (max of 3 yrs) period from any CA generated until the costs are covered. Remaining balances after the 3 yr period must be paid to OTS by the collector

Tire Transportation & Delivery

- a) Guaranteed Supply: RFPs were issued previously to transport and process surplus tires that can not be processed in ON due to projected shortfalls in ON capacity. Processors and haulers bid to accept these tires; the rates at which tires are sent out are based on monthly forecasts put together by OTS

July

- PLT – 500 tonnes
- MT – 600 tonnes

• August

- PLT – 500 tonnes
- MT – 500 tonnes

• Sept

- PLT – 500 tonnes
- MT – 500 tonnes

Tire Transportation & Delivery

Ad Hocs & Redirects:

Ad Hocs are defined as tire deliveries that are authorized by OTS to be delivered to approved out of province processors, only when there is no capacity to process those tires in ON. There is typically a transportation premium associated with these deliveries

Redirects are defined as deliveries of tires to identified alternate locations in Ontario that are outside of the normal processing sites contemplated in the standard transportation incentive rate model. Prior authorization must be obtained from OTS before delivering to such a facility.

Request approvals are managed by the OTS Control Tower, send requests to hauler@ontariots.ca

June Ad Hoc and Redirect Rates:

Ad Hocs authorized in June = 338 vs 201 in July

Redirects authorized in June = 22 vs 58 in July

Transportation Incentives

Transport Incentives

- Earn credits when tires collected from Approved Sources;
 - Registered collectors (TCR, DOT)
 - Special collections (STC)

- Eligible for payment when tires delivered to OTS approved end uses:
 - In-Province processors (PTR);
 - Approved re-use applications (RTR);
 - Approved export processors (PTR)
 - Hauler Transfers (HIT) – as normal course of business

The In-Province Model

Components of In Province Transport Incentive Claim Rate

Incentive Rates are derived from the three main components of collection costs;

- Local collection costs
 - includes delivery costs to processing facilities (where the facility is located within or proximate to the collection zone) or to a sorting or consolidation yard;
 - Collection 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 go through a sorting yard but averages are estimated across a collection zone:
 - Assumed minimum annual volume for an efficient yard:
- Onward delivery costs from a sorting yard to a domestic processing facility
 - 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

Managing & Adjusting the Model

Managing the Rates

- Scheduled reviews annually
- Ad Hoc Adjustments
- Underlying assumptions change
 - Processors enter/leave the business
 - Rapid escalation in costs
 - Tires not being collected
- Ad Hoc increases as required
- Ad Hoc decreases with 90 day notice period

The 2011 Adjustments

Major Changes Proposed

- Separate PLT and MT rates
- Changes in Processing Capacity/Location

Separate PLT/MT Rates

- Differences influenced by:
 - Percentage of tires requiring sorting;
 - Different locations of processing capacity.

- Mainly a GTA, Southcentral issue where there are more small operators who do direct deliveries; - PLT rates would drop in these areas, MT rates would rise based on MTs requiring higher degree of sorting;
- Minor variances in other regions based on projected processing capacities;

Changes in Processing Capacity - PLT

- PLT capacity expected to be in GTA, Moose Creek and Brantford area;
 - Slight decrease in the Southwest zone;
 - Slight increase/neutral in the GTA /Southcentral zone;
 - Significant decrease in the Southeast zone;
 - Slight increase in Northern zone

Changes in Processing Capacity - MT

- MT capacity expected to be in GTA, Moose Creek, Brantford and Chatham areas;
 - Slight decrease in the Southwest zone;
 - Slight increase in the GTA/Southcentral zone;
 - Significant decreases in the Southeast zone;
 - Very slight increase in Northern zone

Other Issues

- Standard weights, primarily OTRs
- Fuel Adjustment Mechanism

Next Steps

- Feedback
- Ongoing Consultations
- Hauler Consultation will be scheduled for early September

Claims

a) Collector Claims Adjustments

- notice sent out to all collectors to notify them that any request for an adjustment received by OTS after July 16th may be subject to a 20% administration fee on the adjusted amount
- The adjustment period will be in the 4th quarter of this year; instructions on how to file and adjustment will be sent to collectors who have been approved to file adjustments later this year
- Collectors who missed filing deadlines will not be granted adjustments

b) Temporary Process for Collector Allowance Claims Cheque Mailing

- When OTS receives returned mail; collector will be contacted, address verified. If the contact advises the cheque should be sent to the contact address this will be accommodated
- System based solution should be in place to correct by end of Sept

Claims

- c) Collected vs Generated Tires:
 - Tires that are generated by a collector (or any other participant) are not eligible for CA. Generated scrap tires typically come from machinery or equipment owned and used by the collector. Generated tires must be reported on a separate TCR form then collected tires
- d) Hauler Postal Code Error Corrections
 - Haulers who have had forms removed from previous claim submissions due to errors in the Collector postal code (as a result of Collector registration errors) will be allowed to file those lines with their August 2010 Reporting Data period claim (due by end of November 2010)
 - OTS will contact all effected haulers to advise them of this option and the procedure for submitting these forms over the next few weeks

Tire Processing & Manufacturing in Ontario

a) June – July Review

- Ontario processing capacity continues to lag forecasts
- Implementation of additional Guaranteed Supply for June and July has helped to reduce Ad Hoc (out of province) shipments, but not eliminate them

Tire Processing & Manufacturing in Ontario

b) 2011 Forecast Processing Capacity

- Based on discussion with Processors OTS is anticipating a surplus of Processing capacity in Ontario in 2011
 - Approximately 140,000 tonnes of On-Road tire processing capacity vs. estimated 120,000 tonnes of annual generation on-road tires (may be compensated somewhat by continued supply of existing tires, opportunity for stockpile management)
 - Expect continued surplus of OTR tires over processing capacity
- Despite these estimates the lack of stability in the processing market in 2010 will lead OTS to assume some supply of on-road tires out of province will be necessary, though perhaps only on an Ad Hoc basis

Tire Processing & Manufacturing in Ontario

c) 2011 Forecast Manufacturing Capacity

- Based on discussion with Manufacturers OTS is anticipating a growth in Manufacturing capacity in Ontario in 2011
 - Current Manufacturing capacity is estimated at approximately 25,000 tonnes of crumb usage (2010)
 - Potential Manufacturing capacity for 2011 may be as high as 50,000 tonnes
- Current OTS budget assumes that every tonne of Ontario crumb will receive an MI, though not at current MI rates
 - Current proposal is for an incentive of \$40 / tonne on “base” production (using same 2006-2009 average base as currently), \$160 / tonne on incremental manufacturing and Ontario crumb use
 - OTS will be further consulting with Manufacturers on this approach

Tire Processing & Manufacturing in Ontario

d) Manufacturing Incentives and Claims Filing

- Claims filing proceeding well, RPMs completing filing through on-line reporting portal

Program Communications

- a) STC Events – June
 - 75 events
 - July
 - 23 events

Program Communications

b) Tire Maintenance Education Program

- OTS has launched the “Tire Life Check” Program to educate Ontario drivers about how proper tire maintenance can extend the life of their tires, make them safer on the roads and improve fuel efficiency
- The TLC program has been booked to just under capacity for this year, interested parties can contact OTS to request event participation for this year and next year



TLC Event vehicle (x2)



Showing how to check tire pressure and tread

Program Communications

- c) OTS Upcoming Events
 - Association of Municipalities of Ontario (AMO) Conference
 - Windsor, ON;
 - Ontario Tire Dealers Association (OTDA) Conference
 - Toronto, ON
 - Rubber Association of Canada (RAC) Conference
 - Toronto, ON

New Business

Next Meeting

- Wednesday, September 22nd, 2010: 9:00am – 12:00pm

Adjourn Meeting
