

Tire Stewardship B.C.
Scrap Tire Recycling Program (TSBC Program)

SUMMARY OF CURRENT PROGRAM POLICIES

(May 2010)

Export

No financial assistance is available for the export of whole tires, partially processed products or TDF.

Processors are permitted to receive financial assistance, in the form of the usual transportation and processing incentives, for the export of TDF upon proof of sale to an eligible end user in the export market. Priority must be given to serving the needs of British Columbia end users.

Audit Requirements

The TSBC Board may require, at its sole discretion that participants who receive funds under the program submit audited financial statements. The cost of these audits will be borne by the participants. As an administrative practice, the TSBC Board may choose to waive the audit requirement due to the high cost this may impose on some small participants. A preliminary minimum annual claim level of \$10,000 for processors and \$25,000 for end users has been set as an internal guideline for adherence to this policy.

Exclusive Rights

The TSBC Board will not grant exclusive territory rights to any participant in the TSBC program, except as follows:

- The TSBC Board may assist local governments in the establishment of marshalling yards in areas where none exist or are likely to be established due to low volumes of tires or other constraints.
- The TSBC Board may revise transportation incentive rates to support processors or end users in geographically separate regions.

Maximum Inventory Limits

A registered processor may accept and receive the transportation incentive for not more than 50,000 passenger tire equivalents (400 tonnes, whole or processed) until the processor has demonstrated that it has a market for its product. A maximum of 50% of this total may be accumulated before actual installation and operation of the processing equipment, provided the processor demonstrates a continual and significant financial commitment to processing tires.

Upon commencement of operations* and demonstration of a market for its product, a processor will be permitted to accumulate a total maximum inventory of whole tires, processed tires, partially processed product or finished product up to a maximum of *twelve months sales*. The maximum inventory level will include inventory held by parties on which the processor is deemed to have economic dependence in terms of markets even if a "sale" has been recorded. This is a maximum limit; lower inventory levels or further restrictions may be imposed by other policies. This maximum permitted inventory will be established by the Program Administrators in consultation with the affected processor.

Processors will be required to post a bond sufficient to reflect the level of inventory at their processing facility, and inventories at sites under their control, and the potential costs associated with any subsequent cleanup of that inventory.

***ADDENDUM:**

Effective May 6 1997, implement the following requirements: (1) in advance of its registration in the TSBC program, a

new processor must demonstrate proof of having secured an acceptable site for its scrap tire processing facility; (2) within 90 days of the date indicated on the "Confirmation of Registration", the new processor must begin processing scrap tires in the manner described on its approved Form R, or as described on other documents approved by the TSBC program; and (3) having failed to commence operations as described in 2, the processor will, at the discretion of the TSBC Board, be de-registered from the TSBC program and a new Application for Registration will be required in consideration of its reinstatement.

Stockpile Removal

Applications for additional assistance by eligible parties will be considered on a site-specific basis where the available transportation incentive is insufficient to cover the costs. All applications will be subject to availability of funds in the TSBC program budget.

Sites which are under local government control may be eligible for assistance under this policy. Removal of tires from a privately owned site is not eligible for assistance under any circumstances.

A local government must establish its eligibility under this policy prior to proceeding with the cleanup. It must also enter into a Letter of Agreement with TSBC Board regarding the procedures to be followed.

Any funding provided would be a one-time contribution on the understanding that a tire management program would be initiated to avoid the need for any future cleanup project.

TDF Processor Incentive Rate

TDF1: \$127 per tonne for shred processed for Tire Derived Fuel (TDF)

(Note: See Policy #26 for Whole Tire TDF Rate)

Financial Support for 2R Users

- No processing assistance is available for used and retreaded tires.
- Assuming suitable arrangements can be made, 2R users will be allowed access to stockpiles of tires at registered processing facilities, whose primary purpose is to process whole tires, with no reduction in transportation assistance to the registered processor. Where a reasonable request for access is denied, the TSBC Board may intervene.
- Scrap tires diverted for 2R use at the generator's site, or prior to delivery to a registered processing facility, will not be eligible for transportation incentive as the TSBC Board will be unable to secure independent verification of the existence or weight of the tires.
- Eligible uses of whole tires for purposes other than as a tire will be considered for the variable 3R rates of financial assistance as detailed in separate policies.

Eligibility for Whole Tire Feed System to Receive Incentives

(1) **Incentive Rate**

TDF2: \$73.00 per tonne for passenger/light truck tires only.

(2) **Eligibility limit for MT tires**

Incentive eligibility for TDF for MT tires is only applicable in the case of one-time landfill cleanup projects, under pre-agreement between the TSBC Board and the local government operators, provided the tires are removed at no cost to the local government.

Incentive Eligibility for Medium Truck (MT) Tires

As a general rule, only TDP processors will be eligible to receive full incentives for MT tires, subject to demonstrated capacity, inventory controls and program budget restrictions.

Incentive eligibility for MT tires will be extended to TDF processors for one-time landfill clean-up projects, under pre-agreement between the TSBC Board and local government operators.

If it becomes apparent that the TDP sector cannot handle the volume of MT tires, the TDF sector remains an alternative at the eligible TDF incentive rates.

ADDENDUM:

Extend incentive eligibility to medium truck tire residuals resulting from an approved TDP end use for use as TDF at the normal TDF processing incentive rates.

System Stability

1. The TSBC Board's normal practice will be to review the rates of assistance on an annual basis, with any changes to be announced on or as soon as possible after November 1st of each year.
2. Changes which reduce the level of incentive will be effective following a period of one year, but may be implemented sooner if acceptable to affected industry stakeholders, subject to item 4 below.
3. Changes which increase the level of a incentive may be implemented immediately.
4. The TSBC Board reserves the right to change incentive levels at any time when necessary for the viability of the program or to achieve important program goals, following consultation with, and as much notice as possible to, affected industry stakeholders.

TDP Processor Incentive Rate Structure

The rate of incentive available to eligible processors will be based on the level of assistance required to realize the diversion and viability potential of the operation.

The rates of processor incentive are:

- **TDP1** – at up to \$280 per tonne. Includes operations that reduce the scrap tire to a highly processed form, typically to a crumb rubber or powder form for use in producing new products such as blocks or mats (particle size up to approximately 5/16" *and* free of steel and fibre). The component values of the TDP1 rate are as follows: crumb rubber @ \$370 per tonne / steel and fibre @ \$168 per tonne.
- **TDP2** - at \$140 per tonne. Includes operations that process or change the shape of the scrap tire but utilise components of the scrap tire essentially in their original form: examples include blasting mats and portable terrain mats. Also includes end products made from scrap tire shred: particle size range >5/16" up to 3/4".
- **TDP3** - at \$69 per tonne, is characterized by high-volume applications such as coarse shred used as road-fill.
- **TDP4** - at a nil incentive rate, where the product will be made from the whole tire in its original form. Transportation assistance will be available to ensure access to scrap tires as feedstock is available.
- **TDP 5** – at \$140 per tonne for the shearing and disposal of BC generated scrap Rear Agricultural and Logger / Skidder tires that have received an Advance Disposal Fee.
- **TDP6** – at \$2.52 per Medium Truck Tire received for processing into either TDP1 or TDP2
- **TDP7** – at \$200 per tonne for rubber granules with a particle size range of >5/16 up to 3/4" *and* free of steel for use as recycled rubber mulch typically used as landscape cover.

Eligible Distance for Transportation Incentive Purposes

ISSUE:

The appropriateness of a policy whereby the transportation incentive paid is based on the distance to the nearest eligible registered processor, herein referred to as the “eligible distance”.

DECISION:

Effective immediately, implement the "Lower Mainland Catchment Area" approach to eligible distance, as described below.

Lower Mainland Catchment Area:

This approach to eligible distance was developed on the basis of historical performance in PLT and MT flowed to existing participants. As such, this approach will be subject to review in the event of a change of distribution of the scrap tire processing capability across the province, particularly on Vancouver Island or in the central Interior. A significant change will necessitate an analysis of its impact on the policy's objectives, as provided above.

For purposes of eligible distance, the following five catchment areas, derived from existing processor locations, will be applied: (1) Vancouver Island; (2) Lower Mainland; (3) Northern; (4) Interior; and (5) South Eastern.

Based on these catchment areas, the movement of scrap PLT and MT tires that will presently qualify for transportation incentives are:

1. from a Lower Mainland generator - - to a Lower Mainland processor;
2. from a Vancouver Island generator - - to a Vancouver Island or Lower Mainland processor;
3. from an Interior or Northern generator - - to an Interior or Lower Mainland processor; and
4. from a South Eastern generator - - to a South Eastern, Interior, or Lower Mainland processor.

The eligibility of claims for transportation incentives will continue to be subject to compliance with all other TSBC Program policies and procedures.

It is the expectation of Program Administrators that the Lower Mainland and existing Vancouver Island MT tire processors will work together to ensure an adequate supply of MT's remain available on Vancouver Island to meet local demand. In the absence of such cooperation, and with substantiated demand for scrap tires on Vancouver Island, the catchment area approach may also be extended to limit the flow of scrap tires from Vancouver Island.

It is the responsibility of participants to contact Program Administrators for advance eligibility rulings in circumstances not addressed by the policy restrictions and expectations discussed above. In the absence of such discussion, the lowest eligible distance as determined by the TSBC program will apply.

Where a potential environmental risk or other serious program non-compliance issue exists, the TSBC Board and/or Program Administrators will intervene to restrict the offending processor's ability to accept tires and will withdraw its eligibility to claim transportation incentives. This limitation will override all other considerations within this policy.

Reimbursement of Ferry Incentives

- Effective June 15, 1997, implement standard reimbursement of One-Way Ferry Incentives (either way, *as eligible*).
- Consistent with current practice, designate One-Way Ferry Incentives to include:
 - one-way ferry fare for the truck and one driver; plus
 - a flat downtime allowance.
- Require submission of the original receipt for reimbursement of the ferry fare, with no supporting documentation required to claim the downtime allowance.
- The eligibility guidelines with respect to the minimum load size and the amount of the downtime allowance are:

- ⇒ *Eligible load size for ferry fare reimbursement:* The load of scrap tires must consist of a minimum of 500 passenger tire equivalents *and*, as ferry fares are based on truck length, the transport vehicle must be filled at or near capacity with scrap tires. (**Replaced, see addendum below**).
- ⇒ *Calculation of downtime allowance:* For each eligible load, a flat allowance of \$100 will be available for the Vancouver Island route. Assistance for other routes will be based on the average downtimes for those specific routes.

ADDENDUM:

Effective February 15, 2001, the one-way ferry fare including driver and downtime (if applicable) will be pro rated based on the size of the load. The program has set a predetermined capacity for each load at .252 tonnes per linear foot of trailer space. Loads that do not meet this predetermined capacity will be pro rated.

Eligibility Requirements:

- **all** loads travelling by ferry/barge, regardless of size/weight, **must** be weighed and the original weigh scale ticket submitted with the corresponding Form A(s);
- the original ferry receipt **must** be submitted with the corresponding Form A(s) to allow for pro rating based on the actual ferry fare paid;
- the transporter **must** indicate on the ferry receipt the size of trailer used to transport the load i.e. the area where the tires are stored;
- the load **must** represent no less than 50% (amended to 75% as of June 1, 2001) of the predetermined capacity; and
- should the load exceed the predetermined capacity the reimbursement will **not** exceed the maximum amount eligible, i.e. the actual ferry fare paid including driver, and downtime (if applicable).

ADDENDUM:

Effective November 1, 2007 all scrap tire loads traveling by ferry from the Gulf Islands to a registered processing facility will be eligible for ferry fare, driver and downtime both ways and the minimum load requirement is reduced from 75% to 50%. This policy will be reviewed on or by November 1, 2008.

Note: The Gulf Islands also include Bowen Island. This amendment does not apply to the Queen Charlotte Islands.

Definition of an “Eligible Sale”

The following defines an “eligible sale” for the purposes of claiming financial incentives (*Eligible Sale* and *Arm’s-length Transaction* have been derived from an interpretation of definitions contained in the Income Tax Act.)

ELIGIBLE SALE: An “*arm’s-length transaction*” for which the required “*proof of sale*” is rendered to the **TSBC program**. The burden will be on the incentive claimant to prove by the facts of a situation that a transaction was at arm’s-length. If the incentive claimant fails to meet this onus, the transaction will be considered *not* at arm’s length and consequently will not qualify for the financial incentive.

Arm’s-Length Transaction: *Related persons or companies are deemed not to be dealing with each other at arm’s length.* Related persons are generally those connected by blood, marriage or adoption. Related companies include those in which one company owns a significant interest in the other, or where a shareholder of one company owns a significant interest in the other company. The determination of whether an interest is “significant” will be at the discretion of TSBC, and reasonableness will be the key. (*Company/shareholder* may be replaced with *partnership/partner*, for purposes of this definition.)

Note: The requirement for an arm’s length transaction between a Registered Processor and a Registered Manufacturer is waived when the registrants are both a TSBC approved Processor and Manufacturer. However, when the same entity is claiming for both a Processor Incentive and a Manufacturer Incentive, the Processor Incentive, for the product that is also eligible for the Manufacturing Incentive, is only payable to the Processor once the eligibility for payment of a Manufacturing Incentive on that same product has been achieved.

Proof of Sale:

The proof of sale in support of a claim for Processor and / or Manufacturer incentives will be:

1) A copy of the sales invoice clearly indicating:

- the purchaser’s name, address, and telephone number;
- the seller’s name, address, and telephone number;
- the date of the sale;
- the date of product shipment**(a)**;
- name or description of the product**(b)** sold;
- weight of product sold (with original scale tickets) ;
- the proceeds**(c)** of the sales transaction; and
- the terms of payment.

2) For submission upon request:

- copies of the waybills, bills of lading, or other proof of product shipment to purchasers. At its discretion, TSBC may require the submission of shipping documents to support each claim for financial incentives;
 - copies of production records sufficient to support the quantity and quality of tire material contained in the final products claimed for financial incentives; and
 - Government approved weigh scale tickets to support the weight of the tire material contained in the product sold.
- (a) **Product Shipment:** TSBC reserves the right to verify with the purchaser the receipt of a product for which financial incentives is being claimed.
- (b) **The Product:** Must be a product for which eligibility and incentive rates have been confirmed by TSBC. TSBC reserves the right to verify with the purchaser the final application of a product for which financial incentives is being claimed.
- (c) **The Proceeds:** TSBC reserves the right to verify the proceeds received by a participant for any sale for which financial incentives are being claimed.

Review of Eligible End Use Criteria

- > **Implement the “Eligible End Use Evaluation” (Form E)** to clarify the specific eligibility criteria;
- > **Make the applicant’s submission of a business plan mandatory.** The business plan should cover the proponent’s first five years of operation and should be based on the “Preliminary Incentive Rate Criteria” included on the Form E; and
- > **Adopt the “Eligible End Use Evaluation & Confirmation Procedures”** to define the eligibility review process and responsibilities.

Transportation Incentive Rates

The transportation incentives in effect for 2010 are as follows:

Distance (in km)	Rate \$ as of May 01 2010
0 – 30	2.622
31 – 75	1.831
76 – 125	1.212
126 – 200	0.874
201 – 300	0.427
301 – 400	0.340
401 – 500	0.301
501 – 600	0.256
601 – 700	0.229
701 – 800	0.212
801 – 900	0.198
901- 1000	0.187
1001 – 1100	0.179
1101 – 1200	0.170
1201 – 1300	0.163
1301 – 1400	0.153
1401 – 1500	0.152
1501 – 1600	0.148
1601 – 1700	0.145
1701 – 1800	0.142
1801 – 1900	0.139
1901 - 2000+	0.134

Note: The rates are adjusted quarterly to reflect changes in fuel prices, i.e. Jan 01, July 01, Oct 01 and Dec 01.

Security Requirement

A security is defined as a non-cancelable commitment. The security is a written instrument executed by the processor and a second party, e.g. a financial institution, to assure fulfillment of the processors obligations to the TSBC Program. In the event a processor abandons its site or is otherwise unable to process and/or sell its inventory, the security must assure payment, to the extent stipulated, of any loss sustained by the TSBC Program and/or costs incurred to clean up the site. The security may also be used to recover any overpayment of TSBC program incentives.

A list of TSBC Board-approved securities is available upon request from the program administrator.

All TSBC program processors with an inventory limit of greater than 50 tonnes must post a TSBC Board-approved security based on the processors set inventory limit with a minimum security required of \$100,000.

For a processor applicant, requiring an inventory of greater than 50 tonnes, the posting of a security approved by the TSBC Board will be required during the application process as a pre-requisite to registration approval.

Failure to comply with the posting of a security requirement will result in registration cancellation for existing participants and the rejection of any new processor applications.

Tipping Fee Policy

Tire Stewardship B.C.'s long-term goal is to support the collection and transportation of tires to processing facilities, by raising the transportation credits paid to haulers sufficiently to cover their current charges and to eliminate additional tipping fees to retailers and generators. TSBC recognizes that currently, and only in some instances, the transportation credit may not fully cover the hauler's current charges. In such instances, retailers and generators may be asked by the hauler to pay an additional fee to cover lost earnings. In such circumstances, retailers and generators should shop around to ensure they are getting the best rates and service.

Effective January 01, 2007, collection / tipping fees on all tires that attract an Advanced Disposal Fee will be eliminated for retailers and generators that meet the following conditions:

- a) have a minimum of 50 scrap tires, clean and off rims, for pick-up, and
- b) require a maximum of once a week pick-up, and
- c) make scrap tires easily and readily accessible.

Retailers and generators who desire a higher standard of service should expect to pay additional service fees to cover the additional expense incurred by haulers and/or should shop around for the best combination of rates and service.

ADDENDUM: Effective July 9, 2007 condition b) "require a maximum of once a week pick-up" has been removed and condition c) "make scrap tires easily and readily accessible" is defined as the tires being stored in a location that is free and clear of any obstructions and / or debris and allows the tires to be directly loaded onto the hauler's truck.

Ownership of Tires

Tire Stewardship BC is not the owner of scrap tires in the Province of British Columbia and makes no representation or warranty as the volume of scrap tires available for collection and processing.

Manufacturer Incentive Program

1. The Manufacturer Incentive Program

This program is designed to promote the increased use of BC recycled rubber in BC by providing an incentive to BC manufacturers for the use of BC recycled rubber in recycled rubber products. It is TSBC's expectation that this program will create stable and sustainable markets for TSBC Registered Processors (Processors), and recycled rubber supplies for BC manufacturers.

2. Eligible Applicant

Each manufacturer must apply to become a TSBC Registered Manufacturer (Manufacturer). The eligibility criteria include but are not limited to the following:

- a) The applicant must be a BC registered company;
- b) The applicant should have the capability, capacity and commitment to use a minimum of one million pounds of recycled rubber annually in the manufacture of eligible recycled rubber products;
- c) The applicant must enter into a Manufacturer Agreement (Agreement) with TSBC in order to receive financial incentives under this program; and
- d) If the applicant qualifies as both a Processor and a Manufacturer, TSBC may deem the applicant to be both an approved Processor and Manufacturer and eligible for Processor Incentives separate from Manufacturer Incentive payments, and set conditions to that eligibility as well as adjustments to incentive rates.

3. Eligible Products

Each product or type of product will be evaluated by TSBC for eligibility under this program. The eligibility criteria for classification as an approved Recycled Rubber Product (RRP) include but are not limited to the following criteria:

- a) the product must be manufactured in BC; and
- b) the recycled rubber used to produce the product must be sourced from a Processor and must be eligible for the TSBC Processor Incentive.

4. Level of Funding

The *absolute value of incentives* available in any given year will be established by TSBC according to the following principles:

- a) To protect overall stewardship program affordability and viability, the absolute value of funding available in any given year will be governed by TSBC's annual budgeting process. Input from existing and prospective Manufacturers on their recycled rubber requirements will be sought in an open and transparent process. In the event that TSBC is unable to fulfill all demands for the MI, the criteria for allocating recycled rubber commitments will be established in consultation with the key stakeholders affected.
- b) To provide a level of continuity needed to achieve sustainable recycled rubber markets, the Manufacturer and TSBC will establish recycled rubber volume commitments in Schedule A of their Agreement, and these commitments will be updated annually for the life of the Agreement.

The *incentive rates* available to Manufacturers will be established by TSBC according to the following principles:

- c) The maximum MI rate payable will be \$0.05 per pound (\$110 per tonne) for the recycled rubber content in approved RRP's;
- d) The MI rate may vary by RRP;
- e) One or more MI rates and related payment terms will be established for each Manufacturer and documented in Schedule A of their Agreement, and reviewed annually for the life of the Agreement;
- f) The MI rate schedule may be amended from time to time by TSBC.

5. Other Restrictions

- a) The MI will be paid to Manufacturers only.
- b) The MI claims are subject to the documentation requirements outlined in Policy: Definition of an Eligible Sale.
- c) Manufacturers shall provide all information and records relative to volumes, expenses and any matter relevant to a request for payment under this Program as may be required by TSBC from time to time.
- d) Payments shall not exceed expenses of a Manufacturer in any event.

6. Policy Review

This policy is subject to review from time to time by TSBC.