



TIRE STEWARDSHIP
Manitoba

2012-2016

Scrap Tire Program Plan



First Draft For Discussion

November 15, 2010

Tire Stewardship Manitoba 2012-2016 Program Plan



Rubber Landscape Mulch made from scrap tires adorns the grounds of the Manitoba Legislature.

Organization: Tire Stewardship Manitoba Inc.
Contact: Mr. Brett Eckstein, Executive Director
Address: 1791 Dublin Avenue, Unit B
Winnipeg MB R3H 1A9
Telephone: (204) 661-3242
Toll Free: (866) 724-5002
Fax: (204) 668-9704
E-mail: info@tsmb.ca
Website: www.tirestewardshipmb.ca

Table of Contents

Executive Summary	3
Scrap Tire Program Plan.....	4
Mission Statement:	4
Program Plan Elements.....	4
Governance Model.....	5
Consultation and Communication	6
Program Stakeholders.....	8
Program Performance	14
Operating Model	17
Revenue System.....	18
Rate Setting Process	18
Budget and Rate Review Considerations.....	20
TSM Program Plan 2011-2016 Financial Forecast.....	21
Financial Forecast Assumptions and Notes.....	22
Appendices	23
Appendix A, Tire Stewardship Manitoba Schedule A, Tire Definitions, Eco Fees and Interest Schedule Effective January 1, 2010.....	24

Executive Summary

On April 1, 2008, Tire Stewardship Manitoba (TSM) assumed responsibility for operating Manitoba's scrap tire recycling program. TSM replaced government's Tire Stewardship Board (TSB) in operation from 1995 to 2008. TSM is a not-for-profit corporation formed as a stewardship agency to represent the tire retailers of Manitoba.

Manitoba's scrap tire recycling program has undergone significant change over the past two-and-a-half years, highlighted by a successful transition from the government-led program to the new program operated by industry. The program has extended to include all types of tires and tubes, including off-the-road (OTR) tires, and is designed to ensure that collection and processing service is available to all regions of the province, including areas historically under-serviced. TSM also continues to address a number of operational challenges to improve the collection and disposition of scrap tires in the province. TSM has also made changes to the way incentive payments are made, separating collection costs from processing to better represent these two distinct cost structures for operating the program while addressing processors' needs.

Through the efforts of Manitoba's scrap tire processors and the 859 retailers, 378 scrap tire generators, and 134 municipal partners who support the program, ninety-three percent of the annual volume of new tires sold are collected as scrap tires. These tires are recycled in Manitoba into products such as aggregate, crumb rubber, blast mats, and moulded products or exported as a fuel supplement replacing fossil fuel alternatives, including scrap off-the-road (OTR) tires which are now collected and processed on a year-round basis.

The program has an established vertically integrated processor with the capacity and ability to collect and process Manitoba's volume of scrap tires efficiently. A second processor is also effective in collecting and processing off-the-road (OTR) tires efficiently. The current capacity to recycle scrap tires and improved working relationship between TSM, processors, government and stakeholders provides a stable basis for building a sustainable scrap tire recycling program.

This plan builds upon the significant accomplishments of the TSM program to date and focuses on further operational refinement, strong industry leadership and the assured direction of a mature stewardship program. Without significant change to the existing program proposed, TSM is applying to the Minister of Conservation for a five-year program plan renewal that will extend its mandate to the end of 2016.

Scrap Tire Program Plan

Mission Statement:

Tire Stewardship Manitoba is a province wide agent of the Manitoba tire industry committed to protection of the Earth's environment and promotion of economic benefit for Manitoba through the sustainable management of all scrap tires and tubes in Manitoba. (TSM Board of Directors, November 2007)

TSM's mandate is to implement an approved scrap tire recycling program plan substantially in accordance with its intent, consistent with the requirements of the Waste Reduction and Prevention Act, the Tire Stewardship Regulation 2006, and the guideline for Tire Stewardship, as approved and amended. To fulfill its mandate, TSM will work with Manitoba Conservation and all program stakeholders to achieve the following objectives:

- Operate a program that addresses all tires and tubes in Manitoba.
- Ensure timely, cost efficient collection of all scrap tires from all parts of the province without user fees at the point of collection.
- Ensure adequate processing capacity to prevent build-up of backlogs of whole or partially processed scrap tires.
- Promote economically viable end uses and market applications for scrap tires.

Tire Stewardship Manitoba (TSM) is a not-for-profit corporation formed to manage the scrap tire recycling program on behalf of the tire industry stewards in Manitoba. TSM had its initial tire stewardship program plan approved in 2007 in accordance with the Tire Stewardship Regulation 2006. Without significant change to the existing program proposed, TSM is applying to the Minister of Conservation for a five-year program plan renewal to extend its mandate to the end of 2016.

Program Plan Elements

Manitoba's scrap tire recycling program operated by TSM includes the following main elements:

- Eco-fee based revenue system to make the program financially viable
- Varying eco-fees according to tire type to avoid cross-subsidization
- TSM collection of eco-fees directly from tire retailers
- Collecting and recycling of all tires and tubes
- Board governance representing industry stewards



Consumers who purchase new tires leave their scrap tires behind which are recycled into products they can purchase locally. Landscape Mulch made by Reliable Tire Recycling is available at select retail tire locations in Winnipeg.



Governance Model

A volunteer Board governs TSM and is comprised of several directors representing the following Member organizations:

- The Rubber Association of Canada
- Retail Council of Canada
- Western Canada Tire Dealers

Collectively, these organizations represent the international tire manufacturers, major suppliers, and tire retailers in Manitoba. As of November 2010, the TSM Board members were:

- Glenn Maidment
The Rubber Association of Canada
- Moe Tresoor
Western Canada Tire Dealers
- David Lamb
The Rubber Association of Canada
- Dave Seifert
Western Canada Tire Dealers
- Joe Casciano
Retail Council of Canada

A multi-stakeholder advisory committee also contributes to good governance of TSM program operations. The committee is composed of representatives of processors, municipalities, industry consumers and the provincial government. As of November 2010, the TSM Advisory Committee member organizations were:

- Manitoba Motor Dealers Association
- Association of Manitoba Municipalities
- Keystone Agricultural Producers
- Manitoba Trucking Association
- Canada West Equipment Dealers Association
- Reliable Tire Recycling
- Winkler Rubber Products Corporation
- OTR Recycling
- Manitoba Conservation

TSM is accountable to its stakeholders and the public for the collection, processing and environmentally sound disposal of all scrap tires designated under the regulation.

Through an open and transparent revenue system, TSM collects an eco-fee on the sale of new tires from the retailer and these fees pay for transporting and recycling Manitoba's scrap tires in an environmentally responsible manner. All the eco-fees collected are used in the operation and enhancement of the tire-recycling program for Manitoba. TSM has developed board governance policies and procedures consistent with established industry standards and is held to account through an annual professionally conducted audit and government oversight.

Consultation and Communication

TSM is committed to a consultation process that allows all interested parties and affected industry stakeholders an opportunity to provide their valuable input toward the development of the program plan. TSM will invite input from key target audiences, including industry producers and other affected industries, community organizations and environmental interest groups, local governments, consumers and individuals to encourage those who are interested in responding with their constructive perspectives and comments.



Scrap Tire Derived Aggregate for municipal road remediation – OTR Recycling, Ashern

To facilitate this consultation process, members of TSM's Stakeholder Advisory Committee comprised of representatives from scrap tire generators, collectors, processors, industry consumers and local government who provide ongoing advice on program policy and operations will be presented with the draft program plan through a consultation meeting. All Stakeholder groups, including the Advisory Committee, will be notified of TSM's application to renew our program plan and will be provided sufficient opportunity for their organizations to engage in consultation with their membership for both individual comment and formal response from their respective organizations. Over 1300 registered TSM retailers and scrap tire generators will be provided the opportunity to comment on the Program Plan to be posted on the TSM website www.tirestewardshipmb.ca in writing or through our website comment field. Consumers and the general public will be notified to comment through point-of-sale information and advertisement in local newspapers.



Assorted patio, sidewalk and landscape products – Reliable Tire Recycling, Winnipeg

Program Stakeholders

Manitoba Conservation

The provincial government requires industry to have an approved scrap tire stewardship plan according to the Tire Stewardship Regulation 2006, and monitors TSM's annual performance. TSM will continue to work with Manitoba Conservation to ensure the achievement of the highest environmental standards and economic value for Manitoba's scrap tire recycling program.

Tire Stewardship Manitoba Inc.

TSM is comprised of a board of directors that governs all aspects of the program. The board conducts regular meetings, makes decisions on program direction, and produces an annual report to demonstrate the program's accountability to all stakeholders. TSM will continue to operate with the goal of achieving exemplary and ongoing improvement in board governance practices toward building an effective, efficient, sustainable and well-governed stewardship organization.

Advisory Committee

Representatives from scrap tire generators, collectors, processors, industry consumers and local government provide advice on program policy and operations. TSM will continue to support fully its multi-stakeholder advisory committee to ensure their ongoing contribution to good governance of TSM program operations.

TSM Management and Administration

Management and administration carry out the registration of retailers, scrap tire generators and processors as eligible participants in the program. They also collect eco-fees from retailers to pay financial incentives to processors for the transportation and processing of scrap tires. Management and Administration also oversee all other aspects of program delivery and report on performance. TSM operates in accordance with the highest standards in all relationships with program stakeholders, the environment and the community. TSM fosters a climate that encourages innovation and diligence amongst staff. TSM will continue to monitor, with the support of the program's auditor, management performance based on compliance with board governance policies, administrative procedures and operations within the approved budget.

New Tire and Vehicle Retailers

Tire retailers accept scrap tires and remit eco-fees to TSM. New vehicle dealers remit eco-fees for each tire included with the new vehicle. TSM will continue to represent and work with new tire and vehicle retailers as contributing program members and primary ambassadors to the consumer. TSM also will continue to work with our registered retail members to improve remittance procedures to manage and reduce program costs while ensuring fairness and a level playing field for all those selling new tires.

Scrap Tire Generators

Examples of generators are transportation companies and auto wreckers that generate scrap tires as part of their regular business. Generators that register with TSM can have their tires collected from their place of business where service is available, or may take their scrap tires to a registered municipal landfill storage yard at no charge. TSM will continue to locate all points of scrap tire generation in the province and ensure they become registered collection points and receive service, at no charge; specific to the characteristics and needs of the region in which they are located.



Rubber Asphalt Athletic Track, Elmwood High School, Winnipeg

Local Government

Local governments operate registered municipal landfill storage yards that accept scrap tires from consumers, new tire and vehicle retailers and scrap tire generators at no charge. Municipalities receive TSM incentive payments to accept and store appropriately Manitoba generated scrap tires. This reduces the risk of fires and environmental hazards. TSM and local governments will continue to partner and work together to ensure tires are stored appropriately, collection provided as warranted and avoid unnecessary accumulation in rural, remote and historically under-served areas of the province.



Scrap Tire Rubber Sidewalk, Vincent Massey Collegiate, Winnipeg

Collectors

Collectors enter into a business relationship with processors to pick up scrap tires from retailers and scrap tire generators for delivery to processors. This service where available is provided at no additional charge to the retailer or generator. It is TSM's intention to ensure timely, cost efficient collection of all scrap tires and tubes from all parts of the province without user fees at the point of collection. TSM will also continue to address collection in rural, remote and historically under-served areas through partnerships with local government and service providers in order to define service models to the specific characteristics and needs of each region.

Processors

Manitoba companies process scrap tires for use in tire-derived products or fuel supplements. They also sell tire-derived products to markets in Canada and internationally. They submit claims to TSM for transportation and processing

incentives. As of November 2010, there are two processors: Reliable Tire Recycling and OTR Recycling. Winkler Rubber Products Corporation is a manufacturer of products for Reliable Tire Recycling. It is TSM's intention to continue working with processors to ensure adequate processing capacity to prevent build-up of backlogs of whole or partially processed scrap tires.



Traffic cone mat – Reliable Tire Recycling, Winnipeg

Consumers

Consumers purchase new tires from retailers. Most consumers leave their old tires with the retailer for disposal. In addition, they purchase and use recycled tire products. TSM will continue to operate a program that addresses all tires and tubes and provides consumers with accessible disposal points at tire retailers and other generators throughout Manitoba. TSM will continue its partnership with The Rubber Association of Canada's "Be Tire Smart Campaign" www.betiresmart.ca to provide consumer education materials to extend tire life and reduce the number of scrap tires introduced into Manitoba.

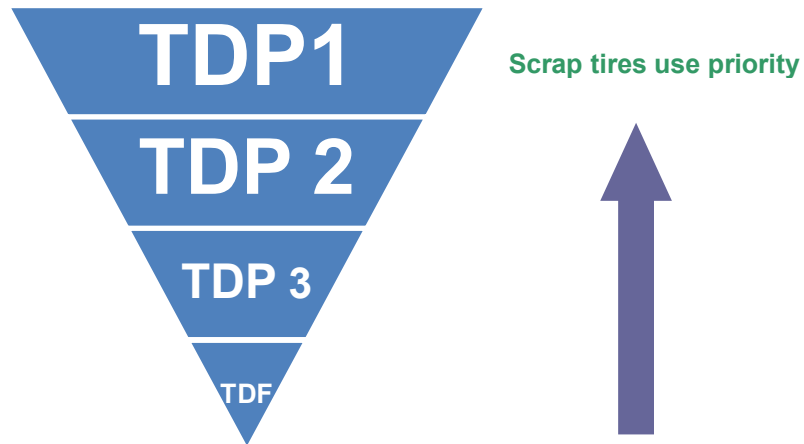


TSM's 2010 "Jetta-Round Be Tire Smart" Campaign Car

Markets

Various domestic and international Markets purchase tire-derived products from processors for end-use, resale, or for further manufacturing into new products. It is TSM's intention to continue to promote economically viable end uses and market applications for scrap tires, and further promote new product and market opportunities for Manitoba processors through the creation of a New Product Market Development Fund. The fund's objectives and requirements will be developed in consultation with processors, research institutions and other industry and program stakeholders to ensure maximum value for products derived from scrap tires in Manitoba.

In accordance with the Minister's Guideline for a Scrap Tire Stewardship Program, TSM subscribes to the following Tire Derived Product (TDP) hierarchy of scrap tire use.



TDP 1 . Includes operations that reduce the scrap tire to a highly processed form, typically to a crumb rubber and powder form for use in producing new products with recycled rubber content (particle size up to 5/16qto 40 mesh and lower)

TDP 2 . Fabricated products made with at least 75% scrap tire content (e.g. . blasting mats, traffic cone bases, etc.)

TDP 3 . Tire shred with particle size of normally 2 . 4 inches produced as an alternative to granular material

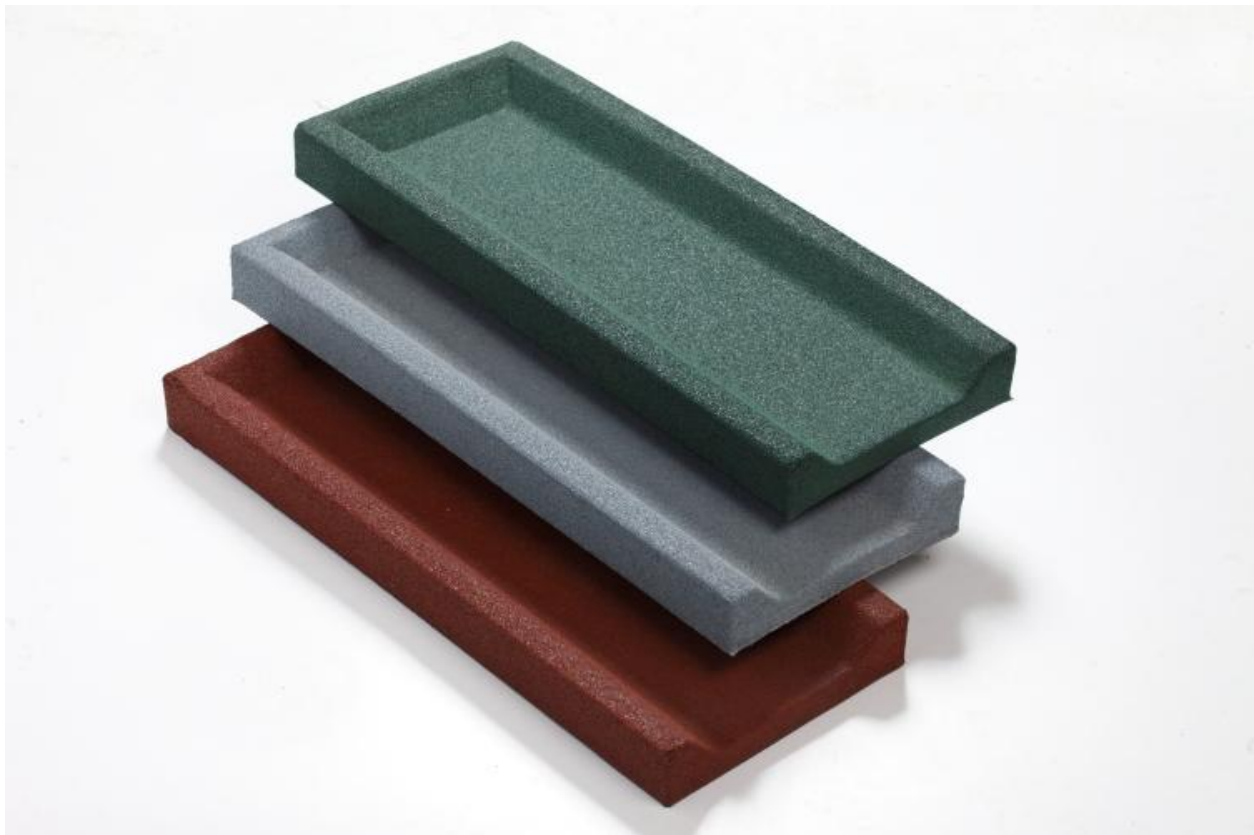
TDF . whole or shredded tires used as tire derived fuel (TDF) to supplement other fuels in industrial applications

Figure 1: Order of preference for use of scrap tires in Manitoba.

Program Performance

TSM has set goals for program performance. These are:

- Operate a program which addresses and ensures the effective environmental management of all scrap tires and tubes generated in Manitoba
- Ensure timely, cost efficient collection of all scrap tires from all parts of the province without user fees at the point of collection
- Ensure adequate processing capacity to prevent build-up of backlogs of whole or partially processed scrap tires
- Promote economically viable end uses and market applications for scrap tires
- Operate a fiscally responsible and transparently accountable producer organization
- Provide consumers with accessible disposal points for scrap tires at tire retailers and other generators throughout Manitoba
- Introduce consumer education materials to extend tire life, thus reducing scrap tires



Assorted rainspout splash pads, Reliable Tire Recycling, Winnipeg

Performance Measure	Targets and Reporting
Public Awareness	Retailers are TSM's primary ambassadors to the consumer. TSM will continue to use several vehicles to educate our stakeholders. This includes point-of-sale information, Community Grant Program, Be Tire Smart Campaign, surveys, website and toll free number. Where available, TSM will keep and report statistics on both passive and active audiences reached, material distribution and publish results of consumer surveys.
Program Accessibility	There are 859 retail, 378 generators and 134 municipal locations registered with TSM. This represents 1371 collection points that accept scrap tires across the province. This was an increase of 346 registered collection points from the first year of the program. Although setting a target on the number of collection points is somewhat limited by the number of new tire sales locations, TSM will continue to work with all generators to increase the number of collection points available to consumers.

Scrap Tire Diversion	TSM collected 14,675 tonnes of scrap tires and tubes, and processed 14,373 tonnes from 15,440 tonnes of new tires entering Manitoba in 2009. This represents an annual recovery rate of 95% and diversion rate of 93%, or 11.8 kilograms of scrap tires for every Manitoban. TSM's target for scrap tire diversion is to reach or exceed the national average of 93% on an annual basis.
Scrap Tire Markets	<p>Consistent with scrap tire use hierarchy, TSM has set a target of 2013 to eliminate financial support for scrap tire aggregate as daily landfill cover application and has created a New Product Market Development Fund to increase the volume of scrap tires processed for emerging markets in road construction, paving, landscaping, sport/playground surfacing, manufactured products and resource recovery. As processing in Manitoba has experienced a period of expansion and redevelopment of facilities it is TSM's goal to increase the production of value-added products to the following targets, as percentage of total annual processing, by 2016:</p> <ul style="list-style-type: none"> • Manufactured and Crumb 40% • Fabricated 5% • Geotechnical Aggregate 25% • Resource Recovery 30%
Compliance Audits	TSM continues to work with our registered retailers to improve remittance procedures, while ensuring fairness and a level playing field for those selling tires. TSM also conducts compliance audits of those receiving TSM funds for processing and transporting scrap tires. To date 20 retailer compliance audits were conducted with no material discrepancies found. An eco-fee refund was provided to a retailer who paid both TSM and his supplier for the same tires. Compliance audits for processors/transporters were scheduled for late 2010. TSM will continue to conduct compliance audits of selected retailers and processors/transporters on an annual basis and report findings.
Dispute Resolution	TSM will continue to work with all stakeholders to limit the potential for any disputes regarding program operations. TSM will publish all disputes filed and report on their status of resolution. As of November 2010, no disputes have been filed.
Management Performance	TSM will monitor, with the support of the program's auditor, management performance based on compliance with board governance policies, administrative procedures and operations within the approved budget.

Operating Model

For every new tire sold in Manitoba a scrap tire will eventually be generated. Rather than taking up space in our landfills and posing a risk to human health and the environment, scrap tires are processed and used in environmentally responsible ways. To manage scrap tires generated in Manitoba, the retailer pays TSM an eco-fee for new tires sold in the province. One hundred percent of fees collected go towards the operation of the scrap tire-recycling program.

Properly managed scrap tires reduce environmental risk and create jobs and economic development in Manitoba. Manitoba's scrap tire products are sold locally and internationally. Scrap tires can be used to make flooring products for agricultural, recreational and industrial use. They are used for artificial turf fields, rubberized asphalt, blast mats, geo-technical projects, energy recovery and other applications.

TSM's program operating model is based on the requirements outlined in the Regulation and Minister's Guideline, as well as the historical, geographic and diverse character of the province. From urbanized centres generating a larger and constant supply of scrap tires than the remote corners of the province, TSM must work with all stakeholders to ensure collection and processing capacity is matched to the province's longer hauling distances, seasonal variances and relatively low scrap tire volumes compared to other markets in Canada and North America.



Innovative uses for Manitoba scrap tires helps to manage the 1.4 million scrap tires generated every year in Manitoba. At left: OTR Recycling of Ashern fabricates an OTR tire into an ATV Snow Plow Blade.

TSM's operating model is comprised of these two basic elements – Revenue System and Rate Setting Process:

Revenue System

TSM has successfully implemented a retail-based funding model that is the only point through the distribution chain that can ensure a level playing field, preserve the financial integrity of the program, and be fair to all parties. TSM will continue to operate its revenue system supporting variable rates based on the tire type sold that are remitted by registered retailers to TSM.

Rate Setting Process

TSM has developed policies for reviewing and setting collection, processing and eco-fee rates to ensure the efficient, effective and sustainable operation of the scrap tire-recycling program. TSM's approved program plan highlighted the need to address three major rate-setting areas that may require adjustment from time to time: transportation credits, processor credits and the retail Eco Fee. On February 1, 2009, transportation credits were separated from processing credits as stated in the approved program plan.

Eco-Fees

TSM eco-fees were adjusted January 1, 2010 by TSM to account for the higher than anticipated costs for recycling off-the-road tires (Appendix A). The rates are sufficient to cover the entire costs of the program. TSM's intention is to hold these fees at their current level for the duration of this proposed program plan, as much as possible. To change the eco-fee, stakeholder consultation and a minimum of 90 days notice is required.



Scrap tires were processed into a fine crumb rubber and applied to a Synthetic Turf Sports Field in Winnipeg

Transportation Credits

The transportation credits were initially set using the national survey of transportation costs conducted by Transport Canada as a baseline. TSM will maintain the 2008 baseline for rates and make adjustments as necessary to ensure sustainable, effective and efficient collection of scrap tires. By policy, TSM will provide 90 days notice to lower rates. TSM can raise rates immediately if warranted. Disagreements will be referred to the Mediation and Arbitration Guidelines that form part of TSM's processor agreement which are binding on both parties.

Processor Credits

Similar to transportation rates, TSM will provide 90 days notice to lower processor rates. TSM can raise rates immediately if warranted. Disagreements will be referred to the Mediation and Arbitration Guidelines that form part of TSM's processor agreement which are binding on both parties.

Processor credits are dependent on a variety of factors that processors may or may not have control over. To safeguard against inefficient or poorly managed operations TSM will continue to benchmark its processing credits against other provincial tire programs to ensure its credits are in-line with comparable programs elsewhere.

Budget and Rate Review Considerations

Based on the eco-fee, collection and processing rates effective January 1, 2011, TSM financial projections remain positive through to the end of this proposed business plan. Therefore, no eco-fee increase has been proposed for the 2012-2016 Program Plan. Nevertheless, a 90-day notice is required to reduce transportation and processing rates. As such, adjusting for increased volume and revenue, TSM will strictly adhere to the level of compensation for transportation and processing, outlined in the program plan financials outlined below. TSM's normal practice is to review eco-fees and the rates of assistance on an annual basis, with any changes to be announced no later than October 1 of each year to meet the requirement for the 90-day notice prior to the start of the fiscal year on January 1.

TSM Program Plan 2011-2016 Financial Forecast

	2009 Actual	2010 Budget	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
ANNUAL GENERATION (000s)								
- Passenger, Light Truck, Motorcycle Tires	865.0	837.0	853.7	870.8	888.2	906.0	924.1	942.6
- Medium Truck, Small Agricultural Drive Tires	85.0	80.0	81.6	83.2	84.9	86.6	88.3	90.0
- Large Agricultural Drive Tires	11.0	11.0	11.2	11.4	11.7	11.9	12.1	12.3
- Small Off The Road (OTR) Tires	2.5	2.5	2.6	2.6	2.7	2.7	2.8	2.9
- Large Off The Road (OTR) Tires	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Total Units Reported Sold	964.0	931.0	949.7	968.7	988.0	1,007.8	1,027.9	1,048.5
Metric Tonnes (000s)	15,440	14,469	14,758	15,053	15,354	15,661	15,975	16,295
REVENUE ESTIMATE (000s)								
- Passenger, Light Truck, Motorcycle Tires	3,890	3,767	3,842	3,919	3,997	4,077	4,159	4,242
- Medium Truck, Small Agricultural Drive Tires	765	720	734	749	764	779	795	811
- Large Agricultural Drive Tires	165	330	337	343	350	357	364	371
- Small Off The Road (OTR) Tires	86	150	153	156	159	162	166	169
- Large Off The Road (OTR) Tires	45	74	75	77	78	80	81	83
- Interest Income	14	18	18	19	19	19	20	20
Total Revenue	\$4,965	\$5,058	\$5,159	\$5,262	\$5,368	\$5,475	\$5,585	\$5,697
EXPENSES (000s)								
Operations								
- Collection	-	1,512	1,542	1,573	1,605	1,637	1,669	1,702
- Processing	3,967	2,520	2,420	2,469	2,518	2,569	2,620	2,672
- Municipal	76	91	92	94	96	98	100	102
Total Operations	\$4,043	\$4,123	\$4,055	\$4,136	\$4,219	\$4,303	\$4,389	\$4,477
Stewardship Programs								
- Community Grants	0	30	31	31	32	32	33	34
- Special Projects / Research and Development	10	96	98	100	102	104	106	108
- New Product Market Development Fund	-	-	150	153	156	159	162	165
- Public Education	32	49	50	51	52	53	54	55
Total Stewardship Programs	\$42	\$175	\$329	\$335	\$342	\$349	\$356	\$363
Program Administration	\$405	\$454	\$463	\$472	\$482	\$491	\$501	\$511
Contingency	\$475	\$307	\$313	\$319	\$325	\$332	\$338	\$345
Total Expenses	\$4,490	\$5,058	\$5,159	\$5,262	\$5,368	\$5,475	\$5,585	\$5,697
Excess of Revenue over Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Special Inventory Payments	\$256	-	-	-	-	-	-	-
Stabilization Reserve (year-end)	\$2,232	\$2,538	\$2,851	\$3,170	\$3,495	\$3,827	\$4,165	\$4,510
Stabilization Reserve as Percentage of Revenue	45%	50%	55%	60%	65%	70%	75%	80%

Financial Forecast Assumptions and Notes

1. The annual generation of tires and program budgets for FY 2011 to FY 2016 is based on growth equal to 2% per year.
2. Revenue estimates are based of the TSM Eco Fee Schedule A effective January 1, 2010
3. Collection expenses are based on a 95% scrap tire recovery volume of reported new tires sales on rates to be paid to collectors effective January 1, 2011.
4. Processing expenses are based on a 95% scrap tire diversion volume of reported new tires sales on rates to be paid to processors effective January 1, 2011.
5. TSM stabilization reserve results from an excess of revenues of expenditures from the program's contingency budget. TSM has restricted the reserve to ensure it is dedicated to future liabilities relative to tires currently on the road. The amount, up to one-year's revenue equivalent, is subject to change at the discretion of the Board of Directors.
6. For 2009 Actual, there were combined Collection and Processing payments made until October 1, 2009. As such, payments are shown in aggregate under "Processing".
7. For 2009 Actual, Special Inventory Payments account for payments made for existing processor inventories to facilitate the transition to separate collection and processing payments.
8. For 2010 Budget, the increase in Large Agricultural Drive and Small/Large OTR Tires projected revenue accounts for the adjustment in eco-fees January 1, 2010 by TSM to account for the higher than anticipated costs for recycling off-the-road tires (Appendix A).
9. Actual and forecast numbers may differ slightly due to rounding.

Appendices

Tire Type	ECO FEE	Definition
Small Off-the-Road	\$60.00 + GST & PST	Includes OTR Mining, Earthmover, Construction, Grader, Industrial and Aircraft tires up to and including size 23.5 – 25 tires Includes all Forestry (Skidder) Tires
Large Off-the-Road	\$135.00 + GST & PST	Includes OTR Mining, Earthmover, Construction, Forestry, Industrial, Aircraft and other off-highway or on/off highway tires over size 23.5 – 25

For the purpose of determining eligible tire sizes within the tire type category, TSM will deem the following reference material as the reference authority - 2007 Tire and Rim Handbook of the Tire & Rim Association of the United States as amended from time to time. THE ECO FEE IS A SUPPLY OF A TAXABLE SERVICE. TIRES SUPPLIED FOR USE ON FIRE TRUCKS AND AMBULANCES AND TIRES SUPPLIED TO FIRST NATIONS ARE NOT EXCLUDED FROM THE ECO FEE. Qualifying equipment and users may be eligible for GST & PST exemptions on the Eco Fee.

SECTION II: TIRE PRODUCT CATEGORIES EXCLUDED (Eco Fee not applicable)

The Tire Stewardship Regulation 2006 excludes tires not designed for powered vehicles (except for trailer tires which are designed to be towed by such a vehicle). Some examples of tires excluded from an eco fee are:

- Tires designed for use on bicycles or wheelchairs;
- Tires designed for use on a device designed to be moved by human power such as a wheelbarrow;
- Tires purchased for use on motorized mobility aids designed for the transportation of persons with a physical impairment (seller must retain a copy of the sales invoice that certifies this use and includes the name, address, telephone number and signature of the purchaser);
- Tubes that are manufactured for use inside a tire whether supplied with a tire or separately. Tubes will be managed by the program as part of a tire;
- Tires that ordinarily have a retail value of less than \$30.00. These tires will be managed by the program;
- Recapped and retreaded tires;
- Registered retailers who acquire new tires solely for the purpose of resale, provided they quote their TSM registration number to the retailer from whom they purchase the tire. However, if the tire is subsequently taken out of resale inventory and used for any business or personal use, retailers must remit the applicable Eco Fee; and
- Retailers who ship to a non-resident to a location outside of the province. The retailer is required to retain documentation relating to the out-of-province delivery to substantiate non-remittance of the Eco Fee for that sale.

SECTION III: INTEREST

Interest charges will be applied at a rate of 1% per month (12.6825% annually) compounded monthly and calculated from the date the interest became payable.