



**MANITOBA
SCRAP TIRE
PROGRAM PLAN**

for
Manitoba Ministry of Conservation

by
Tire Stewardship Manitoba

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Table of Contents

	PAGE
EXECUTIVE SUMMARY	3
1.0 BACKGROUND	4
2.0 INTRODUCTION	4
2.1 Tire Stewardship Regulation 2006.....	4
2.2 The Role and Duty of Steward.....	5
2.3 Entities Under The Regulation.....	5
2.4 Tire Stewardship Manitoba (TSM).....	5
2.5 Program Management and Administration	7
2.6 TSM Goals.....	7
2.7 Environmental Protection Concerns.....	8
3.0 CONSULTATION and COMMUNICATION	8
3.1 Initial Consultation Process	8
3.2 Follow-up Consultations.....	9
3.3 General Public	9
3.4 Consultation Results and Learning	9
3.5 Website	10
4.0 PROPOSED OPERATING MODEL	10
4.1 Program Stewardship Changes	10
4.2 Program Synopsis	11
4.3 Rate Setting Process	11
4.4 Proposed Revenue Model	12
4.5 Five Year Financial Forecast	14
4.6 Proposed Cost Model.....	15
4.7 Tire Product Categories	17
4.8 Scrap Tire Collection Facilities.....	17
4.9 Dispute Resolution.....	17
4.10 Administration, Enforcement and IFO Operation	18
5.0 ADDITIONAL STEWARDSHIP ELEMENTS	19
5.1 Research & Development	19
5.2 Stockpile Clean-Up.....	20
5.3 Public Education and Awareness.....	20
5.4 Pollution Prevention.....	21
6.0 PROGRAM PERFORMANCE	23
6.1 Performance Metrics	23
7.0 ANNUAL GENERATION AND RECYCLING FORECAST	24
8.0 ANNUAL REPORT	26
9.0 APPENDICES	27
9.1 Starting Point for TSM Operations	28
9.2 Tire Stewardship Manitoba Guiding Principles.....	29
9.3 Tire Stewardship Manitoba By-laws.....	30
9.4 Stakeholder Consultation Attendees	38
9.5 Mediation Guidelines.....	41
9.6 Arbitration Guidelines	43
9.7 Provincial Summary of Tire Levies.....	46

EXECUTIVE SUMMARY

Manitoba Conservation has introduced a new Regulation under the WRAP Act which will create a new scrap tire management system in the province. After a seamless transition period, the existing Tire Stewardship Board program will be phased out and replaced by the activities of Tire Stewardship Manitoba, a not-for-profit Industry Funding Organization.

Manitoba currently generates 835,000 scrap program tires annually. This equates to approximately 1.3 million PTE's and costs \$2.7 million to remediate. In the new program, total tire units will increase to 900,000 scrap program tires and equate to 1.8 million PTE's with a cost of \$4.6 million to remediate. This dramatic increase in PTE's is the result of the inclusion of off-the-road tires.

The new scrap tire management program will extend to include all types of tires and tubes, including off-the-road tires, and will be designed to ensure that collection and processing service is available to all regions of the province, including historically under-serviced areas.

Tire Stewardship Manitoba has initiated a comprehensive process of consultation with affected stakeholders, including municipal and consumer representatives, non-governmental organizations, and existing and potential haulers and processors. Members of the Board of Tire Stewardship Manitoba represent the international manufacturers, major suppliers and the majority of tire retailers in Manitoba.

In order to sell tires in Manitoba, tire stewards must either participate in the program operated by Tire Stewardship Manitoba or must create and operate an equivalent program. Under the new program, a broader range of tires will be subject to environmental levies that more accurately reflect recycling costs, and transportation incentives will be separated from processing incentives to better capture and reflect the true costs of collection, transportation and processing of all types of tires from all points of origin in the province.

Tire Stewardship Manitoba will be required to report annually to government on the state and progress of the scrap tire management program, and will have the ability to dynamically adjust program elements to address required enhancements and improvements. It should be anticipated that Tire Stewardship Manitoba, benefiting from experience gained, may desire to modify this plan in accordance with the regulation.

None of these new program requirements will come into effect until provisions contained in this business plan are made final following public consultation and the plan is approved by government.

1.0 BACKGROUND

Manitobans discard approximately one million scrap tires a year. In previous years, these ended up in municipal waste disposal grounds where they were eventually buried or sometimes burned. In 1992, the Manitoba Government instituted a \$2.80 levy on all tires sold in Manitoba for use on licensed vehicles and trailers. The Waste Reduction and Prevention Act and the Tire Stewardship Regulation 33/95 provided the authority to make scrap tires a designated material in Manitoba and allowed establishment of the Tire Stewardship Board (TSB) as an arm's-length-from-government statutory corporation to work with stakeholders to develop solutions to scrap tire management problems in the province. Program revenue, deriving from consumer purchases of tires at the retail level that included an initial surplus account exceeding \$3,000,000, was used to support industry-delivered solutions upon proof of sale of approved recycled products.

During succeeding years, the Tire Stewardship Board addressed not only the collection and processing of highway tires which provided the funding stream for the Board's activities, but, in addition, supported the processing of non-levied off-road tires (including mining, construction and agricultural tires) and funded the cleanup of several sites where off-road tires had been stockpiled. These activities provided significant benefits to Manitobans but in the process depleted the Board's financial reserves before a program revenue solution could be found.

In July of 2005, the Government of Manitoba established the Interim Tire Board with the stated intention that the Interim Board would manage the transition to a successor program. The Interim Board's recommendation to government reflected an extended producer / industry model with a new industry-based governance structure and a mandate to address the management of all scrap tires in Manitoba.

The Interim Board recommended that an Extended Producer Responsibility / Industry Governance model be adopted, and this Stewardship Plan proposes the details of how the model will be operated under the new Regulation.

On November 14, 2006, the *TIRE STEWARDSHIP REGULATION, 2006* was enacted and an orderly transition to industry stewardship officially commenced.

2.0 INTRODUCTION

The purpose of this document is to apply for approval of a tire stewardship program under the Government of Manitoba's *TIRE STEWARDSHIP REGULATION, 2006*.

2.1 Tire Stewardship Regulation, 2006

On November 14, 2006, the Government registered a new Regulation under the WRAP Act. The new Regulation is designed to achieve the following objectives:

- increase industry steward responsibility for program design and performance;
- resolve the financial challenge confronting the Manitoba Tire Stewardship Board;
- provide more flexibility for stewards to match program revenues with expenditures;
- reduce government involvement in program management by eliminating the government-designated Tire Stewardship Board and levies and by providing greater stakeholder involvement and oversight; and,

- build on the success of the Tire Stewardship Board's program to establish a broad-based Extended Producer Responsibility program that is economically and environmentally sustainable.

2.2 The Role and Duty of Steward

The Regulation defines "steward of tires" as "(a) the first person who, in the course of business in Manitoba, supplies a new tire to another person; or (b) a person who in the course of business in Manitoba, uses a tire obtained new in a supply transaction outside of Manitoba".

Manitoba's document *The Stewardship Regulation Guidelines For Industry Stewards* also defines stewards as the "first seller" or "first importer" of the product ... and may include a variety of participants in the distribution chain, including a brand owner, producer, manufacturer, distributor, retailer or a business that imports tires for its own use.

For the purpose of this Plan, the steward will be deemed to be the tire retailer, which continues the practice in place in Manitoba since the original tire plan was promulgated in 1992.

In compliance with the Regulation, tire stewards must prepare or be part of an approved stewardship plan. The Regulation has specific requirements. An approved plan **must** provide for the following:

- Establishment and administration of a waste reduction and prevention program for tires.
- Appropriate management of scrap tires according to guidelines established by the Minister.
- A province-wide collection system for scrap tires without user fees at the point of collection.
- A system for the payment of expenses incurred in the collection, transportation, storage, processing and disposal of scrap tires.
- The orderly collection of revenue from program subscribers in general correlation to program costs.
- A dispute resolution process that is fair and transparent.
- The establishment and administration of education activities for the program.
- The establishment and administration of point-of-sale consumer information respecting the program.
- The payment of salaries and other costs for government's admin. and enforcement of the regulation.
- Ongoing consultations with people the program may affect, including members of the public, in accordance with any consultation guidelines the Minister may establish.

2.3 Entities Under the Regulation

The *TIRE STEWARDSHIP REGULATION, 2006* requires that any person or business who produces or sells tires in the Province of Manitoba is a steward and must comply with the Regulation. (See section 4.4 of this Plan for a description of the type of tire products covered by the Regulation.) As the agent of tire producers and sellers, Tire Stewardship Manitoba (TSM) will create a web-based listing of all stewards deemed to be subject to the Regulation and encourage them to participate in the approved plan. Working with Manitoba Conservation and the producers and sellers subject to the regulation, Tire Stewardship Manitoba will develop compliance protocols to ensure a level playing field among these tire stewards in Manitoba. Stewards deemed to be in non-compliance with program requirements will be subject to enforcement of the Regulation which is the responsibility of the Government of Manitoba.

2.4 Tire Stewardship Manitoba (TSM)

Tire Stewardship Manitoba is the Industry Funding Organization (IFO) created to manage the transition to the Extended Producer Responsibility model. Tire Stewardship Manitoba will work in

close concert and cooperation with Manitoba Conservation and with Green Manitoba, the delivery agency of the Manitoba Government that promotes waste reduction and the efficient use of water and energy.

Tire Stewardship Manitoba is a not-for-profit Industry Funding Organization comprised of four major organizations:

- Manitoba Motor Dealers' Association
- Retail Council of Canada
- The Rubber Association of Canada
- Western Canada Tire Dealers

Collectively these four organizations represent the international tire manufacturers, major suppliers, and the majority of tire retailers in Manitoba. During industry consultations scheduled before and during the transition to the new business model, Tire Stewardship Manitoba will address the question of whether other organizations should be represented.

In collaboration with affected stakeholders, Tire Stewardship Manitoba will strive to support maximizing the number of scrap tires processed in Manitoba by helping to create new sustainable markets for recycled rubber products, support additional processing capacity and improvements to the system for collection of scrap tires, promote recycled products, and help to spur economic development in the area of scrap tire recycling.

2.4.1 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's primary mandate is to develop and implement a new scrap tire plan which is consistent with the new Regulation under the WRAP Act. To achieve this, Tire Stewardship Manitoba will work in close concert with Manitoba Conservation and Green Manitoba to achieve a seamless transition from the old scrap tire management model to the new model. Adherence to the Guiding Principles set forth in Appendix 9.2 will help Tire Stewardship Manitoba effectively fulfill this mandate through achievement of a number of related objectives:

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

2.4.2 TSM Advisory Committee

Tire Stewardship Manitoba understands the potential advantage of having a multi-stakeholder advisory committee comprised of processors, transporters, municipalities, consumers and recognized environmental groups to ensure that those directly affected have a forum to communicate their views through the ongoing implementation and growth of this stewardship plan. TSM will pursue the establishment of such a committee as an important means of contributing to good governance of

program operations. Once the plan has been approved and in operation, TSM will contact interested stakeholders (those who attended the consultations or drafted submissions or otherwise expressed interest) and establish an Advisory Committee of five to nine people from these various sectors noted above.

2.4.3 TSM Bylaws

See Appendix 9.3 for a copy of the bylaws.

2.4.4 TSM Board and Contacts

The registered office of TSM is located at:

Tire Stewardship Manitoba
c/o Manitoba Motor Dealers Association
Attn: Glenn Maidment
230-530 Century St.
Winnipeg, Manitoba R3H 0Y4
Telephone: (204) 985-4200

Contacts:

Mr. Glenn Maidment
The Rubber Association of Canada
glenn@rubberassociation.ca

Mr. Joe Casciano
Retail Council of Canada
ctcjoe@shaw.ca

Mr. Moe Tresoor
Western Canada Tire Dealers Association
tresoor@mts.net

Ms. Shirley Canty
Manitoba Motor Dealers' Association
scanty@mmda.mb.ca

Mr. David Lamb
The Rubber Association of Canada
david@rubberassociation.ca

2.5 Program Management and Administration

Tire Stewardship Manitoba will be responsible for the overall leadership and strategic direction and approval of all the program's major policy decisions. The Board will manage and oversee program operations including hiring an Executive Director under contract to manage day-to-day operations of the program, work with and manage all Board-approved outsourcing contracts, and be the main point of contact for program participants, government officials and the public.

2.6 TSM Goals

The Tire Stewardship Board program presently operating in Manitoba has been successful in diverting over 90 per cent of all tires currently covered by the regulation and capable of being recycled within the bounds of existing economical technology. A primary goal of the new program under private sector stewardship is to not only maintain this significant achievement, but also to improve upon it, both within the domain of current tire recycling and by adding tires that are currently not being recycled. In addition to this primary goal, TSM's intention is to:

- operate a fiscally responsible and transparently accountable producer organization;
- provide consumers with accessible collection of scrap tires at tire retailers and other generators throughout Manitoba;
- introduce consumer education materials to extend tire life, thus reducing scrap tires; and
- ensure the effective management of all scrap tires and tubes including off the road tires (OTRs) consistent with the program prohibition on landfilling in the tire stewardship guideline established by the Minister of Conservation.

2.7 Environmental Protection Concerns

One notable advantage of a successfully operating scrap tire stewardship plan is the mitigation or elimination of any environmental concerns arising from the amassing and improper storage of scrap tires. Such improper storage (of scrap tires) can result in very significant environmental protection problems. A most serious potential concern is the air and effluent pollution that may result from a tire stockpile fire. Once tires ignite they tend to be very difficult to extinguish, and the resulting air emissions and effluent discharges can cause serious human health and environmental degradation.

In addition, the above-ground storage of scrap tires can be a breeding ground for rats and insects. Scrap tires are also very difficult to bury in a landfill. Due to their buoyancy, tires tend to force their way to the surface of the landfill over time. Many local governments ban scrap tire disposal in their landfills.

It is Tire Stewardship Manitoba's intention to work with Manitoba Conservation, local fire authorities, health authorities and program participants to ensure the Province's tire storage guideline, *Guideline For The Storage of Scrap Tires In Manitoba: Manitoba Environment Guideline No.94 -04E*, October 1994, is followed so that the risks associated with fire, and more recently West Nile virus, are mitigated through proper tire storage.

Given that regular, timely collection and effective diversion of scrap tires will occur under the program, the above-noted environmental concerns will be either avoided or eliminated.

3.0 CONSULTATION AND COMMUNICATION

The purpose of a consultation process is to ensure all interested parties and affected industry stakeholders have an opportunity to provide input and to influence the final program plan for the betterment of all Manitobans and the environment. Tire Stewardship Manitoba has invited input from key target audiences, including industry producers, other affected industries, community / environmental interest groups, and municipalities - for the purpose of encouraging respondents to offer constructive perspectives.

3.1 Initial Consultation Process

Following the development of the Draft Regulation in February of 2006 and the Draft Stewardship Regulation Guidelines for Industry Stewards in early March, consultation sessions were held April 26, 2006, in Winnipeg with key stakeholder groups. A number of key stakeholders, including 897 new tire retailers and 107 municipalities operating landfills, were identified as essential to the consultation process and were invited to participate in the first consultation sessions on April 26, 2006. Two consultation sessions were held -- the first with retailers, non-governmental organizations, and municipalities in the morning, and a second session in the afternoon with the established scrap tire processors in Manitoba. Appendix 9.4 lists actual consultation participants and affiliations.

3.2 Follow-up Consultations

Additional consultations with selected stakeholders took place on December 13, 2006 in Winnipeg. The session was broken into two groups. The first group represented affected industries. Invited were: Manitoba Trucking Association, Manitoba Heavy Construction, Keystone Agriculture Producers and the Association of Manitoba Municipalities. The second group consisted of the three major processors in Manitoba: OTR Recycling, Reliable Tire Recycling and Tire Recycling Corp. Comments from these meetings have been included in section 3.4 Consultation Results and Learning which summarizes issues and TSM's response. In addition, groups were encouraged to submit additional comments in writing.

3.3 General Public

Residents of Manitoba are consumers of tires and may have a direct interest in the development of a diversion program for used tires. As such, the general public will have the opportunity to provide feedback on Tire Stewardship Manitoba's plan as a critical component of Government's review process.

3.4 Consultation Results and Learning

Going into the consultation process, the TSM Board favoured the notion of building on current program policies and procedures in the near term, as much as practical, in order to minimize disruption in the marketplace. After listening to the concerns and issues raised and studying the comments received, the Board wishes to re-confirm this intention. That said, of the specific issues raised by the stakeholders, the Board makes the following comments:

Issues Management	
Issue	TSM Response
1.Reduce Cross-subsidization	The new Regulation will require Tire Stewardship Manitoba to address all types of tires in a comprehensive program, and ensures that the funding burden is borne by Industry and users of the product.
2. Apply Variable Levies by Type of Tire	All types of tires will be included in the program, including off-the-road tires, and levies will be set which will reflect the cost of collection and processing by tire type. This is the first and biggest step towards reduction of cross-subsidization. Levies will to be revised and there will be a minimum of 90 days notice to ensure adequate consultation with affected stakeholders.
3. Separate Transportation and Processor Incentive Payments	This will allow Tire Stewardship Manitoba to capture the true cost of collection and transportation and so better address remote and under-served areas, especially in Northern Manitoba. It will also provide more accurate data on the true cost of recycling by tire type.
4. Processing Incentives to Reflect a Hierarchical Approach	Processing incentives need to encourage both local processing as opposed to out-of-province processing, but also to encourage higher value-added products which require greater processing of the scrap tires. To achieve this, incentives will reflect the additional costs associated with greater value-added processing.

5. Fiscal Responsibility	The program will be fiscally responsible, operated by Tire Stewardship Manitoba as a not-for-profit Industry Funding Organization. Annual reporting to Government is required, and Tire Stewardship Manitoba will have the ability to dynamically adjust levies and incentive payments to better achieve program goals. Tire Stewardship Manitoba will work in close concert with Manitoba Conservation and with Green Manitoba.
6. Processing Rates	Processors expressed concern that current processing credits / payments are inadequate. TSM will establish rates that are fair for all affected stakeholders. TSM will consult with processors to apply the findings of an up-to-date consultant's report on tire programs across Canada to help assure Manitoba processors are competitive with other jurisdictions.
7. Retailer Issues	TSM shares the concern of tire retailers that the plan should be simple to administer, promote a level playing field, and provide retailers sufficient consumer educational material. This is why resources will be expended upfront to ensure a solid launch with strong participation from all retailers.
8. Other Issues	TSM shares concerns raised relating to other issues. We believe our plan will improve tire recycling education and public relations; it does encourage harmonization with neighbouring jurisdictions; it will be flexible and dynamic; and performance reporting will help to ensure effective program operations as well as cost containment.

3.5 Website

During the consultation phase, and during the transition from the existing program managed by the Manitoba Tire Stewardship Board, website access will be provided through a linked section of the Rubber Association of Canada website www.rubberassociation.ca. This will permit all Manitobans, including stakeholders and other interested parties, to access up-to-date information relevant to the program which will serve as a vehicle for gathering stakeholder feedback and input, and which will ensure continuing transparency. On full program implementation, Tire Stewardship Manitoba will establish a new website.

4.0 PROPOSED OPERATING MODEL

Unlike many other industry stewardship programs which are developed from scratch, Manitoba has had a very successful scrap tire program in place since 1995. As such, TSM proposes a seamless transition to minimize disruption in the marketplace. This is an enviable result that suggests there is a solid foundation upon which to build. But some change is necessary for a variety of reasons; the Regulation requires a stronger commitment from the industry to manage end-of-life tires; the existing financial model is weak and not sustainable requiring additional taxpayer support. In addition, processors are very unhappy with the credit rates; the governance structure is not representative of the industry, and other stewardship type programs such as public education and R&D funding for product development etc. are non-existent.

4.1 Program Stewardship Changes

Under the *TIRE STEWARDSHIP REGULATION, 2006*, stewards must develop or be part of an approved stewardship plan in order to carry out business in the Province of Manitoba. The proposed system remains a retail-based funding model as at present, with only a few significant changes:

a) Levies will increase to make the program financially viable

- b) Levies will vary by type of tire to eliminate cross-subsidization such that consumers who use small passenger type vehicles are not paying for the cost to recycle large commercial tires.
- c) Levies will be collected from tire retailers by the new industry funding organization, Tire Stewardship Manitoba.
- d) The definition of a 'tire' will be expanded to include off road tires, including those used on agricultural and mining equipment and aircraft. All pneumatic tires and tubes will be included, with the exception only of tires for motorized mobility aids or a vehicle that is powered exclusively or partly by human muscular power.
- e) The governance structure will change to reflect that the new board will be appointed by and representative of industry stewards
- f) Annual reports from Tire Stewardship Manitoba, to be tabled in the Legislature, will be required and will address specific requirements established under the Legislation.

The operational period of the Stewardship Plan will be set out in a letter of approval issued by the Minister of Conservation. This Stewardship Plan adheres to the *Guideline for Tire Stewardship* developed and provided by government.

4.2 Program Synopsis

The Tire Stewardship Manitoba program includes the following features:

- Levies remitted by stewards to Tire Stewardship Manitoba
- No-charge pick-up, collection and transportation from retail sites
- Reinstatement of payments to municipalities for aggregating and temporarily storing scrap tires at landfill sites in readiness for hauling to processors
- Other strategic arrangements to permit the efficient collection and transportation of tires from rural and northern areas to processing sites
- Incentive payments for transportation from collection points to processing sites
- Incentive payments for processors based on increased payments for processing of value-added products
- A Research and Development program focused on market development to ensure environmentally efficient and economically viable markets for products from scrap tires
- A Public Education program to communicate the benefits of reduction, re-use and recycling, along with the specific tire-related benefits associated with improved vehicle and tire maintenance
- A Tire Clean-up program to ensure that remaining stockpiles are remediated
- A formal dispute resolution process, incorporating both mediation and arbitration, to ensure that disputes are resolved in a timely, fair and impartial manner
- A Compliance Monitoring and Enforcement program to ensure that the incidence of 'free riders' is minimized
- Pre-established key performance metrics which will set measurable targets for operations.

4.3 Rate Setting Process

Within the context of the TSM plan there are three major rate setting areas which must be addressed and may require adjustment from time to time: transportation credits, processor credits and the retail Eco fee. It is understood that ultimately, the Eco fee must be sufficient to cover the processor and transportation credits, plus the administration, enforcement and other regulatory obligations. Once the Eco fee structures are in place, any change in fees will occur only under very specific circumstances, noted below.

a) Transportation Credits

The transportation credits will be constructed using the national survey of transportation operating costs conducted by Transport Canada every two years. This survey takes into account the different

types of trucks, operating conditions, salaries, fuel, insurance costs, etc. in order to arrive at an average operating cost by truck type. The usefulness of such a survey is that an operator can readily calculate the increased costs if one or more of the key operating elements i.e. fuel, increases or decreases over a specified time. Transportation credits are prone to more volatility than the other program costs and so will be monitored on a regular basis. TSM is aware that transporters need some certainty in their operations and therefore transporters will be given at least six months notice if credit rates are to be reduced due to lower operating costs. TSM can raise rates immediately if warranted.

In the event TSM and the Transporters disagree on a proposed change in the rates, the matter will be referred to the Mediation and Arbitration Guidelines as outlined in the Business Plan which are binding on both parties.

b) Processor Credits

Once the original processor credit rates are established, TSM will only decrease the rates upon six months notice, but can increase the rates immediately. Processor credits are dependant on a variety of factors, some within the control of the processor, including such things as labour costs, productivity, product mix etc. Other factors, such as market pricing and competitive pressures are external and outside the immediate control of the processor. Nevertheless, it is not in the long-term interests of the program to prop up inefficient or poorly managed operations. To safeguard against this, TSM will benchmark its processing credits against other provincial tire programs to ensure its credits are in-line with comparable programs elsewhere.

In the event TSM and the Processor disagree on a proposed change in the rates, the matter will be referred to the Mediation and Arbitration Guidelines as outlined in the Business Plan which are binding on both parties.

c) Eco Fees

As stated earlier, the Eco fees are set by TSM at a rate sufficient to cover the entire costs of the program. While it is difficult to ascertain program costs several years out, it is the stated intention of TSM to hold the Eco fees at their initial level for the first five years of this plan, as much as possible. TSM believes future program efficiencies should be able to off-set incremental program costs.

In the event that after due consideration the TSM Board believes a change to the Eco fee is warranted, the Board shall:

- 1) Conduct public consultations to explain the justification for the proposed change.
- 2) Notify all affected stewards at least 90 days in advance of the proposed change
- 3) Notify the Minister at least 90 days in advance of the proposed change

General Statement on System Stability

TSM's normal practice will be to review credit rates and Eco fees on an annual basis, with any changes to be announced on or as soon as possible after November 1st of each year.

4.4 Proposed Revenue Model

To provide sufficient revenue for the successful operation of the Manitoba Tire Stewardship Plan, the funding model will generally follow TSB's successful approach -- a retail-based Eco fee. Experience has shown that within the tire industry, a retail-based Eco fee is the only point throughout the distribution chain that can ensure a level playing field and thus preserve the financial integrity of the program and be fair for all parties.

The current levy system in Manitoba calls for an environmental levy on all highway tires, with a few limited exceptions (such as ambulance use). Tire retailers collect the fee from consumers and remit the full amount to the Department of Finance who then forward these funds to TSB to run the program. From time to time, government has been forced to add additional funding to sustain the program. Over the past two years alone, the Government has provided the current program a \$300K forgivable loan, a \$200K grant to clean up OTR tires, plus an additional \$300K operating grant. It is TSM's stated intention to build a revenue model which obviates the need for government funding.

In addition, the levy of passenger, light truck and commercial tires effectively means small tire users are subsidizing large tire users, because large scrap tires are more costly to recycle. Secondly, when government adds funding support to TSB, taxpayers are footing the bill, not tire users.

TSM, having conducted its analysis of all other provincial tire programs and the financial shortfall within the current Manitoba program, believes the current Eco fees must be increased to put the new program on more solid financial footing. (See Appendix 9.1 for a description of the proposed fee schedule by product type and Appendix 9.7 for a schedule of other provincial tire levies)

For the tire retailer community, there are only two important changes proposed by TSM, both of which will be relatively simple and straightforward to administer.

1. The Eco fee will be variable based on the tire type sold.
2. The Eco fee remittance will be sent to TSM.

TSM Revenue Model is predicated based on the actual monies received under the existing TSB plan, using the data derived from the previous two years of Annual Reports. These reports help to identify the actual revenue received (based on \$2.80 per tire) and the actual quantity of scrap tires collected.

4.5 Five Year Financial Forecast

TSM Scrap Tire Diversion Program - Financials Forecast Five Year Financial Forecast

(based on TSB 2004-2006 Annual Reports)

	Mar-05 Year End	Mar-06 Year End	Year 1	Year 2	Year 3	Year 4	Year 5
ANNUAL GENERATION (000's)¹							
Passenger, LTrk, Motorcycle Tires	731.9	730.0	741.5	756.3	771.5	786.9	802.6
Medium Trk Tires	110.0	105.0	107.1	109.2	111.4	113.7	115.9
Off The Road (OTR) Tires			52.0	53.0	54.1	55.2	56.3
Total Units	841.9	835.0	900.6	918.6	937.0	955.7	974.8
Convert to PTEs⁷	1391.0	1280.0	1775.2	1810.7	1846.9	1883.9	1921.5
Convert to Tonnes (Metric 000's)	13.9	12.8	17.8	18.1	18.5	18.8	19.2
REVENUE ESTIMATE (000's)							
Proposed Levies							
Passenger, LT & Motorcycle	\$4.00		\$2,966	\$3,025	\$3,086	\$3,148	\$3,210
Medium Trk	\$9.00		\$964	\$983	\$1,003	\$1,023	\$1,043
Off The Road ²	\$20.25		\$1,053	\$1,074	\$1,096	\$1,117	\$1,140
Tire Revenue (TSB Annual Report)	\$2,357	\$2,331	\$4,983	\$5,083	\$5,184	\$5,288	\$5,394
Interest Income	\$9	\$3					
Start up Funding ⁹			\$1,000				
Grants		\$175					
Total Potential Revenue	\$2,366	\$2,509	\$5,983	\$5,083	\$5,184	\$5,288	\$5,394
Anticipated Collection Percent ³			93%	95%	97%	97%	97%
Revenue Lost due to Time Lag ¹⁰			\$750				
Total Revenue Generated	\$2,366	\$2,509	\$4,814	\$4,828	\$5,029	\$5,130	\$5,232
EXPENSES (000's)							
Operations							
Haulers ⁴			\$1,166	\$1,189	\$1,213	\$1,238	\$1,262
Processors ⁵	\$2,657	\$2,365	\$2,598	\$2,650	\$2,703	\$2,757	\$2,812
Municipalities ⁶	\$96	\$24	\$100	\$102	\$104	\$106	\$108
Total Operations	\$2,753	\$2,389	\$3,864	\$3,941	\$4,020	\$4,101	\$4,183
Administrative and Enforcement Fees							
Levy Collection Costs	\$33	\$32					
Green Manitoba ¹¹			\$50	\$100	\$100	\$100	\$100
Audit and Enforcement	1.00%		\$48	\$48	\$50	\$51	\$52
Total Regulatory Fees	\$33	\$32	\$98	\$148	\$150	\$151	\$152
Core Stewardship Programs							
Grants	\$25			\$25	\$25	\$25	\$25
Tire Clean up	\$0		\$100	\$50	\$50	\$50	\$50
Special Projects	\$76		\$75	\$25	\$25	\$25	\$25
Tire Recycling R&D	1.00%			\$48	\$50	\$51	\$52
Public Education ⁸	0.50%		\$24	\$24	\$25	\$26	\$26
Communication ⁸	0.50%		\$24	\$24	\$25	\$26	\$26
Total Programs	\$102	\$0	\$223	\$197	\$201	\$203	\$205
TSM Administration							
Start-up			\$150	-	-	-	-
Administration	\$144	\$157	\$300	\$309	\$318	\$328	\$338
Contract Services	\$96	\$101	\$70	\$72	\$74	\$76	\$79
Contingency			\$109	\$161	\$265	\$271	\$276
Total TSM Admin	\$240	\$258	\$629	\$542	\$658	\$675	\$692
Total Expenses	\$3,128	\$2,678	\$4,814	\$4,828	\$5,029	\$5,130	\$5,232
Excess of Revenue over Expenses	-\$762	-\$169	\$0	\$0	\$0	\$0	\$0

Notes and Assumptions:

1. The Annual Generation of tires is based on industry norm of 2% growth, and assumes one scrap tire is generated for every new tire sold.
2. The OTR value of \$20.25 is a computed average of all OTR tires, not the actual proposed Eco fee. See Appendix 9.1 for proposed rate schedule.
3. The Collection Percent assumes some retail points will try to avoid the Eco fee.
4. In Year One TSM will begin splitting Hauler and Processor costs
5. Processor Actual costs in '05 and '06 include Hauler costs
6. TSM will re-institute former program of marshalling yards with Municipalities
7. Actual PTE value comes from TSB Annual Reports
8. In Year One, additional funds will be spent on public education and communications outlining the revised program.
9. Start up funding will be comprised of a combination of grants, commercial loans and steward contributions, which will be used to hire staff, secure office space and equipment, develop systems for revenue collection and to promote the program to stewards and other stakeholders. TSM's stated position is that the current tire board must accept financial responsibility for three months post transition based on funding they received from stewards but did not pay out. Based on annual operating costs this would amount to approximately \$625,000. In addition, TSM is not prepared to accept liability for any existing stockpiles (for which the current board would have received eco fees). TSM estimates the cost to clean up existing stockpiles could be as much as \$375K.
10. Revenue Lost Due to Time Lag refers to the three-month period where TSM will be responsible for scrap tire management but will have no revenue due to the time required to notify stewards/retailers of the new fees and procedures for submission.
11. Amount represents Green Manitoba's recovery of costs incurred for program oversight and integrated waste stream outreach and education activities, calculated on a prorated basis across multiple Stewardship programs. TSM and Green Manitoba will work together to ensure the funds support the efforts of the tire program and are not duplicative and provide value for money. TSM will negotiate the contribution to Green Manitoba annually.

4.6. Proposed Cost Model**a) Transporter/ Haulers Incentives**

At the present time, processors in Manitoba are collecting and transporting tires from retail and municipal locations to their own processing sites. As noted above in the Program Synopsis, the incentive payments for transportation will be separated from the incentive payments for processing. The reason for this change is because transportation costs have a different set of variable components, quite different from processing costs. Separating the components will allow TSM to monitor and, where necessary, increase only the components that justify a change. In addition, a separate transportation credit may bring more participants into the marketplace thereby ensuring competition.

Payment for transportation is designed to accommodate the specific characteristics of Manitoba. Drawing from successful experience in other jurisdictions, a transportation incentive system is proposed which is based on dividing Manitoba into five regional areas with different freight rates for each region. The transportation incentive system will encourage removal of scrap tires from remote locations, taking into account the distance from the collection point to the nearest processing point. This does not mean that tires must only be transported to the nearest processing point, only that the incentive payment for transportation will be based on the distance from the collection point to the nearest processor. TSM will undertake a detailed analysis of these costs, and, coupled with the consultative process, establish a fair and equitable rate system.

b) Processing Incentive

The processing incentive scheme reflects the Economic Development and Acceptable Use Framework established by Manitoba to promote diversion of waste tires to the highest and best use while encouraging maximum economic benefit to Manitoba. A hierarchy of incentive payments is proposed, with greater payments made for higher-value end-use applications requiring greater processing of the scrap tires. Specific payment rates within this hierarchy will be established, and remain subject to refinement, based on a combination of environmental, economic and market considerations.

Should transportation or processing incentives need to be revised, there will be a minimum of 90 days notice to ensure adequate consultation with affected stakeholders. Similar to the development of transportation incentive fees, a detailed analysis of the processing incentive structure will underlie the establishment of rates.

Tire Stewardship Manitoba will continuously strive for cost effectiveness and efficiency while, at the same time, offering higher end-use credits for the processors and end users that recycle tires versus using them for energy recovery. Incentives will also be in place to ensure that very little, if any, residuals result from processing tires.

c) Other Program Costs

Administration

The Admin costs for the current Tire Stewardship Board, based on the 2005/06 Annual Report, are approximately 11% of net revenue. The TSM estimate for Admin costs, excluding one-time start-up costs of \$150,000 is between 7-8% once fully operational. The revenue will increase as we add more tire types to the mix, but the admin costs should not increase proportionately. In addition, TSM will build a modest reserve for contingency purposes.

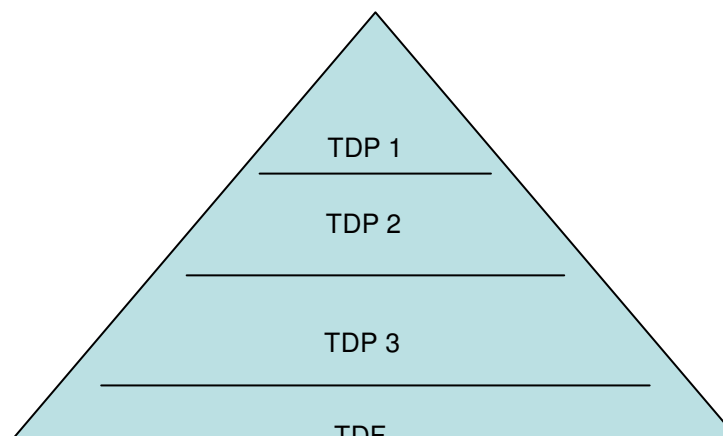
Other Stewardship Costs

Other Stewardship costs include some regulatory obligations such as the need for a public education campaign and a stockpile abatement program etc. It also includes a proposal to continue with the TSB Grant initiative and to include an R&D program to help foster new products and market development.

Audit and Compliance

TSM has allocated 1.0% of revenues for audit and compliance, plus approximately \$100K annually to recognize the contributions and support from Green Manitoba.

Processing Credit Hierarchy (higher credit for higher value-added product)



Notes:

- **TDP 1** - 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 with recycled rubber content (particle size up to 5/16" to 40 mesh and lower).
- **TDP 2** - Fabricated products that are made at least 75% from scrap tire (e.g. blasting mats, traffic cone bases, etc.).
- **TDP 3** - Tire shred with particle size of nominally 2-4 inches produced as an alternative to granular material.
- **TDF** – Whole tires used as tire derived fuel (TDF) to supplement other fuels in industrial applications.

Note: Manitoba also pays additional processing credits for finished goods production and sale.

Tire Stewardship Manitoba anticipates continued use of the scrap tire processors currently registered with the TSB program. The processor registration process currently in existence will be maintained.

4.7 Tire Product Categories

For the purposes of the *TIRE STEWARDSHIP REGULATION, 2006*, “tire” is defined as “...a tire that is manufactured for use on the wheels of a powered vehicle or a trailer that is designed to be towed by such a vehicle and includes a tube that is manufactured for use inside such a tire, whether the tube is supplied in conjunction with a tire or separately.” Other tires, such as those designed for use on wheelchairs, cycles, and wheelbarrows, for example, are not covered by the regulation, but may be addressed by TSM at some future point. For a complete description of the tire product categories and proposed Eco fees, please refer to Appendix 9 .

4.8 Scrap Tire Collection Facilities

Generally speaking, scrap tire collection is well established in the tire industry as motorists and consumers typically leave their old tires at the retailer when purchasing new tires. The only time this doesn't happen is when a consumer is purchasing winter tires and elects to keep the other tires for the next season, or the consumer has an alternative use for the scrap tires, which rarely happens. According to industry estimates, approximately 10% of consumers do not discard their old tires for the reasons noted here. This means that when the tire board indicates they recycle 100% of the scrap tires generated, they are recycling 100% of what is available to be recycled.

The current TSB has an extensive list of the current 900 retail collection sites in Manitoba. This will provide the starting point for TSM.

In addition, there are farm equipment dealers, heavy construction and mining equipment dealers, leasing companies, etc. which will become collection sites across the province. Notices will go out to each of the respective associations and individual retail locations to make them aware of the pending changes and ensure their cooperation.

4.9 Dispute Resolution

Even with the best of mutual intentions, there are occasions when parties disagree on the methods and manner of solving a problem or implementing a program. In order to ensure that disputes among Tire Stewardship Manitoba and any of its diversion partners are resolved in a timely, fair and impartial manner, a dispute resolution process has been developed (see Appendix 9.6: Mediation Guidelines, and Appendix 9.7: Arbitration Guidelines). These Guidelines provide a transparent

escalation pathway that specifies process, roles and timing. In some instances, an outside mediator or arbitrator will be used for specified types of disputes.

In order to best manage diversion issues before they require formalized dispute resolution, a well documented issues management process will be developed and posted on the Tire Stewardship Manitoba website. Regular updates to open issues that concern groups of diversion partners will be placed on their respective website portal.

4.10 Administration, Enforcement and IFO Operation

a) Administration

Program management resources will manage Eco fee collection from tire retailers, provide audit and compliance services for revenue collection, and provide expenditure administration and audit and compliance services for expenditures. It is the objective of Tire Stewardship Manitoba to regularly assess the fees that are required to operate the program and to conduct the necessary research and development work to ensure a sustainable tire recycling program in the Province of Manitoba. As a not-for-profit entity, TSM plans not to budget for an annual surplus, though a contingency line item will be established for prudent fiscal management.

The forms and processes that will be developed for the program will be designed to facilitate efficient operations and compliance monitoring. While the frequency, duration and accountabilities with respect to audit activities need to be defined, it is clearly a prerequisite for program success. Tire Stewardship Manitoba will work collaboratively with representatives from Manitoba Conservation and Green Manitoba to define programs, processes, policies and accountabilities for compliance monitoring and program enforcement.

b) Enforcement and Compliance Considerations

Tire Stewardship Manitoba requires cooperation from three primary stakeholder groups in order to implement its stewardship plan: Transporters, Processors and Retailers. There are certainly other affected stakeholders, including municipalities, consumers, government etc., but for the purpose of enforcement and compliance, these three are most important.

The transportation of scrap tires will require a manifest system that tracks the collection of tires from retailers and other generators to registered processors. Tires may only be delivered to registered processors. The manifest ensures compliance and ensures TSM pays only for tires delivered to processors.

As with the current system in Manitoba, processors are only paid their credits upon receipt of sale of the finished product. TSM will enter into a contractual relationship with each processor and will audit as necessary to ensure full compliance. Failure to live up to the contract would render it null and void therefore TSM is confident non-compliance will not be an issue.

Since 1995, tire retailers in Manitoba have been licensed by the tire board to sell tires in the province. TSM will require a similar signed agreement, otherwise a retailer must operate their own stewardship plan, as per Section 3 (1) of the Tire Stewardship Regulation 2006. Because the majority of retailers have been licensed since 1995, TSM anticipates no disruption in service or issues with compliance. Nevertheless, if issues with compliance are determined, the Manitoba Conservation will be notified accordingly for enforcement. These procedures will be formalized with Manitoba Conservation.

Generally speaking, TSM would first undertake a thorough dialogue with the affected stakeholder in an attempt to resolve any outstanding issues before taking further action.

5.0 ADDITIONAL STEWARDSHIP ELEMENTS

In addition to managing the collection and disposition of scrap tires in the province, TSM will undertake additional stewardship programs to promote sustainable diversion. After ensuring that diversion activities operate efficiently and effectively, broad stewardship programming will be implemented to advance the development of recycling technologies and applications, the development of new or expanded markets for recycled tire products, as well as public education and awareness building through effective communications.

These program elements will be individually specified by plans that define the deliverables and the value-add contribution to TSM's mandate for scrap tire diversion. Further details under each of these program areas will be defined in the context of operating plans and initiatives that will be developed upon approval of this Stewardship Plan.

5.1 Research & Development

Over the past fifteen to twenty years, much research has been conducted around the world and in North America on the topic of tire recycling and product development. Tire Stewardship Manitoba can take advantage of this existing body of research, and will focus its efforts on commercialization and market development, especially in the promotion and development of economically viable market segments including:

- Fabricated goods, produced from cut tires used to make mats, blasting mats, animal feeders, fencing, composters, planters, and rubber parts punched from cut tires.
- Civil engineering applications for large tire shreds such as light-weight fill material in roadbed and embankment stabilization projects and whole large tires used as breakwaters and erosion barriers. Roadbed applications have demonstrated success at insulating against the effects of cold weather, thereby reducing the heaving and potholes associated with the spring thaw.
- Shredded and crumbed tires have been used for a range of purposes in engineered landfills.
- Medium-sized rubber crumb (5 – 10 mm) has become popular as a material for playgrounds, providing protection for children from falls and injuries. Similar material has also been used in equestrian training arenas (often mixed with sand) to provide a more secure and safer footing for horses. Rubber crumb has also been used in golf courses and sports fields to protect turf and provide better drainage.
- Pour-in-place surfaces for running tracks and playgrounds have been made using fine rubber crumb and a binding agent.
- A similar mixture of fine rubber crumb and a binding agent can be used to make a wide range of molded consumer products, including rubber mats, paving stones and blocks, curb stops, railroad crossings, automotive parts, solid wheels, fatigue mats, and box liners for trucks.
- Fine rubber crumb is a feedstock to a range of manufacturing processes.
- Loose rubber crumb is made into animal mattresses for dairy cattle.
- Ultra-fine rubber crumb has been an ingredient in sealants, soaker hoses, carpet underlay, and partially re-vulcanized rubber reclaim.
- Rubberized asphalt, using recycled rubber crumb either as a filler or aggregate replacement or as a binding agent, has been shown to enhance wear, traction performance and longevity of roads, as well as minimizing the wear-related rutting and frost deformation of roads in cold climates.

- Controlled combustion of tires can be used to recover the energy from the hydrocarbon component of tires. Both whole and shredded tires are used extensively in other parts of the world, including some other Provinces, with considerable success.

5.2 Stockpile Clean-Up

The TSB program in Manitoba has been very successful in cleaning up scrap tire stockpiles in the province. Nevertheless, it is anticipated that within the initial term of TSM's program, there will be some stockpile abatement activity. Tire Stewardship Manitoba remains prepared to allocate a portion of the annual operating budget specifically for managing scrap tire stockpiles as circumstances warrant. However, TSM cannot be responsible, nor accept liability, for stockpiles created prior to the introduction of its program. It appears there is no accounting or documentation of the extent of stockpiles in the province, which makes it very difficult to ascertain the clean-up costs. In the view of TSM, the existing Tire Stewardship Board, or the government, must set aside a reasonable sum to survey the size and scope of existing stockpiles and set aside sufficient abatement funding.

5.3 Public Education and Awareness

Tire Stewardship Manitoba recognizes that strategic measures are needed to promote the benefits of scrap tire recycling and to encourage compliance and positive behaviour throughout the product supply chain. The tire industry estimates that up to 20 per cent of annual scrap tire generation can be avoided through improved maintenance and driving habits that could prolong tire life.

Tire Stewardship Manitoba will continue to work on promoting responsible behaviour and encouraging consumers and other stakeholders to reduce, reuse and recycle. Supporting Green Manitoba's integrated public education and outreach approach to promote waste minimization and effective waste management will be a part of TSM's overall strategy. Performance ratios and other program metrics will be applied to facilitate ongoing analysis of scrap tire diversion. Information resulting from this analysis will be used on an annual basis to update operating plans.

Tire brand-owners, through their retailer networks in Manitoba, have an excellent opportunity through advertising and point-of-sale information to promote consumer awareness of the tire recycling program. Given that their day-to-day, normal commercial success in the marketplace is highly dependant on good customer relationships, the brand-owners do understand that there is much to be gained from regular and continuing constructive dialogue with both program participants and their consumers. Accordingly, a number of avenues will be used to educate stakeholders about the tire recycling program:

- During the governance transfer process, TSM will ensure that program participants are kept informed of key events and time lines.
- During the operational set-up phase, TSM will develop a communication and consultation plan directed to the program participants and their constituents.
- During the operational set-up phase, TSM will undertake an extensive dealer start-up education program in order to familiarize all retail sellers of tires in the province with the new procedures.
- Brochures will be made available at the tire retailers informing tire consumers of the new Tire Stewardship Manitoba organization, what they are doing to promote a scrap tire-free environment in Manitoba, and how consumers can do their part to create a scrap tire-free province.
- A Tire Stewardship Manitoba web site will be developed to provide consumers, local governments, existing and potential transporters and processors with detailed and current information on the program. A feedback mechanism will be included to allow for stakeholder input.

- The opportunity to implement a consumer information line (telephone) will be explored with a view to handling general calls from the public and advising them through the most convenient means possible where they can take their used tires and how tires are recycled.

Once the new program is operational, over 90 percent of consumers will simply leave their scrap tires at the retailer at the time of purchase of new tires. Nonetheless, TSM will undertake an aggressive public awareness campaign to educate consumers on rubber recycling initiatives and to encourage them to adopt proper tire care practices to extend the life of their tires.

5.4 Pollution Prevention

One of the primary values of an *industry* stewardship plan is that there tends to be a much closer relationship and better communication between those who produce the product for its intended purpose, through to its end-of-life management. The tire industry, for example, has a long and successful record of continuous product improvement which has, over the years, reduced the number of new tires required for a given mileage, while improving performance and reliability.

“Reduce”

Following the principle of continuous improvement in environmental stewardship, the tire manufacturing industry has achieved considerable success in recent years in extending original tire life. In 1981, the expected lifespan of an average highway tire was approximately 47,000 kilometres. Due to extensive research and innovation on the part of industry, this lifespan has been extended to approximately 72,000 kilometres, over 50 per cent improvement. Another example of innovation now being introduced on certain model vehicles is the new “run-flat” tire technology that enables vehicle manufacturers to eliminate the spare tire, which could potentially reduce vehicle weight and improve fuel economy.

Industry has also long supported a number of consumer education initiatives, such as the “*Be Tire Smart – Play Your PART*” campaign, designed to encourage motorists to check their tire pressure monthly. The tire industry knows that with proper tire care, such as maintaining proper air pressure and tire rotation, consumers can expect to extend the life of their tires by 20% or more. Proper tire inflation also optimizes fuel consumption, thereby directly mitigating the contribution of greenhouse gases to the atmosphere. TSM will use these materials with tire retailers to ensure this messaging gets across to consumers.

“Reuse”

Industry is presently engaged in a number of “reuse” initiatives that give new life to used tires. The two principal methods of reuse are retreading and export of used tires. TSM’s approach will encourage retreading of commercial truck tires by placing the Eco fee on new truck tires only, thereby contributing to the cost advantage associated with retreads. A reused tire casing can also be retreaded up to three times, greatly extending the life of the product and diverting it from the waste stream.

The TSM plan also allows collectors to cull used tires for export use. Due to more harsh winter driving conditions, Manitoba motorists often discard used tires sooner than they might if the driving conditions were more favourable. These used tires can be sold to off-shore markets for continued use.

“Recycle”

In addition to a renewed focus on reduction and reuse of scrap tires, the TSM plan will also establish a new program to encourage recycling. This program will optimize the collection and processing of scrap tires as well as the development of end-markets and value-added products. This will be

achieved by implementing a series of fundamental principles and processes contained in this plan, including:

1. *A hierarchy of incentives that encourages value-added processes and products* – In Manitoba, the scrap tire recycling industry has an existing capacity to process the scrap tires generated in Manitoba into shred, crumb rubber and metal for recycling. While end-use markets for crumb rubber are still developing, crumb is currently being used in a variety of tire derived products (TDP), including manufactured products with rubber content, rubberized asphalt, and civil engineering and landscaping applications that provide effective alternatives to other materials. However, markets for value-added processing have been relatively volatile to date as the supply (of scrap tires) and the demand (crumb rubber pricing) are not always aligned. TSM understands that one of its primary roles following implementation of the plan is to address market development to ensure a sustainable, vibrant rubber recycling industry in Manitoba.
2. *Sustainable development for scrap tires* – The TSM plan will encourage sustainable development of scrap tires across the province by ensuring availability of scrap tire product at a predictable price. For processors this is always a key concern. How can they invest in new technology or new capital equipment if they cannot be assured of a predictable feedstock at a predictable price? TSM will have an agreement in place with each respective processor indicating the credit rates TSM will provide for product sold into the market.
3. *Formal tracking system to stop illegal dumping* – While most retailers, haulers and processors strive to do the right thing in terms of being environmentally responsible, without a structured regime for scrap tire management, illegal dumping can and does occur. The TSM program will address this issue by tracking scrap tires from the generator's site through to final disposition.
4. *Secured funding for new technologies and innovation* – Scrap tire processors will be paid a processing incentive by TSM based on the value-add of their respective processed products upon proof of sale. To encourage higher value-added products, the incentive is based on a hierarchy of end-market uses and processes. This supports the program objective of achieving a higher level of self-sufficiency for processing greater volumes of high-value recycled products in Manitoba.

The TSM plan will allocate a proportion of the Eco fee to help develop new applications and end markets. Facilitating the development of value-added processing of scrap tires in Manitoba will support a stable value chain. In turn, markets will become more self-sustaining while providing measurable environmental and economic benefits through increasing the value and range of recycled products and uses.

“Recovery”

Scrap tires are used extensively around the world as a fuel substitute because of their high BTU value and chemical consistency. Compared to a tonne of coal, for example, a tonne of scrap tires has approximately 25% higher BTU value. When used in a cement kiln operation, as is currently occurring in several jurisdictions, air emissions can actually be improved because NO_x and SO_x are reduced substantially when scrap tires are added as a supplemental fuel.

If scrap tires are such a good option for energy recovery, some observers question why we should devote so much energy and effort to recycle them when the simplest and least costly alternative is to burn them. From a philosophical point of view, TSM accepts the premise of the 4R Hierarchy, which is why the long-term diversion of tires to energy in the plan is not promoted as a highly desirable use.

6.0 PERFORMANCE MEASUREMENT

Tire Stewardship Manitoba is committed to providing an exemplary tire recycling program that provides readily accessible points of return for scrap tires, is cost-effective, respects the 4R hierarchy of reduce, reuse, recycle (TDP), recovery of energy (TDF) and results in a scrap tire-free environment.

Existing performance measurements such as recovery rate, tire-derived product to tire-derived fuel ratio, stockpiles of scrap tires and unit costs for transporting and recycling tires will continue to be measured and reported. During the first year of operation, new performance measurements will be developed for revenue collection, program operating expenditures and best practices.

6.1 Performance Metrics

Tire Stewardship Manitoba recognizes that performance reporting is critical for maximizing program efficiency and effectiveness and will work with Green Manitoba, Manitoba Conservation and other stakeholders to obtain specific guidance and feedback on the appropriateness and applicability of specific performance indicators, including recommendations for adjustment and identification of information gaps.

As an initial framework, systematic collection of information pertaining to the following performance criteria is ideal:

- Awareness;
- Accessibility;
- Product recovery;
- Post-collection use;
- Operational efficiency;
- Quality of service; and
- Management performance.

Tire Stewardship Manitoba intends to measure program performance according to several key indicators relevant to four broad categories: diversion operations, recycled products mix, core stewardship programs, and Tire Stewardship Manitoba administration. Although a number of performance indicators have been developed (identified below), it's important to note that specific goals and measures will be further refined over the course of TSM's first year of operations.

Diversion Operations

- Number of eligible scrap tires processed annually under TSM's program
- Number of registrations vs. available generators, haulers, processors
- Collection performance
- Diversion rate - number of units and percentages by area vs. estimated generation
- Compliance audits per quarter
- Compliance ratio vs. number of audits
- Rate of stockpile abatement

Recycled Products Mix and Market Development

- Mix of primary scrap tire processing products (crumb, fabricated products, shred, TDF)
- Market growth in higher value-add recycled products
- Proportion of processed scrap tires that go into Manitoba end uses and products

Core Stewardship Programs

- Commercialization of technologies for increasing the proportion of recycled rubber in end-use products
- Development of new value-added products manufactured from recycled rubber
- Public awareness of benefits of tire maintenance, tire recycling and end-use applications

Tire Stewardship Manitoba Administration

- Program financial performance to plan
- Staff performance to position objectives
- Fulfillment of personal development plans
- Turnover and retention of staff

Dispute Resolution

- Mutually satisfactory resolution of all credible disputes

7.0 ANNUAL GENERATION and RECYCLING FORECAST

Manitoba has data collected through the TSB program over the past several years which will facilitate the setting of future targets. For example, from 2003/4 – 2005/6, TSB was instrumental in recycling 1.5 million, 1.4 million and 1.3 million Passenger Tire Equivalents (PTE), respectively in the fiscal years. These numbers include some non-highway tires processed as special agreements with the Manitoba Conservation.

The Rubber Association of Canada estimates that approximately 900,000 tire units or 1.775 million PTE's will be generated in Manitoba in the first year of the program. This increased amount includes non-highway tires. The following table builds on the actual diversion from the TSB programs over the two previous fiscal years. In Year One and beyond, the actual quantity of material available for recycling will increase markedly due to the inclusion of OTR tires.

The diversion forecast is meant to be illustrative of TSM's intention and approach i.e. encourage higher value products, rather than as hard targets. For example, higher value products such as molded goods, mats, cut product and crumb rubber will continue to grow, while other lower value products will decline.

Given that more quantity of PTEs are entering the program, it will take 24 months or so before 100% diversion will be achieved.

**TSM Scrap Tire Diversion Program
Recycling Forecast**

(based on TSB 2004-2006 Annual Reports)

	Mar-05 Year End Act.	Mar-06 Year End Act.	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
ANNUAL GENERATION (000's PTE)							
TSB Capture/TSM Generation	1391	1280	1775	1810	1846	1884	1922
RECYCLING DIVERSION (000's PTE)							
Shred	543	590	500	500	500	459	367
Molded Products	194	288	300	325	350	375	400
TDF	557	251	250	250	250	150	125
Mats	73	92	100	120	140	160	180
Cut Product	24	54	60	70	80	90	100
Crumb Rubber	0	5	5	50	100	150	200
OTR Diversion	0	0	300	330	340	375	400
New Products	0	0	0	56	86	125	150
TOTAL DIVERSION	1391	1280	1515	1701	1846	1884	1922
Diversion %	100.0%	100.0%	85.4%	94.0%	100.0%	100.0%	100.0%

8.0 ANNUAL REPORT

In accordance with section 16(1) of the Regulation, within 90 days after the end of the fiscal year, TSM will prepare an Annual Report for the one-year period ending December 31 of the previous year.

The Annual Report will satisfy all requirements identified in the Regulation and provide details on the effectiveness of the tire stewardship plan during the previous fiscal year of operation, including:

- a. A description of educational materials and educational strategies used
- b. The location and number of collection facilities
- c. Efforts taken to reduce environmental impacts throughout the product life cycle and to increase reuse and end-of-life recycling
- d. A description of how the recovered product was managed in accordance with the pollution prevention hierarchy
- e. The amount of product sold and collected and recovered
- f. An independently audited financial statement detailing sources and uses of funds
- g. A comparison of the plan's actual performance versus targets and legal requirements

Appendices

9.0

Appendices

Appendix 9.1 Starting Point for TSM Operations

To provide sufficient revenue for the successful operation of this Stewardship Plan, new variable tire levies have been developed by Tire Stewardship Manitoba. These levies are closely aligned with levies proposed or established in other Canadian jurisdictions and are a reasonable starting point to assure financial sustainability of the stewardship program. Nevertheless, these levies are subject to refinement as experience and knowledge are gained through the first year of TSM operations, and thereafter as changing circumstances may warrant. Should TSM deem that levies need to be revised, there will be a minimum of 90 days notice to ensure adequate consultation with affected stakeholders.

Manitoba New Tire Sales Estimates and Potential Levies Year 1

	Units Thousands	Per Unit Levy	Potential Levy \$'000
<u>Tires on new vehicles</u>	225.0	\$4.00	\$900.0
<u>Tires for Licensed Road Vehicles</u>			
Auto & Light Truck Tires	505.0	\$4.00	\$2,020.0
Medium Truck Tires	100.0	\$9.00	\$900.0
Motorcycle Tires	11.5	\$4.00	\$46.0
<u>Total for Tires on Licensed Road Vehicles</u>	841.5		\$3,866.0
<u>Non Highway Tires</u>			
Small Off Road Tires <25"	1.0	\$35.00	\$35.0
Large Off Road Tires =>25"	1.0	\$75.00	\$75.0
Free Rolling Farm Tires	7.0	\$4.00	\$28.0
Drive Farm Tires	5.0	\$35.00	\$175.0
Small Industrial	19.0	\$4.00	\$76.0
Large Industrial	19.0	\$35.00	\$665.0
<u>Total for Non Highway Tires</u>	52.0		\$1,054.0
<u>Total All Tires</u>	893.5		\$4,920.0

Notes: Auto & Light Truck Tires include Light Duty High Speed Trailer Tires
The levy on Tires on new vehicles will be the same as replacement tires
Small Industrial Tires also includes ATV and Lawn and Garden Tires
Large Industrial also includes Aircraft Tires
The categories for Non Highway Tires may change based on CATRA study

Appendix 9.2 Tire Stewardship Manitoba Guiding Principles

In accepting responsibility for the scrap tire diversion program for the Province of Manitoba, TSM believes a set of guiding principles is fundamental to the success of the initiative. The program will therefore:

1. Strive for fair and transparent operations, with a bias to practical solutions mindful of regional differences
2. Endeavour to minimize intervention in the marketplace and to ensure a level playing field
3. Encourage, by way of financial incentives or other means, environmentally efficient and economically viable industries to collect, process and manufacture value-added products from scrap tires discarded in Manitoba
4. Disseminate public information to Manitoba residents on diversion and the benefits of recycling tires
6. Where practical and beneficial, harmonize program elements with other Canadian provincial and bordering US state diversion initiatives
6. Support actions to ensure that the diversion of scrap tires and tires from stockpiles conform with local, provincial, and national regulations
7. Recognize that the production, sale, use and recycling of tires operates in a global marketplace
8. Maintain standards that confirm scrap tire management is continually monitored, measured and quantitatively evaluated
9. Ensure that participants are held accountable for meeting performance measures, agreements, requirements and program targets
10. Ensure that sufficient resources are dedicated to research and development in order to operate in accordance with the principle of continuous improvement

Appendix 9.3 Tire Stewardship Manitoba By-laws**Draft TSM Bylaws – not yet approved by the Board of Directors****ARTICLE I - INTERPRETATION**1.01 Definitions

In these By-laws, unless the context otherwise requires:

- (a) “Act” shall mean The Waste Reduction and Prevention Act;
- (b) “Regulations” shall mean the Regulations pursuant to *The Waste Reduction and Prevention Act*;
- (c) “Board” means the Board of Directors of the Corporation;
- (d) “Corporation” means “Tire Stewardship Manitoba”;
- (e) “Chair” means the Chair of the Board of Directors;
- (f) “Member” shall mean a member of the Corporation;
- (g) “Membership” shall mean the members of the Corporation;
- (h) “Membership Agreement” shall mean the form of agreement attached and as amended by resolution of the Board, from time to time;
- (i) “business” includes farming;
- (j) “operator” means a person who operates a tire stewardship program approved by the Minister in accordance with this regulation.
- (k) “person” includes a partnership;
- (l) “powered vehicle” means a vehicle in or on which a person or thing may be transported or may ride, whether on or off a highway, that has its own source of motive power and includes an aircraft, but does not include a motorized vehicle powered exclusively or partly by human muscular power.
- (m) “registry” means the public registry established under Section 17 of *The Environment Act*;
- (n) “scrap tire” means a tire that through use, storage, handling, defect, damage or another similar circumstance can no longer be used for its original purpose.
- (o) “steward” means a steward of tires;
- (p) “steward of tires” means
 - (i) the first person who, in the course of business in Manitoba, supplies a tire to another person; or
 - (ii) a person who, in the course of business in Manitoba, uses a tire obtained in a supply transaction outside of Manitoba;
- (q) “supply” means to transfer a property interest by
 - (i) sale, whether conditional or otherwise;
 - (ii) exchange;
 - (iii) barter;
 - (iv) lease or rental, whether with an option to purchase or otherwise; or

(v) gift;

but does not include a supply that is effected solely to create a security interest within the meaning of *The Personal Property Security Act* or the *Bank Act (Canada)*.

(r) “tire” means a tire that is manufactured for use on the wheels or rims of a powered vehicle or a trailer that is designed to be towed by such a vehicle and includes a tube that is manufactured for use inside such a tire, whether the tube is supplied in conjunction with a tire or separately.

(s) “tire stewardship program” means a waste reduction and prevention program for scrap tires approved under Section 6.

1.02 A supply of a tire by a person is a supply “for consumption” if it is a supply:

(a) by the person for consumption by a final consumer in Manitoba and not for the purpose of its being supplied again; or

(b) to a second person followed by one or more supply transactions, any of which is a transaction in which the tire is supplied for consumption by a final consumer in Manitoba and not for the purpose of being supplied again.

1.03 Words importing the singular gender include the plural and vice versa; words importing gender include the masculine, feminine, and neuter gender; and words importing persons include individuals, bodies corporate, partnerships, and unincorporated organizations.

1.04 In the event that the definitions contained in paragraph 1.01 shall be in conflict with either the “Act” or “Regulations”, the definitions in the “Act” or “Regulations” shall prevail.

ARTICLE II - MEMBERSHIP

2.01 Members

Any Steward of Tires, as defined in the Act and Regulations shall be eligible for Membership of the Corporation by the signing of the Membership Agreement. In addition, any other person or organization approved by the Board may be a Member on the condition that their membership is ratified by two-thirds of the Board as signed the Membership Agreement.

2.02 Withdrawal of Membership

Any Member wishing to withdraw from Membership may do so upon giving notice in writing to the Board of Directors. The terms and mechanics of withdrawal will be determined by the Membership Agreement then in effect.

2.03 Cancellation of Membership

The Directors may, if cause exists, by a resolution passed by a majority of not less than three-quarters of the votes of Members at a meeting called for the purpose, at any time cancel the Membership of a Member; provided that at least seven (7) days’ written notice of the meeting and of the resolution proposed to be passed thereat shall be given to the Member whose Membership it is proposed to be canceled. The notice may be delivered personally or mailed to the last address of the Member as shown on the register of Members: Any Member named in the notice or its representative shall be entitled to make representations at the meeting.

(i) Such notice shall be in accordance with paragraph 3.09.

2.04 Continuing Obligations

The obligations of a Member under the Membership Agreement shall not continue after the effective date of termination of membership. However, withdrawal or cancellation of its membership shall not, in and of itself, release a Member from any obligations accrued to that time.

ARTICLE III - BOARD OF DIRECTORS

3.01 Number of Directors

The affairs of the Corporation shall be managed by a Board of not less than five (5) Directors and not more than seven (7) Directors. The number of Directors will be determined by the Board, from time to time.

3.02 Structure of Board of Directors

The Board shall have a minimum of five (5) directors, consisting of at least one of from each of the following Members:

- (a) The Rubber Association of Canada;
- (b) Manitoba Motor Dealers Association Inc.;
- (c) Western Canada Tire Dealers;
- (d) Retail Council of Canada.

The Board at each annual meeting shall also appoint a Member-at-Large from the Member groups.

3.03 Committees

The Board may appoint such committees as it, from time to time, considers advisable. No committee shall have the power to act for or on behalf of the Board but shall only have the power to make recommendations to the Board.

3.04 Election and Term

The term of each Director shall be two years with half the Directors elected in even numbered years and the remaining half of the Directors elected in odd numbered years. An adjustment in length of term may be made for the initial Board of Directors in order to achieve this term procedure. An election of Directors shall take place at each annual general meeting of the Corporation, and all the Directors having completed a two-year term shall retire but, if qualified, still be eligible for re-election. If a vacancy occurs on the Board during a Director's term, that vacancy shall be filled by the Board to complete the Director's term.

3.05 Removal of Directors

The Membership may, by a resolution passed by a majority of not less than three-quarters of the votes of the Membership at a meeting called for such purpose, remove any Director before the expiration of his or her period of office for any cause which the Membership of the Corporation may deem reasonable.

3.06 Management

The management of the affairs of the Corporation shall be vested in the Directors.

3.07 Meetings of Directors

Meetings of the Board of Directors shall be not less than twice per annum and shall be called by the Chair. A special meeting of the Board may be called upon the written request of any two (2) Directors.

3.08 Place of Meetings

Meetings of the Board may be held at any place within or outside the Province of Manitoba

3.09 Notice

Notice of the time and place of each meeting of the Directors shall be sent to each Director by regular mail addressed to the Director at his or her last address as shown in the records of the Corporation not less than seven (7) days before the meeting. If notice is given by telephone, facsimile or delivered personally, then it shall be done not less than twenty-four (24) hours before the meeting. If mailed, the notice shall be deemed to have been received on the third (3rd) day following the date of mailing; if delivered by telephone or facsimile or any other means of communications, the notice shall be deemed to have been received on the date of transmission and, if delivered personally, on the date of delivery. A Director who participates in a meeting shall be deemed to have received notice of it.

3.10 Quorum

The quorum for the transaction of business at any meeting of the Board shall consist of not less than 60% of the Directors then on the Board of Directors.

3.11 Chair

The Chair of the Board shall be appointed by the Directors at the conclusion of the annual general meeting. The Chair shall direct the meetings of the Board of Directors. In the absence of the Chair, the Directors shall choose one (1) of their number to be Chair. The Chair of the Board shall have the right to vote.

3.12 Votes to Govern

Questions arising at any meeting of the Board shall be decided by a majority of the votes. In the case of an equality of votes, the motion is defeated.

3.13 Meetings by Telephone

If all the Directors participating in a meeting consent, one (1) or more Directors may participate in a meeting of the Directors by means of telephone or such other communications facilities as permit all persons participating in the meeting to hear each other, and a Director participating in such a meeting by this means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the Directors held while a Director holds office.

3.14 Good Standing

Directors must at all times be in good standing with their respective Members.

ARTICLE IV - OFFICERS

4.01 Appointment

The officers of the Corporation shall be appointed by the Board and shall consist of a Chair, a Treasurer, a Secretary and a General Manager and such other officers as the Directors may determine. Other than the Chair, officers need not be a Director. One (1) person may hold more than one office.

4.02 Chair of the Board

The Chair of the Board must be a Member or employee of a Member who is a Steward of Tires.

4.03 General Manager

The Board shall hire a General Manager of the Corporation, who shall report to the Board. The Executive Director's duties shall be set by the Board, from time to time, and shall include being custodian of the seal of the Corporation and all relevant contracts and records of the Corporation. The General Manager shall also be responsible for ensuring the proper recording of monies received by the Corporation and shall work with the accountants hired by the Corporation to properly account for the funds of the Corporation and deliver to the Board and Membership appropriate financial reports, as directed.

4.04 Powers and Duties of Other Officers

The powers and duties of all officers shall be such as the terms of their engagement call for or as the Board may specify and delegate.

4.05 Removal of Officers

The Directors may at any time, in their sole discretion, remove any officer of the Corporation.

ARTICLE V - MEETINGS OF THE MEMBERS

5.01 Annual Meetings

The annual meeting of the Corporation shall be held once a year at the date, time and place as determined by the Board.

5.02 Special Meetings

A special meeting of the Members shall be called by the Chair of the Board or Secretary upon receipt by either of them of a petition signed by one-third of the Members in good standing, setting out the reasons for calling such meeting.

5.03 General Meetings

General meetings of the Members of the Corporation may be called at any time by the Board.

5.04 Place of Meetings

Meetings of the Members may be held at any place within or outside the Province of Manitoba.

5.05 Notice

Notice of the time and place of each meeting of the Members shall be sent to each Member by regular mail addressed to the Member at its last address as shown in the records of the Corporation not less than ten (10) days before the meeting. If notice of the meeting is sent by telephone, facsimile or delivered personally, then it shall be done not less than three (3) days before the meeting. If mailed, the notice shall be deemed to have been received on the third (3rd) day following the date of mailing; if delivered by telephone or facsimile or any other means of communication, the notice shall be deemed to have been received on the date of transmission and, if delivered personally, on the date of delivery. A Member who participates in a meeting shall be deemed to have received notice of it.

5.06 Quorum

The quorum for the transaction of business at any meeting of the Members shall consist of 60% of the Members in good standing.

5.07 Chair

The Chair of the Board shall be the Chair of any meeting of the Members. In the absence of the Chair, the Board shall choose one (1) of their number to act as Chair for the purposes of the meeting.

5.08 Voting and Votes to Govern

(a) A Member who has not withdrawn from the Corporation or whose membership has not been suspended shall have the right to vote at any meeting of the Membership. Questions arising at any meeting of the Membership shall be decided by a majority of the votes. In the case of an equality of votes, the Chair shall have a casting vote.

5.09 Meetings by Telephone

If a two-thirds majority of the Members participating in a meeting consent, one (1) or more Members may participate in a meeting of the Membership by means of telephone or such other communications facilities as permit all persons participating in the meeting to hear one another.

ARTICLE VI – AUDITING

6.01 Auditor

The books, accounts, and records of the Corporation shall be audited as required by the Act, the Regulations and/or the Board.

6.02 Financial Year End

The financial year end for the Corporation shall be as set by *The Tire Stewardship Regulation 2006.*

6.03 Inspection of Records

The books and records of the Corporation may be inspected by any Member of the Corporation at the annual meeting of the Members or at anytime upon giving reasonable notice and arranging a time satisfactory to the Officers having charge of the books. Each Member of the Board shall at all reasonable times have access to such financial books and records.

ARTICLE VII – REMUNERATION

7.01 The Board shall fix the remuneration of the Board and the officers of the Corporation. All officers and Directors shall receive reimbursement for all reasonable costs incurred in carrying out any duties with respect to the Corporation.

ARTICLE VIII - BORROWING POWERS

8.01 Authority

For the purpose of carrying out its objects, the Corporation may borrow or raise or secure the payment of money in such manner as it thinks fit, but this power shall be exercised only under the authority of the Board of Directors.

ARTICLE IX - BY-LAWS

9.01 Amendments

These By-laws may be rescinded, altered, or amended at any annual meeting, saving that the amendment must be passed by two-thirds of the Members voting.

ARTICLE X – INDEMNIFICATION

10.01 Limitation of Liability

Every Director and officer of the Corporation in exercising his or her powers and discharging his or her duties must act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no Director or officer is liable for:

- (a) the acts or omissions, negligent or otherwise, of any other Director, officer or employee;
- (b) any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation;
- (c) the insufficiency or deficiency of any security in or upon which any of the monies of the Corporation are invested;
- (d) any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the monies, securities or effects of the Corporation are deposited;
- (e) any loss occasioned by any error of judgment or oversight on his or her part;
- (f) any other loss, damage or misfortune which happens In the execution of the duties of his or her office or in relation to it;

however nothing, in this section 10.01 relieves any Director or officer from the duty to act in accordance with the Act and the Regulations under the Act or from liability for any breach of the Act.

10.02 The Corporation shall indemnify a Director or officer of the Corporation, a former Director or officer of the Corporation or a person who acts or acted at the Corporation’s request as a Director or officer of a body corporate of which the Corporation is or was a shareholder, a member or a creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment reasonably incurred by him or her respecting any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being one of the above, where:

- (a) he or she acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful.

With the approval of the Court, the Corporation shall also indemnify those persons mentioned above respecting an action by or on behalf of the Corporation to procure a judgment in its favour, to which he or she is made a party by reason of being or having been a Director or an officer of the Corporation or body corporate, against all costs, charges and expenses reasonably incurred by him or her in connection to that action if he or she fulfills the conditions set out in clauses (a) and (b) above.

Notwithstanding anything in this section 10.01, a person mentioned in the first paragraph hereof is entitled to indemnity from the Corporation respecting all costs, charges and expenses reasonably incurred by him or her in connection with the defence of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a Director or officer of the Corporation, if the person seeking indemnity:

- (c) was substantially successful in the merits in his or her defence of the action or proceeding; and
- (d) fulfills the conditions set out in clauses (a) and (b).

The Corporation must also indemnify these persons in the other circumstances that the Act or *The Corporations Act* permits or requires. Nothing in this bylaw limits the right of any person entitled to indemnity to claim indemnity apart from the provisions of this bylaw.

ARTICLE XI - NON-PROFIT CORPORATION

11.01 Tire Stewardship Manitoba is a non-profit corporation.

ARTICLE XI - DISSOLUTION OF CORPORATION

12.01 In the event that the Corporation is dissolved or wound-up, for any reason, the remaining assets shall be paid over to one or more non-profit organizations who have as their object recycling

ADOPTED the _____ day of _____, 2006.

Chairman

Secretary

Appendix 9.4 Stakeholder Consultation Attendees**Tire Stewardship Manitoba****Industry Stakeholders Consultation****April 26, 2006**

Invitations were sent to:

- ◇ 897 New Tire Retailers
- ◇ 107 Municipalities Operating Landfills as well as the following:

Name	Representing
Laurie Streich	Manitoba Conservation
Rod McCormick	Manitoba Conservation
Doug Smith	Green Manitoba
Brett Eckstein	Green Manitoba
Jim Ferguson	Green Manitoba
Brandi Wermie	Reliable Tire Recycling
Ashley Leibl	Reliable Tire Recycling
Paul Courteau	Tire Recycling Corp.
Peter Schroedter	OTR Recycling
Erwin Gibson	OTR Recycling
Don Blythe	Western Canada Tire Dealers
Bill Harper	Tire Stewardship Board
Carolyn Thorvaldson	Tire Stewardship Board
Reg Toews	Interim Tire Stewardship Board
Bill Podolsky	Interim Tire Stewardship Board
Stuart Briese	Interim Tire Stewardship Board
Ron Wally	Interim Tire Stewardship Board
Joe Casciano	Interim Tire Stewardship Board also Tire Stewardship Manitoba (IFO)
Glenn Maidment	Rubber Association of Canada
Lynne Lamb	Rubber Association of Canada
David Lamb	Tire Stewardship Manitoba (IFO)
Shirley Canty	Tire Stewardship Manitoba (IFO)
Moe Tresoor	Tire Stewardship Manitoba (IFO)
Al Ens	Tire Stewardship Manitoba (IFO)
Ed Kuipers	E-Z Recycling
Gloria Desorey	Consumers Association of Canada
Ron Benson	MB Assoc. for Resource Recovery Corp. (MARRC)
Greg Hess	Canadian Waste
Jim Fogg	Manitoba Product Stewardship Corp.
Jenny Hillard	Consumers Association of Canada
Dan McInnis	City of Winnipeg Solid Waste
Cliff Lechow	BFI Waste Services
Hugh Billingham	Mandak Metal
Mark Miller	MB Ozone Protection Industry Association Inc. (MOPIA)
Dave Gylywaychuk	Manitoba Heavy Construction
Non-Hazardous Waste Mgmt.	Manitoba Hydro
Jake Heide	Gateway Resources

David Crawford	Manitoba Product Stewardship
Manager/Operator	X-Potential Products
Al Linder	Western Scrap
Kristjan Bachman	Phoenix Recycling
John Sinclair	U of M Natural Resources
Randall McQuaker	Resource Conservation
Herta Gudauskas	Manitoba Naturalists
Rob Altemyer	Recycling and Environment
Jan Westlund	Manitoba Eco-Network
Tim Teeples	Canadian Waste Services
Bob Dolyniuk	Manitoba Trucking Association

Actual Attendance	
Name	Representing
Mike Fernandes	Moderator
Rod McCormick	Manitoba Conservation
Doug Smith	Green Manitoba
Brett Eckstein	Green Manitoba
Jim Ferguson	Green Manitoba
Brandi Wermie	Reliable Tire Recycling
Ashley Leibl	Reliable Tire Recycling
Paul Courteau	Tire Recycling Corp.
Peter Schroedter	OTR Recycling
Erwin Gibson	OTR Recycling
Don Blythe	Western Canada Tire Dealers
Carolyn Thorvaldson	Tire Stewardship Board
Reg Toews	Interim Tire Stewardship Board
Bill Podolsky	Interim Tire Stewardship Board
Stuart Briese	Interim Tire Stewardship Board
Ron Wally	Interim Tire Stewardship Board
Joe Casciano	Interim Tire Stewardship Board also Tire Stewardship Manitoba (IFO)
Glenn Maidment	Rubber Association of Canada
Lynne Lamb	Rubber Association of Canada
David Lamb	Tire Stewardship Manitoba (IFO)
Shirley Canty	Tire Stewardship Manitoba (IFO)
Moe Tresoor	Tire Stewardship Manitoba (IFO)
Al Ens	Tire Stewardship Manitoba (IFO)
Ron Benson	MARRC
Jim Fogg	Manitoba Product Stewardship Corp.
Ken Friesen	Earthbound Environmental
Brian Barnes	City of Selkirk
Kurtis Krasneskey	R.M. of St. Andrews
Laurie Hunt	R.M. of St. Andrews
Reg Meade	Northern Association of Community Councils
Gerald Penner	KK Penner
Peggy Walker	Dugald Auto
Stuart Walker	Dugald Auto
Jonathan Feldman	Sturgeon Tire

Clement Collet	West End Tire
Paul Reid	Casterland

**Tire Stewardship Manitoba
Processors' Meeting
April 26, 2006**

Attendees	
Name	Representing
Mike Fernandes	Moderator
Brett Eckstein	Green Manitoba
Jim Ferguson	Green Manitoba
Brandi Wermie	Reliable Tire Recycling
Ashley Leibl	Reliable Tire Recycling
Paul Courteau	Tire Recycling Corp.
Peter Schroedter	OTR Recycling
Erwin Gibson	OTR Recycling
Don Blythe	Western Canada Tire Dealers
Bill Harper	Tire Stewardship Board
Carolyn Thorvaldson	Tire Stewardship Board
Ron Wally	Interim Tire Stewardship Board
Joe Casciano	Interim Tire Stewardship Board also Tire Stewardship Manitoba (IFO)
Glenn Maidment	Rubber Association of Canada
Lynne Lamb	Rubber Association of Canada
David Lamb	Tire Stewardship Manitoba (IFO)
Shirley Canty	Tire Stewardship Manitoba (IFO)
Al Ens	Tire Stewardship Manitoba (IFO)
Moe Tresoor	Tire Stewardship Manitoba (IFO)

Appendix 9.5 Mediation Guidelines

The following rules and procedures shall apply with respect to any matter to be mediated by the parties under the terms of the Stewardship Plan (The Agreement).

1. Selection of Mediator

The Parties shall have seven Business Days from the Submission Date to agree upon a mutually acceptable mediator who shall be at arm's length from each Party and shall not be a member of the audit or legal firm or firms who advise either Party, nor a person who is otherwise regularly retained by either of the Parties (the "**Mediator**"). If no Mediator has been selected within such time, the Parties agree to jointly request that the *Arbitration & Mediation Institute of Manitoba*. (or another mutually agreed-upon provider of mediation services) supply, within five days of the expiry of the seven day period above, a list of potential candidates to be the Mediator with qualifications as specified by the Parties in the joint request. Within days of the delivery of the list, the Parties shall independently rank the proposed candidates, shall simultaneously exchange rankings, and shall appoint as the Mediator the individual receiving the highest combined ranking who is available to serve in the role of Mediator.

2. Time and Place for Mediation

In consultation with the Mediator, the Parties shall promptly designate a mutually convenient time and place for the mediation and, unless circumstances require otherwise, such time shall not be later than seven days after the selection of the Mediator.

3. Summary of Views

At least 48 hours prior to the first scheduled session of the mediation, each Party shall deliver to the Mediator and to the other Party, a concise written summary of its views regarding the facts and issues of the dispute. No such written summary shall be longer than five pages in length.

4. Staffing at Mediation

In the mediation, the Parties may be represented by counsel. In addition, the Parties may bring such additional persons (not exceeding five in number) as needed to respond to questions, contribute information and participate in the mediation.

5. Conduct of Mediation

The Parties, in consultation with the Mediator, will agree upon a format for the mediation, designed to ensure that the Mediator and each Party will have an opportunity to hear oral presentations of the other Party's views on the matter of the dispute, and that each Party will attempt to resolve the dispute with the assistance of the Mediator. To this end, the Mediator is authorized to conduct both joint meetings and separate private caucuses with each Party in accordance with the agreed-upon format for the mediation.

6. The Mediator's Views

Any opinions or recommendations of the Mediator shall not be binding on any Party. The Mediator shall not be liable for any act or omission in his or her role as Mediator.

7. Length of Mediation

The Parties agree that the mediation will be concluded within 60 days after the date of the selection of the Mediator (the "**Mediation Period**") unless the Parties and the Mediator agree in writing to extend the Mediation Period.

8. Withdrawal from Mediation

Any Party may withdraw from the mediation at any time by notifying the Mediator and the other Party in writing of its intent to withdraw, whereupon the parties shall proceed to Arbitration.

9. Conclusion of Mediation

If the Parties are able to agree upon mutually acceptable settlement terms within the Mediation Period, the Mediator, or one of the Parties at the Mediator's request, shall draft a written settlement document incorporating all settlement terms. This draft settlement document will be provided to the other Party, edited as necessary and formally executed by both Parties and the Mediator.

If the Parties are unable to agree upon mutually acceptable settlement terms within the Mediation Period, the Mediator shall, within five days of the expiry of the Mediation Period, submit to the Parties a final settlement proposal which the Mediator considers equitable to both Parties. The Parties shall have five days to consider such proposal and to individually indicate to the Mediator whether such Party is willing to accept the final settlement proposal. If a Party does not respond within such five day period, such Party shall be deemed to have rejected the final settlement proposal, whereupon the parties shall proceed to Arbitration.

10. Fees of Mediator, Disqualification

Each Party shall bear its own costs with respect to the mediation and the fees of the Mediator shall be shared equally between the Parties, including a Party who has withdrawn from the mediation. The Mediator shall be disqualified as a witness, consultant, expert or counsel for either of the Parties with respect to the matters of the dispute and any related matters. If the dispute proceeds to arbitration, the mediator shall not serve as arbitrator, unless both Parties agree otherwise.

11. Confidentiality

All mediation sessions shall be confidential and no stenographic, visual, audio or electronic records shall be made of any one of them. All conduct, statements, promises, offers, views and opinions, whether oral or written, and all documents and records made or provided in the course of the mediation by either Party, either Party's agent, employee, representative or other invitee and by the Mediator (who will be the Parties' joint agent for the purposes of the mediation) shall be held strictly in confidence by both Parties and the Mediator. Any conduct, statements, promises, offers, views, opinions, documents and records shall not be discoverable or admissible for any purposes, including impeachment of any witness in any litigation or other proceeding involving either of the Parties, and shall not be disclosed to anyone who is not an agent, employee, expert, witness, or representative of a Party unless required to do so by law; provided, however, that evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the mediation.

Appendix 9.6 Arbitration Guidelines

The following rules and procedures shall apply with respect to any matter to be arbitrated by the Parties under the terms of the Agreement.

1. Initiation of Arbitration Proceedings

- (a) If either Party to the Agreement wishes to have any matter under the Agreement arbitrated in accordance with the provisions of the Agreement, it shall give notice to the other Party hereto specifying particulars of the matter or matters in dispute and proposing the name of the person it wishes to be the single arbitrator (the “**Arbitration Notice**”). Within 15 days after receipt of such notice, the other Party to this Agreement shall give notice to the first Party advising whether such Party accepts the arbitrator proposed by the first Party. If such notice is not given within such 15 day period, the other Party shall be deemed to have accepted the arbitrator proposed by the first Party. If the Parties do not agree upon a single arbitrator within such 15 day period, either Party may apply to a judge of the Court of Queen’s Bench under the *Arbitration Act*, C.C.S.M. c. A120, (the “**Arbitration Act**”) for the appointment of a single arbitrator (the “**Arbitrator**”).
- (b) The individual selected as Arbitrator shall be qualified by education and experience to decide the matter in dispute. The Arbitrator shall be at arm’s length from both Parties and shall not be a member of the audit or legal firm or firms who advise either Party, nor shall the Arbitrator be an individual who is, or is a member of a firm, otherwise regularly retained by either of the Parties.

2. Submission of Written Statements

- (c) Within 20 days of the appointment of the Arbitrator, the Party initiating the arbitration (the “**Claimant**”) shall send the other Party (the “**Respondent**”) a Statement of Issue setting out in sufficient detail the facts and any contentions of law on which it relies, and the relief that it claims.
- (d) Within 20 days of the receipt of the Statement of Issue, the Respondent shall send the Claimant a Responding Statement stating in sufficient detail which of the facts and contentions of law in the Statement of Issue it admits or denies, on what grounds, and on what other facts and contentions of law it relies.
- (e) Within 20 days of receipt of the Responding Statement, the Claimant may send the Respondent a Statement of Reply.
- (f) The Statement of Issue, Responding Statement and Statement of Reply shall be accompanied by copies (or, if they are especially voluminous, lists) of all essential documents on which the Party concerned relies and which have not previously been submitted by the other Party, and (where practicable) by any relevant samples.
- (g) After submission of all the Statements, the Arbitrator will give directions for the further conduct of the arbitration.

3. Meetings and Hearings

- (h) The arbitration shall take place in the City of Winnipeg, Manitoba or in such other place as the Claimant and the Respondent shall agree upon in writing. The arbitration shall be conducted in English unless otherwise agreed by the Parties and the Arbitrator. Including the final hearing, the arbitration shall be concluded within 90 days after delivery of the Arbitration Notice to the Respondent, subject to extension of such time period for a fixed period by written agreement of both Parties or by notice given by the Arbitrator to both Parties because of illness or other cause beyond the Arbitrator's control. Subject to any adjournments which the Arbitrator allows, the final hearing will be continued on successive working days until it is concluded.
- (i) All meetings and hearings will be in private unless the Parties otherwise agree.
- (j) Any Party may be represented at any meetings or hearings by legal counsel.
- (k) Each Party may examine, cross-examine and re-examine all witnesses at the arbitration.

4. The Decision

- (l) The Arbitrator will make a decision in writing and, unless the Parties otherwise agree, will set out reasons for decision in the decision.
- (m) The Arbitrator will send the decision to the Parties as soon as practicable after the conclusion of the final hearing, but in any event no later than 60 days thereafter, unless that time period is extended for a fixed period by the Arbitrator on written notice to each Party because of illness or other cause beyond the Arbitrator's control.
- (n) The decision shall be final and binding on the Parties and shall not be subject to any appeal or review procedure provided that the Arbitrator has followed the rules provided herein in good faith and has proceeded in accordance with the principles of natural justice.

5. Jurisdiction and Powers of the Arbitrator

- (o) By submitting to arbitration under these Rules, the Parties shall be taken to have conferred on the Arbitrator the following jurisdiction and powers, to be exercised at the Arbitrator's discretion subject only to these Rules and the relevant law with the object of ensuring the just, expeditious, economical and final determination of the dispute referred to arbitration.
- (p) Without limiting the jurisdiction of the Arbitrator at law, the Parties agree that the Arbitrator shall have jurisdiction to:
 - (i) determine any question of law arising in the arbitration;
 - (ii) determine any question as to the Arbitrator's jurisdiction; determine any question of good faith, dishonesty or fraud arising in the dispute;
 - (iii) order any Party to furnish further details of that Party's case, in fact or in law;

- (iv) proceed in the arbitration notwithstanding the failure or refusal of any Party to comply with these Rules or with the Arbitrator's orders or directions, or to attend any meeting or hearing, but only after giving that Party written notice that the Arbitrator intends to do so;
- (v) receive and take into account such written or oral evidence tendered by the Parties as the Arbitrator determines is relevant, whether or not strictly admissible in law;
- (vi) make one or more interim awards;
- (vii) hold meetings and hearings, and make a decision (including a final decision) in Manitoba or elsewhere with the concurrence of the Parties thereto;
- (viii) order the Parties to produce to the Arbitrator, and to each other for inspection, and to supply copies of, any documents or classes of documents in their possession or power which the Arbitrator determines to be relevant;
- (ix) order oral discovery, provided that oral discovery of both Parties shall be completed within a consecutive 14 day period unless agreed otherwise by both Parties;
- (x) order the preservation, storage, sale or other disposal of any property or thing under the control of any of the Parties; and
- (xi) make interim orders to secure all or part of any amount in dispute in the arbitration.

6. Costs, Disqualification of Arbitrator

Each Party shall bear its own costs with respect to the arbitration and the fees of the Arbitrator shall be shared equally between the Parties. The Arbitrator shall be disqualified as a witness, consultant, expert or counsel for either of the Parties with respect to the matters of the dispute and any related matters.

7. Arbitration Act

The rules and procedures of the Arbitration Act shall apply to any arbitration conducted hereunder except to the extent that they are modified by the express provisions of these Rules of Arbitration.

Appendix 9.7

<u>PROVINCIAL SUMMARY OF TIRE LEVIES</u>					
<u>PROVINCE</u>	<u>TIRE TYPE</u>				
	<u>PASS. & LT TRUCK</u>	<u>MEDIUM TRUCK</u>	<u>AG.</u>	<u>OTR</u>	<u>OTHER</u>
British Columbia	\$4.00	\$9.00	Variable	Variable	N/A
Alberta	\$4.00	\$4.00	Plan under development	Plan under development	N/A
Saskatchewan	\$4.00	\$9.00	\$10.00	Variable	N/A
Manitoba Proposed	\$4.00	\$9.00	Variable	Variable	Variable
Ontario	- No program -				
Quebec	\$3.00	Currently \$3.00, but proposal is \$9.00	\$3.00 48" and less	Plan under development	Small tires on hood, save, 4-wheels - \$3.00
New Brunswick	\$3.00	\$9.00	Plan under development	Plan under development	Not in program
Nova Scotia	\$3.00	>17" rim size - \$3.00 Highway truck <17" rim size - \$9.00	Not in program	Not in program	Not in program
PEI	\$4.00	\$4.00	\$4.00	\$4.00	N/A
Newfoundland	\$3.00	\$9.00	N/A	N/A	N/A
Yukon	\$3.00	\$9.00	N/A	N/A	N/A