



Discussion Paper

***Tire Stewardship
Program***

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***Energy, Science and Technology
Green Manitoba***

This document has been prepared by Green Manitoba to provide background information to industry stakeholders on an enhanced and expanded program of product stewardship to be implemented in Manitoba. You may provide your comments on this process through any of the following options:

- Through participation in consultation meetings to be held
- Through participation via the web at www.greenmanitoba.ca
- By providing your comments in writing

All affected stakeholders are encouraged to make their views known to Green Manitoba through participation in the consultation or by submitting your comments in writing.

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1. Introduction

This discussion paper sets out background information and issues under consideration by the Province of Manitoba for the management of scrap tires in Manitoba. The document was prepared to assist discussions with industry and other stakeholders.

2. Green Manitoba Overview

Green Manitoba has been established by the Province of Manitoba to lead and coordinate an enhanced and expanded system for product stewardship, energy and water conservation and demand-side management, and sustainable transportation. The primary goals of Green Manitoba are to:

1. maximize outcomes in energy and water demand-side management (DSM), product stewardship and waste reduction, and sustainable transportation;
2. develop coordinated programming that involves communities and municipalities; and
3. be a key source of policy advice to government on these issues.

In regard to product stewardship, Green Manitoba will promote the development of effective and efficient management programs for designated waste streams which will:

1. protect Manitoba's environment;
2. fairly allocate the costs for management of these materials;
3. ensure that these programs are economically and environmentally sustainable; and
4. foster innovation and economic growth.

Four waste streams have been designated as priorities for immediate attention by Green Manitoba:

- scrap tires
- printed papers and packaging;
- household hazardous wastes (HHW); and
- waste electrical and electronic equipment (e-waste).

The focus of Green Manitoba is on all the above products regardless of where used or managed as waste.

3. The Evolution of Product Stewardship in Manitoba

In Canada, there are over 50 Extended Producer Responsibility (EPR), or product stewardship programs operating at provincial, regional and national levels. These programs address more than a dozen separate products and materials. Manitoba has been actively working with stakeholders to implement product stewardship programs since 1990 in an effort to reduce the amount of waste going to landfill and conserve resources.

Manitoba's first product stewardship programs – the Manitoba Tire Stewardship Board (TSB) and the Manitoba Product Stewardship Corporation (MPSC) – were established in 1995. Since

that time, it has become generally accepted that increased industry responsibility in the design and operation of stewardship programs provides for greater flexibility to match revenue generation mechanisms with program expenditure requirements. Regional consistency in the operation of these programs is also desirable. Manitoba's Oil Stewardship Program managed by the Manitoba Association of Resource Recovery Corp. (MARRC) was built on these principles in 1997 and forms the model for Manitoba's enhanced product stewardship initiative being launched by Green Manitoba in 2005.

In developing new stewardship programs for Manitoba, it is recognized that the revised program focus should be consistent with current national and international approaches whereby the costs of managing designated waste materials are transferred from the municipal tax base to the producers and users of these products. Producer responsibility programs and corresponding Industry Funding Organizations (IFO's) launched in Ontario (Stewardship Ontario), Québec (Éco Enterprise Quebec) and British Columbia (Product Care) offer examples of broader producer responsibility models under consideration.

Manitoba's Waste Reduction and Prevention (WRAP) Act provides the legislative framework for introducing expanded producer responsibilities. The following table highlights the history and current status of regulations established under the WRAP Act since 1992 and the operational characteristics of Manitoba's product stewardship programs.

<p>Waste Reduction and Prevention (WRAP) Act (1990/94)</p> <ul style="list-style-type: none"> ▪ Enabling legislation; designate products or materials with potential to become waste for stewardship responsibilities http://web2.gov.mb.ca/laws/statutes/ccsm/w040e.php <p>Product Stewardship Regulations</p> <ul style="list-style-type: none"> ▪ Beverage Container and Packaging Regulation (1992 – repealed 1995) <ul style="list-style-type: none"> - <i>Industry operated organization, target based regulation with financial penalty for non-compliance of material recovery targets. This regulation was replaced by the Multi-material Stewardship Regulation.</i> ▪ Multi-Material Stewardship (Interim Measures) Regulation (1995) <ul style="list-style-type: none"> - <i>Statutory corporation (MPSC), regulated board and product levies, 3 year business plan approved by Minister</i> ▪ Tire Stewardship Regulation (1995) <ul style="list-style-type: none"> - <i>Statutory corporation (TSB), regulated board and product levies, 3 year business plan approved by Minister</i> ▪ Used Oil, Filters and Containers Stewardship Regulation (1997) <ul style="list-style-type: none"> - <i>Regulated stewardship responsibilities (MARRC), industry operated board, industry establishes revenue mechanism, 5 year Business Plan approved by Minister</i> ▪ Household Hazardous Waste Regulation — DRAFT (2001) <ul style="list-style-type: none"> - <i>Regulated stewardship responsibilities, 11 product HHW categories and electronics. Withdrawn by Cabinet pending an overall review of Manitoba's EPR policies and program directions.</i>
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4. Regulatory Changes

As the designated coordinating body, Green Manitoba, working in cooperation with Manitoba Conservation, product stewards, municipalities, ENGOs and consumer groups, is proposing to shift Manitoba's product stewardship approach to a regulated steward responsibility model in which the companies that produce or distribute these products (stewards) in Manitoba are responsible for developing a program or programs to manage designated wastes.

These changes will:

- build on the success of current programs to establish broad-based stewardship programs that are economically and environmentally sustainable;
- provide more flexibility for stewards to set program fees as may be required to implement the program;
- reduce government's direct involvement in program design and management; and
- reinforce the linkage between product design and the environment.

Where deemed necessary by Manitoba, Manitoba will modify existing regulations or introduce new regulations required to implement approved program plans and to address residual and non-recyclable components of the waste stream.

5. Guiding Principles for the Development of Product Stewardship Programs

The following principles have been established by Green Manitoba to guide the development of product stewardship plans. Program-specific criteria will also be developed in consultation with program partners and other stakeholders.

5.1 General Principles

1. The cost of managing designated waste materials should be borne by the producers and users of the product or packaging rather than by the taxpayer.
2. Programs to manage these materials must be economically and environmentally sustainable.
3. Product stewards are responsible for determining the method by which these materials are managed and how these costs are borne by the affected industry and potential program partners, subject to approval of government.
4. Fees required to support implementation of an approved program plan will be set and collected by approved not-for-profit Industry Funding Organizations (IFO) established for that purpose.
5. Programs will incorporate a public awareness and public education component.
6. Programs will operate province-wide providing public access that is convenient and fundamentally consistent.
7. Where practical and feasible, product stewardship programs in Manitoba should be harmonized with those of other provinces.

5.2 Accountability

8. Funds raised for the management of a designated material or product category will be directly related to the costs of managing that designated material or product category.
9. Transparency of program operations will be provided through the development of industry proposals, business plans and annual reports which will be available to all stakeholders.
10. Designated IFO's will undertake broad consultations on business plan proposals prior to submission of those proposals to Green Manitoba for review.

5.3 The Role of Government

11. Government will enact and enforce regulations to ensure a level playing field among stewards responsible for a designated waste stream.
12. Government will establish targets as part of program-specific criteria to monitor program performance.
13. Government will approve IFO Business Plans upon the recommendation of Green Manitoba.

6. Time Table

The Government of Manitoba seeks to implement stewardship programs as quickly as possible. Consultation on regulation(s) and the development and submission of stewardship plans will need to occur expeditiously.

7. Proposed Regulatory Framework

The proposed regulatory framework under Manitoba's Waste Reduction and Prevention Act (WRAP) is modeled on the existing Manitoba regulation, MR 86/97, Used Oil, Oil Filters and Containers Stewardship Regulation governing the collection and disposal of used oil, containers and oil filters. The Manitoba Association of Resource Recovery Corporation (MARCC) is the industry funding organization established to manage the Used Oil Stewardship Program.

- o MARRC's 2002, Approved Business Plan and 2004 Annual Report is available at: http://www.usedoilrecycling.com/html/about_man.htm
- o Manitoba's Used Oil, Oil Filters and Containers Stewardship Regulation (MR 86/97) is available at: <http://web2.gov.mb.ca/laws/regs/pdf/w040-086.97.pdf>

“Model” Stewardship Program Regulation:

The regulation is a regulation under *The Waste Reduction and Prevention (WRAP) Act*.

Definitions

"designated material" means any of the products, substances, material, devices or equipment that are designated as designated material in the regulation;

"designated waste" means

- a) *designated material*
 - i. *that through use, storage, handling, defect, damage, expiry of shelf life or other similar circumstance can no longer be used for its original purpose, or*
 - ii. *that, for any other reason, the owner or person in possession of the material intends to dispose of it, and*
- b) *the packaging or container in which designated material was supplied;*

"designated waste stewardship program" means a waste reduction and prevention program for designated waste;

"steward of designated material" means

- a) *the first person who, in the course of business in Manitoba, supplies designated material to another person, or*
- b) *a person who, in the course of business in Manitoba, uses a designated material obtained in a supply transaction outside of Manitoba;*

"supply" means to transfer a property interest by

- a) *sale, whether conditional or otherwise,*
- b) *exchange,*
- c) *barter,*
- d) *lease or rental, whether with an option to purchase or otherwise, or*
- e) *gift.*

DESIGNATED WASTE STEWARDSHIP PROGRAM

Designation of Material

- *Products, substances, material, devices or equipment are designated as designated material for the purpose of the Act.*

Prohibitions

- *No person shall supply a designated material for consumption unless*
 - a) *the steward of the designated material operates or subscribes to a designated waste stewardship program for the material; or*
 - b) *the person operates or subscribes to a designated waste stewardship program for the material.*
- *No person shall in the course of business use in Manitoba a designated material obtained in a supply transaction outside of Manitoba unless the person operates or subscribes to a designated waste stewardship program for the material.*

- *No person shall supply a designated material for consumption in a retail sale in Manitoba unless the person makes available to the consumer point of sale information under a designated waste stewardship program for the material.*
- *No steward of designated material shall supply the material for consumption unless the steward has given written notice of intention to supply the material and a description*
 - a) *of the material to be supplied; and*
 - b) *of how the steward intends to meet the obligations of the regulation.*

Requirements for a Designated Waste Stewardship Program

- *A designated waste stewardship program*
 - a) *shall be consistent with the principles of Sustainable Development set out in the WRAP Act;*
 - b) *shall be consistent with any written guidelines established respecting such programs; and*
 - c) *shall be open to any steward who wishes to subscribe to the program in accordance with the plan for the program approved under the regulation.*
- *A plan for a designated waste stewardship program shall include provision for*
 - a) *the establishment and administration of a waste reduction and prevention program for one or more categories of designated material;*
 - b) *the appropriate management of the designated waste included in the program in accordance with any written guidelines established by the minister;*
 - c) *a province-wide, convenient collection system for the designated waste included in the program, without user fees for users of the system;*
 - d) *a system for the payment of expenditures incurred in the collection, transportation, storage, processing and disposal of the designated waste in connection with the waste reduction and prevention program;*
 - e) *the orderly collection of revenues from subscribers to the program in balance with expenditures for the program;*
 - f) *the establishment and administration of education programs for the purpose of the waste reduction and prevention program;*
 - g) *the establishment and administration of a point of sale information program for the purpose of the waste reduction and prevention program; and*
 - h) *the payment of salaries and other costs of government for the administration and enforcement of this regulation and of the Act as it relates to the designated material included in the program.*
- *A plan for a designated waste stewardship program may include*
 - a) *provision for the establishment and administration of research and development activities related to the management of designated waste;*
 - b) *provision for training and educational activities related to the management of designated waste;*
 - c) *provision for activities related to pollution prevention and waste reduction; and*
 - d) *any other activities that the minister may approve.*

Approval of a Stewardship Plan

- *An IFO that intends to operate a designated waste stewardship program shall submit a plan for the stewardship program and apply for approval of the plan.*
- *An IFO shall conduct public consultations on the development of the plan.*
- *An application for approval of a plan for a designated waste stewardship program or renewal of an approval shall include a business plan for the implementation of the IFO's responsibilities under the Act and the regulation covering the period for which the approval is being sought.*
- *A plan for a designated waste stewardship program, or for the renewal of an approval, shall be filed in the Public Registry upon submission. Comments will be received on the plan for 28 days from the date it is filed in the registry and the comments will be considered before making a decision on whether or not to approve the plan.*

Approval of a Plan

- *A letter of approval will be issued to the IFO operating a designated waste stewardship program plan or for a renewal of approval. The letter of approval shall set out any conditions of approval.*

Implementation of plan

An IFO shall ensure that a designated waste stewardship program plan is implemented substantially in accordance with its intent, subject to any conditions of approval.

8. Background on Manitoba Scrap Tire Diversion Program

This document draws from more detailed information that is available on The Manitoba Tire Stewardship Board website (<http://mbtirebd.home.skyweb.ca/web.htm>). Additional information on scrap tire management in other provinces is available on the Canadian Association of Tire Recycling Agencies website (<http://www.catraonline.ca/index.html>). Please see these web sites for more detailed background information on scrap tire management.

8.1 Status

8.1.1. Creation of Tire Stewardship Program

In 1992 under the authority of the Waste Reduction and Prevention Act (WRAP Act) the government of Manitoba established a tire levy of \$3.00 for every new tire sold in Manitoba to be used on a licensed highway vehicle or trailer. The levy was collected from tire retailers or distributors and new vehicle dealers by Manitoba Finance. The funds were fully allocated to the recycling of scrap tires under the Used Tire Management Program (UTMP).

On March 6, 1995, a Tire Stewardship Regulation 33/95 under the WRAP Act established the Tire Stewardship Board (TSB) as a statutory corporation to operate at arm's length from government. The TSB's mandate is to establish and administer a scrap tire waste reduction and prevention program for Manitoba consistent with the principles of sustainable development, to provide for the effective, efficient and economical management of scrap tires and to administer the Tire WRAP Fund. The regulation empowers the TSB to license all tire and vehicle retailers and appoints Manitoba Finance as the agent for the collection of the tire levy.

8.1.2. Current Levy

A levy of \$2.80 is collected on the sale of each passenger and light duty truck tire. Provincial sales tax (PST) of \$0.20 collected on the levy was awarded to the TSB as an annual grant resulting in a total tire levy of \$3.00. Annually, the Tire levy generates over \$2.3 million.

Since March 31, 2000, the PST portion of the levy (approximately \$150,000 per year) has been redirected to support broader environmental protection and waste reduction projects under Manitoba's Sustainable Development Innovations Fund. This fund is also supported by the notional value of the 7% sales tax applied to disposable diapers and a 10 cent tax applied to all non-refundable liquor bottles.

8.1.3. Governance - Board Composition

The TSB from 1995 to 2005 was composed of three members appointed by industry, and two members appointed through the Lieutenant Governor in Council, including the Chairperson. The three industry members were from The Rubber Association of

Canada, The Manitoba Motor League/CAA Manitoba, and the Western Canada Tire Dealers Association.

The Minister of Conservation dismissed the Board of the TSB in July 2005 and appointed an Interim Board of five new members, one of whom represents a tire retail store with the others being government appointees. The change to the Board was made as an interim measure to transition the program to an enhanced producer responsibility model.

8.1.4. Tire Processors

The fund pays for the processing of scrap tires through the establishment of a credit payable to approved processors. The Board sets the credit based on the projected costs and revenues from the finished product as well as the value added to Manitoba. The credit is only paid upon proof of sale of a new product manufactured from scrap tires. The Board has also contracted R&D development on behalf of the processors.

Initially the program provided credits only for the recycling of car and light truck tires, resulting in all medium truck and off the road (OTR) tires left in landfills. With a surplus account of over \$2 million, medium truck and OTRs were included in the credit program as pilot projects. The inclusion of these tires in the program without an accompanying revenue source increased pressures on the program's financial resources. The TSB's decision to "clean up" remaining stock piles of OTRs in 2003 and increased processing activities resulted in a cash flow shortage by depleting the TSB's surplus funds.

Municipalities have received \$0.50 per tire as an incentive to divert tires from landfills to registered processors. This payment was eliminated by the TSB, except for northern communities, in June 2005.

8.1.5. Business Plan Approvals

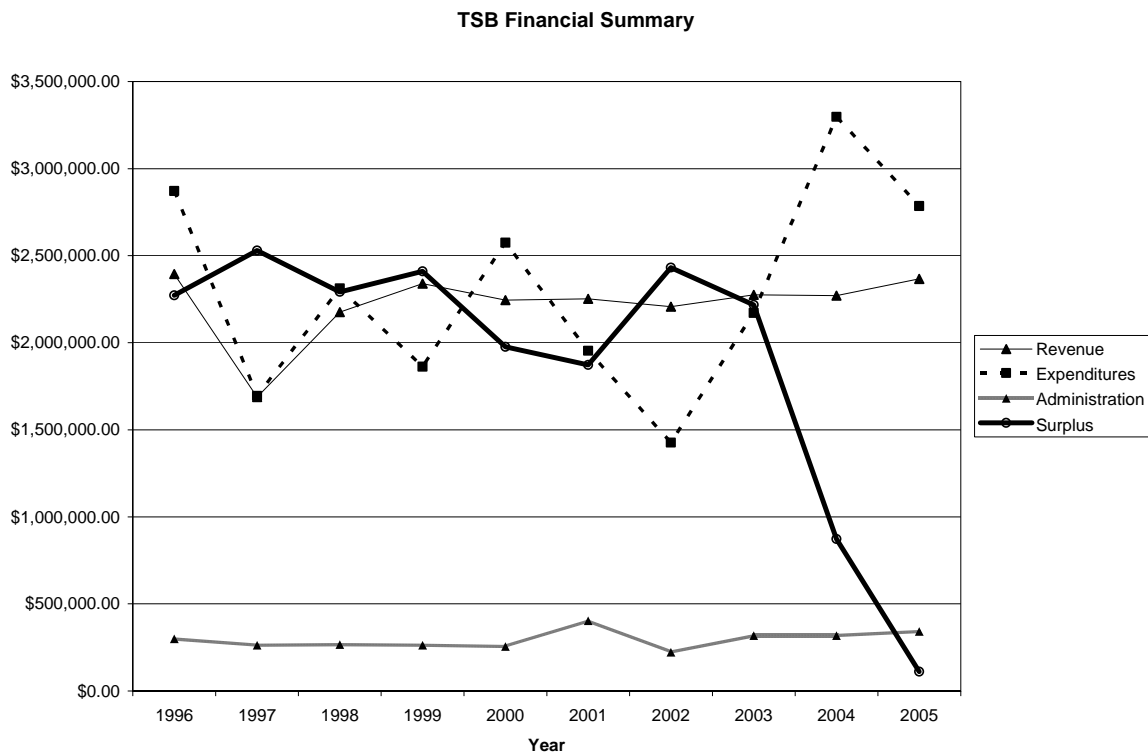
Under the Tire Stewardship Regulation, the Board is required to submit a business plan to the Minister for approval every three years. Other than the very first plan submitted to Government in 1995, no TSB plan has received approval by the Minister. The most recent public consultations on a TSB plan, held in May 2004, identified a number of issues of concern with the program, including:

- methodology for setting credit payments to processors
- tire collection services
- environmental impacts of accepted end-uses
- allocation of scrap tires in the Manitoba market
- insufficient resources to manage all tire types, including large off-the road tires (OTRs)
- communication and board governance issues.

8.1.6. Current Financial Position

At this point the program is in a financially precarious position. For the past several years the funds raised through the levy are less than the credits paid to processors. This is largely the result of funding the recycling of stockpiles of OTRs. The Government of Manitoba has provided additional funding to the TSB in order to continue to operate the current program over the short term.

The following graph illustrates the relationship between revenue/expenditures and the program's declining surplus over the past decade of operation.



9. Scrap tire recycling performance

Present financial status notwithstanding, Manitoba's tire stewardship program has been successful. Few if any stockpiles of tires are left in Manitoba, as most scrap tires now come from the current market flow.

Since the program's inception:

- Processors have been paid over \$21 million.
- Municipalities have been paid over \$700,000.
- Over 9.5 million PTEs have been recycled.
- Transport companies annually haul over 1,200 semi-loads of scrap tires.
- Retailers have saved over \$1 million in transport charges, bin rentals and tipping fees.
- Approximately 70 new, full-time jobs and an unknown number of casual jobs were created by processors.

- Molded and stamped products and tire shred now represent approximately 80 percent and TDF 20 percent of all tires recycled.

In the last fiscal year 1,390,886 Passenger Tire Equivalent (PTEs) or 13,908 tons of tires were recycled through the tire program. These PTEs were processed as follows:

Molded Products	193,945
Shred for Civil Engineering	543,603
Tire-Derived Fuel	556,894
Mats	72,840
Cut Products	23,604
Total	<u>1,390,886</u> PTEs

There were a total of 841,907 car, light truck and medium truck tires sold in Manitoba in the past fiscal year. Based on a TSB survey it is estimated that 55,654 off-road, non-levied tires were sold.

Questions to be addressed in this Consultation

Several key issues and questions have been identified in advance of the workshop to facilitate discussion. These are:

Questions Related to All Designated Wastes

1. Is the regulatory framework as laid out in this document a workable model for all designated wastes?
2. Who should be the obligated stewards in Manitoba?
3. What type of IFO governance model do you support and why? Examples could include:
 - a. Steward and non-steward participation on the board
 - b. Steward only board
 - c. Steward only board with other stakeholder representation through advisory committees
4. What would be the roles and responsibilities of the IFO that would need to be funded under the program?
5. What would be the roles and responsibilities of Green Manitoba in development and implementation of the program that would be funded by the IFO?
6. What roles should the government and the IFO have with regards to enforcement?
7. Should program rules incorporate a threshold (“de minimus”) that exempts small players? If so, what should be the basis for setting an exemption threshold?
8. Which existing organizations might be well positioned to assume IFO roles in Manitoba?
9. Does the Manitoba approach provide sufficient flexibility to allow for greater regional / national harmonization among provincial programs?

Specific Questions Related to Scrap Tires

1. Should the program focus a) only on only licensed vehicle tires, or b) all highway and off road tires, or c) all tires and tubes regardless of where they are used or disposed in Manitoba?
2. Who should the “obligated” party be for scrap tires in Manitoba? What should the designating language in the regulation include to ensure level playing field?
3. What should be the appropriate roles and responsibilities for the stakeholders with regards to program development, scrap tire collection, intermediate processing, recycling, program enforcement. Please consider this question with regards to the following stakeholders:
 - a. manufacturers/producers of tires,
 - b. retailers,
 - c. consumers,
 - d. municipal authorities,
 - e. NGOs,
 - f. tire processors, and
 - g. Green Manitoba
4. Should the range of tires be specifically set within the regulation or should this be established within the context of the program plan to be developed by the IFO?
5. Should the IFO payments to municipalities or other collectors/recyclers be structured to encourage increased material recovery and program cost effectiveness?
6. What is an appropriate target for the management of these materials in Manitoba and who should set those targets?
7. Should the program encourage existing and future industry take-back programs?
8. What should be the role of Green Manitoba or other provincial and federal agencies and departments with regard to transborder issues?
9. Who should be responsible for ensuring environmental standards are applied to collection and recycling organizations?
10. What is an appropriate timeline for the development and approval of a new scrap tire program for Manitoba?
11. What is the appropriate timeline for implementation of a new scrap tire program plan once it is approved?