

# Becoming a Processor: Policy, Requirements, Process, Steps & Fees

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## I POLICY STATEMENT

In response to a need for additional processing capacity in BC, as determined by TSBC from time to time, applications will be accepted from interested parties to become a Processor<sup>1</sup> in BC.

Anyone wishing to become a Processor will be required to achieve “more new value from old tires” through (1) product/market innovation and/or (2) processing innovation, either of which must significantly reduce the Tire Collection and Processing (TCP) program incentive costs without jeopardizing TSBC’s Stewardship Program (Program) stability and environmental results.

### Implementation

Effective May 01 2014 and until further notice, TSBC has determined the need does not currently exist for additional processing capacity in BC, and as such will not be accepting applications. Any change will be published on the TSBC web site.

## II Background

In alignment with its [2013 – 2017 Stewardship Plan](#), and [Program Policies](#), Tire Stewardship BC (TSBC) has an overall market development strategy to encourage projects and industry participants that support the growth of existing and future tire-derived products (TDP) and markets. This strategy encompasses four key programs:

- **Tire Collection and Processing (TCP) program** – by way of an incentive structure that promotes processing into higher valued products, supports the collection and processing and environmentally sound disposal of all BC regulated scrap tires.
- [Manufacturing \(MI\) program](#) – by way of incentives, promotes the use of BC recycled rubber by BC manufacturers.
- [Community Grant \(CG\) program](#) – by way of grants, promotes markets for BC recycled rubber while supporting BC community projects.
- [Research and Development \(R&D\) program](#) – by way of grants or loans, supports projects that have the potential to support growth of BC TDP markets.

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<sup>1</sup> **Processor** means a participant engaged in an activity that converts a minimum of 75% of the scrap tires into a tire derived product (TDP) or tire derived fuel (TDF) for which there is an end market and has entered into a Processor Agreement with TSBC.

This document deals with the TCP program and specifically the criteria and the process to become a TSBC registered Processor.

Since implementing the Program in 2007, virtually 100% of scrap tires available for collection have been collected and transported to one of two Processors that transform the tires into tire derived product (TDP) and tire derived fuel (TDF). This has been achieved through two financial incentives available to a Processor: a Transportation Incentive to incent tire collection and transportation from throughout the province to the Processor; and a progressive Processing Incentive to encourage tire processing into higher value added products. The current [Stewardship Plan](#) commits TSBC to some very specific and challenging performance measures and targets that require a focus on continuous improvement. The focus of subsequent Stewardship Plans will be subject to the direction from the Ministry of Environment which will be based principally on the then current [BC Recycling Regulation](#).

For questions relating to the Program or TSBC in general, please visit <http://www.tsbc.ca/>

### III APPLICANT REQUIREMENTS

Set out below are the **mandatory** criteria established by TSBC that must be met by an applicant. Also identified are **desirable** criteria which, if met by the applicant, will receive due consideration. In order not to restrict either TSBC or the applicant, the criteria have not been more explicitly defined. TSBC will interpret the criteria for the applicant based on TSBC's specific need at the time.

#### A. Applicant Qualifications

##### **Mandatory**

The applicant must have the **capability, capacity and commitment** to deliver as proposed, generally described as follows:

- a) *Capability* – the expertise, experience and technology to source and process tires, and to sell the products produced.
- b) *Capacity* – the corporate and financial resources required to build and operate the infrastructure needed to source, process and sell the proposed volumes.

- c) *Commitment* – the commitment to deploy the resources as required and to enter into a long term contractual relationship with TSBC.

### **Desirable**

TSBC anticipates that in the foreseeable future, current non-Program off the road (OTR) tires up to 39 inch rim diameter will be regulated in BC. Due consideration will be given to applicants with the capability and capacity to include these OTR tires in the future.

## **B. Performance Requirements**

- a) *Cost Reduction*

### **Mandatory**

Financial incentives paid to Processors are TSBC's largest expenditure item. TSBC will only consider applications where existing financial incentives would be significantly reduced and committed to by the new Processor in a contract. Examples include innovative new product markets or processes that require lower Program incentive rates (e.g., due to efficiencies that will lower the Processor's costs for collection, production, sales or delivery).

- b) *Program Stability and Sustainability*

### **Mandatory**

TSBC consistently leads the nation in the stability of its scrap tire collection, processing and ultimately the sale of scrap tire products to a diversity of sustainable markets. In addition to its strong relationships with Processors and other stakeholders, TSBC's stability is demonstrated by the low numbers of stakeholder complaints (see [Stewardship Plan Performance Measures & Targets](#)) in that all scrap tires available for collection are collected, and inventories at Processors' sites are low (see [Annual Report](#)).

TSBC's long term sustainability will be assured through continuous product and marketing innovation. TSBC recognizes additional value in products manufactured in BC.

Applicants must demonstrate how this level of stability and sustainability will be maintained.

- c) *Environmental Results Maintained or Improved*

### **Mandatory**

TSBC is committed to the Performance Targets detailed in its Stewardship Plan which define the percentage of tires processed in terms of the Pollution Prevention Hierarchy. The

applicant must demonstrate that a new Processor's operation will not result in TSBC exceeding its overall Program targets for 4R (TDF) and 5R (Residuals).

**Desirable**

The Ministry of Environment expects continuous improvement in managing the environmental impacts of the operations of Processors, transporters and other service suppliers, with a particular focus on reducing greenhouse gas (GHG) emissions. Due consideration will be given to recycling solutions that can achieve significant reductions in GHG emissions that can be independently verified.

d) *Social Impacts Enhanced*

**Mandatory**

TSBC requires Processors and their transporters and other service suppliers to comply with BC Occupational Health and Safety Standards, environmental protection standards and all other applicable laws.

**Desirable**

TSBC recognizes the value of the tire recycling industry to the economies and the fabric of BC communities and will take the social impacts of the application into consideration, including job creation or retention.

## C. Implementation and Operational Requirements

**Mandatory**

New applications are subject to [Program Policies](#) governing the operation of the Program, as amended from time to time.

## IV APPLICATION PROCESS

Subject to the [Policy Statement](#) in Section 1 above, the process, steps and fees are outlined below.

### A. Overview

The application process is described below in two sections.

- **Stage 1 – Pre-Application** – where the applicant becomes familiar with the Program and TSBC becomes acquainted with the applicant's proposal, concluding with a decision to

advance to Stage 2 or terminate the application process. (*Time to complete: approximately 5 months*)

- **Stage 2 – Formal Application** – where the applicant submits an application with the information TSBC will need to make its decision to approve or reject. (*Time to complete: approximately 9 months*)

## B. Stage 1

### Pre-Application Steps

#### 1. Applicant learns about the Program

The applicant must first gain a thorough understanding of TSBC operations by reading, at a minimum, the following documents available on the website:

- [Tire Stewardship Plan 2013 to 2017](#)
- Most recent [Annual Report](#)
- [Program Policies](#)
- Becoming a Processor: Policy, Requirements, Process, Steps & Fees

Applicants may contact TSBC by email, should any questions remain unanswered.

#### 2. TSBC learns about applicant's proposal

After reading all the required material, should the applicant wish to continue with the process, the applicant will be required to make a presentation to TSBC that touches on each of the Formal Application components outlined below in section C. Stage 2.

**Through its presentation, the onus will be on the applicant to convince TSBC of its capability, capacity and commitment to deliver as proposed, and that there is a reasonable opportunity and probability of achieving significant cost reductions while protecting Program stability, sustainability and environmental results, and complying with TSBC's policies.**

#### 3. Pre-Application Stage concludes

- TSBC decides not to initiate a formal application under Stage 2

If, after due consideration of the proposal as explained by the applicant, TSBC is not convinced there is a compelling case to advance the application through to a formal application process, the applicant will be advised accordingly. This decision will be final.

- TSBC decides to initiate a formal application under Stage 2

Should TSBC be convinced there may be a compelling case and that a full and thorough consideration of the applicant's proposal is warranted, a formal application process will be initiated. Prior to doing so, the applicant will acknowledge in writing its understanding and acceptance of the new Processor [Applicant Requirements](#), [Application Process](#) including the [Formal Application Steps and Fees](#), and [Program Policies](#).

## C. Stage 2

### Formal Application Information Requirements

The following information is required by TSBC in a formal application. The applicant is encouraged to add whatever detail is determined necessary to fully explain the proposal and to convince TSBC that it meets all mandatory criteria. Similarly, the applicant is also encouraged to provide information on its ability to meet the desirable criteria. Note that TSBC may add, delete or modify questions as appropriate for a specific application.

#### **Proposed Recycling Operation**

Describe in detail what you propose to do in BC to source and process scrap tires into marketable tire derived products. At a minimum, include the location and a description of the proposed recycling facility; the tire sourcing and collection methods to be deployed; the required volumes of tires by type; the processes to be used; and the products to be produced and evidence of their markets. As appropriate, differentiate between current Program tires and non-Program OTR tires up to 39 inch rim size.

#### **Applicant Qualifications**

##### ***Capability***

1. Provide your organization name, address, contact information and location, as well as the names and contact information of any partners that will be involved. Provide background information on your company and any partners, including for each: the year established; corporate ownership and hierarchy; jurisdiction; corporate strategic direction; and area of recognized expertise in the market place.

2. Include information regarding your tire recycling experience such as recognized expertise, size, revenues, and geographic coverage in Canada and elsewhere.
3. Describe your experience in the design, development, implementation and operation of a recycling solution, including sourcing and processing raw material (e.g., scrap tires) through to product marketing. The information provided should demonstrate how this experience relates to the Program.
4. Explain your understanding of the unique challenges and issues in working in the recycling sector and how you propose to address them, such as where demand for raw material exceeds supply. Describe your experience, using real examples, of working with multiple stakeholders in the recycling sector.

### ***Capacity***

5. Provide evidence of your organization's current financial stability and solvency.
6. Demonstrate your capacity to design, build, implement, and operate collection and processing services at the scale needed to be viable. Specifically demonstrate that you have the people, processes, technology and infrastructure to deliver as proposed.
7. Confirm you do not need to be registered as a Processor to secure financing for the operation proposed.

### ***Commitment***

8. Confirm and elaborate on your commitment to deploy your resources as required to achieve the performance targets proposed and your willingness to enter a long term contractual relationship with TSBC at fixed processing incentive rates for 5 years.

### ***References***

9. References may be required.

### **Performance Requirements**

#### ***Cost Reduction***

1. Describe any innovations you are proposing that will allow you to operate at Program incentive rates that are significantly lower than today:
  - Collection, transportation innovation?
  - Processing innovation?

- Product innovation?
  - Market innovation?
2. For each of your proposed products, confirm the volumes you must produce and sell, and the incentive rates you would require to be viable and sustainable. Explain how the rates you are requesting align with your operating costs.
  3. Identify the volume of scrap tires, by [tire category](#), you need to support the incentives you are requesting.

### ***Program Stability and Sustainability***

4. Confirm your plant design capacity. What are your long term capacity plans?
5. Explain how you will compete for supply and in so doing, assure retailer and generator satisfaction levels are maintained or improved.
6. Provide your assessment of the impact of new competition for scrap tire supplies on Program stability and sustainability, and environmental results. How will these mandatory requirements be assured?
7. Identify the size, stability and diversity of the markets for the proposed products.

### ***Environmental Results***

8. Confirm the percentage of your products that will go to each of 3R–recycling, 4R–energy recovery, and 5R–residual disposal.
9. Provide as much information as you can to support the relative GHG efficiency of your proposed operation as compared to other tire recycling operations.

### ***Social Impacts***

10. Identify and substantiate the number of new jobs created or the impacts on existing jobs, if any.
11. Identify the kinds of hazards and risks to human health and safety that are typically associated with the tire recycling industry. What steps will you use to mitigate those risks?

### **Implementation and Operational Requirements**

1. Provide a project plan that outlines the key stages, steps and milestones in the implementation of your proposal.

2. Provide a high level pro-forma financial forecast that spans the implementation phase through to the first 1-2 years of full operations.
3. Describe your ability to manage risk through the implementation and ongoing operation phases.
4. Confirm that your proposal complies with all TSBC policies and Performance Measures and Targets, as currently defined.

## Formal Application Steps and Fees

Detailed below are the expectations for both the applicant and TSBC.

1. *The applicant submits a formal application together with a non refundable application fee of \$10,000.*
  - a) TSBC will return incomplete applications along with the application fee.
  - b) TSBC will confirm acceptance of complete applications.
2. *TSBC conducts its review of the complete application.* The following exceptional circumstances may apply:
  - a) During the review period, TSBC will notify the applicant by email where additional information is required. The applicant will be required to submit the additional information within the timeframe prescribed by TSBC.
  - b) TSBC may, at its sole discretion, require stakeholder input or independent expert advice to further validate information submitted in the application.
3. *Upon completion of its review, TSBC advises the applicant in writing of its decision to deny or approve the application. TSBC's decision is final.*
  - a) If approved, the applicant will be issued a letter setting out the conditions of the approval and the mandatory time periods to be met for final approval. TSBC reserves the right to require payment of an acceptance fee to cover costs incurred by TSBC that were not covered by the application fee.
  - b) If denied, the applicant will be issued a letter of confirmation.

Upon fulfilling the conditions of approval, the applicant will execute the current Processor Agreement with TSBC in order to become a registered Processor.