

## Introduction

This procedure should be read in conjunction with the [Tires Regulation \(O. Reg. 225/18\)](#) and the compliance bulletin [Charging Tire Fees to Consumers](#).

## Definitions

For the purposes of this procedure:

“Large producer” means any producer with a collection target greater than 300,000 kilograms in the previous calendar year.

“Small producer” means a producer with a collection target less than or equal to 300,000 kilograms in the previous calendar year.

“Resource Recovery Fees” are costs that are charged separately in the form of a fee from the cost of a tire for the purpose of recovering the cost of collection, reuse, retreading and recovery of used tires. These are often referred to as a tire handling fee, eco-fee, recycling fee, environmental handling fee, or something similar.

## Purpose

Effective January 1, 2019, producers became individually responsible for meeting tire collection and resource recovery requirements and the associated costs of those requirements under the Tires Regulation.

Producers may decide to recover these costs through a separate resource recovery fee. Section 24 of the Tires Regulation requires a producer who charges such a fee to provide an annual report to the Authority containing the following information with respect to the fees they collected:

- How the resource recovery fee imposed by the producer has been used for the collection, reuse, recycling, and recovery of tires.
- An audit, conducted by an independent auditor who is licensed or holds a certificate of authorization under the Public Accounting Act, 2004, verifying that the charge imposed accurately reflects the costs incurred by the producer for the collection and management of used tires through reuse, retreading and processing.

This registry procedure provides guidance to producers on how to meet the reporting requirement.

## Application and Deadline

Section 24 of the Tires Regulation requires a producer who charges a resource recovery fee to provide an annual report to the Authority on or before October 31 of every year. Under the Tires Regulation, the report must address resource recovery fees that were collected in the previous calendar year.

The Tires Regulation also requires producers to submit an annual audit report on or before May 31 of every year for tires supplied in Ontario. The report must address supply data from the calendar year two years prior to the year in which the report is due.

To create a more efficient reporting process that helps minimize burden on business, the Authority is allowing registrants to align the deadline and scope of the resource recovery fee verification report with the tire supply audit report.

Therefore, the annual report for visible resource recovery fee verification can be submitted at the same time a producer's annual supply data report is submitted. Producers will be notified when the Registry is open for reporting each year. This annual report for visible fees must address resource recovery fees collected in the calendar year two years prior to the year in which the report is due. For example, in 2021, the verification report must cover resource recovery fees collected in 2019.

### **Reporting requirement – large producers**

Every large producer that has recovered the cost of collection, reuse, retreading and processing of tires through a separate resource recovery fee charged directly, either to an end-use consumer or to an entity in its distribution system, can meet their reporting and audit requirement by providing a report prepared by an auditor in accordance with CPA Handbook Section 9100 *Reports on the Results of Applying Specified Procedures to Financial Information other than Financial Statement* and using the following procedures:

1. Confirm and document the cost incurred by the producer to meet its obligation under the Tires Regulation.
  - a. If a producer retained a Producer Responsibility Organization (“PRO”) or other service provider to meet its obligation to collect and manage used tires, obtain and review the contract between the producer and the service provider to determine the fee structure (i.e. based on tire weight, tire category, or any other basis).
  - b. Confirm the total cost incurred by the producer under the contract with the service provider for the year.
2. Confirm and document:
  - a. The methodology the producer used to establish its visible resource recovery fees and how the methodology relates to the cost of collecting and managing used tires under the contract with the service provider; and
  - b. the resource recovery fees that the producer established, based on that methodology.
3. Obtain a list of all tire sales transactions which included the visible resource recovery fees.
  - a. Select samples in accordance with Appendix A to validate that resource recovery fees that were charged in the invoices issued by the producer match the fees established under the producer's methodology.
  - b. Confirm the total revenue from visible resource recovery fees for the year.
4. Report the difference, if any, between the total cost incurred by the producer under the contract with the service provider and the total revenue recovered by the producer through resource recovery fees, along with the producer's explanation for any difference.

5. If the producer was charged a resource recovery fee by someone else that they are passing on to an end-use consumer or to an entity in its distribution system, confirm and document:
  - a. the list of persons that charged the fee to the producer;
  - b. whether the fees paid by the producer were passed on with or without a markup;
  - c. if the fees paid by the producer were passed on with a markup, the producer's methodology for determining the markup and how the markup relates to the cost of collecting and managing used tires; and
  - d. obtain a list of all sales transactions where tires were purchased from any entity that charged resource recovery fees to the producer and select samples in accordance with Appendix A to validate whether the fees charged in the invoice issued by the producer include a markup.

As the auditor simply provides a report of the factual findings from these procedures, no assurance opinion is expressed. The auditor shall conduct this engagement in accordance with Section 9100 and these procedures.

### **Reporting requirement – small producers**

Small producers are not required to provide a report. The Authority will carry out random inspections to ensure compliance with the visible resource recovery fee requirements.

Small producers must ensure that they retain all records that disclose a resource recovery fee charged or passed on by a producer to an end-use consumer or to an entity in their distribution system.

### **Compliance Statement**

Every producer who complies with this registry procedure will be considered in compliance with the reporting requirements under section 24 of the Tires Regulation. Nothing in this registry procedure changes the obligation of a producer to report accurate information to the Authority.

<b>Revisions</b>	
<b>Issued October 2020</b>	N/A
<b>Reviewed April 2021</b>	Updated to apply to annual reporting
<b>Reviewed May 2021</b>	Updated to include Application and Deadline section

## Appendix A – Sampling Methodology

Sample sizes obtained through this sampling methodology are based on the population of transactions.

Based on the below populations, this leads to the stated sample sizes required:

Population	Sample size required
500+	60
250	50
100	40
50	30
10	10