

Tire Management Workshop: Increasing Recycling

December 2, 2015, 1:30-4:30 p.m.

*CalEPA Headquarters Building
Klamath Training Room,
1001 I Street, Sacramento*

AGENDA

1. **Introductions and Overview**
 - Goals and Challenges to Increase Tire Recycling and Flow of Tires to Processors
2. **Incentive Payments for Products**
 - End Uses
 - Rates
3. **Incentivize the Greater Movement of Waste Tires to California Processors for Higher Uses**
 - State Funding to Support Transport
4. **Tire Manifesting**
 - Electronic Submittal
5. **Tire Fee**
 - Increase Overall Tire Fee
 - Continue Regulatory, Cleanup, and Existing Market Development Activities
 - Increase Incentive Payments
 - Increase Financial Incentives for Haulers to Take Waste Tires to Tire Processors
6. **Next Steps**

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Overview of Five Year Plan Goals and Challenges

In July 2015, the *Report to the Legislature: Five-Year Plan for the Waste Tire Recycling Management Program* (Eighth Edition Covering Fiscal Years 2015/16-2019/20) (five-year plan) was adopted. In this five-year plan, CalRecycle proposed shifting from solely a 90 percent diversion of waste tires from landfills to a more focused and significantly increased recycling goal, in accordance with AB 341's 75 percent recycling goal. The five-year plan also supports the complementary goal of handling waste materials within California in an environmentally safe manner and on generating jobs within the State. The five-year plan acknowledges that this long-term vision will require stakeholder involvement and ultimately legislative changes to support expanded incentive programs for desired end uses of tires.

Historically, CalRecycle has relied on a variety of grant programs. While these efforts have been successful at achieving an approximate 90 percent diversion rate, the tire recycling rate has stagnated at around 40 percent. Exports, ADC (Alternative Daily Cover) end use, along with use of TDF (Tire Derived Fuel) for energy recovery has largely supported the total diversion rate of 90 percent.

Additionally, California seaports and exports are being used as a significant outlet for "disposal" of waste tires in the state, due to the financial incentive. This method is an unreliable means of tire removal/handling method for permitted facilities and continues to cause violations of state laws. Financial incentives and low overhead cost of baling can also encourage illegal operations. Furthermore, this business model undermines the current California recycling infrastructure. Secondly, the state's permitted storage and processing capacity is not large enough to withstand tire flow variations, such as major equipment failure and fluctuations in seasonal demand that may result in landfilling of tires, and storage violations. Keeping the demand for recycled tire material in California consistent and continuous can minimize environmental impacts, primarily fire hazards, associated with facilities exceeding their capacity.

In order to be effective and reach as high a recycling rate as possible, changes to CalRecycle's waste tire management program would require on the order of tens of millions of dollars per year, an amount that is currently not available from the Tire Recycling Management Fund given the need to devote funding to enforcement, the manifest system, and administrative costs.

This paper describes several key aspects of a potential approach, which would require enabling legislation, to increased recycling and continued protection of public health and safety: 1) incentive payments for products; 2) incentivize the movement of waste tires from exports to California producers; 3) tire manifesting; and 4) tire fee.

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Incentive Payments for Products

Problem Statement:

The tire recycling rate is below 40 percent and the markets for value-added end-uses are relatively stagnant or, in some segments, actually declining. This results in more waste tires being landfilled, illegally stored, and exported. This loss of resources could be turned into value-added end-uses, generating significant positive economic impacts in California.

Potential Solution(s):

Provide a financial incentive to encourage development of (higher) value-added end-uses for waste tires. Depending on the material or product, the incentive would be provided as close to the end-user as practical to optimize the market impact. This demand-pull approach would allow the producer to offer the product at a lower cost and more effectively compete with non-recycled products. Implementation of an incentive payment approach would replace most or all of CalRecycle's current tire market development grants (Tire Incentive Program, Tire-Derived Product, Rubberized Pavement, and Tire-Derived Aggregate).

Pursuant to authorizing legislation, CalRecycle would hold public workshops to establish criteria (and periodically review) to address the following: eligible entities, minimum and maximum payment amounts per entity, frequency, rates for different materials and products, etc. The incentives would strive to move material to higher value-added uses and larger volume uses.

Possible structures for differential incentive payments may include:

- Higher value-added uses, such as molded and extruded products, could receive a higher incentive and be targeted at the product manufacturer level.
- Large volume uses, such as crumb rubber used in rubberized pavement, may have different incentives provided at both the processor level and the mix plant or contractor level. Incentives at the processor level may be necessary in order to compete with out-of-state and out-of-country crumb rubber used in rubberized pavement projects.
- Large volume but lower value-added uses, such as tire-derived aggregate or rubber nugget mulch, may have a lesser incentive.
- Incentives would not be allowed for tire-derived fuel.

Questions and Discussion Topics:

- *Consistent with the demand-pull approach, where should incentives be targeted (processor, product manufacturer, actual end-user)?*
- *How should the incentive be determined (based on the cost of competing crumb rubber, policy goals, market conditions, price of oil [for rubberized pavement], etc.)?*
- *Should different products/end-uses receive a higher incentive? If yes, which ones and why?*
- *What is a reasonable frequency for payment?*
- *Should there be a limit to how much any one entity receives in a quarterly or annual payment scheme?*

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Incentivize the Greater Movement of Waste Tires to California Processors for Higher Uses

Problem Statement:

Currently, a tire dealer (generator) collects the state-required \$1.75 fee on each new tire sold and often charges an additional fee of \$2 to \$4 to cover the cost of hauling the waste/used tires to an authorized location. The generator then pays a tire hauler to take the used/waste tires to a permitted or otherwise authorized facility for disposal or recycling.

Tire haulers receive all of their compensation (for transportation costs, tip fee/disposal cost, and profit) from the tire dealer (generator). Therefore, to reduce costs and maximize profits, haulers will often use the lowest cost option. As a result, millions of tires are disposed in landfills or exported. California seaports and exports are currently a significant outlet for waste tires in the state because of the low cost “tip fee”. This method is an unreliable means of tire removal/handling method for permitted facilities and continues to cause violations of state laws.

This business model as well as cheap disposal costs for waste tires undermines the current California recycling infrastructure. In addition, the state’s permitted storage and processing capacity is not large enough to withstand tire flow variations, such as major equipment failure and fluctuations in seasonal demand that may result in landfilling of tires, and storage violations.

Keeping the demand for recycled tire material in California consistent and continuous can minimize environmental impacts, assist permitted processors to better plan and properly expand their permitted capacity to support the current potential increase waste tire recycling with upcoming changes to the market, such as the possibility of a PG+5 or “green asphalt” specification from CalTrans.

In addition to the above, exporting used tires to Mexico has exacerbated issues associated with illegal disposal of waste tires in California along the border region. Mexico imports used tires from California as commodities (e.g., for use on vehicles) with a short life span. After this short life span, many of these imported tires are subsequently illegally disposed of and cause environmental hazards. For example, tires illegally disposed in the Mexican border region have caused environmental issues in California, from tires and other debris entering the Tijuana Estuary polluting the watershed to toxic smoke dispersing from tire fires in Mexicali into Calexico.

Potential Solution(s):

Based on funds received at the point of sale of a new tire, establish a fund to compensate the cost for transporting *waste* tires from the generator to a permitted tire processor. The funds would be given to the permitted tire processor who would in turn pay the hauler. The program could allow reimbursement for a reasonable tipping fee, transportation and administrative costs of both the hauler and the processor.

This shift to where permitted processing facilities pay for the hauler to appropriately collect and deliver tires to their location would provide haulers an incentive to take tires to a waste tire processor and provide a counterbalance to the financial incentive for baling and export operations and for landfill disposal.

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Incentivize the Greater Movement of Waste Tires to California Processors for Higher Uses (Cont.)

The establishment of a hauler transportation fee would need to include some of the following:

- Add additional cost per tire at the point of sale of a new tire.
- Prohibit collection of disposal fee by new tire dealers or reduce to a lesser allowable amount.
- Set compensation levels based on transportation distance and other criteria, considering the distance traveled.
- Used tires would not be compensated through this program.
- Assume feasibility and that the state is willing to take on the liability.

Questions and Discussion Topics:

State Funding to Support Transport

1. *How large of an issue is this?*
2. *Are there other potential solutions and what are they?*
3. *Would/should the fund cover the entire cost of transportation or just an additional incentive?*
4. *Should the new tire dealer be able to charge disposal fees on top of the fee? And why or why not?*
5. *Should the customer be charged whether the customer left the tire at the tire dealer or not?*
6. *What's the percentage of used versus waste tires in loads? If a hauler was only paid by the processor for waste tires, will it cover a haulers costs?*
7. *What would the additional cost per tire be? What is the average per tire cost for a hauler to transport a tire to the end user?*
8. *Are there legal or tax issues in hauling waste tires from Mexico to California?*
9. *Are there incentives that would address the border issue? Should there be a differential fee at the border? What should that be?*

Tire Manifesting

Problem Statement:

Currently, CalRecycle asks that all waste tire manifests be submitted within 14 days of the load date. However, this is voluntary and enforcement of late submittal cannot occur until after 90 days (the statutory requirement). This delay in receiving manifest data does not allow proper alerts on potential violations related to facilities exceeding their permitted storage capacity, hauling to unauthorized locations or other potential manifesting violations. Furthermore, the delay in receiving manifest data would not support incentive payments that may depend on this data.

Electronic Data Transfer (EDT) allows authorized haulers to submit their CTL information electronically to CalRecycle. There are two methods available for electronically reporting the manifest information.

1. **Batch EDT:** Requires a business to gather and report batched data in a CalRecycle pre-approved format. EDT users can request approval of their own forms or use the CalRecycle CTL form. Batch EDT is generally used by large haulers as it requires information technology support.

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Tire Manifesting (Cont.)

2. Web-Based: Enables any hauler to enter data directly via the CalRecycle website. Web-based data entry is similar to ordering merchandise or requesting information on commercial Internet sites and is available to anyone with an Internet connection. It is accessed by using an Internet password.

Batch EDT enables businesses to gather their manifest data as part of their normal invoicing software and automatically report it in a single batched data format to CalRecycle. Batch EDT offers additional data accuracies, in general, because the business' reporting is usually tied into their overall billing and accounting system. CalRecycle has offered EDT for several years, but only 46 percent of the manifests are submitted electronically leaving the remaining 54 percent still being submitted on paper manifest forms.

Electronic submittals are timely and more accurate due to data validation checks built into the EDT submission portal. Conversely, paper manifest forms are completed by hand, are often difficult to read, and historically contain many errors and take much longer to upload into the database. Supporting paper manifest submittals is also expensive, costing CalRecycle approximately \$500,000 per year. This includes the costs associated with printing and shipping the manifest forms to haulers, pre-paid return postage on the manifest forms so they can be mailed back to CalRecycle with no cost to the hauler, and contactor fees for scanning and key data entry of manifest data into the system. The current system could not be used to verify incentive payments for the movement of waste tires to processors in a timely and accurate way.

Lastly, haulers are solely responsible for ensuring the manifests are submitted. Currently, generators and end users are required to sign/initial each manifest attesting to the fact that waste tire loads picked up and delivered are accurately reflected on the manifest or receipt. There is some question if this level of verification would provide adequate documentation for incentive payments.

Potential Solution(s):

Improve timeliness and accuracy of waste tire manifest data and ensure an appropriate level of transaction verification from generators and end users, with a phased approach as outlined below:

- By 2018:
 - Reduce the manifest submittal time frame from 90 days to 7 or 14 days. This will help catch errors sooner and receive more accurate and timely information.
 - Require mandatory electronic manifest submittal via Web-Based EDT or Batch EDT.
 - Eliminate paper forms.
 - Require CalRecycle to assess the feasibility of manifests being submitted through a cell phone or tablet application or other hand held device to be used for real time tracking of waste and used tire shipments. The Tire Tracking Application Pilot/Program (T-TAP) would allow haulers to scan Tire Program Identification (TPID) cards at the generator and end use locations, scan the hauler registration certificate in the vehicle, and track the distance traveled; leaving the driver to input a limited amount of data including the number and type of tires being picked up and delivered, and obtaining a signature from the generator or end user.

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Tire Manifesting (Cont.)

- Require haulers to take an online training class and pass a written test prior to being issued a hauler registration.
- By 2020:
 - Require manifest submittal 1 to 3 days.
 - Require Batch EDT submittal or T-TAP submittal.
 - Require all drivers for haulers to take an online training class and pass a written test prior to being allowed to haul waste or used tires under a registered waste tire hauler registration.
- Other variations might include:
 - Make electronic submittal mandatory for all haulers with high number of errors/omissions or over a certain volume.
 - Make EDT more appealing by reducing the requirement to keep paper forms on file.

Questions and Discussion Topics:

Increase Electronic Submittal

1. *Significantly reduce the timeframe for submittal. What is feasible? Immediate/real-time, within 3, 7, or 14 days?*
2. *What level of electronic submittal would be appropriate? If different levels were phased in over time, what would be an appropriate timeframe?*
3. *Do we need more verification or accountability by generator and end user?*
4. *Would the proposed timeframes for a phased-in approach be feasible?*
5. *Would a training and test/certification process at the hauler and/or driver level be feasible and/or effective?*

Tire Fee

Problem Statement:

Tire funding currently includes several necessary and important programs that are still serving their purpose and that must continue to be funded. These are not covered by the regulatory fee envisioned in AB 1239, nor would they be covered by the incentive payment approach. The following programs and approximate costs associated with these functions are outlined below:

- Existing non-grant Market Development Activities and associated Program staffing and administrative cost; including market trend analysis and targeted outreach, research on new applications and end-of-life management, technical support for rubberized asphalt concrete and tire-derived aggregate projects --- \$5 million.
- Enforcement/Hauler Registration and associated Program staffing and administrative cost -- \$14 million.
- Cleanup and associated Program staffing and administrative cost; including Tire Cleanup grants, Farm and Ranch grants, Local Conservation Corp grants, and emergency reserve --- \$9 million.
- Mandatory Contracts and Border (i.e. Board of Equalization, Department of Finance, Attorney General, etc.) --- \$1.5 million.

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Tire Fee (Cont.)

With the current tire fee of \$1.75 (\$1.00 for CalRecycle), CalRecycle receives approximately \$40 million annually, with approximately \$30 million amount of those costs going to the fundamental programs described above. The Tire Recycling Management Fund thus would require tens of

millions of dollars per year in additional funding to: 1) cover basic regulatory costs; 2) provide meaningful incentives to move recycled waste tire products into the market place to meet a goal of, say, 75 percent recycling and continue to support California-based business competing with other national and international markets; 3) enhance the manifest system; and 4) cover the costs of existing non-grant market development programs and activities, cleanup grants and activities, mandatory contracts, and associated staffing.

Potential Solution(s):

1. Increase the Tire Fee from \$1.75 to \$3.50-\$4.00 (includes only adding incentives for products and existing activities, but does not include incentives to move waste tires to processors).
2. Redirect a portion of the recycling fee currently collected by tire dealers (generators).

Questions and Discussion Topics:

1. *Are there other activities that should be included?*
2. *Are these proposals and potential fee increases reasonable?*