

Monday 29th May 2017

Mr David Hatfield
ACCC Offices
Level 2 West,
23 Marcus Clarke St,
Canberra ACT 2600

Dear David,

Independent Review of Tyre Stewardship Australia Ltd

Tyre Stewardship Australia (**TSA**) is pleased to present the outcomes of this independent review of the operation of the ACCC-authorized Tyre Stewardship Scheme (**TSS**) undertaken by Marsden Jacob Associates. The review acknowledges the achievements of the TSS, and highlights challenges that will need to be addressed.

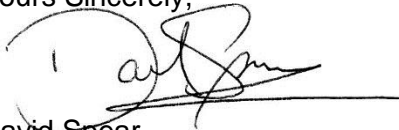
TSA continues its growth and today counts over 1,200 participants in the TSS. These include major importers, retailers, recyclers, collectors, fleets and local government.

In line with TSA's Strategic Plan, resources will continue to be allocated to encourage greater participation in the TSS of vehicle manufacturers, local government and fleets.

TSA will continue to invest in the Tyre Stewardship Research Fund, to enhance demand for Australian recycled tyre product. This will support domestic recyclers and create more productive outcomes for the approximately 50 million equivalent passenger units Australian's generate annually.

As Independent Chair of TSA, I believe the work underway, and achievements to date, are consistent with the ACCC Determination, and is significantly contributing to the broader public interest.

Yours Sincerely,



David Spear
Independent Chair

Further to the independent report conducted by Marsden Jacob Associates on the progress of Tyre Stewardship Australia and the Tyre Stewardship Scheme, the Board of Tyre Stewardship Australia provides the following responses to the recommendations.

Marsden Jacob recommendations:

Performance targets, reporting and data collection

1. Recommended revised outcomes focussed performance targets to include the ambitions:

- **The percentage of end of life tyres that go to an environmentally sound use (ESU), both in Australia and overseas, increases to 50% by 2020;**
- **The volume of locally recycled tyre product sold as an input into new products and/or processes is 15% of the volume of end-of-life tyres by 2020.**

The Board of Tyre Stewardship Australia (TSA) acknowledges the clarification of performance targets in relation to environmental sound use and recycling rates.

While aspirational in nature, they do provide a metric to ascertain the effectiveness of the TSS. The refinement of these targets, from those in the initial TSS, provide greater clarity on the intent of the targets and the data required to measure. Therefore, TSA will look to adopt these targets for annual reporting purposes in future.

2. Recommended revised outputs focussed targets include the ambitions:

- **The percentage of tyre importers that are participants/members in the scheme increases to 90% by 2020 (measured as volume market share of total tyre imports).**
- **The percentage of vehicle manufacturers/ importers that are participants/members in the scheme increases to 90% by 2020 (measured as market share of total new vehicle sales).**
- **The percentage of tyre retailers that are participants/members in the scheme increases to 90% by 2020 (measured as market share of total tyre sales).**
- **The percentage of tyre recyclers that are participants in the scheme increases to 90% by 2020 (measured as market share of end of life tyres).**
- **TSA's short-term focus should be on improving reporting systems (including compliance with reporting) and setting and implementing well-articulated strategies to identify how growth is to be achieved.**

The Board of TSA acknowledges the challenges associated with the ambitious targets related to high category participation within the voluntary TSS. As challenging as these may be, retaining importers and manufacturers is very important in terms of ensuring adequate resources to implement the TSS effectively. Similarly, strong waste tyre recycling supply chain participation is required to ensure material moves through TSA audited and accredited entities. Given the importance of these participant categories to the success of the TSS, TSA will continue to endeavour to meet these challenging targets moving forward and will increase resources to retain and grow participation in all categories.

- 3. TSA establish appropriate criteria for ex-ante assessment of proposals for funding through the Tyre Stewardship Research Fund (TSRF). The criteria should be consistent with the objectives of the TSRF. The TSA should also undertake an ex-post assessment of funded projects to assess whether they have been successful in furthering the objectives of the TSRF with results of the evaluations being published.**

As TSA operates under an authority to collect an ACCC endorsed levy for 5 years, the TSA Board supports transparency and accountability with the funds we invest in all areas of the organisation. TSA currently has an extensive process for assessing all TSRF applications that involves publicly available, predefined assessment criteria and process. Appropriate assessment expertise has also been engaged via a publicly advertised process to recruit a Research Advisory Committee that fulfils the skills requirements of section 4.4 of the TSA Guidelines.

The TSA Board acknowledge the Marsden Jacob Associates comments regarding ex-post assessment programs. At the time of writing this document, 17 TSRF projects have been approved, with 1 having recently been completed which will now enable ex-post assessment to occur.

As more projects reach completion, greater emphasis will now be placed upon ex-post assessment of projects to ensure they've been successful in achieving the objectives of the Scheme.

- 4. A set of communications outcomes should be developed focussing on further enhancing communications to Scheme members, potential members and consumers and on consumer awareness.**

The Board of TSA acknowledges the importance of continually engaging and increasing communication with stakeholders, including raising general awareness in the community and with prospective new participants to the Scheme.

The following initiatives are in place to ensure continual communication with stakeholders:

- Strategic Plan 2017 – 2020;
- Broad Communications Strategy;
- Marketing & Communications Manager recently employed;
- Continual substantial media investment to ensure broader public awareness of TSS and its activities.

A full-time Marketing & Communications Manager has been employed to work directly with and add value to the existing agency work which is currently in place. The Marketing and Communication Manager will further develop the communication strategy in line with the overall TSA strategic plan, with renewed focus on social media, increased frequency of direct communication channels such as eNews, partnering with TSA stakeholders, government agencies and through Tyre Importer and other stakeholder forums.

5. The following changes to reporting and data collection are recommended:

- **TSA should continue to require accredited TSA importers and vehicle manufacturers and importers to provide data on tyre type and number of tyres imported. This is not expected to be company specific data due to commercial sensitivities and could be consolidated by ATIC where necessary.**
- **TSA should continue with current reporting arrangements with respect to obtaining detailed tyre type and end of life destination data from retailers, recyclers and collectors. Ideally, over time this should extend to other market participants such as miners, governments and fleet owners.**
- **Where practicable, TSA should expand the reporting categories for end of life tyres that are exported to be consistent with the categories used for end of life tyres that are not exported.**
- **Into the medium term, as participant data continues to develop, the TSA should also seek to obtain more comprehensive and granular data from ATRA and all tyre recyclers and collectors on the extent and nature of tyres being recycled.**
- **TSA should undertake to rectify key system functionality issues as soon as is practicable while also putting in place data integrity processes. Once these are rectified it should move to strictly enforce compliance with reporting.**
- **TSA should establish data collection systems necessary to report against proposed new R&D and communications targets.**

The Board of TSA acknowledge that reporting is the fundamental and most critical factor to determine the success of the TSS. As the categories grow, so will the database need to evolve. A key factor in reporting are commercial sensitivities which have an impact on the extent of data capture.

At the commencement of the TSS, the Board deemed it necessary to show a degree of flexibility in reporting requirements to encourage participation. As the TSS and TSA matures, and the participants benefit from being an accredited entity, the Board of TSA will progress towards stricter reporting compliance requirements.

6. The TSA should immediately devote sufficient ongoing resources to ensure that they can achieve these reporting outcomes.

The Board of TSA supports the need to increase resources in all areas as the TSS grows and in keeping with the TSA Strategic Plan. Resource allocations may not have been as substantial as required as the organisation sought to ensure a full and adequate revenue stream. Now that TSA is firmly established, investment in these key operational areas can, and will be undertaken.

7. A full-time Communications Manager be appointed and report to the CEO.

A Marketing and Communications Manager has been employed and reports to the CEO.

- 8. A forum be established as a mechanism to gather stakeholder views but also provide stakeholders with information on and progress of the development of the scheme.**

The Board of TSA acknowledges the importance of stakeholder engagement at all levels, specifically through Tyre Importers and Recyclers Forums, consumer focus groups, and engagement plans with other stakeholders.

Governance

- 9. TSA should list independent Board members on its website.**

The Board of TSA supports the listing of independent Board members on the TSA website and this has been implemented.

- 10. Nominating members should be required to clarify which Board position category or categories they are nominating under.**

The Board of TSA supports nominating members clarifying which Board category they are nominating for. Once appointed the successful candidates background and experience, including the category nominated for, will be listed on the TSA website.

- 11. The term 'representatives' in section 34.1 of the Constitution, as applied to Board positions, be defined in the Constitution but in the longer term, consideration should be given to removing references to representation in the Constitution.**

The Board of TSA acknowledges the importance of maintaining best practice governance principles. Any constitutional change will need to be adopted by members of the company in accordance with the TSA constitution.

- 12. The terms 'representatives', 'members' and 'participants' should be defined in the Constitution.**

The Board of TSA acknowledges the importance of maintaining best practice governance principles. Any constitutional change will need to be adopted by members of the company in accordance with the TSA constitution.

- 13. The Board should continue to view State and Commonwealth Ministers accountable for environmental matters as key stakeholders and a key audience of their Annual Report.**

The Board of TSA supports as part of the overall TSA strategy, to continue to engage with relevant Local, State and Federal members of Government and provide ongoing updates on the TSS. The 2015/16 Annual report was delivered to all relevant Government stakeholders.

14. The TSA should seek accreditation of the TSS under the Product Stewardship Act and progress processes toward achieving accreditation.

The Board of TSA acknowledges that accreditation under the Federal Government's Product Stewardship legislation provides an avenue for recognising and encouraging excellence in product stewardship. Attaining accreditation communicates to the public that the arrangement has been independently assessed as credible by the Australian Government. Accreditation also provides assurance to the community that voluntary product stewardship arrangements are achieving real and effective outcomes.

Accordingly, the Board will consider making an application when the Government next open a call for accreditation of voluntary product stewardship arrangements. We note that the last Government open round was back in financial year 2014-2015 and that TSA is unable to lodge a voluntary application without the Government opening a call for applications.

15. Through the accreditation process, the Australian Government clarify accountability arrangements and requirements for the Board.

We understand that should TSA become accredited under Government's Voluntary Product Stewardship Arrangements, accreditation will be granted with administrative requirements, specific conditions and guidelines provided.

16. The Board develop a skills matrix and identify skill requirements for the Board and develop a transparent approach for undertaking a skills assessment for all Board applicants.

A Board skills matrix has been completed and has identified and documented the need for an ongoing range of specific skills. This will form part of future recruitment of Directors.

A current gap in recycling expertise, skills and knowledge (preferably in the tyre sector) has been identified and a Director position seeking this skill set has been advertised and is expected to be filled shortly.

17. The Board, clarify processes and protocols for managing conflicts of interest.

The Board of TSA has a documented Conflict of Interest policy. Declaration of Conflict of Interest is a standard agenda item at all meetings. A Conflict of Interest register is maintained. Management of conflicts of interest is considered a key role of the Independent Chair.

18. The Board should ensure robust ex-ante and ex-post economic evaluations are undertaken to demonstrate value for money of R and D investments.

The Board of TSA acknowledge the recommendations regarding ex-ante and ex-post economic assessment programs. Full and complete economic evaluations will be undertaken for all completed TSA Research and Development investments.

Greater emphasis will now be placed upon ex-post assessment of projects to ensure they've been successful in achieving the objectives of the Scheme.

At the time of writing this document, 17 project proposals have been funded, with 1 having recently been completed which will undergo an ex-post assessment process.

For further information, please contact the TSA Chief Executive Officer on 03 9077 2791.