



January 31, 2018

Sustainability Accounting Standards Board
75 Broadway, Suite 202
San Francisco, CA 94111

RE: Proposed changes to the provisional standards exposure drafts, Transportation Sector, Auto Parts

I. Introduction

The U.S. Tire Manufacturers Association (USTMA) is the national trade association for tire manufacturers that produce tires in the U.S.¹ USTMA members employ nearly 100,000 workers, operate 56 tire-related manufacturing facilities in 18 states and generate over \$27 billion in annual sales. In 2017, USTMA members accounted for 82% of the 316 million passenger, light truck and truck tire shipments in the U.S.

All USTMA members are committed to sustainability throughout a tire's lifecycle: advancing sustainability through innovation, reducing environmental footprints, eliminating historical scrap tire stockpiles while growing economically and environmentally friendly scrap tire markets, and protecting worker safety and being responsible corporate citizens. USTMA has been actively engaged in the development of the Sustainability Accounting Standards Board (SASB) Auto Parts Standard. We continue to have concern about several of the reporting topics included in the Auto Parts Standard as they relate to the tire manufacturing industry. We appreciate SASB's consideration of these comments and welcome the opportunity to meet with SASB to discuss our concerns in greater detail.

II. Materials Efficiency & Waste Management

A. TR0102-02. Amount of total waste from manufacturing, percentage hazardous, percentage recycled.

USTMA recommends that SASB revise section TR0102-02 to include the option to report the amount of biogenic material used to manufacture the product. Section TR0102-02 indicates that: "A significant portion of auto parts manufacturers' revenue is spent on the cost of materials. Due to constrained resources, material prices are likely to increase in the future. Therefore, companies that are able to manage their inputs through reducing and recycling manufacturing waste are likely to be better

¹ USTMA members include Bridgestone Americas, Inc., Continental Tire the Americas, LLC; Cooper Tire & Rubber Company; The Goodyear Tire & Rubber Company; Hankook Tire America Corp.; Kumho Tire U.S.A., Inc.; Michelin North America, Inc.; Pirelli Tire North America; Sumitomo Rubber Industries, Ltd.; Toyo Tire Holdings of Americas Inc. and Yokohama Tire Corporation. Effective May 23, 2017, the Rubber Manufacturers Association officially changed its name to the U.S. Tire Manufacturers Association (USTMA).

protected from price volatility.” We agree that manufacturers can protect themselves from price volatility through reducing and recycling manufacturing waste, however, manufacturers can also protect themselves from price volatility by increasing the use of biogenic or renewable materials. In addition to those biogenic materials already used for manufacturing tires, USTMA members are actively engaged in identifying new biogenic materials. Given USTMA member activity in developing new biogenic materials to manufacture tires, we anticipate the biogenic content in tires to increase in the years ahead.

III. Product Safety

A. TR0102-03. Number of recalls and total units recalled.

USTMA recommends that the reporting requirements in SASB Auto Parts Standard section TR0102-03, “Number of recalls and total units recalled,” should align with the reporting obligations for the National Highway Traffic Safety Administration (NHTSA) defect and noncompliance information reports. See 49 CFR 573.6. SASB Auto Parts Standard section TR0102-03 requires registrants to report the total number of units recalled, including both voluntary and involuntary recalls, for the registrant’s fiscal year. Additionally, the Auto Parts Standard requires registrants to also report the following information if the recall is mentioned in NHTSA’s monthly recall reports:

- Description and cause of the recall issue
- The total number of units (or vehicles) recalled
- The cost to remedy the issue (in U.S. dollars) – open to interpretation and won’t be able to compare reporting
- Whether the recall was voluntary or involuntary (mandated by NHTSA)
- Corrective actions
- Any other significant outcomes (e.g. legal proceedings, passenger fatalities) – subjective, won’t be able to compare reporting

Reporting information on “the cost to remedy the issue (in U.S. dollars)” and information on “any other significant outcomes (e.g. legal proceedings, passenger fatalities)” is beyond the scope of what NHTSA requires companies to report in their defect and noncompliance information reports. Auto Parts manufacturers are already providing information to NHTSA on recalls that is publically available. USTMA recommends that SASB align reporting of recalls mentioned in NHTSA’s monthly recall report with the requirements in NHTSA’s defect and noncompliance information reports.

Additionally, USTMA recommends that SASB edit the reporting requirements in section TR0102-03 to exclude reporting information on voluntary recalls. USTMA has concern that requirements to report voluntary recalls may decrease the number of voluntary recalls issued by tire manufacturers and other auto parts sectors. According to the National Highway Traffic Safety Administration (NHTSA), most decisions to conduct a recall and remedy a safety defect are made voluntarily by manufacturers prior to any involvement by NHTSA. Tire manufacturers issue voluntary recalls when they discover that a safety defect exists or that a requirement of a Federal Motor Vehicle Safety Standard (FMVSS) has not been met.

NHTSA requires manufacturers to report and take action to correct tire defects and tires that do not meet FMVSS. Specifically, NHTSA requires manufacturers to report the following information when initiating a recall: “Manufacturers name, identification of the motor vehicle equipment potentially

containing the defect or noncompliance, total number of items of equipment potentially containing the defect or noncompliance, percentage of items of equipment specified to contain the defect or noncompliance, a description of the defect or noncompliance, a chronology of all principal events that were the basis for the determination, in the case of noncompliance – the test results and other information the manufacturer considered in determining the existence of the noncompliance, remedies, etc.” (49 CFR 573.6).

Issuing a voluntary recall for tires is a proactive step by tire manufacturers. Including reporting requirements for voluntary recalls in the SASB Auto Parts standard creates the perception that voluntary recalls have a negative impact on a company’s financial health and reputation. Requiring companies to report information on the number of voluntary recalls may decrease the number of voluntary recalls issued because companies will not want the issuing of a recall to negatively impact their finances or reputation. Taking proactive steps to remedy defects and non-compliance issues should be encouraged by manufacturers. USTMA recommends that SASB delete the requirements in Section TR0102-03 for reporting information on voluntary recalls.

IV. Product lifecycle management

A. TA05-05-01. Revenue from products designed to increase fuel efficiency and/or reduce emissions.

USTMA recommends that section TA05-05-01 focus on the percentage of product shipments that are “designed to increase fuel efficiency and/or reduce emissions” instead of the revenue. Revenue could be a misleading metric to assess a company’s commitment to producing fuel efficient products, since differences in product pricing across product offerings may or may not distort a company’s performance with regard to producing fuel efficient products.

Additionally, we recommend that section TA-05.01 be revised to include truck tires verified by EPA’s SmartWay™ Program as an example of tires designed to increase vehicle fuel efficiency and/or reduce emissions during their use phase. Tires are an important factor in the energy required to operate a vehicle. Four to seven percent of the resistive forces experienced by a vehicle in motion are due to rolling resistance, or the energy required to operate a motor vehicle. Tires with a lower rolling resistance result in less vehicle fuel consumption which equates to reductions in vehicle emissions.

Truck tires verified by EPA’s SmartWay™ Program are designed to increase fuel efficiency and/or reduce vehicle emissions. EPA’s SmartWay™ program identifies test methods and establishes criteria to designate certain tires as having lower rolling resistance for use in the program’s emissions tracking system, verification program, and SmartWay™ vehicle specifications.

There are currently no other metrics beyond EPA’s SmartWay™ Program, to determine which tires are considered to “be designed to increase fuel efficiency and/or reduce emissions.” In the future, there may be additional metrics to assess whether both passenger and truck tires are fuel efficient relative to alternative products. As a result, USTMA recommends that SASB revise section TS05-05-01 to specify which truck tires to date are considered “products designed to increase fuel efficiency and/or reduce emissions” to ensure consistency in reporting and consider future revisions to this section as metrics for passenger and truck tire rolling resistance develop.

B. TR0102-05. Percentage of products sold that are recyclable or reusable

- 1. USTMA recommends that SASB revise section TR0102-05 to include products sold that are classified as legitimate non-waste fuels used for energy recovery under the U.S. Environmental Protection Agencies (EPA) NHSM Final Rule (78 Fed. Reg. 9143, 40 C.F.R. § 241.2).**

USTMA recommends that SASB revise section TR0102-05 to include products sold that are not only recyclable and reusable, but that are also classified as legitimate non-waste fuels used for energy recovery which would be consistent with the federal government's recognition of such uses. Specifically, we recommend that SASB include consideration of materials that qualify as non-waste fuels under the U.S. Environmental Protection Agencies (EPA) NHSM Final Rule (78 Fed. Reg. 9143, 40 C.F.R. § 241.2) in addition to materials that qualify as recyclable or reusable under the EU End of Life Vehicle Directive.

In 2013, the U.S. Environmental Protection Agency finalized the "Commercial and Industrial Solid Waste Incineration Units: Reconsideration and Final Amendments; Non-Hazardous Secondary Materials That Are Solid Waste" rule (NHSM Final Rule). *Id.* The NHSM final rule establishes criteria to determine which non-hazardous secondary materials are considered legitimate fuels and which are considered wastes when combusted. The NHSM Final Rule has four legitimacy criteria that must be evaluated for a material to be considered a non-waste fuel. The non-hazardous material must be (1) managed as a valuable commodity, (2) storage of the material prior to use must not exceed reasonable time frames, (3) have a meaningful heating value and be used as a fuel in a combustion unit that recovers energy, and (4) contain contaminants or groups of contaminants at levels comparable in concentration to or lower than those in traditional fuel(s) which the combustion unit is designed to burn. *Id.* EPA specifically states in the NHSM Final Rule that scrap tires that have not been discarded and meet the legitimacy criteria are considered legitimate fuels when combusted. *Id.*

Utilizing scrap tires as a replacement for traditional fossil fuels can reduce emissions of greenhouse gases (GHGs), nitrogen oxide (NOx) and particulate matter (PM). *See* U.S. Environmental Protection Agency, Materials Characterization Paper In Support of the Advanced Notice of Proposed Rulemaking – Identification of Nonhazardous Materials That Are Solid Waste Scrap Tires (December 17, 2008). Additionally, tire derived fuel (TDF) contains approximately 24% natural rubber which the U.S. Environmental Protection Agency recognizes as carbon neutral when scrap tires are combusted for energy recovery. 40 C.F.R. 98.33(e)(3)(iv). Additionally, combustion units utilizing TDF are able to reduce reportable greenhouse gas emissions (GHG) under the EPA GHG reporting rule. 40 C.F.R. §241; affirmed in *Solvay v. EPA*, No. 11-1189 (D.C. Cir. June 3, 2015).

EPA also indicates that the "use of tires as a replacement for fossil fuels may eliminate the environmental impacts associated with extraction and processing of the traditional fuels." *See* U.S. Environmental Protection Agency, Materials Characterization Paper In Support of the Advanced Notice of Proposed Rulemaking – Identification of Nonhazardous Materials That Are Solid Waste Scrap Tires (December 17, 2008). Specifically, EPA states that "the beneficial use of scrap tires limits, and in some cases prevents, the growth of scrap tire stockpiles. This could result in improvements in human health and the environment because such stockpiles provide a habitat for disease vectors (such as mosquitoes and rodents), and because they can catch fire, creating large amounts of toxic smoke and hazardous liquids that can contaminate air, water and soils." *Id.*

In the U.S., about 50% of annually generated scrap tires are used as tire derived fuel by electric utility boilers, cement kilns and pulp and paper mills. USTMA recommends that SASB revise section TR0102-05 to include energy recovery for materials, such as scrap tires, that qualify as non-waste fuels under EPA's NHSM Final Rule. 40 C.F.R. 98.33(e)(3)(iv).

2. USTMA recommends that SASB include recognition of retreadable tire casings as examples of products that meet the definition of reusable materials and components in section TR0102-05.

Today, about 40 to 50 percent of the truck tires in service on America's roads and highways are retreaded tires. Retreading is a longstanding pillar of sound recycling practices for commercial truck tires. Retreading reduces the numbers of tires disposed of after the original tread has served its useful life.

A truck tire typically sees a small percentage of its useful life relative to its casing with its original tread. After a tire's tread wears sufficiently, the tire is sent to a retread facility for retreading. The tire is buffed to remove any remaining tread. The resulting tire casing is then prepared to receive a new tread. Tire casings are valuable commodities to fleets that typically retain and retread their own casings, considering the casings as company assets. Multiple retread lives of a tire represent savings, value, and operational efficiencies (\$3 billion annually). Commercial truck tires can be retreaded up to three times, saving valuable resources used to manufacture a new tire. About 7 gallons of oil are needed to retread a truck tire vs. approximately 22 gallons for a new truck tire.

EPA has recognized the significant role retreaded tires play in the truck tire market by including retreaded tires in the SmartWay™ Partnership technologies program. As EPA stated in its rollout of its SmartWay™ verification program, "the EPA demonstrated that certain low rolling resistance retread products can reduce NOx emissions and fuel use of long haul class 8 tractor-trailers by 3 percent or more, relative to other popular high rolling resistance retread products."² Likewise, the California Air Resources Board has recognized the important role retreads play in a comprehensive strategy to reduce emissions of greenhouse gases. Among the compliance options provided for its Tractor-Trailer Greenhouse Gas (GHG) Regulation, ARB specified that affected tractors and trailers may use retreads with SmartWay™ verified treads.³

C. TA05-06-01. Percentage of input materials from recycled or remanufactured content.

1. USTMA recommends that SASB consider combining section TA05-06-01 and section TR0102-02 to streamline reporting requirements.

Section TA05-06-01 requires reporting of the percentage of input materials consumed (in metric tons) that are derived from recycled or remanufactured content. USTMA believes that section TA05-06-01 may be duplicative with section TR0102-02. Both section TA05-06-01 (Percentage of input materials from recycled or remanufactured content) and section TR0102-02 (Amount of total waste from manufacturing, percentage hazardous, percentage recycled) focus on reductions in raw materials.

² <https://www.epa.gov/sites/production/files/2016-03/documents/retread-perform-reg.pdf>, accessed January 26, 2018

³ <https://www.arb.ca.gov/msprog/mailouts/MS1226/MS1226.pdf>, accessed January 26, 2018

USTMA recommends that SASB consider combining these sections to streamline reporting obligations or, alternatively, provide further explanation of why TA05-06-01 is distinct from TR0102-02.

Tires are required to meet strict Federal safety standards which limits the amount of recycled material that can be included in the product and still enable the product to meet Federal safety standards. USTMA recommends that another indicator of efforts to reduce raw materials is the increased use of biogenic materials. To provide flexibility in reporting, we recommend that SASB include the option to report the amount of biogenic content in a product rather than reporting the input materials from recycled or remanufactured content.

V. Materials Sourcing

A. TA05-08-01. Percentage of products by revenue, that contain critical materials.

USTMA recommends that section TA05-08-01 be revised to include consideration of products that contain critical raw materials that are able to utilize alternative non-critical materials and products for which there is no alternative available. This section requires registrants to “calculate the percentage as: the revenue, in U.S. dollars, from products that contain critical materials divided by total revenues from products.” Critical raw materials are defined, “consistent with the National Research Council’s “Minerals, Critical Minerals, and the U.S. Economy,” as a material that is both essential in use and subject to the risk of supply restriction.” Antimony, Cobalt, Magnesium, Platinum, and rare earth elements are included in section TA05-08-01 as examples of critical raw materials.

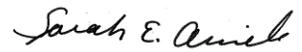
USTMA recommends that SASB consider including in section TA05-08-01 consideration of products that can and cannot be manufactured without a critical raw material. Critical raw materials may be able to be substituted for non-critical raw materials in certain products. However, for certain products it may not be possible to replace the critical raw material at this time. For example, cobalt salts are incorporated into the rubber matrix for all tires to assist with the bond between brass coated steel cords and the rubber compound. This bonding is critical to manufacture tires that perform safely and meet stringent Federal safety standards. Currently, it is not possible to manufacture tires without the use of cobalt salts. USTMA believes there is an opportunity in section TA05-08-01 for SASB to include consideration of whether a product is able to utilize an alternative non-critical material in manufacturing.

VI. Conclusion

USTMA thanks SASB for its careful consideration of these comments. USTMA has been actively involved in the development of the SASB Auto Parts Standards. We encourage SASB to incorporate our suggested changes into the Auto Parts Standard to ensure the standard provides clarity about what must be reported. We recommend that SASB revise the Auto Parts Standard and provide an additional opportunity for public comments before finalizing the standard. USTMA welcomes the opportunity to meet with SASB to discuss these comments in greater detail.

If you have any questions, please contact me at 202-682-4836 or samick@ustires.org.

Sincerely,

A handwritten signature in cursive script that reads "Sarah E. Amick".

Sarah E Amick
Vice President EHS&S and Senior Counsel