



**BFI CANADA INCOME FUND**

**Second Quarter 2006 and Business Update Conference Call**

**CONFERENCE CALL**

**August 8, 2006**

## PRESENTATION

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### **Operator**

Good morning ladies and gentlemen. Thank you for standing-by. Welcome to the BFI Canada Income Fund Second Quarter and Business Update Conference Call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question and answer session. Instructions will be provided at that time for you to queue up for questions. Anyone has any difficulties hearing the conference, please press \*0 for operator assistance at anytime. I would like to remind everyone that this conference call is being recorded on Tuesday, August 8, 2006 at 11 AM (ET). I will now turn the conference over to Ms. Anne MacMicken, Manager, Investor and Employee Relations. Please go ahead.

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### **Anne MacMicken** – *Manager, Investor and Employee Relations*

Thank you, John. And good morning everyone. Thank you for joining us today. On the call today is Keith Carrigan, Vice Chairman and Chief Executive Officer of BFI Canada, who will discuss the Fund's operational highlights for the second quarter of fiscal 2006. Tom Cowee, Chief Financial Officer, will then review the second quarter financial performance for the Fund. Also on the call today is Joe Quarin, Executive Vice President and Canadian COO of BFI Canada, who will be available to answer questions during the question and answer period.

Before getting started, let me remind you that our remarks and answers to your questions today may contain forward-looking information about our future events or the Fund's future performance. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions. The Fund cannot assure unit holders that actual results will be consistent with these forward-looking statements. The Fund disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. We also do not commit in any ways to guarantee that we will continue reporting on items or issues that arise either during our presentation or in the discussion that we hold will follow. This information, by its nature, is subject to risks and uncertainties that may cause actual events or results to differ materially. Please refer to the bottom of today's news release for further information and to our annual information form for a more complete outline of the risks affecting our industry. By now, we hope you have a chance to receive and review a copy of the news release. If not, please log on to our website at [www.bficanada.com](http://www.bficanada.com) for a copy. A telephone replay of this conference will be available until midnight on August 15, at 1877-289-8525, coding reservation number 21198317 followed by the pound sign. These details are available in the news release. I would now like to turn the call over to Keith Carrigan, Vice Chairman and CEO of BFI Canada. Keith.

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### **Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

Good morning everyone, and thank you for joining us here today. As I am sure that you've seen from our press release, BFI Canada's business performance to-date and our positive outlook have enabled our trustees to increase distributions once again. This latest increase of 7.1%, I should remind everyone that that's the sixth sense of Fund's inception we will bring our distributions per trust unit to \$1.818 per annualized, beginning with the September 15 payout. Some other factors that the trustees considered when setting this new rate were; LTM financial results, pro-forma projections derived from highlights of the past two quarters which included Canadian second quarter organic growth of 10% and EBITDA 11.5%, coupled with US organic growth of 13.2% in EBITDA growth of 4.6%. That's only the second quarter of '05 combined with the first quarter produced first half results of Canadian organic growth and EBITDA growth of 12.8% and 14% and US organic growth and EBITDA growth of 15.5% and 7.9% over the same periods in 2005. I should also mention that payout ratio which we estimate will continue to be below 90% including the effect of totally eliminating the FX in hedge we currently have in place. So the bottom-line is we are very satisfied with the outcome once again in the second quarter.

Now back to a little more detail on second quarter results. Solid gains in the second quarter were due to the usual combination of factors, all driven by our market focus strategies. These factors are as follows; price increases in both our Canadian and US segments, organic growth, and higher fuel surcharges in the acceptance of higher waste volumes at our landfills. Beyond organic growth, we also made three small "tuck-in" acquisitions, two in the second quarter and one in the first quarter to augment our operations. The aggregate cost to acquire these businesses was \$1.3 million in the quarter and \$3.7 million in the first half of 2006.

These acquisitions had a minor impact on revenue, on our valuable additions for these readings and represent the latest evidence of activity within our ongoing acquisition strategy. To complete this brief review of revenue, revenue was up just over 17% or \$54.7 million in the first half of 2006 compared to the same six months of 2005. This reflected strong organic growth rates which achieved – which rate achieved in the first and second quarter of 2006, and the fact that IESI was not present in our results for the first three weeks of January of 2005. BFI Canada's revenue continues to grow at a rate that we believe is higher than traditional North American solid waste management industry norms.

Our revenue wasn't the only line that showed improvement. Free cash flow available for distribution in the second quarter was slightly higher than the same quarter of 2005 at \$33.3 million. This was due to growth in EBITDA and the effect of foreign currency hedge agreements offset by higher maintenance capital expenditures and interest. I've often commented about the impact of maintenance capital expenditure timing on cash flow and I will come back to this momentarily. But to complete this highlight, free cash flow available for distribution was \$0.51 per unit, and participating preferred share at the second quarter, the same as a year ago. This gave us a healthy 9% unit equation on declared distributions. Second quarter declared distributions were \$0.42 per unit, \$0.03 or almost 8% higher than a year ago.

Expressed a different way, our payout ratio in the second quarter was 83.4%. This is well in line with our target of below 90% for the year. An important takeaway about our payout ratio is that excluding the currency hedge the ratio was 86.3% in the second quarter. This demonstrates that we continue to be conservative in our distribution policy and illustrates another point, I know Tom will make. And that is that we have limited exposure to FX based on current foreign currency exchange rates.

We also had a nice equation between free cash flow available for distribution and declared distributions over the first half of 2006 as well. The relevant per unit numbers are \$0.98 of free cash flow available for distribution, a 4% increase over the first six months of 2005 and 85% in declared distributions, a 9% increase over 2005. So, with a payout ratio of 87% over the first six months of 2006, which again is 89.6% unhedged, we are well on track to achieve our new target objective for this year of a sub-90% payout ratio excluding, once again, the benefit of any FX hedges. Well, I could think you can tell from these numbers that the distribution increase is justified, and can be accommodated comfortably within our business.

Now some thoughts about maintenance and landfill capital expenditures. At the beginning of this year, we announced that we expected our Canadian platforms to incur maintenance expenditures of between \$19 and \$21 million, while our plan was to spend \$27 to \$29 million US for our IESI platforms. As reported at the halfway point, we've actually spent \$8.6 million in Canada, so we slightly more than half of our estimated Canadian maintenance spend in the second half of the year. For our US platforms to June 30, the spending was \$16 million US which is slightly more than half of our estimated maintenance spends for the year. I wouldn't read a lot into the pace of these expenditures. That's because once again the timing of maintenance is landfill capital expenditures always varies quarter-to-quarter and is generally higher in the first three quarters of each calendar year.

The real conclusion, however, I hope you draw from these comparisons is that we are actively and adequately reinvesting in our business and that we are on track against our annual spending targets. We've also continued to invest for growth in both Canada and the US. I already mentioned the three "tuck-in" acquisitions we've made since the beginning of the year. This was one driver of a 27% increase in US growth capital expenditures over the first six months. In Canada, growth capital expenditures more than doubled to \$14.8 million in the first half of the year also. Here the increase was due to vehicle, equipment and container acquisitions to serve organic revenue growth, new contracts and landfill cell development to benefit future periods. A large part of the increase in our US platforms was for to very same activities. As always, we look to generate a payback from these expenditures within three to five years full expense.

I would like now, quickly to conclude on our outlook before turning the call over to Tom. My conclusion is this, we've made good progress to-date this year with our market focused strategies, and this progress will soon be reflected in higher distributions as mentioned previously. In regards to the remainder of 2006, we are on pace to achieve our financial objectives from operations. In addition, we are continuing to pursue acquisitions of well, either "tuck-in" to existing operations or create new platforms. Now, I would like to turn the call over to Tom. Tom.

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**Thomas J. Cowee** – Chief Financial Officer

Thanks Keith and good morning everyone. In the interest of time, and because you have access to our full statements, I will be selective in my highlights. Let's begin with a discussion about FX. I think there has been some continued confusion about the impact of currency fluctuations on our business because we have operations on both sides of the border. I would like to clarify the impact if I can, because FX is a major operating concern for many Canadian companies right now. Unlike some of them, BFI Canada has a natural currency hedge because of every dollar of capital and landfill expenditures all operating and SG&A expenses, interest expense and cash income taxes originating in the US is settled in US currency generated from our US

operations. This means our level of competitiveness in the US remains unaffected by changes in the Canadian and US dollar exchange rates. So unlike Canadian manufacturers, for example; there is no erosion in our US competitiveness from a \$0.90 Canadian dollar. An area where FX does come in to play, as you know, is in the translation of our US operating results into Canadian dollars. Here, there has been some movement. Translation of the second quarter of 2006 results was done at an average exchange rate of \$1.12 compared to an average \$1.244 a year ago. This is although be apparent, but not actual growth of our US operations and we've shown the actual growth rates in our MD&A and press release today for the quarter and year-to-date.

In terms of protecting unit holder distributions, we hedged in January 2005; our US originated free cash flow available for distribution using three three-year single rate hedges. These hedges continue to allow us to purchase \$4.5 million Canadian monthly at \$1.22 through February 2008. But as Keith said, even unhedged we will be able to meet our target of a sub-90% payout ratio for 2006. FX is clearly an issue that is too complex to tackle, and anything but for functionary way in a conference call format. But I hope this gives you a better perspective of our true exposure and the benefits we derive from our strategy and business model. Now let's move to a short review of some of the variances on the income statement.

First, in operating expense. It was 8.4% or \$8.4 million higher in the second quarter compared to last year. Higher disposal, labor, and fuel expenditures primarily related to the acceptance of additional waste volumes as well as cost to serve new and existing customers are the primary reasons for the increase. In addition, we also assume the operating costs of the newly assimilated businesses. We continue to manage our costs carefully to ensure we can produce good results. SG&A expenses were up just under 6% or \$1.3 million in the second quarter. The increase reflected higher professional fees and long-term incentive plan expenses.

According to the terms of our LTIP in 2006, we are accruing these expenses at a rate of 2.25% of free cash flow available for distribution. Amortization expense declined \$3 million in the second quarter of 2006 or 7.5%. This was due primarily to the foreign currency exchange fluctuations. But of course, as part of our normal business, we will have fluctuations in this area from growth and maintenance capital purchases and changes in landfill volumes all set by normal course retirement of assets.

In the quarter, excluding the impact of FX, our overall debt increased \$17 million. This was primarily caused by our strong internal growth in both Canada and the US, the normal landfill cell construction season and the ongoing remediation project at our Seneca Meadows landfill. Interest expenses increased in the second quarter 2006 compared to the same period in 2005 by \$1.2 million. This again was primarily the result of internal growth, acquisitions, interest rate increases and effects of the changes in FX.

Looking at our long-term debt facilities, at June 30, we continue to have almost \$22 million of available capacity in our Canadian facilities and almost US \$31 million of capacity available in our US facility. To-date this year IESI has drawn \$17 million US of IRB, a portion of which was used to repay IESI's revolving credit facility with the balance used to finance continuing construction activities at our Seneca Meadows. And lastly what I would like to mention on a review of the income statement, we hedged \$4.1 million non-cash gain on the derivative financial instruments, the bulk of which is attributed to unrealized gains on our foreign currency hedge agreements.

Keith has already mentioned other key bottom-line metrics, so let me briefly conclude with our financial condition. At June 30, 2006, we were in compliance with all our long-term debt facility covenants, and we remain confident that our long-term debt facilities and available capacities are sufficient to meet our planned

growth and development activities near term. Relative to our industry, we continue to be conservatively leveraged with a 2.3 time debt to EBITDA ratio. As we have previously stated, we plan to keep our overall leverage in the two times debt to EBITDA ratio range and if necessary we would issue new trust units to offset the diminished availability of our debt facilities as a result of growth and acquisition.

That brings me to the end of my prepared remarks. But I would just like to add to what Keith said, in his remarks. I believe our market focus strategies are working very well this year. Not only have these strategies contributed to the solid top-line growth we achieved in the first and second quarters, they continue to deliver benefits to our cash flow by helping us to manage inflationary cost pressures and deliver effective, efficient service to our customers. We intend to continue to apply these strategies for improvement in a steadfast manner and we look forward to delivering strong free cash flows, growth and sharing this growth with our unit holders. Thanks for listening and now I would like to ask the operator to open the lines to questions.

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## **Operator**

Thank you. Ladies and gentlemen, we will now conduct the question and answer session. If you have a question, please press the \* followed by the 1 on your touchtone phone. You'll hear a tone acknowledging this request. The questions will be polled in the order they're received. Please ensure you lift the handset if you're using the speakerphone, before pressing any key. The first question comes from Sophia Taylor of TD Newcrest. Please go ahead.

## **QUESTION AND ANSWER**

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### **Sophia Taylor – TD Newcrest -- Analyst**

Good morning. First question is on your organic growth rate; it is much higher than the US industry average, and I am just wondering if you could perhaps provide more detail, detail rather to the main reasons why and some sort of comments perhaps on sustainability.

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### **Joseph D. Quarin - Executive Vice President and Canadian COO**

Well, you know, I think certainly, Sophia, in Canada we continued to have virtually double-digit growth rate, you know, really from the beginning, and you know, I would really would have to say that a lot of that just deals with the – our strategies that we try to use in the marketplaces and we had pretty success from them and we have a pretty balanced asset base which permits us to move price and volume right through from landfills typically all the way down to the market. So you know, as long as – certainly as long as the economy continues, you know, the continuous progression then certainly we feel pretty good about the Canadian markets. In the US we have a very balanced asset basis. Well, we do have our strategies in place and we're

very, very happy with the results, Canadian and the US, so we certainly given again we feel that that balanced asset base, so we have an opportunity to continue. In the northeast we are a little more heavily laden with landfill assets and collection and we would like to increase our collection assets in the northeast. So typically what you would find is that the northeast would be a little more locked in terms of the ability to move at the existing rates, that we are in the other two regions to move through that quickly and that aggressively. Hopefully, as time goes on and we balance out our asset base that will happen in the northeast as well. Does that answer your question, Sophia?

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**Sophia Taylor** – *TD Newcrest -- Analyst*

Sure. Thank you. Thank you. My next question, perhaps to do with the “tuck-in” acquisitions that has been made, I guess, both year-to-date and since certainly the IESI acquisition at the beginning of last year, our account is now at about 10 since the IESI acquisition for about 20 million, if I am not mistaken. I was just wondering if you could perhaps give us the bigger picture in terms of what the strategy has been there, where the focus has been, and where the focus may continue to be.

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**Joseph D. Quarin** - *Executive Vice President and Canadian COO*

Sure. Well, typically again on the existing platform as what we are always looking to do is increase more significantly where we have landfill and collection assets, and you know, the key motivator is to increase our density in our existing routes and therefore increase our revenue per hour against every asset that we are operating and they are modeled very carefully. Every acquisition is accretive from the time we do it, and that is before any routes synergies. So, clearly they become more creative once we roll them into the existing routes, and we have seen that in the existing acquisitions that we’ve made.

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**Sophia Taylor** – *TD Newcrest -- Analyst*

Okay. Is there a particular region that you’re focused on?

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**Joseph D. Quarin** - *Executive Vice President and Canadian COO*

We are focused right now in all of our regions, whatever we can add to existing routes in any of our regions. And is mentioned earlier, you know, we’ve always stated, you know, what we are looking for as a return on capitals. So as we can generate that aggressive return on capital whenever we can make a good accretive acquisition and tuck-it on to our existing routes, we will continue do so.

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**Sophia Taylor** – *TD Newcrest -- Analyst*

So are those 20, they been pretty much split across the across the three regions?

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**Joseph D. Quarin** - *Executive Vice President and Canadian COO*

They have been. Yes.

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**Sophia Taylor** – *TD Newcrest -- Analyst*

Or are those 10? Okay. Okay. The third question that I have, and then I'll get back in line or in queue, the EBITDA margin, I think asked every time, but just in the US Northeast we're noticing that it's a little bit lower than the rest of the business year-over-year; what is the main reason for that?

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**Joseph D. Quarin** - *Executive Vice President and Canadian COO*

Well, I would say there are two issues that we would look at. First of all, last year we were running on kind of a cue data system where we had to get so much volume in and now ran through half of the year. This year we're on an annualized volume. So just as a timing note, we are slightly below volume and are –particularly our Seneca landfill right now. And that's just timing, our year, because we are now on a yearly volume cue data. Our yearly volume but so we will meet that yearly volume, but not by quarter-by-quarter basis, we're a little slower than last year. So you would have seen last year's results on volume a little higher, which would have increased the margin last year over this year. The other issue, of course, is that a lot of the growth is taking place in our collection companies, and the collection companies, even know on a margin basis would be a little lower, quite frankly in steady areas of the payback that we're getting in some of those collection areas are just as high as the landfills. So you're looking at a lower margin, which you're looking at a very similar cash flow payback on the assets.

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**Sophia Taylor** – *TD Newcrest -- Analyst*

Great. Thanks very much.

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**Joseph D. Quarin** - *Executive Vice President and Canadian COO*

You are welcome.

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**Operator**

Next question comes from Rob Sedran of National Bank Financial. Please go ahead.

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**Rob Sedran – National Bank Financial -- Analyst**

Thanks and good morning everyone. Just a couple of quick questions. Actually Sophia touched on two of the issues I wanted to ask about, and so I guess they're follow-ups to Sophia's. In terms of the organic growth, can you give us an idea the relative impact of pricing and volume, and perhaps give us a little color about the pricing environment right now, maybe, in all three regions? And just confirm for me that the organic growth rate excludes fuel surcharges?

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**Joseph D. Quarin - Executive Vice President and Canadian COO**

The organic growth rate does exclude fuel surcharges Rob. And you know the second issue is it relates to volume and price. You know, I am going to say again that every market that we're in, we may be giving up price in a given market as far as to attain volume. What we're really looking at is how we can increase our revenue against every asset hour that we have. And that's really is a key motivator and I will tell you that those areas revenue per hour is moving up in just about every line of business that we have because our cost or expenses other than the fuel which we do pass through the majority of it are relatively fixed they don't move up other than an inflationary basis. So therefore, what we are really looking to do is move up that revenue that we have every hour, we operate every piece of equipment. And we, you know, have been fairly successful doing that we expect that that will happen in the future. We do have some areas where we focus on price and we've been very, you know, I think we are satisfied with the result that we're getting as far as moving price up. You know, in that market we may turn around and give some of it back to attain volume. So, really it's a combination of volume and pricing strategies that we look in each market to attain.

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**Rob Sedran – National Bank Financial -- Analyst**

Okay.

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**Joseph D. Quarin - Executive Vice President and Canadian COO**

I am not sure that I gives you the complete answer you're looking for, but that's how we operate the business.

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**Rob Sedran** – *National Bank Financial -- Analyst*

Yeah, I am not sure that maybe since you do run the business that way you can give me the answer I am looking for. So that's fair enough and that's fine. Thank you. The second question is just a follow-up on the acquisition side. It seems like maybe your activities have been slowing a little bit and you've mentioned in the past that multiples have been trending higher. Are those two issues related and notwithstanding the fact that I am sure you're going to continue to look, can we expect acquisitions, maybe to be play a smaller role going forward especially considering a very strong organic growth you are recording?

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**Joseph D. Quarin** - *Executive Vice President and Canadian COO*

No. I think acquisitions are really just timing. You know, at the end of the day, you know, the timing is not always in our hands the market is a little tighter right now. In regards to acquisitions there's more capital load in the market, and you know, quite frankly we are seeing some new players in terms of buyers out in the market. As I've mentioned previously, that are not from our sector, and you know, in terms of, you know, equity players that are looking to enter our marketplace. So I think the competition is a little stronger for acquisitions. Having said that, you know, once again I think we have a pretty good currency in the marketplace and we're able to compete adequately in the marketplace. However, you know, as I say, I think it's more of timing than anything else and we do have a group that's how we work on, at the end of the day I expect that the you will see us, you know, with more acquisitions to follow.

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**Rob Sedran** – *National Bank Financial -- Analyst*

Okay. Thanks very much.

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**Joseph D. Quarin** - *Executive Vice President and Canadian COO*

Okay, Rob.

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**Operator**

Ladies and gentlemen, if there are any additional questions at this time, please press the \* followed by the 1. As a reminder, if you're using speakerphone, please lift the handset before pressing any keys. Your next question comes from Kelly Woodall of Raymond James. Please go ahead.

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**Kelly Woodall** – *Raymond James – Analyst*

Hi Keith, I was wondering if you might be able to talk a little bit about what you're seeing in landfill pricing in the various reaches of the markets.

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**Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

Hi. We've been hearing the landfill pricing has been moving up with our competition. You know, we're seeing slight movements of landfill pricing on a market-by-market basis. Clearly waste management has been, you know a little aggressive in certain markets, but yet we are seeing in other markets where there's been no movement at all. So you know, I think it's probably been selective price increasing, we probably looking at the markets where they feel that they have the ability to pass it through. So it has been moving up. We continue to operate our strategy in as far as pricing is concerned, you know, based on large similarities that we've had over the past few years we will continue to do that. But clearly the market has been a more acceptable to pricing over the last, you know, I am probably going to say a year or so, Kelly. And we don't see any resistance, significant resistance at this point either, so I think there is probably opportunity going forward as well.

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**Kelly Woodall** – *Raymond James – Analyst*

Have you seen any increases in the Toronto market yet?

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**Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

There has been, you know there although it's really a supply and demand and then there is, you know, obviously some knee-jerk reactions as it relates to Michigan issues. So I would say to you that pricing has been inconsistent in the Toronto market and we see it moving up a little bit, what we see as the volume seems to pull away from various suppliers it will move down again as well. So I would say to you that have been inconsistent in the Toronto markets.

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**Kelly Woodall** – *Raymond James – Analyst*

Okay. Thank you.

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**Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

You're welcome.

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**Operator**

The next question comes from Sophia Taylor of TD Newcrest. Please go ahead.

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**Sophia Taylor** – *TD Newcrest – Analyst*

Just a housekeeping item, noticing that the withholding taxes line item was broken up separately this quarter, at least to have that, I think included in current taxes; is that right? I am just wondering what the rationale is to that?

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**Thomas J. Cowee** – Chief Financial Officer

Yeah, it's mainly the accounting item, Sophia, that's just basically, when we restructured some of the corporations we got up here in Canada, we no longer could have it as income statement item, we need it to run it through comprehensive income in the equity section of the balance sheet. So we thought that we prudent now since it doesn't really tie end of the normal place on the cash flow statements go ahead and break that head out on the analysis we do for cash flow.

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**Sophia Taylor** – *TD Newcrest – Analyst*

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**Thomas J. Cowee** – Chief Financial Officer

Absolutely.

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**Sophia Taylor** – *TD Newcrest – Analyst*

Okay. Great. Thanks and then in terms of the FX hedges, we hear you loud and clear in terms of the presentation you made today, I was just wondering what the plans may be to roll those hedges?

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**Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

We are continuously looking at that and that our plan of blending and spending still exists, we're viewing that again as we speak and though it's a little too early to say we're going to do anything specifically in this quarter; it is very likely that in the future we will blend and expand the existing ones. And at the same time we always look at the amount of distributions we pay in both countries and we can also sort that around a little bit whenever we do an increase. So we're very cognizant of the current FX and we will continue to monitor that and deploy what we think is the best strategies internally.

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**Sophia Taylor** – *TD Newcrest – Analyst*

Okay. Reorganization costs there were some wording in that regard in your MD&A. Can you elaborate on that?

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**Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

We continue to try to have the best possible organization structure for tax reasons really on both sides of the border. And from time to time we do reorganize some of the structure we have and we're doing a little bit of that work again and to be prudent from a tax payment standpoint. And if there's really not any noticeable fact going forward in the current year, but in the future years it really does potentially help us save some taxes. So it's really nothing that you [technical problem] into your model in the next two year or so, but it's more of a feature of that for us.

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**Sophia Taylor** – *TD Newcrest – Analyst*

Okay. And my last question just has to do with what we're seeing a lot of in the news, I guess here Toronto about the Michigan sludge issue; is there any comment on that, please?

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**Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

You know, clearly there is move a foot in Michigan to have an impact and you know, trying to clear up (technical difficulty) pricing impact or whether it's discount impact, but you know, as we've all noted and we reported in the last quarter, you know, there has been some movement in the US to give the state the ability to close the border. Now whether, you know, we get to that point or not, Sophia, there is, you know, certainly no date eminent that we could say that that's going to happen. Also there was the possibility of a tax being placed on every load in terms of inspecting loads going through and that could also result, by the way, in change of equipment that the companies will have to do in some transporting. So you know, I think call from (indiscernible) and we suggested this from time to time that one or two things that are going to

have for me one of the three is that we're going to see either pricing increase moving to the US, we could see a discontinuation of service in the Michigan and or at time you will see that the Ontario system resolve itself in terms of developing new landfills. We know that the Environmental Assessment Act is being reviewed aggressively in Ontario and the Government has promised that there would be changes made by the fall. We do see that those changes coming and we have been privileged to being working with the draft legislations. So I would expect that you're going to see some or all of that happening, you know, certainly in the probably in the near future, but we just don't know which piece it's going to be.

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**Sophia Taylor** – *TD Newcrest – Analyst*

And no plans to take on the sludge at BFI?

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**Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

We have no plans. We will not take on the sludge at BFI.

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**Sophia Taylor** – *TD Newcrest – Analyst*

Thank you.

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**Operator**

Ms. Taylor, do you have any further questions?

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**Sophia Taylor** – *TD Newcrest – Analyst*

No. That's it. Thank you.

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**Operator**

Yep.

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**Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

Thanks Sophia.

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**Operator**

Next question comes from Leone Young of Citigroup. Please go ahead.

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**Leone Young** - *Citigroup -- Analyst*

Yes, good morning. Forgive me if you covered this, but can you talk a little bit about the economic strengths or weaknesses you're seeing in your various regions? There's been some talk that New England may be perhaps the more sluggish market?

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**Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

Well, you know, it's certainly we don't do a lot of business going on in the New England area. There is a little bit of waste that we moved into our landfills, but certainly the research that we've been doing is that the New England market probably is a little more static typically has been over the last 20 years, you know, becomes more – seems to be one of the more static areas that doesn't have great fluctuations. However, in the northeast, we're still seeing opportunities for growth and I'll refer more to the New York, New Jersey markets. So we're seeing growth in those markets and clearly in the south has evidenced by organic growth rate. We're seeing some, you know, very good opportunities for us in the south as well. Now whether again that the, you know, part of that certainly and obviously since we are growing faster than GDP, then clearly we are taking advantage of volume from other companies, so I can't suggest that what number that would be in terms of what is real GDP growth and what is related to competitive growth. Has that answered your question?

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**Leone Young** - *Citigroup -- Analyst*

Yes. And if you could comment a little bit about the commercial construction activity you see?

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**Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

We're doing in the US south where we are seeing some significant growth internally in the industrialized commercial activity, in fact, that's probably been the greatest range of our growth, both in Canada and in the southern US. So, you know, we're still seeing a very bullish market in that area.

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**Leone Young** - *Citigroup -- Analyst*

Thank you.

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**Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

Welcome.

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**Operator**

Ladies and gentlemen, if there are any additional questions at this time, please press the \* followed by the 1. As a reminder, if you're using a speakerphone, please lift the handset before pressing any keys. One moment please for your next question.

Again, ladies and gentlemen, if there are any additional questions at this time, please press the \* followed by the 1. One moment please for your next question.

There are no further questions at this time. Please continue.

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**Keith A. Carrigan** – *Vice Chairman and Chief Executive Officer*

Well, ladies and gentlemen, I would like to thank you all for joining us on the call today. I hope you share the enthusiasm that we have inside the company for the results from this last quarter. As mentioned earlier, we feel very, very strongly and very good about the balance of the year for the cooperation. And once again, I would like to conclude the call with our sincere thanks for your participation and we look forward to speaking to you at the next quarter. Thank you very much and have a good day.

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**Operator**

Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. Please disconnect your line.

