



**BFI CANADA INCOME FUND**

**FIRST QUARTER 2008**

**CONFERENCE CALL**

**MAY 14, 2008**

OPERATOR: Good morning ladies and gentlemen. Welcome to the BFI Canada Inc. First Quarter Results 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. If anyone has any difficulties hearing the conference, please press star followed by zero for operator assistance at any time. I would like to remind everyone that this conference call is being recorded on Wednesday, May 14, 2008, at 8:30 a.m. Eastern Time. I will now turn the conference over to Chaya Cooperberg, Director, Investor Relations and Corporate Communications. Please go ahead.

CHAYA COOPERBERG (Director, Investor Relations and Corporate Communications): Thank you and thank you all for joining us today. On the call is Keith Carrigan, Vice Chairman and Chief Executive Officer; and Tom Cowee, Vice President and Chief Financial Officer, both of whom will be providing comments on the Company's performance for the three months ended March 31, 2008. Also on the call today is Mickey Flood, President, 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 future events or the Fund's future performance. Although, forward-looking statements are based on what management believes to be

reasonable assumptions, the Fund cannot assure unitholders 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 statement whether as a result of new information, future events or otherwise. We also do not commit to continue reporting on items or issues that arise either during our presentation or in the discussion that 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 yesterday's news release for further information and to our annual information form for a more complete description of the risks affecting our business and industry. By now we hope you've had a chance to review the news release, if not, please log on to our website at [www.bficanada.com](http://www.bficanada.com) for a copy. The telephone replay of this conference will be available until midnight on May 28 at 416 640-1917 or 1877-289-8525, reservation number 21270826. These details are available in the news release. I would now like to turn the call over to Keith Carrigan, Vice Chairman and CEO.

KEITH CARRIGAN (Vice Chairman and Chief Executive Officer):  
Good morning. Thank you for joining us and welcome everyone. We're pleased with our solid start to the year. It clearly was a strong quarter for us and one that we believe is impressive. I'll begin today's discussion with

some highlights of our achievements for the quarter and then turn the call over to Tom for a more detailed review of our financial results.

For the three months ended March 31, 2008, consolidated revenues increased 20.8% period-over-period to \$244.3 million. With about two-thirds of revenues derived from our US operations, the strong Canadian dollar obscures our comparative growth when our US results are translated into Canadian dollars. Revenues in the quarter increased nearly 34% excluding the impact of foreign currency exchange.

We achieved revenue growth in each of our three operating segments. Our Canadian segment enjoyed a 16.9% increase, while our US South and Northeast segments delivered growth of 7.1% and 44.8% respectively. But excluding the effects of foreign currency translation on our US segment performance, revenues in the US south grew 24.9%, while revenue growth in the US northeast was 68.9%. Our organic revenues, which exclude acquisitions, fuel, and environmental surcharges, and foreign currency translation increased 13.3% in Canada and 6.2% in the US.

Let me say that we are pleased with this result especially since we are faced with intermittently severe weather conditions in Ontario and Quebec, in the US northeast and parts of the south. In addition, we continue to see an economic slowdown in the US Northeast and surging diesel fuel prices in both countries. Our US Northeast segment continued

to experience some softness in our landfill pricing and volume, particularly at our Seneca Meadows Landfill.

Despite these challenges, our market focused organic growth and strategic acquisition strategies continue to deliver double digit revenue and EBITDA growth in the quarter. It is the bottom-up style of our management that we execute throughout our operations that gives us the confidence in our ability to continually improve our performance regardless of the broader market and economic conditions. Acquisitions completed in the last 12 months also contributed to our strong performance and it is our objective to continue seeking out and identifying those strategic external growth opportunities.

In the quarter, we completed two tuck-in acquisitions, one in each of the US south and US northeast segments for aggregate cash consideration of \$2.3 million. I would like to point out that acquisitions in the past year, primarily collection acquisition, operations, and transfer stations, and specifically in our US northeast segment are driving the shift in our gross margins quarter-over-quarter. The addition of collection and transfer assets to our northeast segment, which have been historically composed of higher margin landfill assets, is the primary cause of the changing gross margins in our company.

Our strong revenue performance delivered EBITDA of \$66.9 million in the quarter, an increase of 14% or a 25% increase if we exclude the

impact to foreign exchange. Free cash flow available for distribution also benefited from our strong EBITDA performance, an increase to 20.7%, \$39.9 million versus the comparative quarter. Distributions declared in the quarter were \$31.2 million or \$0.45 per unit resulting in a payout ratio of 78.2%. This compares with the payout ratio of 89.6% in the period a year ago on nearly the same amount of distributions declared. Our payout ratio is a clear indicator that our company can sustain a healthy level of distributions and also finance a healthy portion of our company's growth in excess of free cash flows.

In our last quarterly conference call, you may recall that we expected an additional expansion permit for our Lachenaie site, while we received a one year operating emergency decree while the government continues the review of a longer approval. Lachenaie has been approved as you all recall for expansion on seven previous occasions and once again we are very optimistic that we will receive a long-term permit once again.

In Calgary, with respect to our proposed Buffalo Plains site, we expect to change the location of the identified property and are now moving onto other targeted sites. We continue to feel very confident that we will have the new site opened before the closure of the existing site, which will continue operations as once again, as you may recall, through 2010. I'll also take the opportunity to update you on our continuing review

of the Fund's corporate structure and our ability to pursue our continuous improvement and growth strategy.

At this point, the Board of Directors have come to no definitive conclusion regarding our corporate structure. However, I will remind you that to finance our strategic acquisition strategy, we recognize that we require the ability to raise capital to a currency that is valued in line with our industry peers, and as you also will realize at this stage, we are not at that level and therefore are reviewing our situation very carefully on an ongoing basis. Let me now turn the call over to Tom Cowee for further review of our financial results. Tom.

TOM COWEE (Vice President and Chief Financial Officer): Thanks, Keith and good morning everyone. I would begin my discussion with the operating expense line of our income statement.

Operating expenses were about 26.2% in the first quarter due primarily to higher disposal and labor cost to service higher internally collected waste volumes, higher costs to service new and existing customers, and acquisitions. We also experienced higher vehicle operating costs due in part to the rising fuel and oil costs. As we have done in the past, we continue to aggressively pass on fuel surcharges to our customers. Open market customers are generally charged the additional fuel charges, surcharges immediately, while municipal contracts

tend to lag three to nine months depending on the individual contract language and the contract anniversary dates.

SG&A expenses in the first quarter increased \$3.3 million or 12.4%. Acquisitions and organic growth are the primary cause of the approximately \$1.8 million increase in total salary cost. Amortization expense increased \$4.7 million or 12.3% in the first quarter. Higher intangible and capital amortization, approximately \$2.8 million and \$3.6 million respectively, is due in large part to acquisitions and growth capital expenditures through 2007.

Today, I'd like to take the opportunity to comment on our amortization expense, which compared to our peers in the solid waste industry, is high as a percentage of revenue.

As many of you know, the Canadian accounting rules require us to apply the purchase method of accounting to all acquisitions. Purchase method requires us to recognize the fair value of all assets acquired and the liabilities assumed including recognizing all intangible assets separately from goodwill. From acquisitions, fair value adjustments typically increased the carrying amount of capital and landfill assets and typically result in the allocation of a portion of the purchase price to identify intangible assets.

Accordingly, our amortization of capital, landfills and intangible assets are not only assets, not only include amortization of original cost,

but also includes the amortization of fair value adjustments recognized on acquisitions.

Although we have grown organically, a significant portion of our growth has been through acquisitions, most of which has been within a period of the past five years. Therefore, fair value adjustments included in amortization expense are significant. On the other hand, none of our larger peers in the solid waste industry have experienced the magnitude on a percentage of growth basis of fair value adjustments in the current decade. The most notable fair value adjustments in our company arose from the formation of the Fund and then the Fund's IPO in 2002, our acquisition of IESI and the Ridge Landfill in 2005, and most recently, our acquisition of Winter Brothers this past year.

Due to the inherent difficulty in isolating each fair value adjustment for every acquisition we complete, I will provide a few selected amounts to demonstrate the impact fair value adjustments at on our amortization expense for the year ended December 31, 2007.

Fair value adjustments for landfill assets and recognized intangible assets, and the Fund's IPO accounted for approximately \$21.3 million of our amortization expense in 2007. Fair value adjustments for capital and landfill assets recognized on our acquisition of IESI accounted for approximately \$20 million of our amortization expense in 2007. Fair value adjustments are recognized in amortization expense over the useful life of

the underlying asset, for landfill assets, this includes both the landfill's permitted and deemed permitted useful life. As we continue to grow through acquisition, amortization expense will continue to increase. Those increases will be partially offset by declines and fully amortized fair value adjustments.

Now, turning to interest expense, interest expense was \$13.4 million, an increase of approximately \$3.5 million quarter-over-quarter. Funding the Winter Brother acquisition with debt in August of 2007 is the primary cause of the comparative increase. At the end of the quarter, long-term debt was \$862 million and our remaining capacity in Canada and in the US was CDN \$43 million and US \$48 million, respectively. Both the Canadian and US long-term debt facilities have an accordion feature, which can increase the available capacity of the Canadian credit facility by CDN \$50 million and can increase available capacity of the US credit facility by US \$55 million, subject to certain restrictions. We continue to actively manage our debt in order to remain flexible to meet our planned near-term growth and development activities.

Moving to our capital and landfill expenditures during the quarter, our maintenance spending in the first quarter totaled approximately \$10.8 million, which is slightly lower than the \$12.4 million for the comparative period last year. In Canada, we spent \$3.3 million down from \$5.1 million in the quarter a year ago, and in the US we spent \$7.5 million, up slightly

from \$7.3 million in the quarter a year ago. In Canada, the decrease is largely to higher landfill equipment cost in 2007 from our Lachenaie Landfill. The increase in the US is due to a larger business base.

Our maintenance expenditure expectation for 2008 remains unchanged and is between CDN \$22 million and CDN \$24 million for our Canadian operations, and between US \$37 million and US \$39 million for our US operation. Both expenditures in the first quarter totaled \$12 million, up 22.1% quarter-over-quarter. Higher landfill cell construction and municipal contract wins are the primary reasons for the increase.

That brings me to the end of my prepared remarks and now I would like to ask the operator to open the lines to questions.

#### QUESTION AND ANSWER SESSION:

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question and answer session. If you have a question, please press the star followed by the one your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you are using a speakerphone before pressing any keys. One moment please, for your first question. And your first question comes from Sophia Taylor, TD Newcrest. Please go ahead.

SOPHIA TAYLOR: Good morning.

KEITH CARRIGAN: Good morning, Sophia.

TOM COWEE: Hi.

SOPHIA TAYLOR: I just have a few questions for you. The first with respect to the impact of weather had on your results this quarter. I'm wondering if you've made any attempts to possibly quantify what your estimates might be for the impact this quarter.

KEITH CARRIGAN: You know, typically weather shows up in a few ways, certainly, one way is if we look at the Northeast, moving waste up to our landfills through the highway system, clearly we do have interruption of this transport, so at that point, some waste does not get to our landfill as it should. In addition to that, in the Northeast, when the weather is extremely cold and more hydro is being burned then we lose waste material from the landfill that is diverted to some of the burners at lower rates, they're looking for more volume. It's very difficult, however, to quantify exactly how much that is, Sophia, because there's other various conditions come into play there, there's pricing conditions clearly as well, and then we have the economic, the typical economic conditions, so it's very difficult to say how much waste is being produced that is then diverted. So we can't specifically quantify it. Usually when we find out the impact is when we look at year-over-year results we get a better view of it. In addition to that,

weather affects us in all of our collection companies in terms of productivity, which is a key driver in terms of returns in our industry so, you know, that certainly is quantifiable and we do quantify that on a company-by-company basis, but we do not roll it up on a consolidated basis.

SOPHIA TAYLOR: Okay. The other question I had was I picked up on some wording, I guess, in the press release or MD&A that talked about your operating expenses having increased somewhat as the result of increased costs related to fuel and lubricants, repairs and maintenance offset or partly offset by lower insurance cost, is there anything notable there that we should be paying attention to?

KEITH CARRIGAN: No, probably, you know, the issue clearly fuel has increased, there's no question about it and continues to increase. We continue to pass through our costs in Canada, we passed through 100%. The US is -- we're getting a better percentage there and let me kind of give you an insight into our US operations. Our collection companies are getting 100% pass through of their increased fuel cost. The area that we see that we do not get a complete pass through today, although, I think ultimately we do get it, is when we use third parties to run material to our landfills. So those are the transfer, a third party transfer operations that deliver material to the landfills and clearly they will pass through some of that pricing to us and right away, we do not pass it all back through to the

market again, but otherwise we're very happy about that and Tom, maybe you could just...

TOM COWEE: I just would like to add, on the insurance side, the US operations is largely self-insured for claims and the first quarter was just lower than normal and we're hopeful that'll continue throughout the year, but it was just a pretty good first quarter in terms of accidents related to claim damages.

SOPHIA TAYLOR: Okay, great. Thanks, and then the last question is just on growth CapEx, do you have guidance there that you could possibly share with us, please.

KEITH CARRIGAN: You know, I would say to you that we're, you know, we're basically running at the levels that we have consistently run in the past. At this stage, there is nothing that would exceed that number and so, you know, certainly a lot of the estimates that we see that the analysts have been using relative to year-over-year I think are fairly consistent with what we see going forward.

SOPHIA TAYLOR: Great. Thanks very much.

KEITH CARRIGAN: Welcome.

OPERATOR: And your next question comes from Nav Malik, Scotia Capital. Please go ahead.

NAV MALIK: Thanks, good morning. So, first I just want to touch on the organic growth in Canada, again, it was quite strong, I mean, is that sort of ahead of your plan or is that sort of in line with what you would have expected? The 13.3%.

KEITH CARRIGAN: Well, you know, certainly we always have, you know, great internal expectations. The process that we use, Nav, gives us the ability to achieve these results and I think collectively if you look at results going back several years, they've been fairly consistent with the Canadian operations. We like the combinations of assets that we have in our markets. Without a doubt, the Canadian market in general has been very well, particularly in Western Canada. So, when you couple the process that we have combined with the strength, the density of our assets in those markets, it gives us the ability to run our process and deliver these results. So, you know, we have no reason to believe that we can't continue this process going forward in Canada.

NAV MALIK: Okay. And then just moving to the US side, it is down, sequentially, you know, sort of in Q3, Q4 of last year, I know, you've provided some reasons there, but is that sort of given -- I mean is that sort of what we should expect maybe for the next few quarters in the US or are you seeing any improvement or any stabilization there?

KEITH CARRIGAN: Well, there's two issues in the States, certainly -- if you look at the US South, I believe that if you go right back to 2005,

the US South continues with extremely strong year-over-year performance. We can't compare the third quarter and the fourth quarter to the first quarter and seasonality makes that our weakest quarter in our industry. If you compare the US South first quarter '08 to '07, you'll see the year-over-year results are extremely impressive and that has been the pattern in the South really going back to – going back to the second quarter since they acquired IESI. So we have no reason to believe that that is going to change going forward.

The Northeast US, we've been reporting for several quarters that we have seen some softness in the US. We continue to see that softness and where that impacts us is in our heavy industrial loads that are handled out of our Winters Brothers operation, and then clearly with weather conditions accompanying the economic conditions. We have had some shortfall at waste moving into particularly our Seneca Meadows landfill, you know, we feel that there's some reshuffling of waste that is going to take place there and coupled with higher fuel costs we believe that there are some strategies that we can execute regardless of the economic conditions in the marketplace.

NAV MALIK: Okay, great. And I just wanted to sort of reconcile something; the amount that's showing what you've spent on your acquisitions on the cash flow statement shows about \$19 million versus, I

think, a much lower amount that you have sort of mentioned in the other parts of the MD&A, could you just reconcile that for me?

KEITH CARRIGAN: Yeah, no problem, Nav. If you remember at yearend in our financials, we accrued up \$15 million for the final purchase price payment for Seneca Meadows.

NAV MALIK: Okay.

TOM COWEE: That was actually paid on January 2nd this year and I think the remainder is just minor FX adjustments.

NAV MALIK: Okay. Okay, that's all I have. Thanks.

KEITH CARRIGAN: Great. Thanks, Nav.

OPERATOR: And your next question comes from Carolyn Dennis, National Bank Financial. Please go ahead.

CAROLYN DENNIS: Good morning.

KEITH CARRIGAN: Good morning, Carolyn.

CAROLYN DENNIS: I just wanted to talk just on the fuel, I know you're saying your passing along a 100% of the fuel cost increase in Canada; do you think that's sustainable going forward?

KEITH CARRIGAN: We, you know, I think the market has to clearly understand that two things; first, that fuel is a component or a major component of our industrial process, Number 1, and therefore, it's a good

portion of the cost or the revenue that we charge on a per customer. You also have to recall that our average customer size is relatively small. We're still talking about on an average annual billing that roughly is about \$2,600. So even though on an aggregate basis, the roll-up of recovering the fuel cost is high on a per customer basis is still relatively low. So we have not experienced significant push-back at this stage and, you know, as it's a real cost in society, we believe that and it will be built in and we will expect to recover that cost going forward.

CAROLYN DENNIS: Okay. And in this US South, at the beginning of the call, you did note weather impacted there, can you talk about that or...

KEITH CARRIGAN: We had, yeah, in the south we had a great deal of rain and what that does is create some issues again with productivity, moving material from the customer to our landfills, and then clearly at our landfills, it restricts the operating activity at the sites. The phases have to get smaller where we move waste so, you know, that creates some delay and a little bit of push back. In addition to that, as it relates particularly to C&D material. When the weather gets real bad, the people that produce C&D tend not to work. So as a result, they're not producing the material at that particular time so all those three areas tend to have an impact, I would say in the South that it's not a material impact and quite frankly we're very

happy with what we're seeing overall regarding the economic conditions as it relates to our US South.

CAROLYN DENNIS: Okay. And then just following on that with the C&D, I know in the past you're saying that the C&D was holding up in the South, is that still the case?

KEITH CARRIGAN: Yes, it is.

CAROLYN DENNIS: And I guess in the US unless or I guess in all your markets, I'm just looking for some comments on the commercial side of the business. Have you -- can you provide some color there on what you're seeing in terms of, you know, I guess, well, obviously, is that they're accepting the fuel price increases, but have you seen any downsizing in containers or anything like that?

KEITH CARRIGAN: No, not at all. As a matter of fact, our commercial business continues. By the way, all of our lines of business -- our collection lines of business are showing a higher accretion on a year-over-year basis. So our return on capital has improved in every line of business. In the commercial line, we continue to see very aggressive results in all of our areas, in every line of business, so that's certainly Canada, then even the northeast, US Northeast, and in the South.

CAROLYN DENNIS: Okay. And then lastly, just on acquisitions. Can you provide any comments on what you're seeing in terms of the multiples?

KEITH CARRIGAN: Well, certainly sellers continue to always ask for the highest multiple, but clearly there is not as many buyers out there and there's no question that debt capital markets have tightened and, therefore, it has either excluded or certainly restricted the activities of private equity, you know, working in our marketplace. So without a doubt, you know, if you just look at supply and economics, the elasticity would indicate that pricing would move down for acquisitions, and we are seeing that and it's certainly -- we see that it's a better time to be acquiring and you know, clearly we believe that over the next few months and maybe the balance of the year will continue to be a very, very good climate for acquisitions. So we continue to be aggressive in that area. We are out with our forces and we are looking at various opportunities out there and we expect that that will continue going forward for the balance of the year.

CAROLYN DENNIS: Okay. Thank you very much.

KEITH CARRIGAN: You're welcome, Carol.

OPERATOR: And your next question comes from Walter Spracklin, RBC Capital Markets. Please go ahead.

WALTER SPRACKLIN: Thanks very much. Good morning.

KEITH CARRIGAN: Good morning, Walter.

WALTER SPRACKLIN: Hi, just on the Lachenaie and Calgary, now, you mentioned you're not looking at Buffalo Plains anymore. Perhaps, you can give us some color around that and what, I guess, you have any other sites in mind in terms of that particular landfill?

KEITH CARRIGAN: Buffalo Plains, we are still working in the same area. We expect to be moving forward. I don't like to give a whole lot more color because it tends to prejudice our process as we move forward. We feel confident, continue to feel confident that we will be opening a new landfill in 2011 virtually within the same vicinity of the same area that we have been speaking of and I say that's probably all the comments I'd like to give on that one.

WALTER SPRACKLIN: So, I guess it's regulatory or it is just more amenable in that area you're looking at now. They are less resistant I guess than the Buffalo Plains were?

KEITH CARRIGAN: For minimal and less resistance.

WALTER SPRACKLIN: Okay. Lachenaie, I see you got the one year extension; what's your contingency plan in the event that, you know, the emergency extension that you've got doesn't translate into a long-term extension?

KEITH CARRIGAN: Now, let me say that the permitting on Lachenaie, we've permitted it seven times. I would like to say that the process, this time, we'll call it as the eighth time if you would like is,

probably the best process that I have seen, period, in the Company. We have no reason to believe that we will have an issue in relation to re-permitting Lachenaie, and that's evidenced by the fact that the government sees the need, continues to see the need for this landfill, as they have issued -- the decree that they've issued is emergency decree, which means that this is a critical asset in the area and we must keep this open. However, by law, they have a diligence review that they have to deal with the public hearings went extremely well with Lachenaie and so as a result, they have a timeline, however, to study all the content of the public hearings and then issue their final results. So overall, let me say that we're very, very pleased with what's been going on in Quebec and the vision of once again for the eighth time seeing a significant expansion at Lachenaie.

WALTER SPRACKLIN: So understanding that it's an optimistic scenario is there any contingency plan in the event that, you know, by whatever reason it's not...

KEITH CARRIGAN: No, I think you know, once again, we handle critical mass and when you have critical mass you tend to be able to dig deep in pricing and volume. So we feel very good under any circumstances, that if there was a budget criteria that we would have to leverage to be able to at the best scenario for disposal and freight.

WALTER SPRACKLIN: Okay, just a quick question there for Tom. This relates to Nav's question on the top of Note 13, are we seeing that

they have four -- did I read that right that, okay, so you got \$15 million in top up for Seneca. Am I really not right that it's \$14.6 million more that could come up in bonus payments or is that what that \$14.6 is?

TOM COWEE: There is some additional landfills down in the US South that have step payments, depending on the size or the volume, but they're not -- not of them are going to come due in a short term that are materiality basis, you know, some of those step payments at these landfills have to get very large and the likelihood of those happening anytime soon are very small.

WALTER SPRACKLIN: Got it. Okay. So but the \$14.6 is the sum aggregate of all of those step-ups, is it?

TOM COWEE: Over time, yeah.

WALTER SPACKLIN: Okay.

TOM COWEE: There is some of that highly unlikely worth, yes.

WALTER SPRACKLIN: Right.

TOM COWEE: And there are no more payments at Seneca.

WALTER SPRACKLIN: Right. Okay. Pricing, I know, I've been hearing that, you know, your organic growth rate is quite high, pricing obviously a function of that, if you are winning business, just trying to -- looking at the decline in EBITDA margins over the last few quarters, understanding fuel and some of your cost increases are a factor, is pricing

also a factor, in a sense that you are winning new business more than your competitors and using pricing to do so?

TOM COWEE: Well, you know, let me say that the margins have changed not because of the pricing and not because of what you're suggesting. Margins have changed because we have been adding assets that are collection assets that are typically lower margin than landfills. If we were to add more landfill assets, those margins would increase again. However, once again we look at return on capital and what's been increasing is free cash flow and so it's evidenced that as we acquire margins do not play a significant role in terms of producing more free cash flow.

WALTER SPRACKLIN: Okay. Let me ask it this way.

TOM COWEE: As I was mentioning earlier, I'll finish addressing the question. Is it -- also I've mentioned earlier that we are seeing accretion in every line of business. Though, our return on capital was increasing in every line of business, collection line of business that we have, we're very, very pleased with that. However, we use price or price is a tool to -- that generates a revenue that we against every asset that we operate, and there's other indices, as you know, that generate the revenue against an asset other than price. So we are continually being able to access price in the markets that we are running the pricing strategy and so -- and overall, I want to tell you that our revenue against all our assets, collection assets

particularly when we get to the customers, has been increasing significantly over the last, probably the last several years, that continues and we're very, very pleased with that.

WALTER SPRACKLIN: I know, I understand the revenue is increasing, I guess, a better question is -- and I completely understand the collection business for the landfill. Let me ask you this way, is the collection assets that you're acquiring lower margins than your existing collection assets?

TOM COWEE: Typically they are, you know, simply because we have in most of the markets higher density therefore a higher leverage and so when we acquire companies, they're usually typically smaller companies that don't have the capacity through their critical mass, generate the revenue on the assets that we would have, and certainly we hope that they don't because that gives us see opportunity to take those assets, pay for them you would like at a lower rate because of that and inability with critical mass to generate revenue, and then we roll them into our existing process, which then we get a lot of accretion in that you might want to call it a synergy if you would like, but we then generate a lot of accretion by rolling down into our process and generating a much higher return against those same assets.

TOM COWEE: Great. That's all my questions. Thanks.

KEITH CARRIGAN: Thanks, Walter.

OPERATOR: And your next question comes from Nima Billou, Bloom Investment Counsel. Please go ahead.

NIMA BILLOU: Good morning.

TOM COWEE: Good morning.

NIMA BILLOU: Just wanted to ask a question, I know its difficulty with kind of a rolling figure, but the margins for the US Northeast segment, can we take -- EBITDA margins, can we take Q1 as indicative of the sort of long-run potential, the long-run margin, or they continue to trend down as the collection assets contribute more?

TOM COWEE: I think you have to -- you look at two things that if you're comparing year-over-year as the Winters Brothers acquisition will continue to flow through our second quarter as well as two-thirds of our third quarter on a year-over-year basis. On the other hand, seasonality into the landfills specifically Seneca Meadows is significantly higher. So I think you have to kind of look at the trends for the last year versus pre-Winters Brothers and that's kind of factored in the Winters Brothers downturn of the margin. I don't think it's a clue date and just pick the first quarter, I mean, the weather issues obviously affect the volumes in the Seneca Meadows landfills as Keith has mentioned before.

NIMA BILLOU: Okay. That's hopeful. And just to review without going back on the capital markets, what's the capacity on the debt side to pursue growth CapEx and acquisitions.

TOM COWEE: Well, as I've mentioned in my prepared text and I'll give the actual numbers here again. We do have some room still on the US credit facility and a Canadian credit facility that was \$43 million available on the Canadian facility in Canadian dollars and \$48 million available on the US facility in US dollars, and then they both have available to them accordion features, \$50 million in the Canadian facility and \$55 million in the US facility.

NIMA BILLOU: Okay. So roughly \$200 million in capacity if you exercise all that capacity including the accordion feature.

TOM COWEE: Of course, we do some free cash flow that we excess free cash flow on that every quarter basis as well. So we do have that as well for our growth cap.

NIMA BILLOU: Okay. And a final question just on the Canadian margins, again, you had very strong contributions in the quarter-over-quarter EBITDA dollars, but the margin declined a little bit. Is that just a question as Keith pointed out of using sort of pricing as a tool to drive additional contribution or is that just an increase in sort of labor and fuel costs?

TOM COWEE: No, I think the weather played a little bit of a role in terms of the margins this last quarter in the out west particularly. We didn't have as many soils due to the weather running through the landfill and also quite frankly there's a little bit of, as you all know, a little bit of controversy putting your stone back and some of the drillers out in that area. So there's a little bit of a holdback in the softness while they sorted out their royalty issues, but clearly, you know, we believe and we see projections in orders of the upcoming and that that was a temporary basis. So when you lose that material, that's landfill again that will affect the margin. In addition to that, as fuel costs increase and we're passing them through, they play a much more significant role, which ultimately just by nature reduces margins as well.

NIMA BILLOU: Thanks very much.

TOM COWEE: You're welcome.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the star followed by the one. As a reminder, if you are using a speakerphone, please lift the handset before pressing the keys. And your next question comes from Michael Simpson of Sentry Select. Please go ahead.

MICHAEL SIMPSON: Hi there.

TOM COWEE: Hi Michael.

MICHAEL SIMPSON: Hi there. Some of your competitors in the US are charging environmental fees. Do you charge any of your Canadian or US customers' environmental fees?

TOM COWEE: We do it in the US. We have charged an environmental fee and I think just about all of them are charging environmental fees, Michael. We are in the US and we are not in Canada.

MICHAEL SIMPSON: In the US is the trend for that environmental fee or surcharge going up or is it staying the same?

TOM COWEE: It's moderately moving up and it really is a reflection of what we see in terms of development costs, as you recall, if you look at land and this is landfill development cost. You know, clearly under Subtitle D, we have double-line sites and as fuel costs increase the cost is increasing significantly, the cost of liners in sites, synthetic liners, and so we have and they all have an ability to pass through that cost through to our customers. But, you know, we watch that, we monitor it, and then we pass it through reporting.

MICHAEL SIMPSON: Thank you.

TOM COWEE: You're welcome.

OPERATOR: And your next question comes from James MacKellar, a private investor. Please go ahead.

JAMES MACKELLAR: Yes, good morning, sir. I have two questions. I'm a chemical engineer and a shareholder. My first question relates to the City of Toronto. Does the company expect our business to grow, stay stable, or decrease due to current competitive pressures?

KEITH CARRIGAN: Are you talking about our local business?

JAMES MACKELLAR: Yes.

KEITH CARRIGAN: Well, we typically we don't comment on local business, just other than to say that the process we have is a growth process in all of our companies and this process is including Toronto. So clearly, we have the ability through our process to react to various competitive conditions, and that every market has different conditions and be successful within those areas. I would say to you, we don't see Toronto as any exception.

JAMES MACKELLAR: All right. Fine. Thank you. The other question relates to your hauling fleet. Do you expect to turn over any of your hauling fleet in 2008, 2009, and if so do natural gas fuel-powered truck engines, i.e., Westport Innovations Technology figure into your planning considering a green environment thrust?

KEITH CARRIGAN: We are currently looking at various fuel sources, biodiesel, you know, in fact, and in addition to that we have tested some new technology in our -- one of our winter operations with respect to

getting better mileage if you would like from traditional fuels. So we are doing various environmental opportunities to create a better carbon footprint throughout the Company. So the answer is absolutely yes, we will continue to do that. One of the issues as it relates to some of the alternate fuel sources is the availability and the opportunity to run a full day's work with the fuel. So there has been some concerns, some of the alternate fuels as it relates to that issue and natural gas kind of falls into that category.

JAMES MACKELLAR: Thank you, sir.

OPERATOR: Ladies and gentlemen, we've reached the end of our allotted time for questions. I would to turn the conference back to Mr. Carrigan.

KEITH CARRIGAN: Well, as I believe is evident, the management discipline and our process continue to drive results throughout the Company. We continue to feel that this discipline will continue and I would like to thank you all for your continued support of BFI Canada and I certainly look forward to reporting our second quarter results within the few months. So thank you once again.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating, please disconnect your lines.

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