BLUE
WATER
BRIDGE
CANADA

2008-2009 to 2012-2013
Corporate Plan Summary

Summary of Operating Budget
Summary of Capital Budget

Canada

EXECUTIVE OVERVIEW

During the latter part of fiscal 2007, Blue Water Bridge Canada (BWBC) experienced excessive traffic congestion during the summer months; commenced developing general strategies to further educate the public and improve safety and efficiency within the bridge plaza and bridge spans; received the findings and recommendations from the Special Examination conducted during fiscal 2007, and; revised its capital master plan.

Blue Water Bridge Canada's primary focus for fiscal 2008 and beyond will be to put general strategies and specific processes in place, as well as to support initiatives that significantly reduce the risk of experiencing the events of the previous summer of 2007. This border crossing was subjected to the worst summer on record for traffic congestion and border wait times.

Traffic Congestion:

With volumes significantly down during 2007, the summer months inversely experienced longer lineups and more frequent traffic congestion. This was due to:

- Increased intensity of inspections by U.S. Customs and Border Protection (CBP) resulting in increased processing times for passenger vehicles;
- Inspections of increased frequency and duration for all commercial cargo and travelers – including those deemed to be low-risk;
- Inadequate border infrastructure on the Port Huron, Michigan bridge plaza;
- Limited primary inspection lanes being operational during peak hours because of inadequate staffing by U.S. CBP;
- Lack of clarity on admissibility requirements;
- Technological issues with CBP computers, particularly with the recent introduction of the Automated Commercial Environment (ACE) program;
- Significant currency fluctuations that increased cross-border shopping into the U.S.

Delays of at least one hour were experienced on 38 days between July 2007 and August 2007. The problem was so severe last summer that the Ontario Ministry of Transportation installed portable toilets along Highway 402 for travelers. With summer over, the lingering public perception that it is not worth the risk of crossing the border for same-day shopping or weekend excursions has remained, resulting in consistent decreases in car and truck traffic over the autumn and winter months when compared to the same months of the previous year. During the Fall of 2007 and winter/spring of 2008 CBP has improved. However, management is turning its attention towards the Canada Border Service Agency (CBSA) with its manpower shortage and inability to efficiently handle the significant increase in truck traffic coming into Canada. We are also monitoring the progression of the provincial Ministry of Transportation project – the 402 Highway widening – which, in our opinion would exert a significant improvement with the filtering of the NEXUS and FAST approved traffic through to the express dedicated bridge lanes.

Commercially, increased border wait times have resulted in just-in-time deliveries being unable to meet their crucial deadlines, leading to both interrupted delivery of goods and a cascading effect that disrupts the complex Canada-U.S. supply chain. The "trusted" shipper (FAST) and traveler (NEXUS) programs have not fully realized the stated program benefits. The overall benefits of the FAST program are now being questioned as participating companies are continuously subjected to secondary inspections at the border.

The negative impacts extend beyond intra-North American supply chains:

- Cross-border healthcare workers have been subjected to lengthy waits;
- Elderly citizens, young children, people with medical conditions have had to endure long lineups in hot weather;
- Smog levels have increased significantly because of hundreds of vehicles idling for hours in hot and humid conditions;
- Health of livestock has been endangered during long wait times in hot weather.

Tourism, hospitality, shopping and cultural activities have been seriously affected because casual border traffic in both directions is deterred by long border wait times, the vagaries of customs procedures and the sheer uncertainty of how long the process will take.

Auditor General Special Examination & Corporate Governance:
Of equal importance to the Board and to executive management is the implementation of the recommendations from the special examination report. It is recognized that the Board will provide strategic direction to BWBC and improve the corporate governance over the organization. The action plans are identified in the strategic objectives section of this report. Management is actively engaged in the implementation of all management related recommendations made by the OAG. A corporate secretary has been appointed to track and expedite the governance action items and otherwise, the paperwork between Ottawa and the BWBC.

With the assistance of an independent facilitator, the Board conducted a 3-day retreat to create a new mission and vision statement and to establish the strategic direction for BWBC. A month after that, the management team conducted a 2-day retreat to identify and assign the action plans required to implement and meet the pre-determined strategic objectives. Part of both sessions was used to identify the various risks facing BWBC and the strategies, processes and controls in place to mitigate those risks. In April 2008 a formal risk management policy was established.

A review of the Master Plan is underway to explore opportunities and revalidate the recommendations of the plan and to streamline costs without compromising the main objectives in resolving operational and security concerns for the plaza.

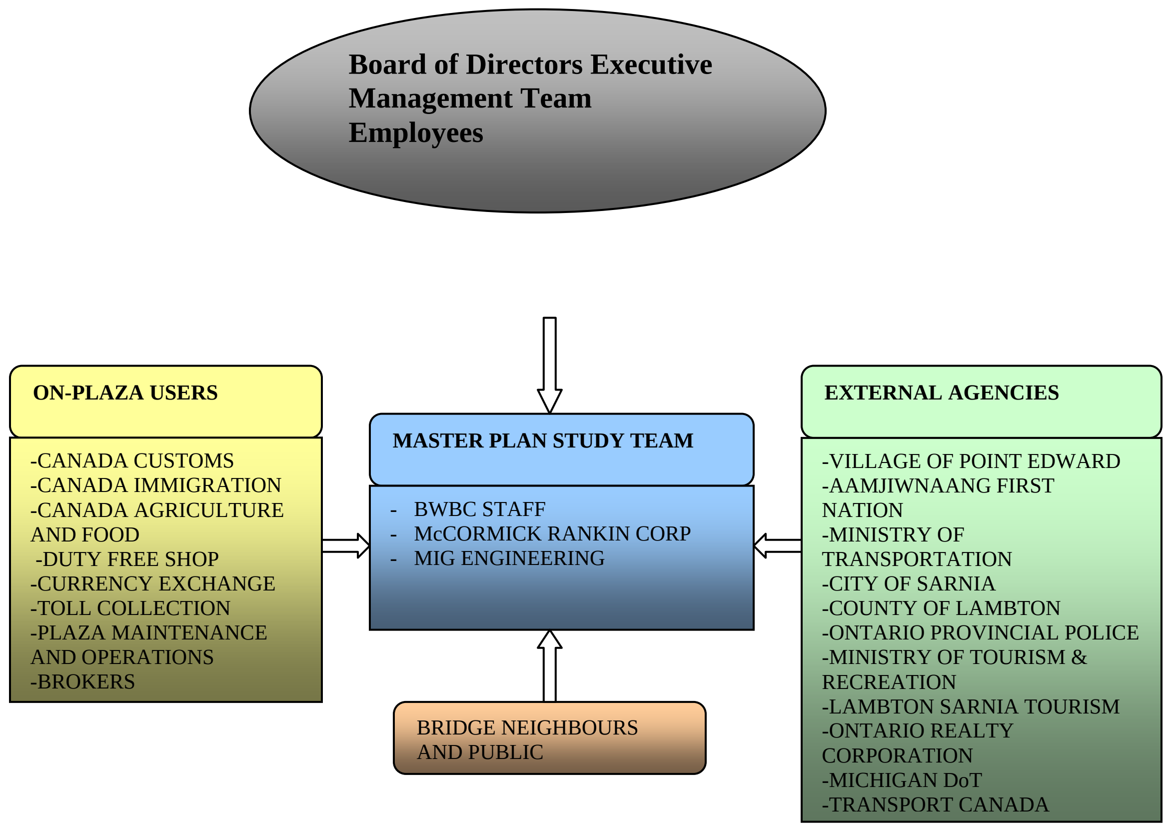
With the impetus of the change in management leadership and the corresponding replacement of almost all of the Board of Directors, we are looking forward to reassessing some of the major decisions made in the past. New office software applications are also being employed to increase productivity and reduce administrative overhead staffing requirements to springboard the Bridge Authority forward into the future.

Historically, we started as a local authority, federally legislated in 1964. In 2002, we became a parent Crown corporation. We are very appreciative of the assistance provided by the Office of the Auditor General and we are using their guidance through the recommendations made in the Special Examination report, to put in place all the corporate governance procedures and processes required and expected of any Crown corporation across Canada.

CORPORATE PROFILE

The ***Blue Water Bridge Authority Act*** of 1964 established BWBC and authorized it to provide facilities for the carriage of highway traffic between Canada and the United States, defraying the costs of operating and maintaining the Canadian portion of the bridge with the ability to levy tolls. It also officially exempted the Authority from the assessment of income tax.

Over the course of its history, BWBC has evolved and nurtured its relationship with the plaza users, external agencies, employees and the surrounding communities. It is important to be not only a responsible corporate citizen but also to enhance our community profile and image along with the participation, input and buy-in of all the stakeholders.



HISTORIC MILESTONES

- **1938** Construction of the original span was completed and was dedicated as "a new bond of friendship and commerce between two…nations of this continent". Funding for the Canadian portion of the bridge was provided by the Federal and provincial governments. The project was completed at a cost of USD $3.9 million.
- **1962** The ownership of the Canadian portion of the bridge span was transferred to the Blue Water Bridge Authority from the Federal Government at no cost.
- **1964** The *Blue Water Bridge Authority Act* provided the legislative authority to levy tolls in exchange for the operation, maintenance and construction of sufficient facilities to bridge-related, government agencies.
- **1992** An international task force concluded the existing bridge was operating in excess of its design capacity and that a new bridge should be constructed. A joint venture was undertaken between the Authority and the Michigan Department of Transportation (MDOT).
- **1997** The second bridge was opened to traffic and the original (first) bridge was closed for rehabilitation. The cost of the Canadian side of the new bridge was approximately $65 million paid in whole by the Blue Water Bridge Authority through an operating line of credit.
- **1999** The original bridge was opened to traffic and in tandem with the second bridge provided three lanes of traffic capacity in each direction. The cost of the rehabilitation was $25 million and paid by the Bridge Authority through an operating line of credit.
- **2002** The Authority became a Schedule III, Part I parent Crown corporation and does not receive appropriations. Refinancing of its construction debt originated from a credit facility provided by a Canadian chartered bank in the amount of a $110 million bond issuance through which prior and future major capital projects would be financed.
- **2007** In accordance with the Federal Identity Program requirements, the Minister of Transport, Infrastructure and Communities and the President of the Treasury Board agreed on an applied title: Blue Water Bridge Canada.

Applicable Legislation

The Blue Water Bridge Authority was established by the *Blue Water Bridge Authority Act (Canada)* on May 21, 1964. On April 26, 2002 the Authority became a parent Crown Corporation, and as such, is listed under Schedule III, Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act.*

As required by the *Financial Administration Act*, BWBC must submit an annual corporate plan outlining its business, activities, investments, objectives, and the strategy to achieve such objectives for the relevant period. The corporate plan must also disclose if BWBC intends to borrow funds. The Governor-in-Council must approve such corporate plans and the Minister of Finance must approve all borrowing transactions. The *Financial Administration Act* (Canada) also requires that the Authority prepare and file annual operating and capital budgets, each of which requires the approval of the Treasury Board on the recommendation of the Minister of Transport. BWBC is also obliged to prepare annual audited financial statements and submit these to the Minister of Transport.

The *Blue Water Bridge Authority Act* and the *Customs Act*, Section 6, require BWBC to provide, equip and maintain, free of charge, adequate buildings, accommodation or other facilities for the proper detention and examination of imported goods or for the proper search of persons by customs and immigration officers.

Pursuant to the *Blue Water Bridge Authority Act*, BWBC is limited to charging tolls which provide for current revenues in an amount sufficient to pay it's reasonable current costs, to establish prudent reserve funds, to provide or replenish sinking funds in respect of outstanding bonds, and to pay other expenses properly incurred by BWBC in its performance of its duties under the Act. The *Canada Transportation Act,* Sections [117-120] regulates the means of setting and publishing toll rates and provides that notice of an increase to a toll rate must be published at least 20 days before the effective date.

The *International Bridges and Tunnels Act* received Royal Assent in February 2007 and is now law. The BWBA does not anticipate any significant implications nor material impacts on BWBC's operations or procedures.

BWBC is also required to comply with the *Official Languages Act* with the *Federal Identity Program*.

FACILITIES

The Bridge

The Bridge includes the Canadian portion of two international toll bridges spanning the St. Clair River at the mouth of Lake Huron. The Canadian portion of the Bridge ends at the international border approximately halfway across the Bridge. The bridges connect the communities of Point Edward (Sarnia), Ontario and Port Huron, Michigan. Historically, BWBC and the Michigan Department of Transportation ("MDOT"), as operator of the US portion of the bridges, have enjoyed a co-operative working relationship in the construction, rehabilitation, operation and maintenance of the Bridge. Officials from BWBC and MDOT meet regularly to discuss issues regarding the joint operation of the two bridges.

Construction

The initial three-lane bridge construction was completed in 1938 with a main span across the St. Clair River of 875 feet, a navigational clearance above the river of 152 feet and an overall length of 6,534 feet. The original bridge underwent a two year rehabilitation completed in 1999 which is projected to extend its life expectancy an additional 50 years from the completion of construction**.** A new three-lane bridge with a main span of 922 feet, a navigational clearance above the river of 155 feet and an overall length of 6,109 feet was constructed and opened for traffic in 1997. The life expectancy of the new bridge is 75 years, at which point a major rehabilitation project will be required.

Location

The Bridge connects Highway 402 in Ontario to I-94 and I-69 in Michigan, which provide south-westerly access to the following metropolitan areas: Detroit, Michigan; Indianapolis, Indiana; Chicago, Illinois, Madison, Wisconsin; Minneapolis, Minnesota; and St. Louis, Missouri. An overview of the location of the Bridge in relation to major trade routes is presented in the Appendix – Blue Water Bridge Orientation with Major Trade Routes.

Blue Water Bridge - Major Trade Routes
Pont Blue Water - Principales routes de commerce

The BWBC Facility

The bridge spans' underlying land and the buildings and other appurtenances on the land, as described below, are referred to collectively as the "Facility". The Facility is situated on 98 acres of land in the village of Point Edward (Sarnia), Ontario. The underlying land is owned by BWBC, and is encumbrance free. The new truck ramp facilitates and eases the convergence of trucks onto the 402 Highway. The plaza on the Facility (the "Canadian Plaza") is comprised of several buildings.

The main building complex is a series of connected two storey buildings, which house BWBC administration offices, Canada Border Services Agency, various customs brokers and a trucker's waiting area. A new Maintenance Facility was completed in 2001 and the new Duty Free Store in 2002. Other buildings located on the Canadian Plaza include a toll office, projects office, currency exchange, public washrooms and the Canadian Food Inspection Agency. A new tourism travel centre constructed in 2005, is located in a landscaped rest area just off of the Canadian Plaza. A generator building is also located on the Canadian Plaza. The generator provides emergency backup power for the entire Canadian Plaza in case of a local outage.

Approximately 38.5 acres of the Facility's underlying land have been identified as being archaeologically sensitive. Portions of this acreage have been determined to be aboriginal burial sites within the meaning of the *Cemeteries Act* (Ontario), and the Aamjiwnaang First Nation band, which is located within Sarnia has assumed responsibility for the preservation of these aboriginal human remains. Accordingly, development and construction in these areas is undertaken very carefully and incorporates pre-construction archaeological investigations. Historically, BWBC and the First Nation have maintained an excellent working relationship. This is evidenced by the successful and conflict-free construction and completion - along archaeologically sensitive land - of the second bridge span, the expansion of a staff parking lot, the completion of a new maintenance facility and the construction of a new Duty Free Store. In addition, on June 21, 2002 BWBC and the First Nation signed a Memorandum of Understanding (the "MOU") to record the shared vision, goals and objectives of the First Nation and BWBC with respect to First Nation heritage and the archaeological resources present at the Bridge site.

THE BUSINESS OF BWBC

The business of BWBC is to operate and maintain the Facility, which includes one-half of each of the two bridge spans. BWBC is responsible for the Canadian Plaza operations, maintenance of and improvements to the Bridge, and toll collection for traffic travelling from Canada to the United States. Revenues consist of tolls collected from westbound traffic crossing the Bridge, office and facility rental income from commercial "non-government related" customs brokers located on the Facility, rental and commission income from the operators of the Duty Free Store and income from the Currency Exchange. Other secondary income sources are derived from interest on cash balances, escort fees, and commissions on sales from food vendors and food vending machines.

Toll Revenues

The principal source of revenues of BWBC is tolls collected from westbound traffic crossing the Bridge. BWBC has the exclusive right to impose and collect tolls for westbound vehicular crossings. All revenue collected from westbound traffic belongs to BWBC. Tolls are collected for eastbound traffic on the American side by MDOT. Revenue collected from eastbound traffic belongs to MDOT.

BWBC prepares annual expense and capital spending budgets. In addition, long-term cash flow forecasts are prepared and reviewed annually. If after determining priority items, a potential cash shortfall is identified, BWBC has the authority to increase the toll rates after posting the proposed changes at the toll booths for 20 days. These powers were granted under the *Canada Transportation Act (1996)*. Toll rates at other competing border crossing locations are periodically reviewed by the Authority to ensure that BWBA maintains a competitive advantage.

The most recent toll adjustment occurred September 2007, responding only to the strengthening of the Canadian dollar to par of the American dollar. This corporate plan has incorporated one toll rate adjustment of $0.25 per car &/or truck axle for September 2011. However, as this date approaches, the necessity of implementing those adjustments will be reviewed and re-justified pending Board approval. Based on past experience and our competitive position with regard to other bridge crossings, these increases are not expected to affect traffic volume.

Tolls are collected by toll collectors and automatic coin machines ("ACM's") at the five toll booths located on the Canadian side of the Bridge. Passenger vehicles can pay in cash or with BWBC tokens. Commercial vehicles can pay in cash or through the use of a magnetic swipe card and a prepaid account.

The toll and accounting systems are fully integrated. BWBC completed a major accounting and toll system upgrade in November 1999. The first step in the process was the construction of a new centralized computer room in the administration building. The room houses the toll system, and accounting and email servers. The computer room, administration building, maintenance building, toll plaza and toll lanes are connected with high speed fibre-optic lines. A systems upgrade to the toll software, automatic coin machines, lane controllers and toll server was completed in December 2002. Another system upgrade is planned in the near future and may be coordinated with the new system contemplated by the American side of the Bridge (MDOT). A new IT Manager position has been created and a new person hired to start June 2008. The toll upgrade and Business Continuity program will be two of the major responsibilities of the person hired.

TOLL RATES

Type of Vehicle	January 2006		September 2006		September 2007	
	CDN $	U.S. $	CDN $	U.S. $	CDN $	U.S. $
Passenger	2.50	2.25	2.75	2.50	2.75	2.75
Commercial						
02 Axles	5.50	5.00	6.00	5.50	6.00	6.00
03 Axles	8.25	7.50	9.00	8.25	9.00	9.00
04 Axles	11.00	10.00	12.00	11.00	12.00	12.00
05 Axles	13.75	12.50	15.00	13.75	15.00	15.00
06 Axles	16.50	15.00	18.00	16.50	18.00	18.00
07 Axles	19.25	17.50	21.00	19.25	21.00	21.00
08 Axles	22.00	20.00	24.00	22.00	24.00	24.00
09 Axles	24.75	22.50	27.00	24.75	27.00	27.00
10 Axles	27.50	25.00	30.00	27.50	30.00	30.00
11 Axles	30.25	27.50	33.00	30.25	33.00	33.00
12 Axles	33.00	30.00	36.00	33.00	36.00	36.00
13 Axles	35.75	32.50	39.00	35.75	39.00	39.00

Bridge Traffic

Vehicular traffic demand over the Bridge has two principal components: commercial vehicles and passenger vehicles.

Commercial Vehicles

Commercial vehicles, such as trucks and tractor-trailers, use the Bridge primarily to ship goods between Canada and the United States. Traffic volume from commercial vehicles is dependent on a number of factors, including the level of exports/imports between the two countries, which in turn depends on the levels of economic activity in North America generally as well as the relative strengths of the Canadian and U.S. currencies.

Since the implementation of the *Canada-U.S. Free Trade Agreement* ("FTA") in 1989 and the *North America Free Trade Agreement* ("NAFTA") in 1994, the volume of traffic across the Canada-U.S. border has increased significantly. There is now over $1.8 billion in goods and more than 300,000 people moving across the Canada-U.S. border each day. Canada-U.S. trade has more than doubled since the FTA came into effect.

International trade traffic typically follows the most cost efficient route which is determined by both travel time and distance travelled. Westbound traffic over the Bridge enters Port Huron, Michigan and has direct access to major interstate freeways I-94 and I-69.

These two freeways link directly into the industrial heartland of Michigan, Ohio and Kentucky, and the mid-west states of Illinois, Indiana, Wisconsin, Missouri and beyond. Eastbound traffic over the Bridge enters Sarnia and moves directly onto the four–lane divided Highway 402 and then onto Ontario's major east-west throughway, Highway 401. The Bridge is the most efficient route between Toronto and Chicago. The Bridge is also the most efficient route between Boston and Chicago and between Western Canada and Toronto/Montreal. In addition, the Bridge handles 80% of the "in-transits" crossing the Michigan-Ontario border. "In-transits" are trucks which take a short-cut through a foreign country and then return to their originating country solely for the sake of taking the most efficient route. Approximately 10% of all commercial traffic on the Bridge is "in transit". The Bridge is an essential economic link between Ontario and Michigan as well as to the economic corridor through the United States and southerly to Mexico.

The Bridge currently ranks as the fourth busiest U.S.-Canadian border crossing for total vehicles, is the second busiest for the number of commercial vehicle crossings and is the busiest live animal port of entry on the Canadian border. During fiscal 2008 there are currently approximately 4,428 commercial vehicles and 8,705 automobiles (two-way) crossing the bridge spans daily. On peak days, the count exceeds 6,600 for commercial vehicles and 10,000 for automobiles.

Passenger Vehicles

Passenger vehicles, which use the Bridge, such as automobiles, motorcycles, buses and recreational vehicles, consist generally of tourists, cross-border shoppers and commuters. Traffic volume from passenger vehicles depends on a variety of factors including the demand for cross-border shopping, which varies according to gas prices and consumers' perception of the strength of the Canadian and U.S. currencies. Traffic volumes have also been affected by terrorist alerts and recent public health warnings.

Lease Revenues

The primary source of lease revenue is derived from a lease agreement with the Blue Water Bridge Duty Free Shop Inc., a private operator of the Duty Free Store. The lease payment is based on a fixed charge plus a percent of revenue.

To facilitate the processing of customs paperwork for commercial vehicles, BWBC has provided rental office facilities on-site for customs brokers. There are currently 16 companies holding rental leases with the Authority.

Primary Competition

As the fourth busiest U.S.-Canadian border crossing, the Bridge provides an efficient trade gateway between Canada and the United States. There are alternatives to the Bridge; however, other than the Windsor's Ambassador Bridge, none is considered by BWBC to be a major competitor.

CN Rail Tunnel

The Canadian National St. Clair Rail Tunnel crosses the St. Clair River in Sarnia. It was recently expanded to allow additional vertical clearance for trains, and has thereby increased its ability to carry larger loads. The tunnel services a different market than the Bridge.

The trains using the tunnel principally carry long-distance commodities (grain, coal, etc.) and finished goods (container shipments from Europe, cars, etc.) Trucks, because they can reach a broader market, including smaller geographic centres, more effectively than trains, are better at handling "just in time" deliveries, a major requirement of the automobile assembly industry. A significant portion of this industry is located in the trade corridor serviced by the Bridge. 70% of U.S./Canada trade is carried by truck and 20% of U.S./Canada trade is carried by rail. Both volumes have been increasing but the ratio has remained relatively constant.

Ambassador Bridge

The Ambassador Bridge is a privately owned bridge located in Windsor, Ontario and crossing into Detroit, Michigan. The Blue Water Bridge and the Ambassador Bridge compete for toll revenue, which is derived from businesses located in the Detroit area. Where the Ambassador Bridge is situated, it services somewhat different trade routes than the Bridge. Traffic using the Ambassador Bridge is more likely to be very localized and destined for Detroit, southern Michigan, Ohio, Tennessee and beyond. The Ambassador Bridge provides westbound access to I-94 and I-75 and eastbound access to the 401 Highway.

For passenger vehicle traffic, the BWBC toll rates are 44% or $3.25 Canadian lower than the Ambassador Bridge. Of all the toll bridges in Ontario we are the 3rd lowest.

Vehicles using the Detroit-Windsor corridor must pass through the streets of Windsor before reaching a major highway. This route involves numerous stops and starts and, compared to the Bridge crossing, adds approximately 20 minutes of driving time before reaching a major highway.

The Ambassador Bridge, as it is a for-profit operation, generally has higher toll rates than the Bridge. However, because it charges customers based on the weight of the vehicles some commercial vehicles which might otherwise use the Bridge choose to use the Ambassador Bridge when they are without a load, as the toll charges for an empty vehicle will be less than at the Bridge which charges on a per axle basis. BWBC believes that such diversion is not a significant source of lost revenue, as other factors, such as ultimate destination and ease of crossing will normally outweigh toll charges when vehicle drivers make a border crossing decision.

Detroit-Windsor Tunnel

The Detroit-Windsor Tunnel, which is jointly owned by the cities of Windsor and Detroit, is the only vehicular international subaqueous border crossing in the world. It was originally designed with limited queuing space on either plaza whereby overflow traffic would be held within the underground/underwater tube itself. However, since 9/11, the Detroit & Canada Tunnel Corporation prohibits the queuing of vehicles in the Tunnel for safety and security reasons. As a result 250+ cars that would normally queue in the Tunnel now overflow onto city streets.

The Tunnel is not necessarily considered to be a direct competitor because 97% of the traffic which uses that facility is considered as commuter-based which has an origin and destination within and between the Detroit and Windsor areas.

Toll Rates Comparative - Passenger Vehicles - Major Locations

	Return (2-way) trips	Date of Increase	$ Cdn	$ U.S.
	Detroit-Windsor Tunnel	3-Nov-07	8.50	7.50
	Ambassador Bridge	1-Feb-08	8.00	8.00
	Blue Water Bridge	5-Sep-07	4.75	4.25
*	Lewiston-Queenston Bridge	15-Nov-07	3.25	3.25
*	Rainbow Bridge	15-Nov-07	3.25	3.25
*	Whirlpool Rapids Bridge	15-Nov-07	3.25	3.25
	Seaway International Bridge	1-Nov-07	3.25	3.25
	Peace Bridge	1-Jul-07	3.00	3.00
	Thousand Islands Bridge	1-Nov-07	2.50	2.50
	Sault St. Marie Bridge	1-Apr-08	2.00	2.00

* Niagara Falls Bridge Commission.

Toll Rates Comparative - Commercial Vehicles (Trucks) - Major Locations

		Per Axle $			(Based on 5 Axles) $	
	Location	Cdn	U.S.	Explanations	Cdn	U.S.
	Ambassador Bridge	Varies	Varies	Empty Loaded	13.75 22.50	13.75 22.50
*	Peace Bridge	Varies	Varies	Covers both directions E-Z Pass	27.75	28.00 25.20
	Lewiston-Queenston Bridge	Varies	Varies		18.50	18.50
	Blue Water Bridge Canada	#	#		15.00	15.00
	Blue Water Bridge MDOT	#	#		15.00	15.00

* Toll covers both directions

Note: Calculation based on number of axles or average gross vehicle weight (90,000 lbs)

Operations

The Facility is operated in accordance with the standards and procedures established by BWBC to, among other things, emergency response, parking and traffic control, transportation of goods across the Bridge, security and communication.

BWBC owns all the equipment to operate the Facility and employs its own competent trained staff to perform the daily operations of the Facility. BWBC staff are internally trained in a number of specific programs including WHMIS (Workplace Hazardous Materials Information System), CPR, First Aid, Fire Prevention, Transportation of Dangerous Goods, Traffic Control and Working in Confined Spaces. These training courses, along with refresher courses, are provided to BWBC employees on a regular scheduled basis. In addition, BWBC periodically hires outside consulting firms to conduct reviews of the operations of the Facility.

BWBC currently has a staff of 78 (56 full-time and 22 part-time). The organization has eight departments: Accounting, Administration, IT, Currency Exchange, Janitorial, Maintenance, Project Management and Tolls. The Toll department is the largest with 31 employees.

In March 2007, the Currency Exchange, Maintenance, Janitorial and Tolls non-salaried employees joined the PSAC union, disbanding the Blue Water Bridge Employees Association. A new collective agreement was signed November 2007, currently in effect until November 2010.

Insurance

BWBC maintains property, general liability and errors and omission insurance coverage which it believes is adequate with regard to its business and activities. The Bridge maintains various insurance policies, such as direct damage on bridge structures, use & occupancy, property of every description, commercial general liability, automobile/trucks, umbrella liability, crime, directors & officers and builders risk as required.

For fiscal 2008 the Canadian halves of the two bridge spans will be covered for $149.8 million of direct damage with a basic $500,000 deductible (except for earthquakes where the deductible is 3% of value insured with a minimum deductible of $500,000). Business interruption coverage provides approximately three years of lost revenue (with a 7 day waiting period). It is anticipated that a major reconstruction could be completed in that time frame. The policies contain an exclusion clause for damages caused by acts of terrorism.

Environmental Matters

BWBC has a legal obligation to ensure that regulatory requirements for all environmental material impacts are complied with under Canadian federal and provincial law. BWBC has in place standard operational procedures for emergencies and evacuations for all buildings, structures and plaza adhering to applicable statutes such as the *Environmental Assessment Act* (Ontario), the *Canadian Environmental Protection Act* (Canada), the *Navigable Water Protection Act* (Canada), and the Canada Labour Code. BWBC's storm water management plan includes a Ministry of Environment and Energy Certificate of Approval for the storm water holding pond with an amendment to include a containment spill compartment (*Water Resources Act* (Ontario)). All capital projects are subject to an environmental and archaeological assessment pre-design where applicable statutes apply. Development of an environmental policy is planned for fiscal 2009. The new CBA Complex building to be completed by 2010 will be eligible for LEED's (Leadership in Energy & Environmental Design) certification.

The International Bridges and Tunnels Act

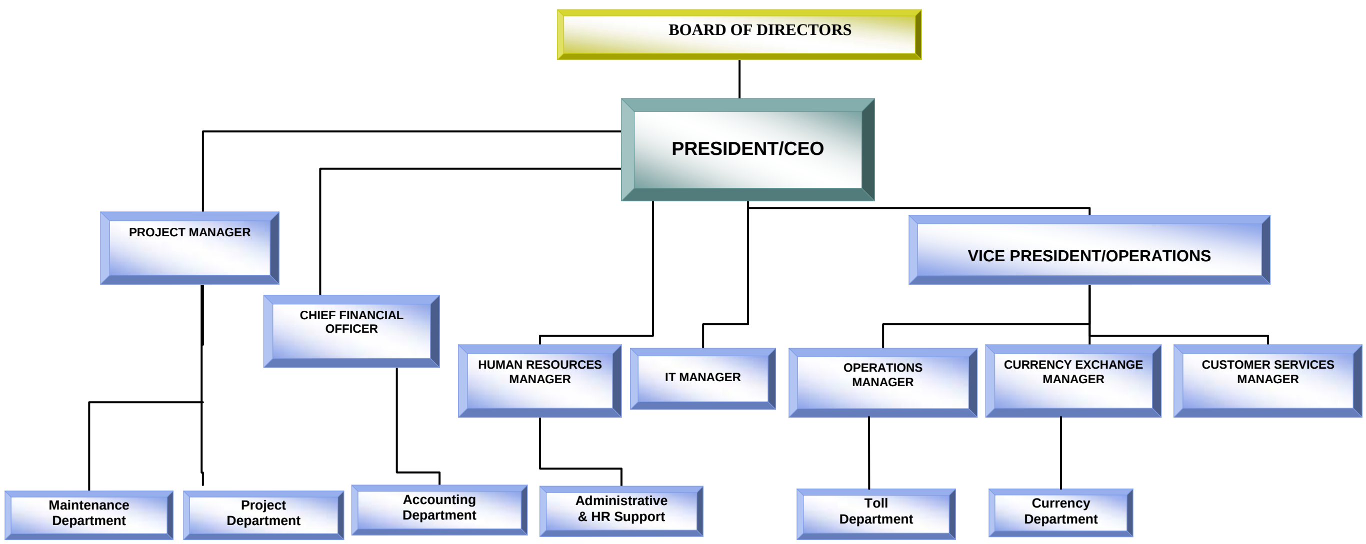
With the passage of the *International Bridges and Tunnels Act* there is no additional impact to the BWBC. Over the years, our bridge spans have been inspected on an annual basis and the inspection reports sent directly to Public Works (PWGSC) as directed by Transport Canada. Over the past six years, three security assessments have been conducted at the bridge facilities and over $2 million has been spent since 9/11 on various physical enhancements to improve the safety and security of the bridges and plaza area. As the Master Capital Plan unfolds, additional safety, security and efficiency improvements are inherent in the multiple major projects undertaken, supported by extensive independent consultant and managerial studies. Historically, BWBC has always acted and, will continue to do so, in accordance to the directives and regulations as set out by the Minister of Transport, through the governor-in-council, concerning the safety, security and efficiency of this bridge crossing. We will seek Ministerial approval for transactions that result in changes in ownership or operation of BWBC.

While BWBC has the autonomy to set its own toll rates, these adjustments are only undertaken as required and only to ensure that we maintain our ability to fund our capital and operating requirements and avoid any contravention of our bond covenants. Our rates are significantly lower than those of our primary competitor, the Ambassador Bridge. We continue to be sensitive to price elasticity to avoid any negative effect on traffic volumes. Only one toll rate adjustment has been built into the corporate plan and, as the planned time for the adjustment approaches, the rationale for the proposed adjustment will be thoroughly reviewed by the Board for their approval to ensure that our justifications are sound. On this basis alone are the adjustments included in this document for overall Ministerial approval.

ORGANIZATIONAL OVERVIEW

BWBC is governed by a Board of Directors that is responsible for the affairs of the corporation and ensures the proper delivery of public policy on behalf of the Government of Canada. The Board provides leadership and guidance to the corporation's management team and analyzes and sets the corporation's strategic direction. It is comprised of a chairperson and three directors, appointed by the Governor-in-Council.

Corporate Organization Chart



Our New Mission and Vision

The mission statement developed in 1998 was deemed to be too vague, immeasurable and inadequate. During the Board's three-day strategic planning session, the directors developed the new mission and vision to describe Blue Water Bridge Canada's principal reason for operating:

Mission:* *"To make your gateway experience safe, efficient and enjoyable"

Recognizing the importance of setting a definitive course for the future, the board adopted the following vision statement, to reflect the organization's intended standing in three to five years:

Vision:* *"To be recognized by our customers as an essential part of their travel experience"

Financial Experiences in 2007 and 2008 with Forecasted Events

Financial Effects

BWBC did not experience its previously forecasted commercial traffic projection in fiscal 2007 and has forecasted a further decline for fiscal 2008 and 2009 years. We attribute this decline equally to:

1. The strengthening of the Canadian dollar and its negative impact on American travelers into Canada and on Canadian export businesses, particularly the automobile industry;

2. The slowdown in the U.S. and Ontario economies;

3. Public perceptions and misperceptions of (a.) passport restrictions (Western Hemisphere Travel Initiative); (b.) increased U.S. Customs vigilance at the border, and; (c.) fear of being caught in long lineups on the Bridge spans and approaches.

Five Year Trend - Westbound - Traffic Volumes

	Actual				Forecast	Percent Decrease	Average Five Year
	2004	**2005**	**2006**	**2007**	**2008**	**2004-2008**	**Decline**
Car/Rvs	1,906,120	1,857,347	1,860,097	1,738,243	1,658,639	**(12.98%)**	**(2.60%)**
Trucks	944,334	912,716	883,421	784,319	746,817	**(20.92%)**	**(4.18%)**
Total	2,850,454	2,770,063	2,743,518	2,522,562	2,405,456	**(15.61%)**	**(3.12%)**

Due to the above trends, this corporate plan has significantly reduced the volumes from those previously presented in last year's corporate plan for the years 2009 to 2013 (refer to the two charts below).

Car Volume
Corporate Plan Comparative (2008-2012) vs (2009-2013)
(excluding the year 2013 for comparative purposes)

	Forecast Actual 2007	2008	2009	2010	2011	2012
(2007-2012)	1,729,660	1,643,176	1,643,176	1,659,608	1,676,204	1,692,966
(2008-2013)	1,738,243	1,658,639	1,608,879	1,608,879	1,624,968	1,641,218
Decrease	**8,583**	**15,463**	**(34,297)**	**(50,729)**	**(51,236)**	**(51,748)**
	0.50%	**0.94%**	**(2.09%)**	**(3.06%)**	**(3.06%)**	**(3.06%)**

Truck Volume
Corporate Plan Comparative (2008-2012) vs (2009-2013)
(excluding the year 2013 for comparative purposes)

	Forecast Actual 2007	Trucks 2008	2009	2010	2011	2012
(2007-2012)	765,271	742,313	742,313	749,736	757,233	764,805
(2008-2013)	784,319	746,817	724,413	724,413	731,657	738,974
Decrease	**19,048**	**4,504**	**(17,900)**	**(25,323)**	**(25,576)**	**(25,831)**
	2.49%	**0.61%**	**(2.41%)**	**(3.38%)**	**(3.38%)**	**(3.38%)**

The Duty Free Shop Revenue

There has also been a significant decline in revenues generated from the Duty Free Shop (DFS) operations which is privately operated and owned. BWBC receives a blend of fixed and variable revenue each month from the DFS.

As identified by a comprehensive study conducted by the DFS owners, the reasons for the decline are as follows:

- Changing consumer preferences, knowledge & demographics
- Legal, Regulatory & Border challenges
    - Impending passport requirements & public perception of current enforcement
    - Increased border security resulting in traffic congestion and long wait times
    - Differences in American vs. Canadian law governing the sale of tobacco
    - Cancellation of the GST Visitor Tax Rebate Program
    - Provincial Surcharge on Duty Free liquor purchases

    - Lower U.S. Taxation of wine and beer
    - Reduction in international trade barriers
    - Significant strengthening of Canadian dollar
    - Rising gasoline prices
- Explosive growth in shopping alternatives
    - internet
    - "big box" stores

In order to reverse these trends, BWBC has agreed to participate with the Blue Water Duty Free Shop, The Michigan Department of Transportation (MDOT), the Point Edward Charity Casino and Tourism Sarnia-Lambton in a major marketing program named **"GOBORDER"** currently underway. A website has been created www.GoBorder.com to promote and encourage the public to apply for their passport and/or NEXUS card. One million pamphlets have also been produced and are being actively distributed by BWBC staff.

Capital Spending

Capital spending is anticipated to be $7.3 million for 2007-08, $17.6 million less than stated in last year's corporate plan primarily due to delays with the start-up of the Canadian Plaza Improvements CBA Complex projects. Construction for the CBA Complex is set to start August 2008.

The format and presentation of the Capital Expenditures forecasts will reflect a single row for the total cost of each major capital project undertaken by the project management department.

Progression with Federally Legislated Programs

The new website also offers a French version, recently completed in March, 2008.

Federal Identity Program

The President of the Treasury Board and the Minister of Transport, Infrastructure and Communities agreed on an applied title for the organization, Blue Water Bridge Canada, effective September 2007. The website address has been revised to www.bwbc.gc.ca. Stationary, business cards and signage have been or are currently in the process of being altered accordingly. BWBC is working with TBS Federal Identity Program officers to ensure compliance with the program requirements. A completely revised and reformatted website has been developed in accordance with Treasury Board standards and is now operational.

Official Languages Act

All public documents – financial statements, corporate plans and annual reports - are translated in both languages. The new website also offers a French version, recently completed in March, 2008.

Performance Against Fiscal 2007/2008 Strategic Objectives

Improving Health and Safety Regulatory Compliance			
2007-2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Completion of a Federal HRSD Labour Program Audit	Audit completion and development of additional H&S objectives by August 2008	Completion of paperwork; Performance of independent audit	Ongoing
Improvement of Ergonomic Infrastructure	Certification of one HR/Admin employee Documentation of Ergonomic studies and corrective actions or plans in place to make improvements	Certification Documentation	Certification completed
Implementation of the Hazard Program Regulation Plan	To implement the documented plan as per section 19 of CLC 11	Documentation of actions taken	Ongoing

Pursuit of Business and Financial Efficiencies			
2007-2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Upgrading of current software	Accounting System Upgrade Toll System Upgrade	Completion by September, 2007	Deferred to 2009
Implementation of new software	Human Resources Administration Electronic Timesheet System Project Accounting Module	Completion by December, 2007	Basic modules operational; completed May 2008

Encouraging Employee Development & Enhancing a Positive Work Environment			
2007-2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Development of a comprehensive and effective Mutual Respect in the Workplace (Harassment) Policy	100% complete by August 2007	Policy in place	Completed
Continuous Mandatory & Voluntary Training	100% complete per planned training schedule.	Attendance reports Documented listing of training conducted	Documentation in place; process ongoing

Due Diligence and Security			
2007-2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Completion of Business Continuity Plan and Testing	**Construction of "Hot" computer/server site** **Replication of IT data and development of disaster protocols for software applications** **Completion of Business Continuity Manual** **Full "Disaster" test of IT system.**	**Completion by September, 2007** **Protocol documentation by October, 2007** **December, 2007** **August, 2008**	**IT contractor in place to complete by August 2008** **Completion expected August 2008** **Expected completion August 2008** **Expected completion December 2008**
Review of Master Plan	**Documented justification with Board and management approval for the continuation or alteration of the original Master Plan**	**Minutes from Board Retreat, November, 2007** **Minutes from Management Retreat, February, 2008**	**Completed and documented** **Completed and documented**
Review and tendering of contracts	**New Insurance Contract** **New Telephone Contract (Long Distance & Phone Lines)**	**June, 2007** **June, 2007**	**Completed** **Completed**
Establish a formal MOU with MDOT for the maintenance and associated reporting	**A signed memorandum of understanding**	**December, 2007**	**Completed, October 2007**

Improving Corporate Governance			
2007-2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Development of a charter for the Board	- identification of its roles & responsibilities - identification of the roles & responsibilities of the Audit Committee	Completion of a formal, documented charter	Completion anticipated by Fall of 2008 Completion anticipated by Fall of 2008
To assume more responsibility for the stewardship of the Authority	- development of a new mission statement - development of strategic objectives to provide direction for the development of the corporate plan - formal identification & discussion of all major risks and their mitigation	Corporate Plan Retreat for the Board Documented by minutes Formal, documented direction from the Board as to the declaration of the official Mission Statement, Strategic Objectives, Risks and Activities mitigating those risks	Completed December 2007 Completed December 2007 Completed January 2008
Identify performance objectives for the CEO and evaluate performance	Documented objectives and performance review by August, 2008	Documents filed and completed	Completed March 2008
Implementation or Justification Review of Internal Audit Recommendations	100% complete by August 2008	Formal, documented assessment against findings and recommendations	Completed November 2007
Implementation or Justification Review of Special Examination Recommendations	100% complete by August 2008	Formal, documented assessment against findings and recommendations	In progress

Compliance with Federal Programs and Legislation			
2007-2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Compliance with *Federal Identity Program*	Logos, signage, flags, stationary, electronic forms, e-mail addresses, web site	Completion by December, 2007	90% Completed
Compliance with *Official Languages Act*	Web Site to include alternate French section for all components	Completion by December, 2007	Completed March 2008

Enhancing Environmental Stewardship			
2007-2008 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS	Status
Master Plan, new CBSA (Customs) achieve LEED accreditation	Decisions on CBA design which will likely be compliant with attaining LEED (Leadership in Energy & Environmental Design) certification; August, 2008	Documented identification of the intended infrastructure pieces to attain LEED certification	In progress
To conduct a comprehensive evaluation of overall environmental risks	Development of formal environmental evaluation document by August, 2008	Addressing the risks related to hazardous waste or fuel tank storage	In progress
Internal Employee Education and Program Awareness	- revised & enhanced recycling program - formal training program - energy and water reduction and conservation	- "blue box" changes - distribution of environmental CD to employees - tracking of unit usage from utilities' invoices	Completed June 2007 Completed June 2007 In progress

Increase and Improve Customer Service, Marketing & Community Profile			
2007-2008 OBJECTIVES	PERFORMANCE TARGETS	MEASUREMENTS	Status
To Improve Customer Service	- Provision of free wireless internet for truckers - Personal contact, marketing visits to top 5 trucking firms - Provision of Debit Card machines at Currency Exchange - Development of new Web Site, FIP & Official Languages compliant	Installation Documented trips and formal "feedback" reports from trucking companies. Installation Completion	Deferred to 2009 Customer Service Manager position created; surveys have been conducted and will be ongoing Selection of company to install ATM's to be completed by June'08 Completed March 2008
Raise Public Awareness of NEXUS and FAST	Combined marketing campaign with the Duty Free Store; attendance & sponsorship of IBTTA and Trucking conferences	Attendance	Ongoing

Strategic Objectives not Covered by those identified for 2007/2008 and 2008/2009

Due to the timing of the special examination recommendations and the scheduled Board retreat (December 2007) and Managers' Retreat (January 2008), there were some new high and medium priority goals which were set and completed between November 2007 and March 2008. As such, they have not been identified in the strategic objectives section for 2007/2008 and 2008/2009. They are consolidated in this table as presented:

Miscellaneous Strategic Objectives Completed between February and August 2008			
2008 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Develop annual program for setting and monitoring revenues	**Detailed Revenue Variance Analysis** **Defined process supporting documentation for forecasts**	**Completion by September 2008** **Completion by December 2008**	**Variance analysis model completed** **Documentation provided in corp plan continuity schedules**
Document a formal annual planning program	**Regular planning retreat for the Board to develop strategic objectives and identify risks** **Regular implementation retreat for the managers to plan the implementation of the strategic objectives and to mitigate the risks**	**Scheduled Retreat** **Formal identification of:** **- Strategic Objectives** **- Risks** **Scheduled Retreat** **Formal identification of:** **- Actions to be taken** **- Dates of completion** **-Risk mitigation strategy**	**2-day retreat is planned for December 2008** **2-day retreat is planned for January 2009**
Update emergency succession plan	**Revised emergency succession plan**	**Completion by June 2008**	**Completed**
Modify plaza plan to respond to traffic backups	**Modified, documented plaza plan**	**Completion by June 2008**	**Completed**
Develop a marketing and customer service plan	**Documented plan**	**Completion by June 2008**	**Completed**
Increase frequency of meetings with MDOT	**Attendance at some Board, maintenance & projects meetings;**	**Attendance by June 2008**	**Quarterly maintenance and management meetings**
Formalize director governance orientation program.	**Documented objectives and performance review by August, 2008**	**Documents filed and completed**	**Completed March 2008**
Implementation or Justification Review of Internal Audit Recommendations	**100% complete by August 2008**	**Formal, documented assessment against findings and recommendations**	**Completed November 2007**
Implementation or Justification Review of Special Examination Recommendations	**100% complete by August 2008**	**Formal, documented assessment against findings and recommendations**	**Completed March 2008**
Develop a government relations plan	**Government relations plan document**	**March 2008**	**Completed**
Refine policy for directors' benefits	**Documented policy**	**February 2008**	**Completed**

Strategic Objectives for 2008/2009

Pursuit of Business and Financial Efficiencies			
2008-2009 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Upgrading of current software	Toll System Upgrade	Completion by August, 2008	IT Manager position to be created to assist with completion of this project which was deferred from 2007/2008.
Implementation of new software	Project Accounting Module	Completion August, 2009	Pending project manager schedule
Impact study on the feasibility of new technologies on operations	Impact study identifying software modules & hardware equipment to improve operational efficiency and safety	Formal impact study document	Presented to Board semi-annually
Explore with MDOT opportunities for joint efficiencies	Semi-annual meetings with MDOT Documented reports identifying the efficiencies and the plans & schedules to implement	Minutes from semi-annual meetings	MOU signed. Working on joint inspection RFP
Formalize purchasing and contracting policies and procedures	Purchasing Policy Contracting/Tendering Policy	Policy document by September 2008 Policy document by September 2008	Expected completion August 2009 Expected completion August 2009
Conduct a salaries and benefits audit	Documented independent studies	Consultant report by March 2009	The salary administration review was conducted by Hay Consultants December 2007. The benefits study is ongoing.
Develop an asset acquisition plan	Approved document	Plan document by December 2009	In progress
Develop a policy on electronic devices and information management	Approved policy	Policy document by December 2009	In progress

Encouraging Employee Development & Enhancing a Positive Work Environment			
2008-2009 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Develop an employee relations plan	Approved policy	Plan document by December 2008	While a Mutual Respect in the Workplace process has been formalized and acted upon, the employee relations plan is in progress

Due Diligence and Security			
2008-2009 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Completion of Business Continuity Plan and Testing	Construction of "Hot" computer/server site Replication of IT data and development of disaster protocols for software applications Completion of Business Continuity Manual Full "Disaster" test of IT system.	Completion by September, 2007 Protocol documentation by October, 2007 Completed manual by December, 2007 August, 2008	Ongoing; expected completion August 2008 Ongoing; completion likely August 2008 Expected completion August 2008 Expected completion December 2008
Receive and review the reports (MDOT & BWBC) on the engineering/structural integrity of the bridge spans	Receipt of report documents	Receipt of report documents; submission to insurance companies and Transport Canada	This represents part of the formally documented MOU with MDOT. The inspection reports are received being annually.

Improving Corporate Governance			
2008-2009 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Develop Director job descriptions and time requirements	Job descriptions	Job Description documents by March 2008	Not yet started
Formalize the employment policy	Documented employment policy	Policy document completion by June 2008	Not yet started
Develop Board self-evaluation process	Documented self-evaluation	Documentation by March 2008	1st draft of self evaluation underway as of March 2008
Development of a charter for the Board	- identification of its roles & responsibilities - identification of the roles & responsibilities of the Audit Committee	Completion of a formal, documented charter by August, 2009 Completion by August, 2009	Not yet started Not yet started

Enhancing Environmental Stewardship			
2008-2009 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Master Plan, new CBSA (Customs) achieve LEED accreditation	Decisions on CBA design which will likely be compliant with attaining LEED (Leadership in Energy & Environmental Design) certification; August, 2008	Documented identification of the intended infrastructure pieces to attain LEED certification	In progress; targeting silver accreditation
To conduct a comprehensive evaluation of overall environmental risks	Development of formal environmental evaluation document by August, 2008	Addressing the risks related to hazardous waste or fuel tank storage	In progress; fuel tanks will be registered by August 2008; comprehensive evaluation is in progress
Develop an environmental policy	Approved environmental policy	Policy document by March 2010	In progress

Increase and Improve Customer Service, Marketing & Community Profile			
2008-2009 OBJECTIVES	**PERFORMANCE TARGETS**	**MEASUREMENTS**	**Status**
Raise Public Awareness of NEXUS	Combined marketing campaign with the Duty Free Store; attendance & sponsorship of IBTTA and Trucking conferences	Statistical growth chart - NEXUS growth 50% in 2009	While 2008 achieved a 50% growth rate the formal marketing plan with the Duty Free Store continues through this fiscal year with expectations of similar results

Financial Strategies, Assumptions and Budgets

Increase Productivity & Efficiencies

Modernize and streamline all accounting processes with the review, implementation or upgrading of its accounting systems and the integration with new, non-accounting systems. (refer to strategic objectives above: "Pursuit of Business & Financial Efficiencies")

Improve Accounting and Audit Controls

Continue to strengthen accounting and audit controls with comprehensive continuity schedules and formalized audit trails to ensure proper accounting control and accurate financial reporting.

Ensure Preservation of Capital for Master Plan

Improve the monitoring of cash flow to ensure that the master capital plan will continue to be fully funded from cash generated from operations and existing cash and investment levels. Through the use of an established financial forecast model, current or subsequent year financial analysis as well as 5-year and 20-year outlooks will be dynamically produced in order to provide alternative financial scenarios from which the Board and management can make the most prudent and responsible strategic decisions with regard to cash flow management and the scheduling, postponement or acceleration of Master Plan projects while ensuring that we will continue to satisfy bond or bank borrowing covenants, where applicable. While a toll rate adjustment is planned for September 2010 (fiscal 2011), as that date approaches, the Board will review and reevaluate the necessity for such a toll adjustment en lieu of increasing other revenues and/or decreasing expenses.

Consequences of Delaying/Altering Parts of the Master Plan

While the major components of the master plan are expected to proceed as planned to address safety, security, efficiency and environmental issues, regular annual review of these plans by the Board and management are a prudent way to take advantage of perceived economies of scale, lower costs and increase efficiencies at the border. Minor changes and short delays in the projects will not have significant impacts.

Five-Year Key Planning Assumptions

The corporation has made the following five-year planning assumptions in projecting the major components of its operating budget. Plans to improve revenues and to find efficiencies within expenses is an ongoing exercise for management.

Revenues

Toll Revenue

- Commercial volumes will decrease 3% in 2009, level off in 2010 and show a moderate growth of 1% from 2011 to 2013 based on current year trends and independent auto industry analytical reports. Toll adjustments of $0.25 per axle are built into the projection figures for fiscal 2011.
- Passenger vehicle volumes will decrease 3% in 2009, level off in 2010 and show a moderate growth of 1% from 2011 to 2013. Efforts during the summer of 2008 to mitigate long summer car lineups is anticipated to have a positive effect on the predominant public perception of the effect of new passport laws (WHTI); more stringent U.S. customs inspections, and the continued strength of the Canadian dollar. Toll adjustments of $0.25 are planned for 2011.

Foreign Exchange

- Based on the current year-to-date trend assuming that future fluctuations will not be material and that the CAD will remain relatively strong based on the accelerating demand and continued influence of the strong resource-based (oil & gas) economy on the dollar. It is established at par [1.00 CAD or $1.00 USD] and carried through 2009 to 2013. Due to the unpredictability of exchange rates, management prefers to forecast at this par level then identify fluctuations through its regular variance analysis.

Inflation

- Reflects an average of the past five years per Statistics Canada and 2007 CPI trends. Salaries were increased by 2.5% and all other expenses were increased by 2.0% and then reviewed and adjusted higher or lower based on additional information.

Duty Free Store Revenue

- It is expected that the major marketing campaign undertaken by the Duty Free Store will stabilize the revenue in 2009 with moderate improvements in revenue for 2010 through 2013 of 0.7% per year. BWBC is working closely and investing in the Duty Free Store's aggressive marketing campaign to improve these rental revenues.

Commercial Revenue

- Commercial revenue will increase by 6.3% entirely due to a 261% increase in Chip truck revenue. All commercial broker leases will not be increased due to local market conditions.

Currency Exchange Revenue

- For 2009 through 2013 currency exchange is projected to increase its revenue by 1% per year.

Interest Income

- Directly affected by the levels of cash and investment in place, this income will continue to decrease with the planned funding of the master capital plan. Short and long-term investment levels will steadily decrease through to 2010. The investment portfolios, with the exception of the Major Maintenance Reserve Fund, will be fully depleted in 2010 whereupon all future capital projects will have to be funded through continued positive cash flows from operations. As confirmed through the utilization of our comprehensive financial forecast model, the feasibility of funding the Master Plan is reflected in the enclosed financial statements.
- Average interest rates applied on investment and cash holdings are based on the average rate of returns received on the portfolios for the fiscal year 2007. The corporation earns interest at a rate of Canadian Prime less 1% on its general operating account, which is slightly more than the average rate of return earned on its investments.

Expenses

Salaries & Benefits

- This will reflect the enclosed staffing projection report and annual base increases of 2.5%. Some of the benefits will increase by more than 2.5% due to historical trends (ie. Group insurance, health insurance etc…). It should be noted that for 2009 the overhead staffing will be increased by 3 fulltime salary positions. We will be restoring the Receptionist/Office Support and Accounting/Audit positions plus adding an IT Manager position. There will also be an additional maintenance person (2009) along with 2 new janitorial positions in 2010 to cover the new buildings identified in the Master Plan.

- The 2008-2012 Corporate Plan forecasted 83 employees for 2008. However, this was based on 2 additional employees being added from 2007 which during the Spring of 2007 was at 81 employees. Shortly thereafter, the maintenance manager and office receptionist resigned and the controller/treasurer retired. In order to reduce overhead, there has been a trial period to attempt to fulfill our work obligations with fewer people. However, it has been found that positions will be reinstated in the Office and Accounting departments and one created, Customer Service Manager in the Administration department.

	Actual		Plan				
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Full-Time							
Administration	2	3	4	4	4	4	4
Accounting	3	3	4	4	4	4	4
Currency Exchange	6	5	5	4	4	4	4
Janitorial	4	5	6	8	8	8	8
Maintenance	9	8	9	9	9	9	9
Office	3	3	4	4	4	4	4
Project Management	5	5	5	5	5	5	5
Tolls	23	24	24	24	24	24	24
Total Full-Time	55	56	61	62	62	62	62
Part-Time							
Administration	-	-	-	-	-	-	-
Accounting	-	-	-	-	-	-	-
Currency Exchange	9	8	8	7	7	6	6
Janitorial	5	5	4	5	5	5	5
Maintenance	-	-	-	-	-	-	-
Project Management	-	-	-	-	-	-	-
Office	-	-	-	-	-	-	-
Tolls	9	7	7	7	7	7	7
Total Part-Time	23	20	19	19	19	18	18
Total Employees	**78**	**76**	**80**	**81**	**81**	**80**	**80**

General & Administrative

- This is based on analysis of all individual G&A expense items greater than $1,000 occurring over 2006, 2007 and 2008 plus the yearly “baseline” of aggregated items under $1,000 with the inflationary factor of 2%, extended through 2009 to 2013. Consultant expenses will decrease in 2009 by $102,000 as a result of the completion of customized and “off the shelf” software implementation support and the reduction of master plan plaza design work. Advertising and promotion of the NEXUS and FAST programs will be reduced as it is anticipated customer enrolment will have peaked during this period.

Maintenance

- Reflects an itemized maintenance schedule in tandem with the analysis of all other individual items greater than $1,000 occurring over 2006, 2007 and 2008 plus the yearly "baseline" of aggregated items under $1,000 with the inflationary factor of 2%, extended through 2008 to 2012.

Interest Expense

- Based on the Bond Principal & Interest Schedule as identified in the Bond Prospectus.

Balance Sheet

Investments & Interest Accrued

- Adjusted to fund the requirements of the Master Capital Plan

Bonds versus Bank Loan

- A review of the cost-benefit and feasibility of reverting back to a credit facility of a Canadian chartered bank is currently being conducted. Due to timing requirements for the production of the Corporate Plan, the effect of maintaining the bond issue will continue to be built into this forecast. However a summarized version of the 3 options that had been considered is provided in the Borrowing Plan section. The review and re-justification of the Master Capital Plan merits such a review.

Overdraft/Operating Loan

- Based on the declining traffic volumes and its effect on Toll Revenue, the construction of the CBA Complex project and other capital requirements and our semi-annual bond payments, it is apparent that we will go into an overdraft/operating loan position with the bank during fiscal 2010. However, the borrowing level required will be well within our current lending ceiling of $125 million (including our outstanding bond payable).

Debt Reserve Service Fund

- In accordance with the Master Trust Indenture, on the closing date of the issuance of the bonds, BWBC established a Debt Service Reserve Fund in the amount of $4.5 million. Thereafter the reserve must be at least equal to: (i) fifty percent (50%) of the Debt Service Amount, if the Gross Debt Service Coverage Ratio is less than 2.00:1.00; (ii) twenty-five (25%) of the Debt Service Amount if the Gross Debt Service Coverage Ratio is 2.00:1:00 or greater, but less than 3.00:1.00. In the event the Gross Debt Service Coverage Ratio is 3.00:1.00 or greater, the Authority is not required to maintain a balance in the Reserve Fund. Market value of the fund as at March 31, 2008 was $5.7 million.

  Note: As at August 31, 2008, the Gross Debt Service Coverage Ratio is expected to be 13.46:1.00 and the projected GDSR for 2008 Plan is 8.88:1.00. Although these ratios indicate that a Debt Service Fund is not required the Authority believes that the ratios are temporarily distorted due to the cash reserves which have been established in order to meet future capital spending needs.

Operating and Maintenance Contingency Fund

- In accordance with the Master Trust Indenture, on the closing date of the issuance of the bonds, BWBC established an Operating and Maintenance Contingency Reserve Fund in the amount of $2.0 million. Thereafter the reserve must be at least equal to twenty-five percent (25%) of the Operating and Maintenance expenses incurred by BWBC over the previous twelve (12) month period ending on the last day of most recently completed month. The ratios are calculated and reviewed quarterly and adjustments to the fund will be made as required. Operating and Maintenance expenses do not include amortization, extraordinary items arising from the early retirement of Borrowings or Subordinated Debt, or the interest on any Borrowings. Market value of the fund as at March 31, 2008 was $2.9 million.

Major Maintenance Reserve Fund

- Formerly known as the Bridge Painting Fund, BWBC established this reserve in Fiscal 2002. Contributions to the fund are made at BWBC's discretion but with the purpose of reserving funds for major items such as the bridge paintings and joint replacements. The most recent inspection was conducted January 2006. Upon reconfirmation from our independent consultant Buckland & Taylor, it was deemed that the inflation rate to be applied from that date to June 2008 should be 12.5%. Thus, current major painting estimates from Buckland & Taylor are for Bridge 1 - $18.6 million. Bridge 2 - $9.7 million. Due to the excellent condition of both bridges resulting from the high level of maintenance, the effective service life of the paint coating has been extended for another 20 to 30 years. Bridge 1 is now expected to need a complete repainting in 2024 and Bridge 2 in 2026-2031.

- Assuming a 2% inflation rate and an investment return of approximately of 4 to 5%; BWBC feels that an annual contribution of $1,000,000 will adequately fund the recoating and other projects. The market value of the fund as at March 31, 2008 was $7.2 million. The value of the fund (at cost) is included with Short-term / Long-term investments on the Balance Sheet.

Capital Spending Budget

BWBC has completed a renewable long-term Master Plan for the Canadian Plaza. The plan is long-term in nature and will provide the Authority with a staged implementation plan for improvements to the Blue Water Bridge border crossing. The critical paths for completion of many of the projects have not been fully defined and as a result the scheduling of the projects will change. Phase I of the Master Plan was initiated in 2004 and will continue through 2013.

With the **Capital Expenditures 2008-2013** projection, it is apparent that a large portion of the capital spending has been deferred to future years. The timing of the future year's expenditures will change, as more details of the Master Plan are completed. Projects will be undertaken as priorities are identified and as cash flows permit. The values listed for most of the projects include G.S.T. Construction inflation is higher than the inflation applied against our expenses. As an example, the bridge span replacements cost (as calculated by an independent consultant) increased by 6.5% in the past year. Inflation of 4.5% per year has been applied to the major projects listed below.

BWBC recognized in 2002 that in order to handle the future needs of the border crossing's stakeholders, major changes must be made and made quickly. In order to begin this dynamic process, BWBC completed the issuance of $110 million in bonds. A review of the **Balance Sheet** shows that the Short-and-Long-term investment account balances have decreased to $14.1 million by 2013. This entire balance has been earmarked for the Major Maintenance Reserve Fund. Analysis of the **Statement of Cash Flows** also indicates that the Cash and equivalents balances will be in an overdraft/operating loan position by 2010 through to 2013. Beyond 2013 through to 2019, there is an additional $54.6 million designated for specific projects through the Master Plan. As various stages of the Master Plan are implemented the timing of the capital spending will shift in response to cash flows.

CAPITAL SPENDING PROJECTIONS	**Balance New Projects and Projects in Process**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
(In Thousands)	$	$	$	$	$	$	$
Projects- Current							
Truck Ramp BWBA Portion-PR0060	900	900					
Truck Ramp MTO Portion-PR0065	191	191					
Truck Ramp Village of Point Edward Portion-PR0085	38	38					
Canadian Plaza Improvements CBA Complex-PR0075	58,100	2,700	22,700	32,700			
NEXUS Bypass Lane-PR0107	196	196					
Span 2 Electrical/Communication Upgrade-PR0087	1,660	1,660					
Storm Water Pond West-PR0092	250	250					
Geographic Information system-PR0096	614	157	140	125	100	92	
Projects - Future							
Currency Exchange/Public Washrooms	3,800						
CBSA Portion/Admin/CBSA Traffic Building	37,900						3,600
St. Clair Side of Plaza	4,300						
Toll Building and Booths	12,225						
Equipment							
Autos, Trucks & Construction Equipment	510	510					
Signage-Tourist Information Building	200		200				
Signage-Truck Ramp	220		220				
Toll System Upgrade	200		200				
Property Improvements							
Security-Perimeter / Decorative Fence	750		350	400			
Plaza Signage	420	200	220				
Miscellaneous	3,000	500	500	500	500	500	500
Total Projects (Capital, Mtce and G&A)	**125,474**	**7,302**	**24,530**	**33,725**	**600**	**592**	**4,100**

Please note that the aggregate sum of expenditures identified between 2008 and 2013 that are less than the "Balance for New Projects and Projects in Process" reflect planned expenditures for 2014 and beyond.

ASSESSMENT OF FORECASTED RESULTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except where otherwise indicated, all financial information reflected herein is expressed in Canadian dollars and determined on the basis of Canadian generally accepted accounting principles.

FINANCIAL RESULTS	2008	2007
	(Forecast)	**(Actual)**
(In thousands of dollars)	$	$
Revenues	23,301	24,384
Operating expenses	20,668	20,354
Operating income	2,633	4,030
Operating income/revenues	11.3%	16.5%

Introduction

The following analysis reviews the operations for the fiscal years ended August 31, 2008 (forecast) and 2007 (actual).

Operating Results

The percentage of forecasted operating income to forecasted revenues is 5.2% less than the percentage for the 2007 fiscal year.

Revenues

Revenues are derived from four primary sources: tolls and services, rents, currency exchange operations and interest and sundry income.

Tolls and Services Revenues

Forecasted tolls and services revenues will decrease by 6.4% during 2008 compared with 2007 revenues. Due to the decline of the auto and manufacturing industries, truck revenue will decrease by 5.5%. Car revenue will decrease by 4.2% primarily due to the public's experience with long lineups and more intense U.S. Customs Border Patrol inspections and the general perception that the traveler will likely be unreasonably delayed when crossing the border.

Tolls and services revenues from commercial vehicles will represent approximately 75.8% of all tolls and services revenues in fiscal 2008, (75.1%-2007), with revenue from passenger vehicles making up most of the balance remaining. Due to the strengthening of the Canadian dollar exchange rate losses of $420 will occur by the end of 2008 ($215 loss in 2007).

Rental Revenues

Rental property revenues will account for approximately 11.2% of all revenues in 2008 (12.0% - 2007). The most significant portion is derived from the rental of the duty-free shop to a private operator, with rent dependant in part upon the gross revenues of the operator.

Currency Exchange Operations

BWBC operates a currency exchange, with its primary customers being travelers coming from and going to the United States. Revenue from currency exchange operations will be approximately 5.5% of total revenue in 2008 (3.8% - 2007).

Interest and Sundry Revenue

The balance of revenue is derived from investment of surplus cash and monies set aside in restricted funds.

Expenses

Operating expenditures are incurred in five main areas: general and administrative expense, human resources, interest on long-term debt, maintenance and other expenses and amortization.

General and administrative expenses include consulting and other professional fees, public relations, office and miscellaneous expenses.

Human resources include salaries and wages paid to toll collectors, accounting, administrative, currency exchange employees, maintenance, janitorial and project management staff. Employee benefits include statutory benefits and employee pension and life insurance.

For the year 2008, interest on long-term debt relates solely to the bond debt of $99.4 million (balance as at August 31, 2007).

Maintenance and Other expenses include maintenance supplies and services, municipal taxes and snow removal and landscaping.

Amortization includes amortization on property, plant and equipment and on deferred bond financing charges.

Factors Affecting Operating Income

The profitability of the Authority is affected by a number of factors, including seasonality, fluctuating exchange rates, the strength of both the U.S. and Canadian economies and in more recent years, tourism in the Point Edward and Sarnia areas. With the exception of the year 2006, commercial and car volumes have been in steady decline over the past five years. And, in spite of that, the frequency and length of traffic congestion has increased exponentially due to the increased intensity of the U.S. Customs Border Patrol inspections. The general public perceives that they will regularly encounter lengthy delays whenever they might prefer to cross the border.

Profitability is largely dependent upon strong economies in both the U.S. and Canada. When the U.S. economy is expanding, exports of Canadian products tend to rise. An expanding Canadian economy will also result in an increase in the flow of goods and services across the border. With the Blue Water Bridge being one of the major international crossings in North America, its revenues and thus its profitability improves with the increase in activity.

Seasonality is also a factor in the profitability of the Authority. While truck traffic tends to be fairly steady throughout the year, car traffic is at its heaviest during the months of May to October, which is traditionally the vacation period in North America. Volumes are forecasted to decrease in 2008 based on short-term traffic volume trends experienced between September 2007 and March of 2008.

Sales volumes at both the duty-free shop and currency exchange have a direct relationship with changes in the Canadian dollar and with traffic volumes at the Blue Water Bridge. The significant strengthening of the Canadian dollar is having a dampening effect on the proportion of Americans coming into Canada. Although this very same factor would make it logical to expect more Canadians to cross over into the United States, while there has been a moderate increase in the level of Canadian traffic, not enough to compensate for the decline in American traffic. This appears to be primarily due to the Canadian (& American) general public perception that they will be unnecessarily delayed at the border as a result of increased security inspections and lack of infrastructure on the American plaza side.

Increased sales activity as a result of increased traffic volumes translates into additional rental income to the Blue Water Bridge. Similarly, increased activity at the currency exchange results in additional revenues, and with expenses relatively fixed an increase in net income.

The strength of the Canadian dollar also has a direct influence on the income of the duty-free store and the currency exchange operations. As the Canadian dollar approaches parity with the U.S. dollar fewer American shoppers purchase goods at the duty-free store and the currency exchange department has a narrower margin on which to charge exchange.

Period over Period Comparisons

Years ended August 31, 2008 and 2007

Revenues

Revenues from tolls and services are forecasted to decrease to $16.7 million in fiscal 2008 from $17.9 million in the preceding year.

Truck toll revenue will decrease from $13.4 million in 2007 to a forecasted $12.7 million in 2008. This represents a decrease of 5.5% which results from a 4.8% decrease in commercial volume in 2008.

Forecasted revenue from passenger car tolls will decrease from $4.6 million in 2007 to $4.4 million in 2008. This represents a decrease of 4.2% in revenue, mirroring a 4.6% drop in car volume in 2008.

Rental revenue will decrease from $2.9 million in fiscal 2007 to a forecasted $2.6 million in 2008. A portion of the rental revenue is based on sales volumes of the duty-free shop, which is anticipated to decrease by approximately 18.5% from the previous year.

Interest income will increase slightly from $2.6 million in 2007 to $2.7 million in 2008.

Expenses

Forecasted total expenses will increase from $20.4 million in fiscal 2007 to $20.6 million in 2008.

General and administrative expenses are forecasted to increase from $2.1 million in fiscal 2007 to $2.4 million in 2008. While there will be a continued decrease in consultant expenses ($134,000 thousand), this will be more than offset by an increase in marketing and public relations to promote NEXUS, FAST, plaza businesses and cross border issues ($140,000); additional accounting and reporting costs ($114,000), and; travel costs ($67,000).

Expenditures on human resources are forecasted to remain steady at $5.8 million between 2008 and 2007. The reduction in overhead salaries has offset the negotiated increase from the union contract in 2008 to keep salaries at a $4.0 million level over the two years. Similarly, benefits will remain constant at $1.8 million. The increases experienced for WSIB, Group Pension and Group Insurance costs have been offset with savings from almost all other benefits.

Interest expense will decrease by $0.2 million due to the declining bond payable balance.

Maintenance and other expenses are forecasted at $2.1 million in fiscal 2008, up from $1.6 million in year 2007 due to additional bridge maintenance and paving requirements.

Cash Flow

The net cash position will decrease by $11.7 million. Cash from operations is expected to be $7.5 million along with a net purchase in investments of $9.1 million against which $7.3 million in capital projects and assets will be expended, a $2.6 million pay down of the bond principal.

Capital Program

Capital additions in the 2008 fiscal year are forecasted to be $7.3 million, of which the major contributor for the year will be the enabling and startup of the CBA Complex Plaza Improvements.

Blue Water Bridge Canada

Summary of Financial Results

	Actual	Forecast	Plan Period				
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
(In Thousands)	$	$	$	$	$	$	$
Statement of Operations							
Revenue							
Tolls and Service Revenue	17,872	16,727	16,665	16,661	17,416	17,589	17,763
Other	6,512	6,574	6,129	4,958	4,847	4,937	5,028
	24,384	23,301	22,794	21,619	22,263	22,526	22,791
Expenses	20,354	20,668	20,177	19,536	20,553	20,454	20,253
Net Income	4,030	2,633	2,617	2,083	1,710	2,072	2,538
Balance Sheet							
Assets							
Current	44,997	35,561	21,134	144	3,344	5,598	5,040
Deferred Charges	576	-	-	-	-	-	-
Long-term Investments	14,593	20,230	14,253	5,083	5,446	5,516	5,194
Property, Plant, Equipment	119,273	122,463	142,933	173,298	169,460	165,930	166,308
Restricted Assets	8,362	8,676	8,492	8,288	7,839	8,101	8,234
Total Assets	187,801	186,930	186,812	186,813	186,089	185,145	184,776
Liabilities and Equity							
Current	6,742	6,224	5,871	6,340	6,635	6,542	6,761
Employee Future Benefits Liability	2,987	3,416	3,934	4,472	5,032	5,614	6,220
Other Liabilities	-	-	-	-	-	-	-
Long-term Debt	96,825	94,102	91,202	88,113	84,824	81,319	77,587
Equity	81,247	83,188	85,805	87,888	89,598	91,670	94,208
Total Liabilities and Equity	187,801	186,930	186,812	186,813	186,089	185,145	184,776
Statement of Cash Flows							
Operating Activities							
Net Income	4,030	2,633	2,617	2,083	1,710	2,072	2,538
Non-Cash Items	4,848	4,427	4,577	3,898	4,998	4,705	4,327
Changes in Working Capital Items	(687)	(2,970)	16,101	4,706	(1,007)	(2,162)	(1,990)
	8,191	4,090	23,295	10,687	5,701	4,615	4,875
Investing Activities							
Proceeds on disposal	-	-	-	-	-	-	-
Purchase of Property, Plant, Equipment	(6,257)	(7,302)	(24,530)	(33,725)	(600)	(592)	(4,100)
Increase in Long-term investments	7,555	(5,637)	5,977	9,170	(363)	(70)	322
Increase in Restricted Assets	(343)	(315)	185	204	449	(263)	(131)
Financial Activities	(2,399)	(2,556)	(2,723)	(2,900)	(3,089)	(3,290)	(3,504)
	(1,444)	(15,810)	(21,091)	(27,251)	(3,603)	(4,215)	(7,413)
Cash and Cash Equivalents							
Increase (Decrease) in Cash	6,747	(11,720)	2,204	(16,564)	2,098	400	(2,538)
Balance at Beginning of Year	13,882	20,629	8,909	11,113	(5,451)	(3,353)	(2,953)
Balance at End of Year	20,629	8,909	11,113	(5,451)	(3,353)	(2,953)	(5,491)

Blue Water Bridge Canada

Summary of Operating Budget

Statement of Operations

For the Years Ending August 31	**2006-2007 Actual**	**2007-2008 Budget**	**2007-2008 Forecast**	**2008-2009 Budget**
(In Thousands)	**$**	**$**	**$**	**$**
Revenue				
Tolls and Service Revenue	17,872	17,320	16,727	16,665
Other	6,512	5,824	6,574	6,129
	24,384	23,144	23,301	22,794
Expenses				
General and administrative	2,109	2,014	2,391	2,152
Human Resources	5,763	5,894	5,760	6,118
Interest on long-term debt	6,464	6,306	6,306	6,138
Maintenance & other expenses	1,620	1,701	2,098	1,709
Amortization	3,632	4,534	4,113	4,060
(Gain) loss on disposal of assets	766	-	-	-
	20,354	20,449	20,668	20,177
Excess of revenues over expenses	4,030	2,695	2,633	2,617

Blue Water Bridge Canada

Summary of Capital Budget

For the year ending August 31	2007-2008 Forecast	2007-2008 Budget	2008-2009 Budget
(in thousands)	$	$	$
Projects- Current			
Truck Ramp BWBA Portion-PR0060	900		
Truck Ramp MTO Portion-PR0065	191	(2,000)	
Truck Ramp Village of Point Edward Portion-PR0085	38		
Canadian Plaza Improvements CBA Complex-PR0075	2,700	21,802	22,700
NEXUS Bypass Lane-PR0107	196		
Span 2 Electrical/Communication Upgrade-PR0087	1,660		
Storm Water Pond West-PR0092	250	1,410	
Geographic Information system-PR0096	157	149	140
Dedicated Toll Lane & Highway 402 Widening		449	
Equipment			
Autos, Trucks & Construction Equipment	510	250	
Signage-Tourist Information Building		200	200
Signage-Truck Ramp		220	220
Toll System Upgrade		200	200
		1,360	
Property Improvements			
Security-Perimeter / Decorative Fence		350	350
Plaza Signage	200		220
Miscellaneous	500	500	500
	7,302	24,890	24,530