**Summary**

Four years ago **Federal Bridge Corporation Limited (FBCL)** and the **St. Mary’s River Bridge Company (SMRBC)** were provided with funding from the Gateway infrastructure fund to redesign the Canadian Plaza at the Sault Ste. Marie International Bridge. Having been unable to settle financially with some local residents in the area, the FBCL and SMRBC have now decided to eliminate the duty free store from the plaza, denying the owners of their right of access on March 31, 2012. This unfair action will not however further advance the redevelopment project as 3 separate properties are still to be negotiated and funds for these negotiations do not appear to be available. The **Sault Ste. Marie Duty Free store (SSM DF)**, which has a licence (from CBSA) to operate until end of 2013, has offered several reasonable options to the FBCL and SMRBC and has negotiated in good faith from the beginning. SSM Duty Free asks that the access rights be extended and negotiations continue in order to arrive at a fair comprehensive agreement for the purchase of its lands and buildings and the relocation to a replacement building to continue its duty free business that has been established for over 23 years.

**Who is SSM DF (Sault Ste. Marie Duty Free)**

Sault Ste. Marie Duty Free is owned by Ralph Caria and Jeffrey Law. Over 23 years, they have invested time and money to establish and develop the duty free business. Cash of $3.8 million has been invested in lands, buildings and equipment (corporate loans still owing are $1.8 million).

**Who benefits from its operations?**

**Since November 1987 the store has generated significant economic benefits to all levels of government.**

Economic Impacts of the store on the local community are great affording jobs wages/salaries for 15+ people ($14 M with a local 1-to-1 multiplier effect), providing goods and services to the travelling public, both American and departing Canadians, to residents of the local community ($60M repatriated sales), right of Access Fee to Bridge Authority ($4.2 M), taxes for Government of Canada, purchases from LCBO ($10 M to Government of Ontario), property and business tax to the City, licence royalties, corporate taxes to Ontario and Federal governments ($2.5 M) and excise taxes to federal Government ($1.7 M since 2001).

**Role of CBSA**

Since 1987 and after a competitive application process, the CBSA has continually awarded SSM Duty Free its licence to operate. Included in the applicant guide was the right of access lease for the successful operator. Also the International Bridge Authority specified the only lands that could be used to operate an on-site sterile duty free store and these lands were purchased by SSM Duty Free.

In December 2008 a new 5 year duty free licence was issued with CBSA knowing the store would have to be incorporated into the new bridge plaza. **The present duty free licence runs for two more years until December 31, 2013.** **CBSA has the authority over SSM DF and is responsible for its duty free licence and operations.** If SSM DF is not included in the redesigned Canadian Plaza at the Sault Ste. Marie International Bridge, this bridge crossing would be the only one where travellers and tourists would not have access to duty free goods and services, which then transfers sales to U.S. retailers and the U.S. duty free store, and the economic benefits to the U.S.

**Negotiations to date**

FBCL and SMRBC advised SSM DF in a letter dated February 2, 2012 that SMRBC has substantially changed the approved (by local community) redevelopment plan for the plaza and has decided to proceed with an Alternative Plan. The Alternative Plan has been approved by SMRBC without public consultation or support and will require it to buy up 3 properties – 2 owned by SSM DF and the other a 16 unit rental building.

In a **letter dated February 28, 2012, SMRBC offered SSM DF $983,000 for its Duty Free Store property** (land and building) claiming it can no longer afford to construct a new duty free store as part of the project. Further it advised SSM DF its access rights agreement will be terminated on March 31, 2012. The **financial offer made is approximately $2 Million less than what SSM DF paid for the property in 2000.**

**Solutions offered by SSM DF**

SSM DF wants the original preferred redevelopment plan to proceed. It is prepared to be flexible so that a reasonable solution that considers both SMRBC’s affordability issues and its interests can be achieved.

1. **Bridge purchases their land and building. Bridge provides a replacement building to rent on the redeveloped bridge plaza,** whether the original bridge plaza plan or alternate plan is adopted.
2. **Exchange solution or Swap**. SSM DF gives Bridge its land and building. The Bridge gives SSM DF back land and building to operate duty free business.
3. **Solution 1 above with SSM DF taking back a Note**. This allows the SMRBC to use the funds it has today to purchase the five remaining “holdout” properties so the SMRBC can complete the original preferred redevelopment project with the stimulus money provided by the federal government. The Note can then be repaid to SSM DF with the rent for the building and % rent SSM DF will pay the Bridge in the future.
4. **Status quo with new custom facility constructed on existing site** if remaining properties are not purchased.
5. If SMRBC and FBCL are prepared to walk away from the **annual access fee** (minimum $100k and was as high as $276k in 2003) by eliminating the duty free store from the plaza, SSM DF could look at **the feasibility of buying the 5 remaining “holdout” properties to complete the block** (as SMRBC already owns 4 properties on the block). In return there would be **no access fees charged** to enter and exit the bridge.

**Ask of Government**

In order to proceed with the original preferred redevelopment plan, one or a combination of the following has to occur:

1. SMRBC secures additional funds
2. The FBCL provides additional funds
3. The Federal government provides additional funds
4. One of the flexible solutions offered by SSM DF above is found acceptable

**Sault Ste. Marie Duty Free respectfully asks that the access rights be extended and negotiations continue in order to arrive at a fair comprehensive agreement for the purchase of its lands and buildings and the relocation to a replacement building to continue its duty free business that was established from its infancy over 23 years ago.** March 8, 2012