



Northwest Territoriesmi

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MEETING EDE 52-19-21

**STANDING COMMITTEE ON ECONOMIC DEVELOPMENT
AND ENVIRONMENT**

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**THURSDAY, FEBURARY 11, 2021
COMMITTEE ROOM 'A', LEGISLATIVE ASSEMBLY
10:30 P.M**

AGENDA

1. Prayer
2. Review and Adoption of Agenda
3. Declarations of Conflict of Interest
4. Public Matters:
 - a) Marine Transportation Services Briefing with the Honourable Diane Archie, Minister of Infrastructure
5. In-Camera Matters:
 - a) Wrap-Up Discussion
 - b) Mining Fiscal Review
 - c) Internet Connectivity
 - d) Correspondence
6. Date and Time of Next Meeting: Thursday, February 25, 2021 at 10:30 a.m.
7. Adjournment



Marine Transportation Services

Overview 2017-2020

Department of Infrastructure

Section 1 of 2

February 2021

Government of
Northwest Territories

Table of Contents – Section One

Overview

Mission

Operating Environment

Assets

Market

Employment

Economic Impact

Environmental

Special Initiatives

Conclusion

Overview

- Headquartered in Hay River, MTS operates the largest tug and barge fleet in the Canadian Arctic, and Canada's only northern inland shipyard, where GNWT marine assets and vessels operated by the Canadian Coast Guard are maintained.
- Core business: fuel and deck cargo delivery with highly specialized tugboats and barges that can navigate the shallow waters of the Mackenzie River and Arctic coast.
- MTS operates freight handling terminals at Hay River, Inuvik and Tuktoyaktuk. Tuktoyaktuk is the staging and trans-shipment point for Mackenzie River and Arctic coastal traffic



Mission

- Deliver safe, reliable and efficient community resupply through the transport of essential fuel products and other goods to communities on Great Slave Lake, Mackenzie River and the Western Arctic coast;
- Attract private and public sector investment in the NWT economy through the establishment of reliable and safe marine transportation services and the pursuit of charter service and shipbuilding and maintenance opportunities, and;
- Foster the development of an NWT resident marine and shipyard workforce with the skills and credentials necessary to comprise most MTS employees by 2030.



Operating Environment

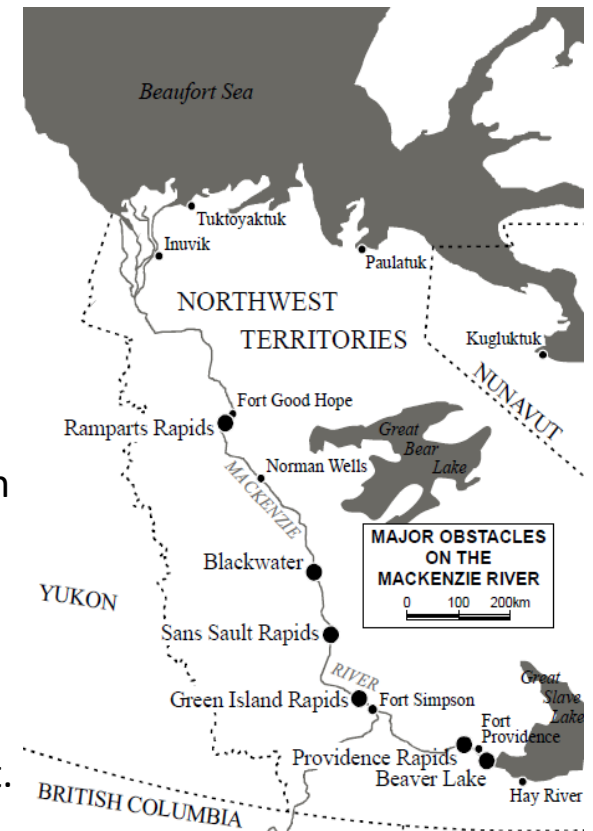
Mackenzie River, Beaufort Sea, & Arctic Ocean

- Key issues on the Mackenzie River that impact MTS operational sailing season:
- Start up:
 - Ice breakup on Great Slave Lake
 - Timing of buoy placement
 - Canadian Coast Guard lays navigation buoys/markers along the river that must be placed before MTS vessels can transit



Operating Environment

- The Mackenzie River's main stem is approximately 1,800 km long
 - High water on the Mackenzie River from spring run-off occurs from June to mid-July, followed by falling water levels that depend on rainwater until freeze up in mid to late October.
 - Most significant hazards on the River are the Providence, Green Island, Sans Sault, and Ramparts Rapids. Navigation through these areas requires experienced captains and crew as well as skilled barge-relaying techniques.
 - MTS operations team and crews are some of the most experienced mariners in the world for this type of environment.



Operating Environment

- All Season:
 - Water levels – high and/or low water levels can cause significant operational challenges/barriers.
 - Forest fires – loss of visibility due to smoke.
- Rail line to Hay River and coordination with CN.
- **Arctic waters transit depends on ice conditions and sea state.**
- **Conditions can become adverse due to winds and storms.**
- **Experienced marine crews and specialized assets are required to operate safely in these regions.**



Assets

Shallow Draft Tugs

- MTS has a fleet of 8 mainline tugs and 2 smaller harbour tugs.
- Mainline tugs boast a unique combination of high horsepower and ultra-shallow drafts.
- Tugs typically push 6 barges on the Mackenzie River and tow up to 3 barges in the open waters of the Beaufort Sea and Arctic Ocean.
- Certain tugs are designed to sail on the river, while others are more suited for the ocean coast or deeper waters.
- Tugs perform better in their respective specialty areas but can navigate the river to the Hay River shipyard for maintenance and repair.
- In a typical operating season, 3 to 5 of the mainline tugs will be mobilized for operations, depending on the volume of fuel, deck cargo and charter requirements.



Assets

Shallow Draft Fuel/Deck Cargo Barges

- Most MTS barges are dual purpose, can carry deck cargo and fuel at the same time.
- Double hulled fuel barges are required to transport fuel in the Beaufort Sea and Arctic Ocean, MTS currently has 7 double hulled barges in the fleet.
- Single hulled barges are still used on the Mackenzie River for fuel and deck cargo deliveries, with 3 main series of barges in active operations.
 - these barges are not permitted to transport fuel outside the Mackenzie River
 - It is Transport Canada’s intention to require that in future only double hulled barges will be permitted for the transportation of petroleum fuels in all waters.

Description	Total Asset Count	Typically in Active Operations
800 Series	9	2
1000 Series	25	10
1500 Series	21	15
1515 dbl hulled	1	1
Deh Cho 3 & 4	2	2
3500 Series	4	4
Barge AL II	1	1
Thruster Barge II	1	-
Miscellaneous*	56	-
Total Barges	120	35

*older, smaller barges no longer in use for active operations

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Assets

Hay River Shipyard and Syncro-lift

- Canada's most northern shipyard offers a broad array of standard marine services, including a 1,200-ton synchro-lift which lifts vessels out of the water on to a rail system for maintenance and repair.
- The shipyard contains a mechanical services shop and a fully equipped high pressure steel fabrication shop with two industrial maintenance bays that combine for more than 42,000 square feet.
- The facility allows for work indoors on marine assets in the operational off-season.



Assets

Terminals

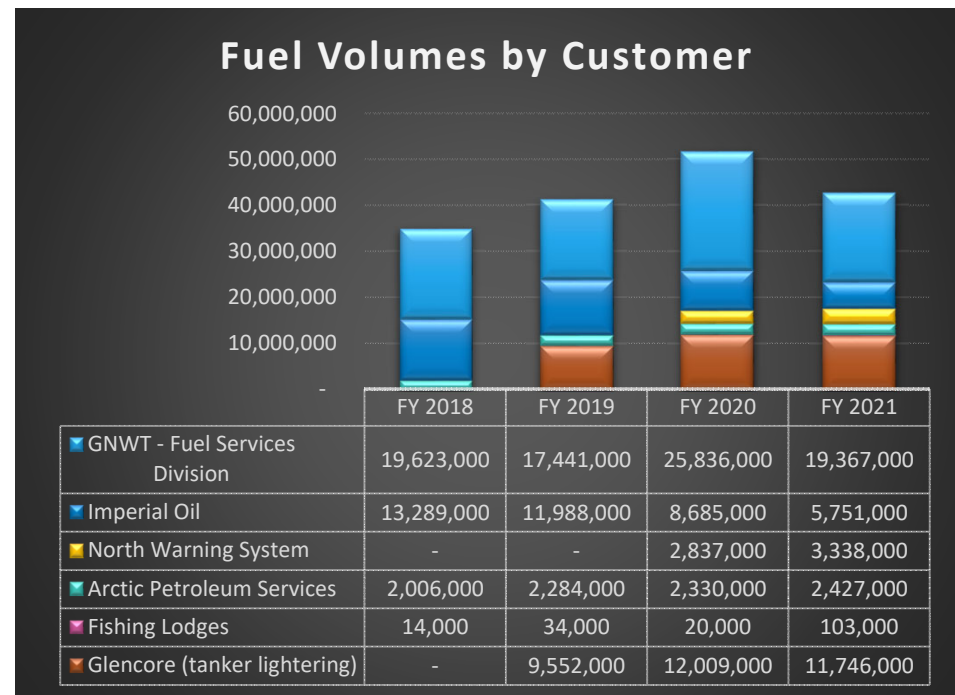
- At Hay River, Inuvik and Tuktoyaktuk
- Most deck cargo originates in Hay River, with a 70-acre laydown area
- Inuvik has a laydown area and warehouse
- Tuktoyaktuk is the Arctic staging and trans-shipment point for the Mackenzie River and Arctic coastal traffic, with 70-acre lay down



Market

Fuel delivery

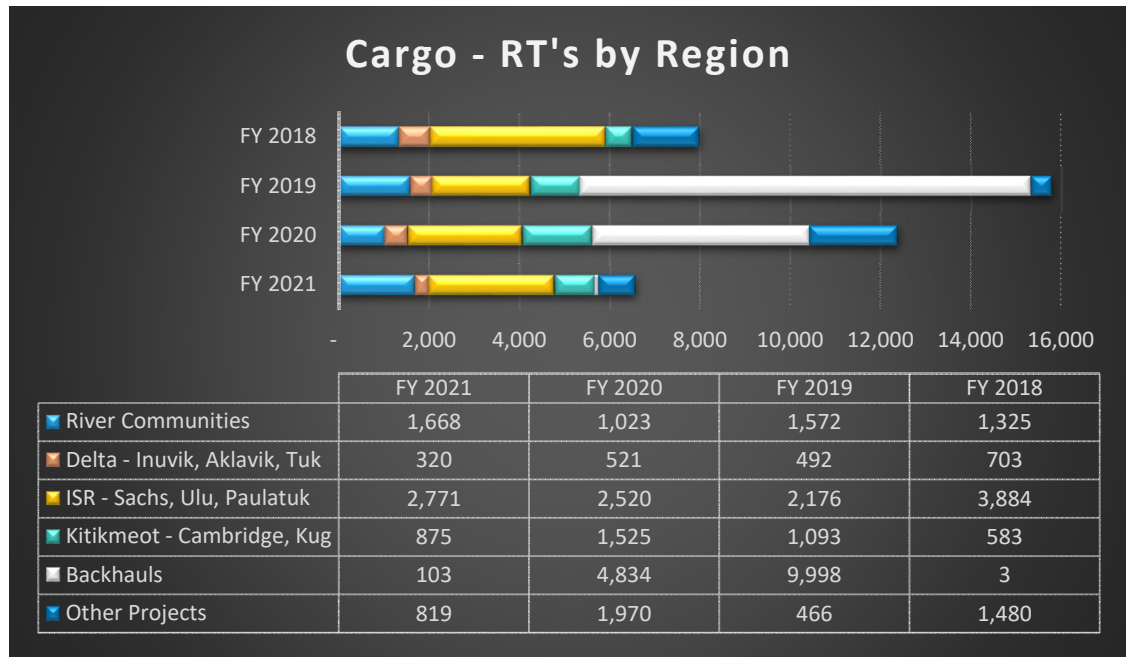
- Core business is fuel and deck cargo delivery
- Combination of diesel fuel, jet and gasoline
- Key Customers:
 - GNWT – Fuel Services Division
 - 5 river/lake communities, and
 - 3 coastal communities (Beaufort)
 - Imperial Oil – Norman Wells
 - North Warning System (NWS)
 - Arctic coastline – 19 sites
- Other customers:
 - Arctic Petroleum Services – Inuvik & Aklavik
 - E. Gruben Transport – Tuktoyaktuk
 - Sabina Gold & Silver Corporation



Market

Deck freight (cargo) delivery

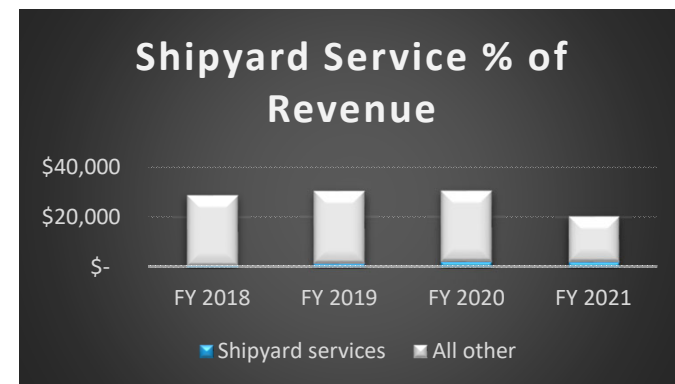
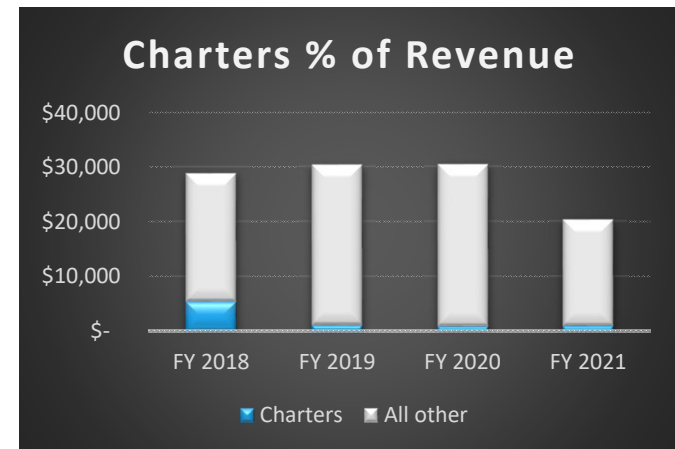
- Community and Project cargo is transported on the decks of the fuel barges to various communities along the Mackenzie River, in the Inuvialuit Settlement Region (ISR) and into the Kitikmeot.
- Terminals in Hay River, Inuvik and Tuktoyaktuk are critical for this operation, along with a variety of mobile equipment used for cargo loading and offloading.



Market

Charters, shipyard service and rentals/misc.

- MTS will contract marine assets out for time and/or voyage charters or project support work.
- Shipyard service revenue is generated from the Hay River shipyard for work performed on third party vessels.
 - Most notably the Canadian Coast Guard buoy tender vessels that operate on the Mackenzie River.
- Container rentals and other miscellaneous revenue is generated each year, but the amounts are not significant and are historically less than 2% of MTS total revenue.



Employment

- MTS employs 10 indeterminate full-time GNWT staff; all are at Hay River.
- MTS has each year since inception (2017) increased the number of NWT resident hires relative to non-resident hires.
- In 2020, MTS brought on 161 workers through a contracted staffing service provider
- Of these, 129 were NWT residents, i.e.: 80% NWT residents.
- MTS shipyard and terminal operations employed 122 workers, 100 of whom were NWT residents - i.e.: 82% NWT residents.
- MTS tug and barge operations and administration employed 29 NWT resident workers.
- Total payroll exceeds \$10 million per annum



Employment

Contracted Staffing Services

- MTS uses contracted staffing services to hire and employ personnel to operate and maintain the tugs and barges, the cargo terminals and the shipyard.
- The staffing contractor specializes in marine transportation employment placement and related services in Canada and other international jurisdictions.
- Contract workers comprise most of the MTS workforce and some jobs are filled by non-residents where skills critical for the marine fleet operations are not available from NWT resident workforce.
- Memorandums of Understanding with each of the three collective bargaining units: the Canadian Merchant Service Guild (CMSG), the Seafarers International Union of Canada (SIU) and the Public Service Alliance of Canada (PSAC).



Economic Impact

- During its first three operating years Marine Transportation Services operations contributed an **annual average** of:
 - \$17.1 million to the NWT's gross domestic product: \$14.2 million through its direct activities, \$391,000 through purchases of supplies and services from NWT support businesses and \$2.6 million through the ripple effect on the NWT's consumer sector.
 - \$15.3 million to labour income: \$13.2 million through direct activities, \$239,000 through purchases of supplies and services from NWT support business and \$1.8 million through the ripple effect on the NWT's consumer sector.
 - 140 person-years of employment: 126 person-years of employment through direct activities, another 2 person-years through purchases of supplies and services from NWT support businesses and 12 person-years through the ripple effect on the NWT's consumer sector.



Environmental

- Removal of scrap and surplus assets.
- Inventory and identification of hazardous materials.
- Drum clean-up and removal of liquid waste.
- Cut up derelict vessels and barges, collect and process scrap metal work is ongoing.

- Environmental Assessments
 - Hay River Shipyard, barge storage areas, waterfront lots
 - Report issued March 2018
 - Tuktoyaktuk and Inuvik Terminals
 - Report issued June 2019
 - Monitoring and ESA testing at Hay River, Inuvik and Tuktoyaktuk.
 - 2020/21 field program completed in September 2020
 - 2021/22 field program will be completed in summer of 2021



Special Initiatives

- NWT Marine Training Centre established at former NTCL Main Office Hay River.
- Collaboration with Transport Canada and the Nunavut Fisheries and Marine Training Consortium.
- Transport Canada certified seafarer training programs.
- Students participated in 840 various certificate courses at Hay River, Inuvik, and Tuktoyaktuk.



Special Initiatives



Conclusion

Investment in fleet and facilities and continuance of marine service demonstrates GNWT commitment to:

- The Mackenzie River as a corridor for commerce and transportation;
- Serve our northern isolated Indigenous communities;
- Sustain and improve marine services to benefit the Territory;
- Preserve the NWT intermodal link to the continental supply chain; and,
- Sustain strategic northern ports to preserve opportunities for future growth and economic development.





Marine Transportation Services

Structure and Governance

Department of Infrastructure

Section 2 of 2

February 2021

Government of
Northwest Territories

Table of Contents – Section Two

Premise

Current Structure

Alternatives

Action

Next Steps

Discussion

Premise

- It is presumed that the GNWT will continue this enterprise for the foreseeable future, until and unless alternatives are found.
- The MTS Division needs an appropriate structure to effectively operate as business unit and to meet the goals and objectives of the organization.
- Dedicated executive leadership is needed to lead the restructuring and to consider, plan and execute the implementation of a new governance and operating model.



Current Structure

- MTS now exists as a Program Division within the Department of Infrastructure.
- In the current operational model, the program is to sustain operations through revenue gained from sale of transportation services.
- Costs are to be passed on in the freight rates charged to customers.
- To limit rates charged to community customers, commercial revenues are sought.



Current Structure

Revolving Fund

- The costs of operations, maintenance, and capital expenditures are funded by customers rather than through appropriations.
- A revolving fund was established to support MTS
- The establishment of the MTS Revolving Fund was necessary until a final determination of long-term business model is made.
- The establishment of the Revolving Fund is a transitional step.



Alternatives

- A Program Division of a Department is not a typical form for business endeavours
- Alternatives for operating structure and governance have been identified:
 - Ministerial Department or Secretariat
 - Departmental Corporation
 - Crown Corporation
 - Partnership Model
 - Privatization



Action

- Currently, Program Division of Department (INF)
- Has functioned as one of eight program divisions reporting to an ADM
- Executive involvement is limited due to this breadth
- Program Director is fully engaged managing operations
- This is a complex and challenging business
- Solid foundation and formation of this venture has not been fully addressed or accomplished



Action

- Executive to lead initiative separate from other Programs
- Include MTS and Fuel Services Division
- Weigh options and arrive at recommendation
- Seek direction to implement recommended course of action
- Plan transition to new operating model
- Focus attention on restructuring and improvements
- Drive financial and operational performance



Discussion

