

**GNWT Marine Transportation Services**

Mr. Speaker, in December of last year the GNWT took steps to ensure the North did not lose an important transportation link that delivers essential petroleum products and cargo, including consumer goods and construction materials, to communities and customers on Great Slave Lake, the Mackenzie River and the Arctic coastal region when it purchased assets of Northern Transportation Company Limited. These assets included the Hay River Shipyard; properties in Hay River, Norman Wells, Inuvik and Tuktoyaktuk; and, a fleet of specialized tugboats and single-hulled barges for transporting deck cargo to all NWT communities that rely on marine resupply.

We have also purchased two double-hulled barges that were not included in the original assets, to satisfy Transport Canada regulations for transporting fuel in oceans. We will continue to update and improve our fleet to provide these essential services to our communities. We are working with our federal counterparts to determine how we might access federal funding that is being made available for northern marine initiatives.

We are now taking stock of these assets and preparing them to ship goods and services. We are confirming the properties and leases for ongoing operational requirements, and determining the best and highest-use options for surplus lands. We are currently registering owned properties, and confirming crown land and revenue leases.

Mr. Speaker, we take our responsibility to protect the environment seriously. Phase 1 Environmental Site Assessments for all the sites with leases on Commissioner's and Territorial Lands have been completed. We will continue to work with Environment and Natural Resources this summer to conduct Phase 2 Environmental Site Assessments on the lands we have acquired. This program will continue over the next three summers to determine what remediation activities may be required.

I would like to give all Members an update on where we stand now, as we approach the 2017 sailing season.

We have developed a sailing plan and have posted a schedule to our website. Our cargo office in Hay River is up and running, our website has been launched, and a toll-free customer service number has been established. We have ran advertisements in all the local newspapers and on social media, and we have been receiving daily inquiries. We will visit all NWT marine-accessible communities this season, and we have confirmed that we will also provide service to Kugluktuk and Cambridge Bay.

A business model is currently under development with the assistance of Ernst and Young, which will help inform how the Marine Transportation Services will be operated in the future. The summer operations will inform the analysis as to which business model is likely to be most appropriate.

In the interim, we are proposing that a revolving fund be established for Marine Transportation Service. The establishment of a Marine Transportation Services revolving fund will enable the marine operations to be self-financing until the determination of a long-term business model is made. It will allow for the

management of costs associated with the ongoing operations, maintenance and capital expenditures in a manner that does not require the GNWT to fund the capital, operations and management through appropriations as is required for normal program delivery.

We have established freight and cargo rates for this operating season. They are lower than the 2016 rates. This gives us a business benchmark for expenses and revenues, as we consider factors like reliability of service, reducing risk to the GNWT, return on investment, opportunities for NWT businesses, and employment opportunities for NWT residents.

Our contractor's maintenance crews are now in Inuvik making the vessels ready to sail. Three vessels have been dedicated to our core community business, as well as our Kitikmeot and Prudhoe Bay service. These will arrive in Hay River during the third week of June, where they will be dry-docked and inspected. The first cargo-loaded vessels will set sail from Hay River on or about the first of July.

Customer cargo is rolling in to our Hay River yard. Fuel orders are currently being placed with our fuel supplier. We have made arrangements with the NWT Housing Corporation to move construction materials to northern communities, we will move goods for the Northern Stores and for Arctic Cooperatives, and we are concluding contracts for the movement of fuel and cargo for various other large customers.

Increasing Marine Transportation Services business will help us keep rates affordable, keep our revenue projections on track and sustain this service for Northerners.

We have been awarded a contract to provide maintenance work for the Canadian Coast Guard on the two buoy tender vessels that are dedicated to provide essential aid to navigation services on the Mackenzie River. This contract positions us to serve the Coast Guard with their ongoing and future needs and demonstrates the ongoing value of the Hay River Shipyard.

Mr. Speaker, while we are on our way to making this sailing season a success, we are also already looking to the future. Marine Transportation Services serves a critical role in the North. It reaches from Canada's northernmost port in Hay River all the way up to some of the highest communities in Canada. There are very few businesses like it in the world.

We are determining how this business can be sustained and improved to meet the needs of our residents and other customers, and be positioned to seize the opportunities that the future may present. We have engaged a business consulting firm to assist, and we are working with the Department of Finance to analyze operations over the course of this season, determine optimal business structures and operating models for the long-term, and produce a comprehensive analysis and report with recommendations by the fall of this year.

Our purchase of the shipyard, terminals and marine fleet is a strategic investment in transportation infrastructure that provides jobs, helps stimulate our economy, and will maintain the Mackenzie River as a primary route to safely and efficiently move essential goods to our communities.

Thank you, Mr. Speaker.