

Backgrounder: Purchase of NTCL Assets

Q: Why did the GNWT bid on NTCL assets?

Shipping on the Mackenzie River requires specialized equipment that is hard to get. When the option to purchase NTCL core assets to make sure that they stay here in the North presented itself, the GNWT determined that this was the best course of action for residents.

The GNWT purchased the assets at below market value, and is now in a position to source a qualified marine operator to operate our assets and provide each of the marine accessible NWT communities with the fuel and other goods they need.

The GNWT has acquired the assets to ensure that continuity of marine transportation service is sustained, that the specialized marine assets of NTCL remain in the NWT, and that marine transportation services remain affordable.

Q: Why was the GNWT's bid so much higher than the other company?

While our initial offer was \$4.5 million, substantially higher than the other bidder's unsolicited bid of only \$2.2 million, we believe that the other bidder's offer was so far below market value there would be a significant risk of these essential marine transportation infrastructure assets being sold and removed from the NWT.

The GNWT was also concerned that once our initial offer became known to the other bidder, the courts would decide to open the bid process and afford the other bidder the opportunity to make a second and final offer, and that the GNWT would be given that opportunity as well.

We believed we would be at risk of the other bidder increasing their offer substantially higher than our initial offer of \$4.5 million, becoming the successful bidder and then operating the assets as an opportunistic monopoly in the NWT market. In the event of that, NWT stakeholders that depend on affordable marine transportation services would be at risk of facing a significant increase in marine freight rates, which would ultimately lead to a substantial increase in cost of living to residents.

The GNWT was advised that NTCL would favour an offer to purchase all of its assets and this was the basis for the government's bid. Otherwise, the GNWT bid may have been compromised by an opposing bid that was based on all of NTCL's assets.

The GNWT purchased the assets for \$7.5 million, which is by far less than the recent appraisals established for the marine equipment (\$55.7 million) and land properties (\$10.3 million).

Q: What exactly does the GNWT get with its successful bid?

The GNWT has acquired all of the assets of NTCL necessary to provide essential, reliable and affordable marine transportation services in the NWT. This includes a fleet of 8 tugs capable of operating in the Mackenzie River, all but one of which are also capable of operating in the ocean, three ocean going supply vessels designed to service offshore oil and gas exploration, and a fleet of 57 barges, most of which are designed to carry both bulk fuel and deck cargo.

It includes the Hay River land properties, including the NTCL Syncrolift shipyard, Terminal C deck cargo marshaling and handling yard, the crew accommodation and mess hall complex and NTCL head office building.

It also includes the NTCL Norman Wells office and warehouse property, the Inuvik terminal and house properties and the NTCL terminal property in Tuktoyaktuk.

The land properties include some areas that may have environmental liabilities. The GNWT plans to undertake environmental site assessments of the land properties to determine the nature and extent of any environmental liabilities.

The purchase also includes several out-of-service, first generation marine equipment assets and land properties not presently being utilized.

Q: What does this mean for marine resupply of fuel products, is the GNWT going to become a marine carrier?

The GNWT has looked for other ways to meet its marine resupply commitments, but has not found any companies with the equipment and experience needed to offer it at an affordable price.

Now that the GNWT owns these important assets, it will be seeking private sector partnerships to manage the fleet and provide essential transportation services to residents. The GNWT will not be in the marine transportation business, it simply owns the infrastructure so that a private sector partner with expertise and experience can provide these important services to our communities. This is a similar concept to the water-bombing contract for fighting forest fires; the GNWT owns the planes, but contracts to the private sector to provide the services.

Q: Why wasn't the GNWT successful in finding a provider of marine resupply services?

NTCL operated in the north for over 80 years and was a main provider of marine transportation services. They held the contract for petroleum product resupply services with the GNWT for many years. The GNWT became aware that NTCL would no longer be providing marine transportation services and would cease business operations following the final sailing season in 2016. This led to the GNWT issuing a tender call for fuel supply and marine transportation services for a seven-year period, commencing in 2017. It was unclear when the GNWT issued the tender call for these services how the private sector would respond.

Over 40 bid packages were downloaded in response to the tender call, but only one bid was received and it was noncompliant. Other northern transportation operators routinely stated that lack of specialized equipment and vessels to transport goods on the river and Mackenzie Delta was a factor in not submitting a bid. It also became apparent that without access to specialized marine assets, that the costs associated with providing these services would significantly increase.

A lack of specialized equipment needed to provide marine resupply services on the Mackenzie River ultimately contributed to the failed tender.

Q: Why did the GNWT compete with a private company for these NTCL assets?

Reliable and dependable barging services are a lifeline for many remote NWT communities and industries that do not have other options for obtaining fuel and other goods economically.

It was not clear to the GNWT whether the other bidders, if successful, would keep the NTCL assets in the North or planned to participate in the NWT marine marketplace. This uncertainty, along with the cost implications should these barges leave the north, made it necessary for the GNWT to consider purchasing NTCL assets to secure them in the NWT.

Where there are no market alternatives, the government is prepared to take reasonable steps to ensure the provision of essential services such as electricity, heating fuel, and medical supplies, and shield NWT residents from dramatic increases in their costs of living.