



ISLAND TUG NEWS

June 12, 2002

A Perfect Score!

We continue to set a new standard of excellence for ourselves and for our industry.

Message from the President

ISO/ISM Successful Audit

We are now past the first of our annual Lloyds ISO/ISM audits and I am extremely pleased to report a first class result. The Island Tug system received very high praise, as did the sections audited. The office, shop, Island Chief and ITB Provider were all audited and found in complete compliance with the code and the Companies Procedures and Policies. The Crews, Management and Staff have worked hard for this result and all are to be congratulated. The system continues to find its focus in Mark, but I encourage all of you drive it even harder as we settle into the second year.

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65,000 Bbl ATB Tanker Barge

The new 65 K double hulled oil barge is about to start construction in China. Model testing at BC Research has wrapped up with a few modifications to stern and bow designs which were optimized for performance in the sea areas we anticipate trading. The model is now residing in the boardroom at Rogers Street for anyone who would like to have a look. The tests included simulations in heavy sea conditions encountered from a variety of directions while pushing. This data has been analyzed by Intercon Engineering, the supplier of the articulated pin system. Intercon confirmed that the pin design will enable the tug and barge to remain connected in any sea state. We are now advancing the purchase of all remaining equipment and expect to see the barge delivered by April of 2003.

It is exciting to see our vessels coming and going through the harbour from our new vantage point at Rogers Street, and I particularly enjoy the fact that we appear to be one of the busiest, and best looking fleets on the water.

Bob Shields

Next Year Will Be Less Hectic!?

Message from Operations Management

Every year we look forward and say, "Well, next year should be a little less hectic, we've only got.....". We are always surprised, and even shocked at how busy the company ends up being and how much ITB is able to accomplish. This past year has been no exception.

For starters, we'd like to thank you for your patience as the three of us got settled into our new roles and responsibilities. Three simultaneous changes in personnel can certainly be challenging for all affected. While there is still much to learn, we feel we have made significant progress.

Regarding business and our prospects for the future. The overall downturn in the North American economy combined with the softwood lumber dispute has had a negative effect on all modes of shipping in BC. Ours is no exception. Industries directly tied to the forest sector have been particularly hard hit.

Having said that, ITB has fared better than many of our counterparts in the industry. The bulk barge volume continues to be steady. The ITB Provider and the ITB2 have been successful in their own niche, and cable continues to be a small but important part of our overall offering. We are not alone in believing that the province is about to turn the corner economically, and to that end we pursue any and all opportunities to build on our past successes.

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We believe that our company's strategic business plan, ISM/ISO certification, and every single employee's commitment to customer service are the building blocks for that success. Thank you for your assistance, cooperation, enthusiasm and effort to build our company.

Message from Operations Team - continued

From an operational perspective,

- 1) ITB Provider:
 - Year to date 2002, we have successfully completed 81 loads, and 121 individual deliveries
 - In addition to the regular deep-sea bunkerings, this month we started deliveries to the Norwegian Wind, Universe Explorer and Seven Seas Navigator.
- 2) ITB2
 - After significant modifications, the new and improved barge is back in service
 - As was the case last year, she will be delivering MGO to turbine cruise ships in addition to our regular deliveries to Barge 5. Hats off to Andy, Leo and rest of the guys out at the shop.
- 3) Training Schedule:
 - In 2001, many of you completed ROC-MC certification to the new Transport Canada requirements. Others participated in propane and forklift training sessions.
 - This year, the focus for employee training and development will be on WHMIS and TDG certifications. Stay tuned for your scheduled course date.
 - In addition to the above, the Company will also be organizing Burrard Clean Operations training seminars.
- 4) Internal Audits Scheduled (2002)

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|---------|-------------------------|
| a) June | ITB2, Island Wave |
| b) July | Island Tugger |
| b) Aug | Pioneer |
| c) Sep | Island Crown, Vancouver |
| d) Oct | Provider |
| e) Nov | Island Brave |
| f) Dec | Island Monarch, ITB38 |
- 5) Business is picking up daily. The silly season has arrived. Expect changes! Thanks.

- Steve, Beth, Monica.

Refits, Rebuilds, Real Busy

Message from the Maintenance Department

The first quarter of 2002 has been very busy, and at times there have been over 25 workers at the shop. The Island Wave refit is now finished and it is back at work. The refit included dry-dock, full CSI inspection, new engines and gearboxes, tank cleaning, new anchor chain, tow line and shackle inspection and much more (no AC generators yet).

The ITB 2 refit included the installation of expansion domes, new vent system, cargo pumps and hydraulic system rebuild. The office was moved to the starboard

side and spill comings moved inboard.

The Island Crown is getting a new alarm system and shore power system.

The Island Monarch had the following work done:

- Main engines rebuilt,
- port auxiliary engine rebuilt,
- New fire and bilge pumps,
- new escape hatch from engine room,
- new hold down gear for towline.

The ITB Vancouver dry-docked for hull painting.

The Island chief was drydocked for CSI and the engines were rebuilt.

The shop move to 55 Rogers street remains on hold.

Once again Andy will be on holidays for the month of July. Leo will take his holidays during the month of August.

Commendations! & System Re-familiarization

Message from the ISM/ISO 9002 Coordinator

I wish to echo Bob's comments regarding all parties involved in the Lloyds audit in April. Mike Calvard, the Lloyds auditor, was very complimentary of the high standards to which the vessels are operated, maintained, and managed. Commendations to all involved! Indeed, congratulations are in order for the company as a whole, given the dependence of the system on everyone's efforts—a dependence reflected in the global nature of the office audit, Gossip at the Tug Conference last month included whimpering from competitors developing ISM systems for their large tugs. It's nice to be well past that stage, but it reminded me of the cautions many of you passed on to me when we built our system: if it's done wrong it will cause more problems than it's worth. The improvements that we've made over the past year, and that continue to be suggested by all personnel, are our surest guarantee that our system doesn't become unnecessary ballast. Please keep your suggestions for improvements coming. As Bob says, we've got to push the system even harder this year.

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One of the major aspects of pushing the system to greater efficiency lies in keeping our knowledge of the system up to speed. Now that almost 2 years has passed since the creation of the main manuals, everyone's familiarity with the system is decreasing. Re-familiarizing officers, crew, bargemen, maintenance personnel and management with the system is becoming an increasingly significant goal. One suggestion for doing this is to have:

- a scheduled monthly review of a section of the system to be conducted throughout the company (eg – Company Procedures Manual—January); Currently, only the Masters have a scheduled review. If you have other suggestions, please let me know.