

# Dry Cargo Resupply Program

ACTIVITY  
SUMMARY  
SHIPPING YEAR  
2009



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Department of Community and Government Services

*Government of Nunavut*



*Dry Cargo Resupply Programme Activity Summary*

SHIPPING YEAR 2009

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## **Purpose**

Each year the Government of Nunavut and stakeholders across Nunavut transport goods into the territory by sealift.

Sealift is a strategic and vital link for all Nunavut communities and their residents to obtain their annual re-supply of goods and materials needed throughout the year. It remains the most economical way to transport bulk goods to the arctic. Each year, ocean going ships travel from several southern Canada Ports with a variety of goods ranging from construction materials, vehicles, heavy equipment, house wares and non-perishable items.

The purpose of this document is to provide a review of the operational year for dry goods resupply.

## **Introduction**

The Dry Cargo Re-supply Programme Activity Summary was prepared by the Department of Community and Government Services (CGS).

CGS continues to perform a crucial role through provision of logistical support and coordination of sealift activities for the government. The GN (including its related entities) relies on the designated carriers to transport the needed goods and materials to its offices in each community. Nunavut-based individuals and businesses can also benefit from the same terms and conditions that the GN has negotiated with these designated carriers.

Annual sealift is critical for economic resupply to arctic communities and for economic development through exploration activities as well as existing and new resource ventures, even though it is only available for four to five months. Use of the marine mode provides shippers with the lowest costs, and the 2005 Sealift Review found the cost of shipping by air can be eight to eleven times to cost of sealift. This is why almost all of non perishable goods needed in Nunavut move by water, and why the Department works hard to ensure that sealift costs are contained and that shippers are aware of the benefits of the marine mode.

Air transport is available year round (weather permitting) and is important for perishables and emergency response, as well as providing regular links with southern Canada.

The report which follows presents significant operational information and detail about progress, achievements, and as applicable, incidents.

## **An Operational Year in Review**

During 2009 Community and Government Services was able to implement one of the last two remaining recommendations from the Review of Annual Re-Supply Operations carried out in 2005. This was the introduction of a mechanism to replace General Average. This mechanism ensures cargo delivery to Nunavummiut in the event of a ship being disabled and prevented from completing its voyage. Two ship incidents in 2009 demonstrate the importance of an alternative approach. If either of them had resulted in a sinking, the owner could have declared General Average. Under the old system, delays of over a year could have occurred before cargo would be released.

The Alternative Dispute Resolution, or ADR, approach to settling sealift claims by Nunavummiut against the carriers has taken far longer to put into place than expected. It is now expected to be available for the 2010 season. ADR would replace litigation, which is the current approach. The expert panel is already in place, should there be a need.

## **Challenges**

2009 saw a very different shipping season from 2008. The downturn in the world economy had a major impact on most exploration and development projects. Essentially the only project cargo moving in the Eastern Arctic for a mining project was on behalf of Agnico-Eagle for their gold mine outside Baker Lake. The Mary River project, despite the high level of acceptance of iron ore shipped in 2008, operated on little more than a care and maintenance basis. NTCL did have some project cargo out of Richmond for the Western Arctic.

### **Cargo discharge on a good day**



**Photograph of mv *Anna Desgagnes* from NSSI Web site**

The Montreal based carriers adjusted their active fleets to meet the perceived reduced demand. Planned deployment of about 414,000m<sup>3</sup> capacity left little margin for error on a probable demand of 375,000m<sup>3</sup> (90% of capacity) from the Montreal area. There were

two major ship incidents during the season that created a shortage of space in active ships. Fortunately, the *Aivik* was available from lay up in Montreal, and was able to fill in capacity needs. NSSI had scheduled 280,000m<sup>3</sup> of capacity against an expected lift of 240,000m<sup>3</sup>, or an 86% load factor. NEAS scheduled about 134,000m<sup>3</sup>, but added the *Aivik* for total of about 147,000m<sup>3</sup>. They reportedly carried 135,000m<sup>3</sup>, part of which was for NSSI. Thus capacity was very tight, and any other delays could have caused serious problems in terms of community service.

**Sometimes weather conditions are not cooperative for discharge**



**Photograph from NEAS presentation at CMAC Northern**

It is estimated that the three carriers contracted to GN for community re-supply shipped about 400,000m<sup>3</sup> of cargo for community use. Stormy weather and early ice were a problem again during the season, affecting lighterage operations, and nearly causing one ship to go aground.

***Kitikmeot***

Both NEAS and NSSI served the region from the East this season, and NTCL introduced a new barge service from Richmond (BC), with material changes in shipping costs from the traditional route via Hay River (NT). Regrettably, their specially designed and newly built barge (NTCL 12000) for this new service was late being delivered, and a charter barge had to be used in its stead. NEAS returned from the Western Arctic via a little used route through Fury and Hecla. This route has been very unreliable in the past, but has had an open water period in each of the last three seasons.

***Kivalliq***

The Kivalliq region receives GN contract service by NTCL out of Churchill and out of Montreal by NSSI. In addition private service is offered by NSSI out of Churchill, and NEAS out of Montreal who offer through rates from Winnipeg MB. Thus the region has

a wide range of carriers and options. The GN's new Marshalling and Packaging system continued to work well.

The Agnico-Eagle gold mine development at Meadowbank north of Baker Lake resulted in high volumes of cargo and the operator poured its first, symbolic bar of gold, in February 2010.

### ***Qikiqtaaluk***

The Mary River iron ore project concentrated on ore body definition, product testing and regulatory issues during 2009. The results of German testing of the iron ore fines was particularly encouraging. However, Baffinland Iron Ore advised that the ongoing impact of the world economic downturn will push project completion back to 2016 from 2014.

The Inuit Cultural and Learning Centre in Clyde River was a major consumer of sealift space in the High Arctic in 2009. The \$23m facility is scheduled for opening in January 2011, so a heavy demand for sealift cargo to Clyde River will occur in 2010 as well.

### **Piqqusilirivvik: Inuit Cultural Learning Facility, Clyde River**



Photograph from FSC Architects web site

### **Going Forward into 2010**

The GN completed extensive study work during 2009 to help guide future decisions relative to Annual Sealift. One study looked at whether the region would benefit from operating on an open market basis compared with the current RFP based approach. The study conclusions were that an open market would not benefit Nunavummiut because of lack of competition and other factors. The study did see some possibility for Iqaluit in the future, but only if a third carrier could be introduced.

An analysis was also undertaken into the impacts of climate change on the sealift season and community groupings for sealift service. This study showed significant difference in the last decade compared with the previous two decades for most communities and access routes. The research has been contributed to ongoing work by the National Research Council into their work on behalf of Transport Canada to determine future periods of safe access to the Arctic for ships.

## **Operational Observations**

### **NEAS**

#### **NEAS' mv *Qamutik* with a good load of containers**



**Photograph from NEAS Web site**

- No major issues for the 2009 season for the High Arctic.
- The mv *Avataq* suffered engine failure in the Hudson Strait in late September and was towed to Salluit for repair. While there a storm caused it to drag its anchors and the ship nearly went aground. About three weeks time was lost, and the ship suffered some engine problems later in the season while servicing Hall Beach.
- The company re-activated the mv *Aivik* for a single voyage in October and November. The ship was laid up in Montreal for the season.
- The mv *Umiavut* served the Kitikmeot region in 2009 and then returned south via Fury and Hecla.
- The company deployed four ships on nine sailings.

### ***Inuit Employment***

The company' approach to training and employment continues to produce results, although they had no trainees in 2009. In addition to one full time employee, three other employees worked for 296 days. Five persons have indicated that they intend to work for NEAS in 2010.

### ***Service Centre***

The marshalling and packaging operation generally performed well in 2009. There were some documentary challenges that were resolved during the season, but supplier documentation sometimes led to problems with regard to identifying the correct community for delivery of shipped goods. There was an increase in the use of freight containers, with improvements in packaging. The GN owned fleet, although small, continues to grow and deliver cost savings.

### **NSSI**

#### **NSSI' mv Anna Desgagnes Loaded and ready to leave port**



**Photograph from NSSI Web Site**

- The *Zelada Desgagnes* suffered serious bottom damage during a grounding in Puvirnituk in early September, which prevented it undertaking a planned third voyage. The ship eventually spent three months in Halifax undergoing hull repairs.
- The *Camilla Desgagnes* provided service to the Western Arctic again in 2009, returning via Bellot Strait. The ship is being re-engined during the winter of 2009/10
- The company undertook 13 trips north during the season using five ships
- Freight from the planned third trip with the *Zelada Desgagnes* was shipped with other vessels in the fleet and with NEAS on the *Aivik*.

### ***Inuit Employment***

NSSI performance with Inuit employment continues to disappoint. The company managed to employ only three Inuk for the season. The company replaced its sales representative in Iqaluit for the 2009 season. Two other seasonal employees were involved in shore side operations and customer service. Of two employees from previous

years, one found a full time position and one decided, at the last minute, to take a year's sabbatical.

## **NTCL**

### **NTCL new Barge service from Richmond BC**



**Photograph from Economic Development and Transportation  
Power Point at CMAC Northern**

The company delivered all cargo during the season into Nunavut communities in the Kitikmeot, for which it is the primary carrier. The new service out of Richmond BC sailed full, mainly with cargo for mining related projects. Costs for shipping on this route are substantially less than via Hay River. Both Eastern Arctic carriers offered competition in 2009, and it was reported that lower shipping costs enabled stores to reduce prices.

NTCL had five tugs deployed in the Western Arctic that made community calls from Tuktoyaktuk. Most communities saw three calls, but Cambridge Bay received more. In addition, the barge that originated in Richmond BC made two community calls and transshipped cargo in Cambridge Bay for a third.

The company continues to serve the Kivalliq region out of Churchill, although volumes were low due to competitive pressure from other carriers. The company deployed several tugs, but most activity was moving cargo through Chesterfield Narrows into Baker Lake. Seven barge delivery trips were made out of Churchill, and most communities received multiple calls. Whale Cove received a single call.

### ***Inuit Employment***

NTCL continues to have the largest number of Inuit employed within its transportation and cargo delivery operations. For the 2009 season, the company reported nine Nunavut employees in the Kitikmeot, and ten in the Kivalliq region. While Kitikmeot employment was up, Kivalliq employment was well down on 2008.

## APPENDIX A

The GN website <http://www.gov.nu.ca/sealift/> features a number of important and relevant documents and website links available for the General Public and anyone interested in using sealift services. The following documents are available on the website:

- How to Sealift
- General Conditions of Carriage
- Arctic Dry Cargo Resupply Program Evaluation - Executive Summary

### Links to Service Provider's Websites

- Northern Transportation Company Limited (NTCL): <http://www.ntcl.com>
- Nunavut Sealink & Supply (NSSI) Inc.: <http://www.arcticsealift.com>
- Nunavut Eastern Arctic Shipping Inc. (NEAS): <http://www.neas.ca>
- Harris Transport: <http://www.harristransport.ca>

For further information, please contact the GN Logistics Manager with Procurement, Logistics and Contract Support Services.

**Telephone: (867) 975-5437**

**Toll Free: (888) 390-0111**

**Email: [sealift@gov.nu.ca](mailto:sealift@gov.nu.ca)**

## **APPENDIX B**

### **Incidents in the 2009 Sealift Season**

As noted elsewhere, there were two serious incidents in the 2009 season. NEAS' *Avataq* out of service during mid season for about three weeks due to engine problems. NSSI's ship *Zelada Desgagnes* suffered serious bottom damage in a grounding in Nunavik, and had to be withdrawn from service.

## APPENDIX C

### Website Assessment

#### NTCL

- Website in unilingual English.
- Choosing a region is at upper right and not immediately visible unless the user has a high aspect ratio flat screen. Choose between Kitikmeot and Kivalliq (no choice for GNWT users).

#### Kitikmeot as follows:

- Booking gives pull downs for:
  - i) **Shipping Rate 2010** Only Richmond BC posted.
  - ii) **Western Arctic Tariff** General tariff for 2009, to/from location in the Western Arctic. Separate dry goods and petroleum tariffs.

Schedule K appears on this page with built in links to Cargo Booking forms, Shipping receipts and Bills of Lading.
  - iii) **Space Booking Form**
  - iv) **Insurance** Provides a form from Marsh Canada. The Liability Waiver form does not reference schedule K coverage by the carrier.
  - v) **Condition of Carriage** Schedule K appears here, with Arctic re-supply users at the end of the schedule. See below. This paragraph is not explained and appears to exclude certain users from Schedule K.

*Arctic Resupply Users" means all shippers that are not the GN or a GN Department, including but not limited to the Legislative Assembly, municipalities, communities and hamlets, schools, hospitals, Nunavut Liquor Commission, Nunavut Power Corporation, Nunavut Housing Corporation, Nunavut Arctic College, all bodies performing a function under the Nunavut Land Claims Agreement, any person or entity providing public services in Nunavut, non-profit, religious and charitable organizations, persons carrying on a professions, business, trade or occupation, and private individuals who are shippers of cargoes covered by the Arctic Re-supply Program or who have a property interest in the Cargoes carried under the Arctic Re-supply Program.*

**Kivalliq** website essentially requires a user to call NTCL. No Schedule K information, no rate information is provided and sailing schedule relates to the Western Arctic.

***In summary, the website is not user-friendly and does not appear to meet requirements of the GN contract with NTCL for the two regions served.***

## DESGAGNES

- Website is trilingual English/French/Inuktituk.
- Nunavut and Nunavik options are immediately visible and accessible.
- **Nunavut** pull downs:
  - i) Schedules – preliminary calendar given
  - ii) Rates – 2010 rates available for regions served
  - iii) Insurance – notes the \$2,500 carrier liability, but not the motor vehicle
  - iv) Booking forms – includes Schedule K with full range of forms
  - v) Packaging & Shipping – good 23-page pdf guide
  - vi) Dangerous Goods – good 4-page pdf guide
  - vii) Maps – reasonable but chart gives fleet list. Noted that still no *Camilla Desgagnes* technical information.

Also offer High Arctic service at GN rates, but private terms.

Also offer Kitikmeot with 2010 rates, private terms.

***In summary, the website is user-friendly, up to date and generally appears to meet GN contract conditions for the regions served. The insurance information should be expanded to include motor vehicle liability.***

## NEAS

- Website is trilingual English/French/Inuktituk.
- Main navigation bar provides four headings: Shipping Services, Cargo Services, FAQ, Contact Us.
- **Shipping Service** has pull downs on:
  - i) Schedule, which is still end of 2009.
  - ii) Freight Rates are still those for 2009 season. Nunavut and Nunavik are given separately.

Insurance rates are provided, and correctly identifies carrier liabilities per Schedule K. However, the FAQ's only gives the per package limit.

- iii) **Reservations** Covers space reservation, Booking Note and contains Schedule K.
- iv) **How to Ship** takes the user back to reservations.

- **Cargo Services**

- i) Provides information and 2009 packaging rates for the NES cargo centre.
- ii) Pushes use of containers.
- iii) Has a link to Transport Canada's website under dangerous goods and leaves the user to search for information.

***In summary, although not yet properly set up for the 2010 season, the website appears to meet GN contract criteria.***

**HARRIS TRANSPORT**

- Website is unilingual English.
- No information on the website as to services provided under contract to the GN.
- The only useful information for Nunavummiut is their toll-free number and a map.

***In summary, not a useful website for someone wishing to use their services to facilitate Arctic shipments.***