



Arctic Dry Cargo Resupply Programme



Prepared by
The Mariport Group Ltd. for

December 2005

The Department
of Community and
Government Services
Government of Nunavut

1. Executive Summary and Recommendations

1.1 Background

On June 20th, 2005, the Department of Community and Government Services (C&GS) of the Government of Nunavut (GN) issued an RFP for an evaluation of the current sealift programme. Specifically, the RFP required that the evaluation include the following:

- Analysis of the current Arctic Dry Cargo Resupply Programme;
- Interviews/satisfaction survey with stakeholders to gain insights into their current and future needs and appropriateness of the current programme;
- Presentation of findings;
- Presentation and evaluation of options;
- Recommendations to improve the current programmes and policies.

The Mariport Group responded with a core team of three individuals, each possessing relevant expertise appropriate for conducting the evaluation of the GN's sealift programme. The consultant team was comprised of:

Christopher Wright	President of Mariport
William Sharpe	Barrister and Solicitor
John MacDonald	Logistics Specialist

The evaluation report represents the findings of the consultant team based on the survey and analytical work undertaken. In addition to surveys of users, public meetings were held in major centres and face to face meetings and telephone interviews were conducted with the shipping companies and suppliers. The survey was also made widely available through Mariport's website and advertising included Mariport's toll free number for direct access to the consultant team. Information was further distributed to over 550 individuals and organizations across Nunavut. It should be noted that a number of comments in the report are derived from anecdotal information obtained from the survey returns, and community discussions with carriers and suppliers and have not been subject to independent verification.

1.2 Key Points

During the course of the survey work, the following key points were noted:

- Lack of human resources in critical areas has led to an overall loss of capability relative to the resupply function. Many of the current problems can be traced back to changes in management of the annual dry cargo resupply without sufficient time to adequately address its management.
- Fragmentated resupply decisions have lead to a large volume of small purchases with a resulting increase in packaging and freight costs through the loss of consolidated volume.
- Due to the foregoing, C&GS (which now has contractual responsibility for resupply activity) has lost critical mass and has less bargaining power.
- Mariport was advised of a number of instances where airfreight had to be used due to missed sailings. Based on 2005 air freight rates versus seafreight, the additional cost can be as much as ten times the contract marine rate, leading to significant and unnecessary fiscal pressure on the GN.
- It was apparent from survey responses and discussions that the GN needs to make significant improvements in communicating expectations and decisions regarding dry cargo resupply to Nunavummiut.
- Current contracts with carriers are disjointed containing a number of outdated, inappropriate and badly structured clauses. These contracts may be acceptable for government purposes but they are confusing and thus ineffective with the general public.
- Basic information is not readily available to Nunavummiut wishing to make arrangements for goods shipment. None of the carrier websites had all the following key information available:
 - Freight rates;
 - Contract terms and agreements;
 - Dangerous goods shipments;
 - Insurance.

1.3 Recommendations

Based on the evaluation, the consultant team offers the following recommendations which have been categorized by timeframe:

Short term (prior to letting the 2006 contracts)

- The GN should continue to contract for dry cargo resupply for the eastern Arctic.
- Contract documents should be written in plain language so that Nunavummiut are fully aware of their rights and privileges under the resupply contract. Contract agreements should be monitored to ensure that required information is available on carrier websites.
- The GN should establish formal departmental relations with NTCL regarding service to the Kitikmeot.
- Due to expected increases in goods transportation costs related to high fuel prices, the GN should permit the following mitigating contract features:
 - a) A base rate with fuel surcharges at an agreed formula;
 - b) Ability to price dangerous goods at an economic rate;
 - c) Remove the mandated pricing for retrograde and recyclable cargo;
 - d) Either re-write the dead freight clause to reflect the reality that Arctic cargo is cube not weight related or remove it in its entirety;
 - e) Ability to charge a premium for cargo delivered after the carrier cut-off dates for specific sailings.
- Request options for contracts with a three and a five year base, both containing optional extensions for two one year periods.
- Negotiate a substitute cargo claims clause that is more responsive to Nunavummiut expectations and needs.
- Evaluate with the Canadian Coast Guard (CCG) the most appropriate way in which Kugaaruk dry cargo can be delivered.
- Ensure that information is made available to Nunavummiut in a timely manner regarding changes to resupply contracts, company responsibilities for specific regions and new contract language that specifies carrier and shipper rights and responsibilities.

Medium term (within the 2006 contract year)

- C&GS should work with government departments and service providers to consolidate as much purchasing and sealift management as possible and take

advantage of cost reductions in freight through aggregation and/or containerization of orders.

- The GN should explore warehousing and lay down capabilities that it controls in Iqaluit and Rankin Inlet for container stripping and goods storage so enabling containers to be returned within the season. Consideration should also be given to private management of the lay down areas. Such opportunities in Cambridge Bay should also be explored.
- C&GS should create a dedicated reference facility relative to dry cargo resupply and ensure that information on suppliers, shipping companies, contracting, insurance and local cartage companies is readily accessible via a toll free number, a web site, and information handbooks available within each community.
- The GN should work through Nunavut Arctic College (NAC) and the Municipal Training Organization to set up a short logistics course on goods resupply. A certificate from NAC should be mandatory for any person in an official capacity involved in the resupply process. The course should also be available to other interested parties who are involved in shipping decisions. A key message in the course would be the absolute need to recognize the short window of opportunity for shipping. This is, at most, 150 days in the eastern Arctic and 90 days in the western Arctic. Course development and delivery should take advantage of the knowledge of GN employees who have historically been involved in resupply management.

Long Term (ongoing from the 2006 sealift season)

- The GN should explore the use of prepaid expenses within the GN accounting system to permit timely ordering of goods such that goods needed are on hand for the first sailing of the season.
- C&GS should work with the Department of Economic Development and Transportation (ED&T) to develop a programme for community lay down security and container stripping facilities in each community to take advantage of the packaging and shipping cost benefits of container transportation. In 2005 these savings were about 30% compared with conventional crating costs.
- The GN should undertake a cost/benefit analysis of alternate operational and contract methods for ensuring delivery of cargo within season.