

Dry Cargo Re-supply Programme Activity Summary

SHIPPING YEAR
2014



PHOTO COURTESY OF CANADIAN COASTGUARD

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Department of Community and Government Services

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Purpose

Each year, the Government of Nunavut (GN) 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, tugs and barges travel from several southern Canada ports with a variety of goods ranging from construction materials, vehicles, heavy equipment, housewares and non-perishable items.

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

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 re-supply 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 a major review of Sealift in 2005 found the cost of shipping by air can be eight to 11 times the 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 activity during the 2014 season, progress and achievements with regard to sealift and, where applicable, incidents that occurred.

An Operational Year in Review

2014 saw continuing support by the primary carriers on behalf of mining activity, although with a reduced amount of cargo. Total estimated cargo was 450-500,000m³, of which about 125-150,000m³ was believed to be mine related. This quantity did not include material shipped from offshore. The balance of 325,000 – 350,000m³ represents estimates for Nunavut and Nunavik community shipments.

Challenges

2014 saw 31 dry cargo trips by the two carriers from the Montreal area. NEAS undertook 13 northbound trips from their base at the Port of Valleyfield, one of which was with the chartered *Erasmusgracht* and was dedicated to Iqaluit. NSSI undertook 18 northbound trips with their fleet of six ships. In addition, the company ran two barges from Becancour at the start of the season to Baker Lake and then used them to tranship cargo through Chesterfield Narrows. Both companies provided trips in support of mining related activity, with NEAS calling Deception Bay on seven occasions with part loads.

NEAS chartered vessel *Erasmusgracht*



From the Spliethoff website

NSSI dedicated three ship loads as well as a part cargo in support of Agnico Eagle's Meadowbrook mine at Baker Lake as well as three full and one part cargo in support of Baffinland at Milne Inlet. NSSI also undertook four trips from Churchill, mainly for community support, but one trip was a part cargo for Agnico Eagle Mines. As in previous years, community calls by both NEAS and NSSI generally included both Nunavik and Nunavut communities.

Eight cruise ships called at communities in Nunavut in 2014, of which the *Silver Explorer* undertook a Northwest Passage. There were only two complete passages this year, the other being undertaken by Cie. des Iles du Ponant with their new ship *l'Austral*.

Kitikmeot

NSSI again provided service with their *Zelada Desgagnes*, while NEAS took the *Avataq* west this season. Construction of the Canadian High Arctic Research Station (CHARS) was inaugurated by Prime Minister Stephen Harper in August. The scheduled opening date is July 2017. An artist's impression of the building is shown below.



<http://www.science.gc.ca/default.asp?lang=En&n=A7775FC8-1>

Also in 2014, a tug and specially built barge arrived to retrieve the remains of the *Maud*. The tug and barge are wintering in Nuuk and the group intends to raise the sunken vessel in 2015 and take it as far as Nuuk, making the Atlantic crossing in 2016.

The various mining projects that continue to offer promise in the region have been materially affected by the downturn in global commodities. MMG are requesting major assistance with construction of a port, airport and microwave towers by others, and have said that the Izok Lake project will not move ahead without such a commitment. Sabina are looking to cut costs due to the decline in gold prices and while TMAC Resources are still undertaking exploration of their Doris North project, there is no timeline for further development.

NTCL had four barges scheduled for Cambridge Bay. The fourth barge was caught by heavy ice late in the season and, despite the assistance of *CCGS Louis St. Laurent*, was not able to make Cambridge Bay. NTCL proceeded with the barge to Roberts Bay and offloaded in a secure area of TMAC Resources. NTCL has committed to deliver the cargo by cat-train over the ice in early 2015.

Kivalliq

The Kivalliq region receives GN contracted services from Churchill and the Montreal area as well third party shipping from the Montreal area. The Agnico Eagle mine continued to generate significant traffic during 2014 with three dedicated shiploads, one part shipload from Churchill and two tug and barge deliveries from Becancour. The company is looking at opportunities to extend the life of its Meadowbank mine with the Amaruq deposit 50km north of the existing mine. Approval was granted by NIRB for the Meliadine project in October, subject to a number of conditions. However, it is still considered to be “an advanced exploration site” by the company. Undoubtedly the current price of gold is having an impact on decisions.



Signage at the beginning of Agnico Eagle's 24-kilometre road from Rankin Inlet to its Meliadine gold project site (PHOTO BY SARAH ROGERS)

Qikiqtaaluk

The Mary River project is in the process of shifting to what has been called “Early Revenue Phase”. Under this plan, ore will be trucked via a tote road to Milne Inlet and then loaded onto bulk carriers for shipment to steel mills in Europe. The company commenced stockpiling ore in 2014, and the intent is to commence shipments in 2015. Two dedicated and one part shipload of construction materials were moved from southern Canada to Milne Inlet, and two heavy lift ships, the *Happy Delta* and the *Happy Dover* brought cargo in from offshore. After delivery at Milne Inlet, the *Happy Dover* took additional cargo to Deception Bay.

Baffinland has applied to further expand the project by moving from seasonal to extended season operations. This is the Phase 2 proposal.



***Happy Delta* from Fleetmon website**

Also in the region, the Peregrine Diamonds project is moving ahead on the basis of very positive market reports for diamonds. A 180ton bulk sample was shipped in 2014 and further exploration is planned for 2015. The company plans to build a trail to the site from the Road to Nowhere to facilitate access.

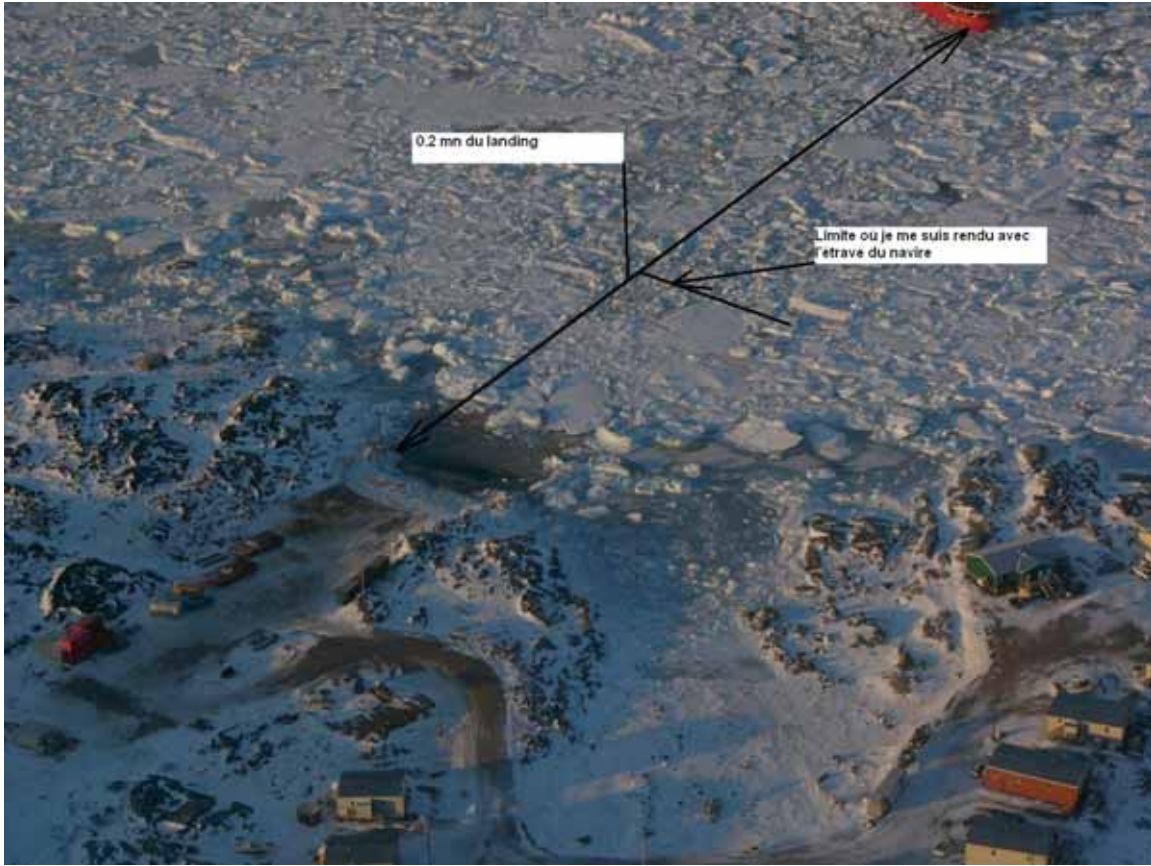
The new Iqaluit airport is also creating considerable demand for shipping space leading up to completion in 2017. Key components are the new passenger terminal, a new service building, runway repair and a new apron. This demand required NEAS to charter in a vessel to provide the first season call at Iqaluit.



Proposed new Iqaluit terminals from Stantec's website

Construction of the Nanisivik Naval Facility commenced in 2014 with the contractor mobilizing their camp and support equipment, using a partial load to Nanisivik in August. Materials delivery should be expected in 2015, with construction continuing through 2017. Cargo activities at Nanisivik are expected to increase with the construction activities planned at Eureka, including runway upgrades in 2015 and water reservoir and treatment pond scheduled for 2016.

Kugaaruk is serviced by the Canadian Coast Guard (CCG) from Nanisivik. At the end of the shipping season, strong winds and driven ice, including multi-year ice, were particularly heavy in St. Peter Bay. Although the CCG was able to reach its typical anchorage off the landing beach adjacent the hamlet, heavy ice choked the space between the vessel and the beach which did not allow the cargo to be lightered by barge. Some cargo was transferred by the onboard helicopter, but $\frac{3}{4}$ of the total cargo for the year could not be landed. Both the *CCGS Des Groseilliers* and the *CCGS Terry Fox* returned south with the undelivered cargo and were discharged at Churchill where the cargo was remarkshaled for delivery in the following year. This is the first time since 1994, when CCG started providing service to the community, that delivery has not been possible.



CCGS Des Groseilliers in heavy ice off the Kugaaruk landing beach (photo courtesy of CCG)

Going Forward into 2015

As noted there are several mining operations in development that could lead to significant shipping demand within the next several years. These projects include Mary River and Roche Bay iron ore projects in the Qikiqtaaluk region; Back River, Hackett River, Izok Lake and Doris in the Kitikmeot region and Agnico Eagle's Meliadine gold mine just outside Rankin Inlet, in the Kivalliq region. However, the downturn in the global economy, driven by reduced demand from China led to a reduced demand on shipping space in 2014 and will likely have an ongoing impact during 2015.

Operational Observations

NEAS

- There were no issues with NEAS service to any communities during 2014.
- NEAS chartered a ship, the *Erasmusgracht*, to cover their early season requirements in Iqaluit.
- The mv *Avataq* served the Kitikmeot region.
- The company deployed five ships on 13 sailings.

Inuit Employment

NEAS provided a total of 956 person days of employment for Inuit beneficiaries during the 2014 season. This includes persons on board the ships, one full-time person in an administrative role in Iqaluit, and one in Kuujjuaq.

Service Centre

The service centre worked well during the 2014 season and is moving more towards consolidation of cargo into containers than traditional crates and boxes.

The Government of Nunavut has its own fleet of 45 containers with a mix of 13' and 20' including some high cubes.

NSSI

- There were no issues with NSSI service to any communities during 2014.
- NSSI again deployed the *Zelada Desgagnes* to the Kitikmeot region.
- NSSI used the *Camilla*, *Zelada* and *Rosaire A Desgagnes* to provide contracted service to the Kivalliq region out of Churchill.
- The company deployed its six owned ships on 22 voyages. No chartered ships were needed in 2014. The company also employed two Canadian Flag tugs and barges to support service to Agnico Eagle at Baker Lake as well as making dedicated and combination voyages to service the mine.

Inuit Employment

NSSI continued to expand employment for Inuit beneficiaries during the 2014 season. The company did not make detailed information available and estimates are not possible.

- *Shipboard employment and training.* In collaboration with Nunavut Fisheries and Marine Training Consortium in Iqaluit, they provided training and employment for four shipboard personnel.
- *Shoreside management.* They have three persons in full-time and seasonal employment in shoreside positions supporting annual Sealift.
- *Cargo Support for Agnico Eagle.* As in previous seasons, NSSI contracted with Peters Expediting in Baker Lake for cargo handling on behalf of the gold mine. In 2014, eight persons were employed.
- *Sealift Advisory Positions.* In cooperation with Arctic Co-Ops, NSSI trained and provided 1.5 hours per day employment for persons in 16 communities to provide advice about sealift and liaise with the ship during cargo delivery. 2014 built on the successful 2013 season and the company intends to continue with the programme during 2015. This is equivalent to about 800 days of employment.
- The company continued with a local hire to provide liaison between ship and shore in Baker Lake during the 2014 season.

NTCL

The company provided three trips from Hay River to Cambridge Bay and one each to Kugluktuk, Gjoa Haven, and Taloyoak. Early ice created service problems and a tug and barge were caught at Robert's Bay, preventing a fourth call at Cambridge Bay.

APPENDIX A

Links to Websites

The GN website http://cgs.gov.nu.ca/en/gov_services-purchase_sealift.aspx features a number of important and relevant documents and website links available for the General Public and anyone interested in using sealift services. This web page is also available in French and Inuinnaqtun.

The following documents are available on the website:

- General Conditions of Carriage
- Arctic Dry Cargo Re-supply Program Evaluation 2005- Executive Summary
- What to do if your sealift goods are damaged or missing
- 2013 Annual Report

Links to Service Providers' 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>

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

Telephone: (867) 975-5437

Toll Free: (888) 390-0111

Email: sealift@gov.nu.ca

APPENDIX B

Incidents in the 2014 Sealift Season

No ship related incidents were reported during the 2014 Sealift. However early ice and bad weather prevented the Coast Guard to deliver the last of cargo into Kugaaruk. This is the first time since operations began in 1994 that delivery has been frustrated.

In the west, NTCL had to contend with the lowest water levels on the Mackenzie river in 20 years as well as an early freeze up that prevented some of the cargo for Cambridge Bay from being delivered. NTCL will deliver the remaining goods over the ice in March 2015.

APPENDIX C

Website Assessment conducted second week in January 2015

NTCL

- Website has been updated and supposedly offers quadrilingual, English, French, Inuktitut, Inuvialukton service, however, only general descriptive information about the company is available in translation; all other parts of the website are English only.
- The website has general rate and delivery information for all Mackenzie River and Western Arctic communities in the Northwest Territories. There does not appear to be a separate area for Kitikmeot customers.

In summary, the website is much improved from previous years, but is still missing key information for shippers and does not meet GN contractual requirements.

NSSI

- Website is trilingual English/French/Inuktituk.
- Nunavut and Nunavik options are immediately visible and accessible.
- Schedule K, the General Conditions of Carriage, is available through Booking Forms.
- Insurance information does not provide full details of coverage included under Schedule K.
- There does not appear to be a link to guidance about ADR for dispute resolution.
- Ship information is not accessible from the Sealift website, although there is an excellent photo gallery of the ships and cargo operations. Technical details of most of the fleet can be obtained via the Groupe Desgagnes website.

In summary, the website is user-friendly, up-to-date and generally appears to meet GN contract conditions for the regions served. Full Schedule K insurance information is missing from the insurance page and no information is available regarding ADR.

NEAS

- Website is trilingual English/French/Inuktituk.
- The website provides the up-to-date Schedule K and full information regarding ADR and the claims forms. Insurance forms include the correct levels of coverage under the sealift contract.

In summary, the website is user-friendly and appears to meet all GN contract criteria.