

Dry Cargo Re-supply Programme Activity Summary

SHIPPING YEAR
2016



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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 and tugs and barges 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 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.

Even though it is only available for four to five months, annual sealift is critical for economic re-supply to Arctic communities and for regional development through support for existing and new resource ventures as well as exploration activities. Use of the marine mode provides shippers with the lowest costs, and a major review of Sealift showed that air transportation costs could be up to an order of magnitude higher than by marine. 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 transportation of perishable goods, emergency response, and providing regular links with southern Canada.

The report which follows presents significant operational information and detail about activity during the 2016 season, progress and achievements with regard to Sealift and, where applicable, incidents that occurred.

An Operational Year in Review

2016 saw a number of significant events: the Mary River project shipping 2.72million tonnes of iron using mainly Panamax size (75,000dwt) bulk carriers and there was the successful North West Passage by the *Crystal Serenity*. The year also saw the regrettable demise of two long established fixtures in Arctic shipping, both of which date from the early 1930's: Northern Transportation Company Ltd. and the Port of Churchill, although the port may be resurrected by a consortium of Manitoba First Nations. Iqaluit continued to require significant shipping support, due to the airport project and the Aquatic Centre. In all, the community received 13 calls during the season, and these were not delayed by ice, as had been the case in 2015.

Total estimated northbound quantities carried by NEAS, NSSI and NTCL was in the range of 505,000 to 585,000m³. In addition four foreign flag dry cargo ships and three tankers supported community service and mining ventures.

Challenges

2016 involved thirty dry cargo trips by the two carriers from the Montreal area. NEAS undertook 11 northbound trips from their base at the Port of Valleyfield with four ships. NSSI carried out 19 northbound trips with their fleet of six ships from Côte Ste Catherine plus three trips from Churchill to Kivalliq communities and the Agnico-Eagle (AEM) operations. In addition NSSI ran the tug *Atlantic Elm* with barge *Atlantic Tuna* direct to Rankin Inlet, and the tug *Atlantic Beech* with barge *Atlantic Sealion* direct to Baker Lake. They were then used to tranship cargo through Chesterfield Narrows from ships anchored outside. NSSI also chartered the *Vectis Castle* to move cargo from Becancour and Quebec City to Rankin Inlet. Both companies provided trips in support of mining related activity.

NSSI split three ship loads on the *Claude A Desgagnes* between AEM's Meadowbank mine north of Baker Lake and their project at Meliadine, through Rankin Inlet. The *Rosaire A Desgagnes* took a cargo to Rankin Inlet as well as one dedicated to Milne Inlet; another trip that was shared with six communities. Five of NEAS northbound trips were split between community and mine service. As in previous years, community calls by both NEAS and NSSI generally included both Nunavik and Nunavut communities on the same voyage.

In addition to the *Crystal Serenity*, there were ten cruise ships operating in Nunavut during the 2016 season, providing 18 cruises. In addition to the cruise ships, five megayachts and sixteen adventurers in small craft visited different communities.

The major story about the North West passage was the voyage of the *Crystal Serenity* and its escort *Ernest Shackleton*, which made a round trip from the Atlantic to Ulukhaktok where it met the cruise ship. Not reported was the transit of opportunity by the heavy lift ship *Happy Rover*, which sailed from Ulsan in South Korea to Burnside on Lake Michigan. The ship had previously transited the Northern Sea Route from Antwerp, making it possibly the first ship to circumnavigate the North Pole in a single season. Another Northwest Passage was undertaken by the Africaborg from the Pacific to Baie Comeau.



Photograph of the *Happy Rover* from www.bigliftshipping.com

Kitikmeot

NEAS took the *Mitiq* and the *Qamutik* west this season, while NSSI provided service with both *Zelada* and *Anna Desgagnes*.

The saga of raising the *Maud* at Cambridge Bay continues. The boat still is not ready for transfer to its barge, and the hope is to move it on its first leg to Norway during the summer of 2017.



The *Maud* and tug *Tandberg Polar*. Photograph from <http://www.maudreturnshome.no/>

TMAC Resources continues to ramp up, and brought the tanker *Nordisle* from the west coast in with fuel as well as a load in the *BBC Elbe*, a part load by the *Zelada Desgagnes*

and a barge full of equipment via Point Barrow. During the 2016/17 winter, they are commissioning the processing plant.

Construction of the Canadian High Arctic Research Station continues with a scheduled opening for July 2017 on Canada's 150th anniversary.

Kivalliq

The Kivalliq region receives GN contracted services from Churchill as well as the Montreal area, together with third party shipping from the Montreal area. The Agnico-Eagle (AEM) mine continued to generate significant traffic during 2016. The importance of the Meliadine project is evident from shipping movements, with three dedicated shiploads shared between Rankin Inlet and Baker Lake, one barge load to each destination, and a ship load solely for Rankin Inlet.



Dock at Baker Lake photograph provided by AEM

While the port of Churchill was technically closed on July 26th by Omnitrac, some calls continued through the season, and limited rail operations were provided. It was announced just before Christmas 2016 that the Mississippi Rail Consortium (a joint venture of Manitoba First Nations) had signed a letter of intent to purchase the port and the rail line. It is likely therefore, that Kivalliq service out of Churchill will continue to be available.

Qikiqtaaluk

The Mary River project continued its second year of shipping ore from its terminal at Milne Inlet and eighteen bulk carriers made 38 calls to move about 2.72 million tonnes of ore. The first ship to load was the *Arkadia* in late July. If recent increases in the price of iron ore can be maintained (spot prices in December 2016 reached \$80.00/tonne for 62%Fe ore), Baffinland's prospects should show considerable improvements.

The new Iqaluit airport continued to create considerable demand for shipping space leading up to completion in 2017. The new city Aquatic centre has also resulted in considerable cargo activities over the last two years.



The new Aquatic Centre, a file photo from the *Nunatsiq News* 16 December 2016

Also in the region, the Peregrine Diamonds project is moving ahead on the basis of very positive market reports for diamonds. Sampling continues to demonstrate the high quality of the project. The company is focused on construction of a 160km all weather road to link the mine with Iqaluit, as well as establishing a logistics base in Iqaluit. This would result in as much as 25,000 tonnes of fuel and dry cargo over the new dock during an operating year, with much more during construction.

While Kugaaruk has been served direct for oil re-supply since 2004, dry cargo continued to be the responsibility of the Canadian Coast Guard until 2015. Desgagnes sent the *Camilla Desgagnes* there again this year.

Going Forward into 2017

While there are several active mining operations, and some in development, that could lead to significant shipping demand within the next several years, uncertainty in the world economy continues to drag on investment. Hope Bay should be operational during 2017, while AEM's expansion into the Meliadine property, supported by new discoveries near Meadowbank will lead to considerable cargo activity in the Kivalliq as they ramp up to production in 2020. Although the Areva Uranium mine at Kiggavik has been turned down by NIRB, changes in the structure of Areva (which is largely owned by the French Government) so that they can focus on mining and uranium supply may lead to a reactivation. The Mary River mine is considering to commence a substantial throughput expansion, which will see a second dock for cape-size ships (ships too large for the Panama or Suez Canals) at Milne Inlet. Peregrine Diamonds is currently seeking finance for their Chidliak property, and if they can achieve the necessary investment, the mine could start up very soon.

Operational Observations

All carriers met their obligations with community visits.

NEAS

There were no issues with NEAS service to Iqaluit during 2016. Ice conditions in Frobisher Bay were favourable, and no delays were reported. No chartered ships were needed during the season.

- The mv *Mitiq* and the *Qamutik* served the Kitikmeot region
- The company deployed its four owned ships on eleven sailings
- The mv *Qamutik* was chartered to serve Eureka direct, and also called briefly at Thule. The ship picked up a major retrograde cargo from the clean up of the old government weather station at Nottingham Island.

Inuit Employment

NEAS again worked with Nunavut Fisheries and Marine Training Consortium. They provided a total of 644 person days of employment for six Inuit beneficiaries from Nunavut on board ships during the 2016 season. In addition, on board employment included two persons from Nunavik and one from Northwest Territories. NEAS also has three full time employees, one in Iqaluit, one in Rankin Inlet and one in Kuujuaq.

Service Centre

The Cargo Service Centre worked well during the 2016 season.

NEAS Calls at Iqaluit 2016 Season

NEAS is contracted to provide service to Area C (Iqaluit) ex Montreal area, with a guarantee of six calls. Their ships provided eight calls.

Dates	Ships
7/13-22	Qamutik
7/16-25	Avataq
8/22-28	Avataq
9/13-14	Mitiq
9/25-27	Qamutik
10/02-05	Avataq
10/03-08	Mitiq
10/07-08	Umiavut

NEAS also called at all other Nunavut communities, in a private capacity. Some communities were visited twice during the season, and Kugaaruk cargo was delivered near Nanisivik for furtherance by NSSI.

NSSI

- There were no reported issues with NSSI service to any communities they are contracted to serve during 2016
- NSSI deployed the *Zelada* and *Anna Desgagnes* to the Kitikmeot region
- NSSI used the *Camilla Desgagnes* to serve Kugaaruk again in 2016. The ship also undertook a direct trip to Eureka.
- NSSI used the *Camilla* and *Sedna Desgagnes* to provide three trips under their contracted service to the Kivalliq region out of Churchill.
- The company deployed its six owned ships on nineteen voyages. Two chartered ships were needed in 2016 to serve AEM's Meliadine. The company also employed two Canadian Flag tugs and barges to support service to Agnico-Eagle at Baker Lake and Rankin Inlet as well as making dedicated and combination voyages to service the mine.

Inuit Employment

NSSI continued to expand employment for Inuit beneficiaries during the 2016 season.

- *Shipboard employment and training.* In collaboration with Nunavut Fisheries and Marine Training Consortium in Iqaluit, they provided training and employment for four shipboard personnel. In total 389 days of employment for Nunavut based Inuit beneficiaries was provided.
- *Shoreside management.* They have three persons in full time and seasonal employment in shoreside positions in Iqaluit and Rankin Inlet 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. As in 2015 seven persons were employed, equivalent to an estimated 1,050 person days employment.
- *Sealift advisory positions.* In cooperation with Arctic Co-Ops, NSSI trained and provided 1.5hours per day employment for persons in nine communities in Nunavut to provide advice about Sealift and liaise with the ship during cargo delivery. This is equivalent to about 85 days employment. 2016 built on the successful previous seasons, and the personnel materially assisted during ship discharge, as well as with pre-season booking of cargo.

NSSI calls in Nunavut 2016 Season

NSSI is contracted to serve all communities other than Iqaluit ex Montreal as well as Kivalliq communities ex Churchill. The following tables give numbers of calls guaranteed by region as well as dates called, and the ship¹ making the call. Except as noted, the tables are all exit Montreal area.

¹ A=Anna Desgagnes, C=Camilla Desgagnes, D= Claude Desgagnes, R=Rosaire, A=Desgagnes, S=Sedna Desgagnes, Z=Zelada Desgagnes

APPENDIX A

Links to Web Sites

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 available in French and Inuinnaqtun.

The following documents are available on the website:

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

Links to Service Providers' Websites

- Nunavut Sealink & Supply Inc. (NSSI): <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 2016 Sealift Season

No ship related incidents were reported in Nunavut during the 2016 Sealift. Ice was not a major problem, but some delays were reported at Naujaat. The re-supply fleet was also delayed by ice problems in Ungava Bay, and lack of icebreaker service.

Low water was again reported on the Mackenzie River, and Great Slave Lake was well below normal due to lack of snow pack in the Rockies and drought in the Peace River catchment area.

APPENDIX C

Website Assessment conducted during the last week of January 2017

NSSI

- The web site continues to evolve, and access is much improved from the 2015 season.
- Website is partially trilingual English/French/Inuktitut.
- Schedule K, the General Conditions of Carriage, is available through Information and then Rates and Conditions.
- Insurance information still does not provide full details of coverage included under Schedule K. While the \$2,600/package is provided, \$72,000/vehicle still is not.
- Ship information is now directly available through Information and then Core Fleet. There is also a very good set of photo albums, which would be materially improved with captions.
- ***In summary, the website is Nunavut user friendly, although subject to the above cautions, it meets GN contract conditions for the regions served.***

NEAS

- The website claims to be trilingual English/French/Inuktitut. However, the Inuktitut version is only accessible if the user has the Nunacom font. Regrettably, the link provided does not appear to download the font, only show what it is. The French version of the web site appears to cover all requirements.
- The website still lists the *Erasmusgracht* as part of the fleet. It has not been used since 2014.
- The Insurance form provides correct information regarding the per package and full auto insurance information.
- Information can be downloaded relative to ADR claims settlement.
- The web version of Schedule K is correct, and provides the correct insurance details.
- Details for Schedule K are provided on the web site under Shipping, then Reservations and Contracts, then Government of Nunavut, implying that these terms are only available to the GN.

In summary, the website is Nunavut user friendly and, with the above cautions, meets GN contract criteria.