



Change in GNWT Security Requirements for Bids and Contracts

The GNWT is changing its requirements for bid security and contract security. These changes are for construction contracts only and are effective July 15, 2023.

Why are we making these changes?

- We are updating our requirements for bid and contract security (construction) to align with industry standards in Canada.
- This change mitigates the risk of contractor default by ensuring that a contractor has the financial and operational capacity to perform the contracted work. It also helps to protect small businesses in the NWT, specifically those who are engaged for GNWT projects as subcontractors, by providing adequate payment coverage through the Labour and Material Bond.

How will I know whether my contract has been affected?

- Construction contract templates will be updated with the new security requirements. This means that tenders, RFPs and construction contracts issued July 15th 2023 and after, will have these new terms.
- Only bids and contracts for construction work valued over \$2m for vertical infrastructure projects (e.g., buildings), and over \$5m for horizontal infrastructure projects (e.g., highways) will be affected by these changes.

Why are we only accepting bonding and not other forms of security for construction contracts?

- Requiring bonding is important for 2 reasons:
 1. Bonding pre-qualifies contractors to ensure that they are capable of taking on the work.
 2. Bonding offers improved payment protection for subcontractors. With bonding in place, if a subcontractor isn't paid for their work, then the subcontractor may seek compensation for goods and services rendered to the general contractor by submitting a claim to the surety through the Labour and Material Bond.



Without bonding, the subcontractor has limited mechanisms available to it when seeking payment from the general contractor. These processes can be expensive and time consuming. With a Labour and Material Bond in place, this is much easier and cheaper.