Northwest Territories Public Works and Services

Bid Security

Bid Security is usually used in construction contracts to certify that the lowest acceptable bidder will:

- execute (sign) the contract documents
- provide the specified contract security within the time specified in the contract (usually 14 days after the bidder receives notice of the acceptance of the bid)

Other Contracts

Bid security may be required, if circumstances are such that the purchaser feels that bid security is necessary to ensure that bidders will honour their bid, for:

- tenders for services which are estimated at less than $100,000
- tenders for goods which are estimated at $100,000 and over

Forms

The bid security can be either:

- a security deposit equal to at least 5% of the tender
- a bid bond equal to at least 10% of the tender

Security Deposit

A security deposit should be equal to at least 5% of the tender. The deposit shall be either a certified cheque, bank draft, a letter of irrevocable guarantee, or such other security acceptable to the GNWT. The security deposit is to be payable to the Government of the Northwest Territories.

Effective August 4, 2010 the GNWT will accept bid security from approved “micro” lenders. Currently the only approved "micro' lender is the NWT Metis-Dene Development Fund Ltd. (MDDF). The GNWT will accept irrevocable Letters of Standby Credit from the MDDF as security in amounts not to exceed $300,000.

The GNWT may keep the security deposit of the successful bidder as damages if the bidder:

- refuses to enter into a contract
- refuses or is unable to provide the required contract security
- withdraws the tender during the tender acceptance period and prior to the acceptance by the GNWT

Bid Bond

A bid bond should be equal to at least 10% of the tender. The bond will be in a form approved by the Federal Treasury Board, and from a company whose bonds are acceptable to the GNWT. The bid bond is payable to the Government of the Northwest Territories.

Once a bidder's tender is accepted by the GNWT, the surety (bonding company) is liable under the bid bond. The surety will be liable if the bidder:

- refuses to enter into a contract
- refuses or is unable to provide the required contract security
- withdraws the tender during the tender acceptance period and prior to the acceptance by the GNWT

The surety will be liable under the bid bond for damages suffered by the GNWT. These damages can be:

- the difference between the defaulting bidder's tender and the next lowest tender
- the inconvenience and expense of calling new tenders

- additional damages resulting from delays in the commencement of the work

The maximum damages payable under the bid bond, regardless of the actual loss, is the face value of the bond.

Return of Bid Security

The security deposits or bid bonds are returned at two different events:

- Successful bidder - upon receipt of contract security or bonding

- Unsuccessful bidder - upon award of the contract to the successful bidder.