



# OFFICE OF THE AUDITOR GENERAL



## **Review of Humber Valley Paving Ltd. - Project Number 1-12PHP**

**September 2014**

# Office of the Auditor General Newfoundland and Labrador



The Auditor General reports to the House of Assembly on significant matters which result from the examinations of Government, its departments and agencies of the Crown. The Auditor General is also the independent auditor of the Province's financial statements and the financial statements of many agencies of the Crown and, as such, expresses an opinion as to the fair presentation of their financial statements.

## VISION

*The Office of the Auditor General is a highly valued legislative audit office recognized for assisting Members of the House of Assembly in holding Government accountable for the prudent use and management of public resources.*

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## Summary

### Introduction

On May 8, 2014, the Lieutenant-Governor in Council requested that, pursuant to section 16 of the *Auditor General Act* and in accordance with Order in Council 2014-116, the Auditor General inquire into and report on any and all (emphasis added) aspects of a contract between the Department of Transportation and Works and Humber Valley Paving Ltd. related to Project Number 1-12PHP.

Project Number 1-12PHP (Project 1-12) is related to a contract for paving and related work on 76 KM of the Trans Labrador Highway (TLH) from kilometre 172.5 to kilometre 248.5 between Happy Valley - Goose Bay and Churchill Falls.

### Objectives

Given the broad mandate from the Lieutenant-Governor in Council, the Office of the Auditor General determined reasonable objectives for our review to satisfy the substance of the request from the Lieutenant-Governor in Council.

The objectives of our review were:

1. To determine whether the original tender and contract award related to Project 1-12 was conducted in accordance with the provisions of the *Public Tender Act*;
2. To determine whether progress payments made in connection with the contract for Project 1-12 were properly supported;
3. To determine whether change orders and other adjustments to the contract for Project 1-12 were appropriately documented and authorized;
4. To determine whether the decision to mutually agree to cancel the contract related to Project 1-12 was appropriately evaluated and authorized; and,
5. To determine whether there was any evidence of undue influence in the evaluation or timing of the decision to cancel the contract related to Project 1-12.

### Scope

The period of our review covered the tender call for Project 1-12 in March 2012, the award of the contract in May 2012, the work performed to the Fall of 2013 and the contract cancellation in March 2014.

We also examined issues around concurrent projects which Humber Valley Paving Ltd. (HVP) had with the Department of Transportation and Works (the Department) in Labrador which may have had an impact on Project 1-12 and which we considered relevant to our review.

We completed our review of Project 1-12 in September 2014.

## Conclusions

### Objective 1

- The original tender and contract award related to Project 1-12 was conducted in accordance with the provisions of the *Public Tender Act*.

### Objective 2

- Progress payments made in connection with the contract for Project 1-12 were properly supported and Humber Valley Paving (HVP) was paid only for work completed under the contract.
- Progress payments paid on a bi-weekly basis were not in accordance with the terms of the contract for Project 1-12 and lacked consistency and transparency in administration which could have provided an unfair advantage to HVP bidding on contracts.

### Objective 3

- Change orders and other adjustments to the contract for Project 1-12 were appropriately documented and authorized.

### Objective 4

- The evaluation of the decision to mutually agree to cancel the contract related to Project 1-12 was conducted during the morning of March 13, 2014 and was not appropriately documented. The urgency to conclude an agreement on March 13, 2014 resulted in an evaluation that, with the benefit of more time, may have more fully considered all options available to the Department.
- Additional time may have allowed the Department of Transportation and Works (the Department) to consider other factors during the evaluation of the decision to cancel the contract related to Project 1-12, however, we cannot determine whether more time would have resulted in a different decision.
- The decision by the Minister of Transportation and Works was within the scope of his authority and the decision was properly authorized.

## Objective 5

- There is no documentary evidence of undue influence in the decision to mutually terminate the contract related to Project 1-12.
- We have not been able to satisfy ourselves why two Ministers, within ½ hour, independently contacted the Deputy Minister of Transportation and Works to enquire about the status of HVP on the morning of March 13, 2014.
- We have not been able to satisfy ourselves why the process to come to an arrangement with HVP to terminate the contract related to Project 1-12 had to be concluded the day before nominations closed for the leadership of the Progressive Conservative Party of Newfoundland and Labrador.

## Findings

Our review of Humber Valley Paving Ltd. Project 1-12PHP identified findings relating to:

- Contract Award
- Progress Payments
- Change Orders and Other Adjustments
- Evaluation and Authorization of the Contract Cancellation Decision
- Evidence of Undue Influence

## Contract Award

### Compliance with the *Public Tender Act*

1. Our review of the contract award process including: the tender call; receipt of bids; tender opening; evaluation; and award of the contract, determined that there was evidence to support the Department's compliance with the *Public Tender Act* and *Regulations*.

### Tender Closing Dates

2. The practice of allowing tenders for large road contracts to close on the same day, particularly in remote areas, increases the risk that contractors bidding on concurrent projects may lack the capacity to complete multiple projects if successful on more than one tender.

## Progress Payments

### Review of Progress Payments

3. Our review of documentation for payments made to HVP including: recaps; certificates of payment; roads progress estimates; analysis for fuel cost adjustments; and analysis for liquid asphalt cost adjustments, determined that there was evidence to adequately support progress payments.

### **Holdback**

4. A \$1.18 million holdback on progress payments is held in trust by the Department and is due HVP, subject to satisfying required conditions for release, including ensuring valid claims under the contract are satisfied.
5. No claims had been filed under the *Mechanics Lien Act* at March 13, 2014.
6. There was a lack of transparency in the communication of the decision to terminate the contract for Project 1-12. This had the potential to impact the ability of sub-contractors and suppliers to file a claim under the *Mechanics Lien Act*.

### **Value of Work Completed**

7. Progress payments made to HVP in relation to Project 1-12, were made for work certified by Departmental officials amounting to \$11,805,312 or 61.8% of the original contract estimate of \$19,099,961. Based upon our review, HVP was paid only for work completed, consistent with the terms of the contract.

### **Bi-weekly Payments**

8. During 2012, progress payments made to HVP were made on a bi-weekly basis through an arrangement with the Department as opposed to the customary Departmental monthly payment process which was reflected in the contract for Project 1-12.
9. HVP would have had knowledge of the bi-weekly payment practice from previous contracts with the Department. This could have provided HVP with a competitive bidding advantage. This practice of making payments on a bi-weekly basis ceased, commencing in 2013.

### **Change Orders and Other Adjustments**

#### **Contract Changes – Project 1-12**

10. The only two significant changes to the contract for Project 1-12, a change order for traffic signals and an extension to the contract completion date, were documented appropriately by way of a change order form and a letter respectively, and authorized by an appropriate official of the Department.

### **Evaluation and Authorization of Contract Cancellation Decision**

#### **Timing**

11. The process to consider, evaluate, decide, draft and execute the mutual termination of the contract related to Project 1-12 occurred within a period of approximately 7 ½ hours.



### **Documentation**

12. There was no documentation prepared on March 13, 2014 to support the decision to terminate the contract between HVP and the Department related to Project 1-12.

### **Evaluation of Options**

13. Key evaluation criteria communicated by the Minister of Transportation and Works were:
  - (1) to ensure Project 1-12 was completed in 2014; and
  - (2) to ensure the outcome was not injurious to HVP and its employees.

These priorities formed the basis for the subsequent evaluation and decision.

14. Minister McGrath indicated to his Deputy Minister an urgency to deal with Project 1-12 based on his stated priorities. This would have played a critical role in the speed of the assessment by Departmental officials of the impact of HVP not returning to Labrador in 2014 and would have been a major contributing factor why no documentation was available from the evaluation process of March 13, 2014.
15. Ensuring completion of the contract in 2014 was the primary priority in evaluating the options available to deal with HVP which placed a political commitment to complete Phase I of the TLH ahead of the broad interests of taxpayers.
16. There is no impediment, from a legal perspective, to prevent two willing parties agreeing to terminate a contract.
17. As of September 22, 2014, only 28.5 KM of the 60 KM included in the bundled portion of Project 1-12 was complete.
18. In June 2014, the Department estimated an additional cost of approximately \$1.5 million to complete work relating to Project 1-12 - a 20.6% increase in the cost remaining on the Project.
19. The cost of tendering the remainder of Project 1-12 as an isolated project in 2015 or beyond would likely be more expensive than bundling with Project 7-14 in 2014.
20. Once a decision was made to terminate the contract related to Project 1-12, the Performance and Labour and Material Payment Bonds would have no effect since they provided a guarantee against a contract which was no longer in effect.
21. The Department did not pursue the option of calling the Performance Bond because this risked Project 1-12 not being completed in 2014 and would have negatively impacted HVP.

### Summary

22. No single option available to the Department to address the issue of HVP's desire not to return to Labrador to complete its obligation under the contract for Project 1-12 was assured to satisfy the primary consideration of the Minister - completing the Project on time.
23. The Deputy Minister of Transportation and Works was instructed by the Minister not to prepare a briefing note for the Premier's Office or Cabinet Secretariat to inform them of the decision to terminate the contract related to Project 1-12.
24. The decision by the Minister of Transportation and Works on March 13, 2014 to agree to a mutual termination of the contract with HVP related to Project 1-12 was within the scope of authority of the Minister.

### **Effect of Urgency**

25. Had more time been available to fully assess the implications of the decision to cancel the contract for Project 1-12, additional items may have been examined:
  - a) The option of assigning the contract for Project 1-12 to a third party contractor for completion. While this would be a business-to-business arrangement outside the control of the Department, there is no evidence that HVP was asked if this is an option they could pursue;
  - b) Claims related to Project 139-10 and 140-10 were actively being discussed, however, there was no evaluation by the Department whether the value of these claims, had they been settled in time, would have been sufficient to allow HVP to proceed in 2014;
  - c) An assessment of whether anyone had guaranteed the Bonds or the potential benefit that the release of the Bonds may have had on guarantors;
  - d) An assessment of the likelihood that any possible claim by the bonding company would have been successful; and
  - e) A potential claim related to the impact of the forest fires was waived as part of the agreement between the Department and HVP to mutually cancel the contract for Project 1-12. An opportunity to settle claims related to Project 139-10 and 140-10 may have been missed because of the urgency to conclude the agreement on March 13, 2014.

Given more time, the Department would have been able to more fully assess the competing priorities, properly reflect where the appropriate balance lay and make recommendations based on this broader analysis.

## **Evidence of Undue Influence**

### **Initiation of Termination Process**

26. The Deputy Minister of Transportation and Works received two phone calls on the morning of March 13, 2014 from two separate Ministers within ½ hour, both enquiring on the status of HVP.
27. There is no documentary evidence to indicate what prompted two Ministers to call the Deputy Minister of Transportation and Works the morning of March 13, 2014 to enquire about HVP, which, coincidentally, was the day before the close of nominations for the leadership of the Progressive Conservative Party of Newfoundland and Labrador.
28. There is no documentary evidence of undue influence in the decision to terminate the contract related to Project 1-12.

### **Urgency**

29. The tender for Project 7-14, which contained the bundled portion of the remainder of Project 1-12, was not released until April 19, 2014 - 37 days after the termination of the contract for Project 1-12. There was sufficient time available to more fully consider all the ramifications of canceling the contract and the associated implications.
30. We can find no operational reason why the mutual termination of the contract related to Project 1-12 had to occur on March 13, 2014.

### **Premier's Office**

31. There is no evidence that the termination of the contract related to Project 1-12 was discussed during the Cabinet meeting on March 13, 2014.
32. The Premier first became aware of the termination of the contract for Project 1-12 on April 27, 2014.
33. Minister McGrath knowingly withheld information from the Premier of Newfoundland and Labrador related to the decision to mutually terminate the contract related to Project 1-12 between HVP and the Department. This meant the Premier was not given the opportunity to evaluate the impact of this decision.

## Recommendations

1. The Department of Transportation and Works should consider staggered tender closing dates, particularly with large projects or in remote areas.
2. The Department of Transportation and Works should ensure compliance with the payment terms of its contracts. Special considerations should form part of the project tender package to ensure transparency in the tender process and the administration of contracts.
3. The Department of Transportation and Works should ensure that there is adequate documentation to support key decisions.
4. Departments should ensure that normal protocols are followed when dealing with sensitive matters. Deputy Ministers should not assume that a Minister will convey sensitive information in a timely manner.
5. The Department of Transportation and Works should consider establishing a process to ensure decisions such as the cancellation of the contract related to Project 1-12 are publically communicated.

## Terms of Engagement

On May 8, 2014, the Lieutenant-Governor in Council requested that, pursuant to section 16 of the *Auditor General Act* and in accordance with Order in Council 2014-116, the Auditor General inquire into and report on any and all (emphasis added) aspects of a contract between the Department of Transportation and Works and Humber Valley Paving Ltd. related to Project Number 1-12PHP.

Project Number 1-12PHP (Project 1-12) is related to a contract for paving and related work on 76 kilometres (KM) of the Trans Labrador Highway (TLH) from KM 172.5 to KM 248.5 between Happy Valley-Goose Bay and Churchill Falls.

## Objectives and Scope

### Objectives

Given the broad mandate from the Lieutenant-Governor in Council, the Office of the Auditor General determined reasonable objectives for our review to satisfy the substance of the request from the Lieutenant-Governor in Council.

The objectives of our review were:

- To determine whether the original tender and contract award related to Project 1-12 was conducted in accordance with the provisions of the *Public Tender Act*;
- To determine whether progress payments made in connection with the contract for Project 1-12 were properly supported;
- To determine whether change orders and other adjustments to the contract for Project 1-12 were appropriately documented and authorized;
- To determine whether the decision to mutually agree to cancel the contract related to Project 1-12 was appropriately evaluated and authorized; and,
- To determine whether there was any evidence of undue influence in the evaluation or timing of the decision to cancel the contract related to Project 1-12.

We reviewed these objectives with the Premier on May 21, 2014.

In our view, these objectives satisfy the request from the Lieutenant-Governor in Council.

Our work was performed in accordance with Canadian Generally Accepted Auditing Standards and included such tests and other procedures as we considered necessary in the circumstances.

### Scope

The period of our review covered the tender call for Project 1-12 in March 2012, the award of the contract in May 2012, the work performed to the Fall of 2013 and the contract cancellation in March 2014.

We also examined issues around concurrent projects which Humber Valley Paving Ltd. (HVP) had with the Department of Transportation and Works (the Department) in Labrador which may have had an impact on Project 1-12 and which we considered relevant to our review.

We completed our review of Project 1-12 in September 2014.

## Documentation and Information Requests

On May 29, 2014, the Auditor General wrote the Clerk of Executive Council requesting the following:

All Documentation in the possession of the Province of Newfoundland and Labrador (the "Province") which relates to the award, administration and/or cancellation of the Project; including:

- (a) Any and all Documentation from or to a worker, an elected official or a political staff member of the Province related to the Project;
- (b) Any and all Documentation in the Province's possession from or to Mr. Frank Coleman, Mr. Eugene (or Gene) Coleman, Mr. Peter Byrne or Mr. Darrin O'Quinn which relate to the Project;
- (c) Any and all Documentation in the Province's possession in relation to the award, administration and/or cancellation of the Project, including Documentation to or from outside consultants (including but not limited to AMEC);
- (d) Copies of appointment calendars, either manual or electronic, that have entries for the Minister of TW, the Executive Assistant to the Minister of TW, the Constituency Assistant to the Minister of TW, the Deputy Minister of TW, the Assistant Deputy Minister of the Transportation Branch of the Department of TW and Mr. David Jones which refer to appointments with Humber Valley Paving Ltd. (or any abbreviation thereof) or any principal, owner or directing mind of HVP, including but not limited to Mr. Frank Coleman or Mr. Eugene (or Gene) Coleman for the period July 1, 2013 to the present;
- (e) Copies of appointment calendars, either manual or electronic, entries for the Premier, Chief of Staff of the Premier, Executive Assistant to the Premier, the Constituency Assistant to the Premier, Clerk of Executive Council or Deputy Clerk of Executive Council which refer to appointments with Humber Valley Paving Ltd. (or any abbreviation thereof) or any principal, owner or directing mind of HVP, including but not limited to Mr. Frank Coleman or Mr. Eugene (or Gene) Coleman for the period July 1, 2013 to the present;
- (f) The request from HVP, and any related Documentation, requesting the cancellation of the Project;
- (g) Working papers, analysis and any other Documentation prepared or used by officials of the Province evaluating the request from HVP to cancel the Project;
- (h) Legal assessments prepared in relation to the Project, whether conducted by lawyers assigned to the Department of TW, lawyers working with the Department of Justice or external counsel;
- (i) Briefing notes, meeting notes or other Documentation, including any prepared for Cabinet, which contains the assessment and/or recommendations related to the cancellation of the Project;

- (j) The direction to the Department of TW related to the cancellation of the Project; and,
- (k) Information on any claims or possible claims made against the Province in relation to the Project.

We also requested that if any of the requested information is unavailable or is not known to exist, that the respondents indicate as such. We further asked respondents to indicate if any of this requested information was in the possession or control of the Province, but is no longer within the possession and control of the Province.

Information requests were also made of Mr. Frank Coleman, Mr. Eugene Coleman, the President of HVP, the Leader of the Opposition, the Leader of the Third Party and The Guarantee Company of North America.

Copies of all requests for information are provided in Appendix A. We requested that the reply be in the form of a statutory declaration.

The request was inclusive of all Government departments and included Ministers, Ministers' Executive Assistants, Departmental Executive and any personnel identified by Departmental officials who could reasonably be expected to have relevant documentation, as well as, Members of the House of Assembly of the three political parties. All requested documents were received by the Clerk of Executive Council and forwarded to our Office.

We received Statutory Declarations, and records where identified, from approximately 185 officials and former officials from all 14 Government Departments, Executive Council, Office of the Premier, Office of the Chief Information Officer, Office of Public Engagement, Women's Policy Office, Multi-Materials Stewardship Board and the Government Purchasing Agency.

We also received records from Mr. Frank Coleman, Mr. Eugene Coleman and The Guarantee Company of North America.

Information received included:

- original project files;
- an information note prepared for the Premier dated April 29, 2014;
- a summary of the events of March 13, 2014 prepared by the solicitor for the Department of Transportation and Works on May 8, 2014;
- tender and contract documents;
- support for payments;
- letters;
- meeting notes;
- copies of e-mails, PINs, texts, e-calendars; and
- copies of presentation slides.

Government waived its right to solicitor-client privilege.



As part of our review, we also conducted formal interviews with 16 individuals including Government officials, a former Government official and former officials of HVP. All interviews were conducted under oath or affirmation. Table 1 provides a list of those individuals interviewed.

**Table 1**

**List of Interviewees by Date of Interview**

	<b>Name</b>	<b>Position</b>	<b>Department/Entity</b>	<b>Date of Interview</b>
1	Ross Reid	Former Chief of Staff	Office of the Premier	July 21, 2014
2	Julia Mullaley	Clerk of Executive Council	Executive Council	July 21, 2014
3	Paul Noble	Deputy Minister	Justice	July 21, 2014
4	Marietta McGrath	Executive Assistant to Minister	Transportation and Works	July 21, 2014
5	Dion Tee	Regional Director, Labrador Region	Transportation and Works	July 22, 2014
6	Todd Stanley	Assistant Deputy Minister, Courts and Legal Services	Justice	July 28, 2014
7	David Jones	Solicitor	Justice (embedded in Transportation and Works)	July 28, 2014
8	Gary Gosse	Assistant Deputy Minister, Transportation	Transportation and Works	August 4, 2014 and August 21, 2014
9	Brent Meade	Deputy Minister	Transportation and Works	August 4, 2014 and August 21, 2014
10	Nick McGrath	Minister	Transportation and Works	August 5, 2014
11	Frank Coleman	Former officer and Director	Humber Valley Paving Ltd.	August 5, 2014
12	Eugene Coleman	Former officer and Director	Humber Valley Paving Ltd.	August 5, 2014
13	Paula Burt	Deputy Clerk of Executive Council	Executive Council	August 8, 2014
14	Lary Wells	Executive Assistant to Premier	Office of the Premier	August 8, 2014
15	Tom Marshall	Premier	Office of the Premier	August 8, 2014
16	Kevin O'Brien	Minister	Advanced Education and Skills	September 4, 2014

We did not receive a response from HVP to our request for information.

The letter served on HVP also asked them to make a representative available to be interviewed. Legal counsel for the Auditor General spoke with Mr. Peter Byrne, who is a consultant working to wind up the business of HVP. Mr. Byrne indicated he was a former director of HVP, but was not presently a director. He also indicated that HVP had only one remaining director.

Subsequent to this discussion, we received a call from the solicitor for HVP. He suggested that the Auditor General should allow Mr. Eugene Coleman to speak on behalf of HVP given that he was a director and officer during the material time period. Mr. Coleman had already been contacted by the Auditor General and was scheduled for an interview.

We determined that this would be a satisfactory approach provided Mr. Eugene Coleman was prepared to answer certain questions not just on the basis of his own knowledge, but also after making reasonable inquiries. We contacted the solicitor for Mr. Coleman and discussed the proposed approach. An agreement was reached and the questions and answers can be found at Appendix B.

We also contacted the solicitor for HVP to determine the level of contact he may have had with elected officials, Progressive Conservative Party members or Departmental officials. Solicitor-client privilege was not waived in this instance.

We also met with the Chief Information Officer (CIO) for the Province and other officials from the Office of the CIO to gain an understanding of the policies of Government related to procedures for the retention of records and access for:

- e-mails;
- e-calendars;
- texts;
- instant messages;
- PINs;
- documents stored in government's document management system (TRIM); and
- other electronic information storage.

## Use of Experts

### Legal

On May 28, 2014, the legal firm of Stewart McKelvey was engaged by the Office of the Auditor General to provide legal services in connection with this review. Advice was provided on matters including:

- The contract related to Project 1-12;
- Scope of authority of the Auditor General under the *Auditor General Act*;
- Requests for information and statutory declarations from officials and former officials of Government and HVP;
- Interviews with officials and former officials of the Government and HVP; and
- Other matters identified, as required.

## Introduction

### Department of Transportation and Works

The Department is responsible for the construction and maintenance of the Provincial road system. The system consists of approximately 9,800 kilometres of primary and secondary highways and community access roads. This includes a 537 kilometre section of the Trans Labrador Highway (TLH), referred to as Phase I, which extends from Labrador City/Wabush to Happy Valley-Goose Bay.

**Figure 1**

**Department of Transportation and Works  
Organizational Chart  
March 31, 2014**



Source: Department of Transportation and Works

Divisions directly involved with road construction in Labrador include the Highway Design and Construction Division and the Labrador Regional Office.

The Highway Design and Construction Division is responsible for:

- Designing transportation infrastructure including highways;
- Managing highway construction projects in conjunction with the Labrador Regional Office;
- Quality assurance of construction materials;
- Investigating soil conditions; and
- Managing related Federal/Provincial cost-shared agreements.

The Labrador Regional Office is responsible for program delivery for highway construction in the Labrador region.

The Department engages the services of external engineering consultants to provide contract management services in Labrador to augment staff resources in the area.

## Humber Valley Paving Ltd.

HVP commenced operations in 1994 and is headquartered in Corner Brook, Newfoundland and Labrador. During the period of our review, Mr. Frank Coleman was the President and CEO of HVP until February 14, 2014, and a Director and shareholder until March 10, 2014.

### Value of work performed in Labrador

HVP had seven contracts in Labrador with the Department since 2002. An estimate of the value of these road contracts is shown in Table 2.

**Table 2**

#### Humber Valley Paving Ltd. Trans Labrador Highway Construction Contracts

Project Number	Contract Award Date	Contract Name (Description)	Estimated Tender Value
10-02PMG	June 18, 2002	Supply and application of maintenance grade III granular base course near Ranger Lake, approximately 40 kilometres	\$ 732,905
37-06PHM	July 7, 2006	Supply and application of maintenance grade III granular base course from kilometre 196 towards Esker intersection for approximately 15 kilometres and from a location 40 kilometres west of Happy Valley-Goose Bay towards Edwards Brook for approximately 26 kilometres	631,925
34-09THP	June 2, 2009	Request for proposals to hard surface from kilometre 6 to kilometre 86, Wabush Junction towards Churchill Falls	15,488,626
139-10THP	April 1, 2011	Paving using hot mix asphalt from kilometre 116 to kilometre 196, Wabush Junction towards Churchill Falls	19,059,191
140-10THP	April 4, 2011	Paving from kilometre 92 to kilometre 172, Happy Valley-Goose Bay towards Churchill Falls	20,863,424
1-12PHP	May 23, 2012	Paving using hot mix asphalt from kilometre 172.5 to kilometre 248.5, Happy Valley-Goose Bay towards Churchill Falls	19,099,961
2-12PHP	May 23, 2012	Paving from kilometre 196 to kilometre 278, Wabush Junction towards Churchill Falls	18,749,983
<b>Total</b>			<b>\$94,626,015</b>

Source: Project Management System, Department of Transportation and Works

Based on our discussions with officials of the Department, there was a general satisfaction with the work of HVP over this period.

## Concurrent Contracts

During the period from 2011 to 2013, HVP performed work on four contracts for the Department for paving and related work on the TLH. This was in addition to contracts that it had in Labrador with other entities. Information on these four contracts awarded to HVP for the TLH is shown in Table 3.

**Table 3**

### Trans Labrador Highway HVP Paving Contracts-2011-2014

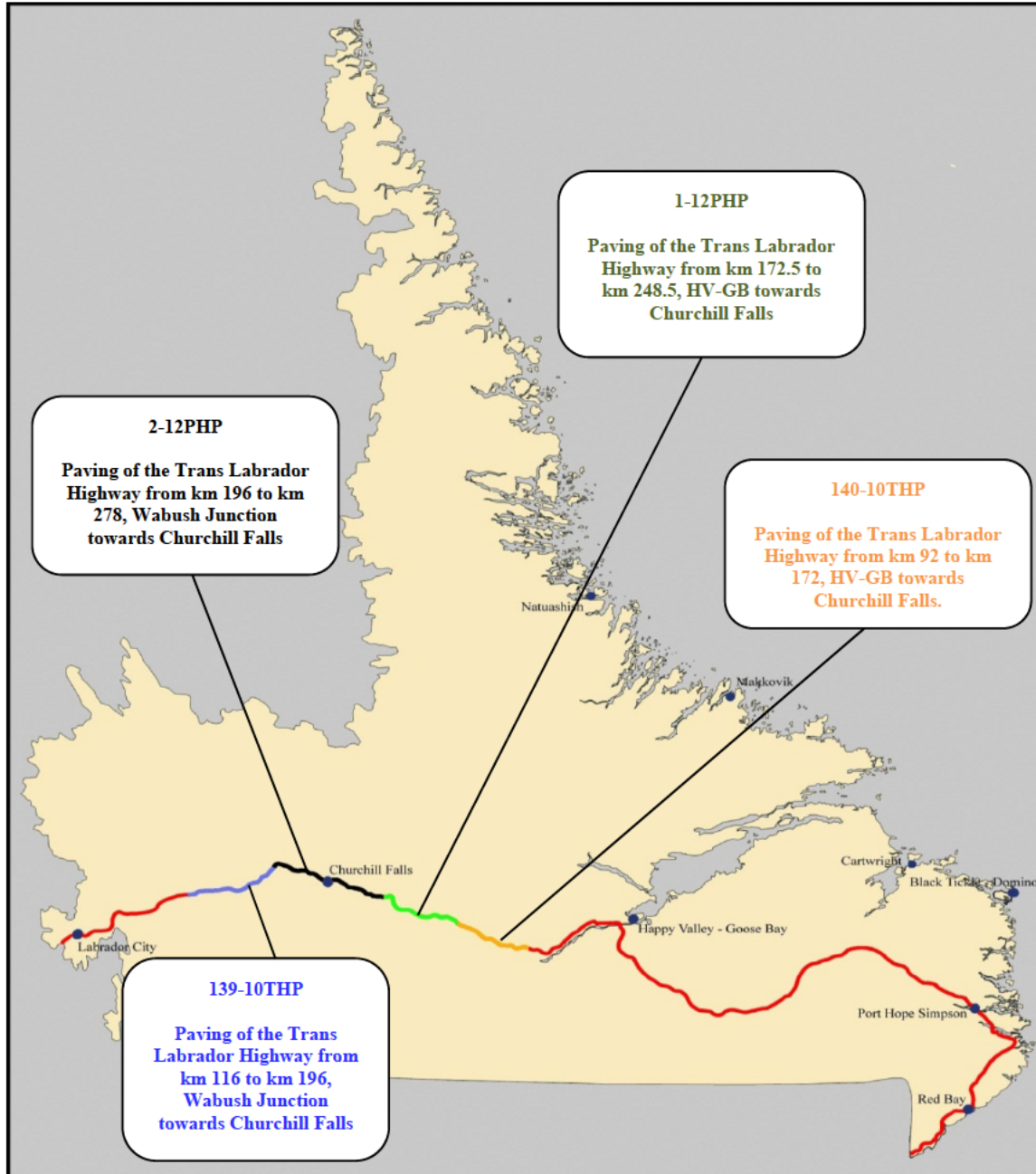
Description	Contract			
	139-10	140-10	1-12	2-12
Value (HST excluded)	\$19.1 Million	\$20.9 Million	\$19.1Million	\$18.7 Million
Distance	80 KM	80 KM	76 KM	82 KM
Tender Close Date	March 30, 2011	March 30, 2011	April 24, 2012	April 24, 2012
Tender Award Date	April 1, 2011	April 4, 2011	May 23, 2012	May 23, 2012
Work Start Date	May 2011	July 2011	August 2012	August 2012
Target Completion Date	July 31, 2012	August 31, 2012	July 31, 2013	July 31, 2013
Actual Completion Date	October 2012	October 2013	Cancelled	October 2013

Source: Department of Transportation and Works

A map of the TLH indicating the work areas for these projects is shown in Figure 2.

**Figure 2**

**Trans Labrador Highway  
HVP Paving Contracts-2011-2014**



Source: Department of Transportation and Works



## Background

### Chronology of Events

The following events occurred from 2011 to 2013, related to the four projects in Labrador undertaken by HVP for the Department.

#### 2011

Two tenders for paving a total of 160 KM of the TLH closed on March 30, 2011. HVP was the successful bidder on both of these projects and commenced work on Project 139-10 and 140-10 in the spring and summer of 2011. Progress was made throughout the 2011 construction season. The schedule contemplated returning to Labrador in 2012 to complete both contracts.

#### 2012

On April 24, 2012, tenders closed on Projects 1-12 and 2-12 with HVP being the low bidder on both. Both tenders, for an additional total of 158 KM, were awarded on May 23, 2012. At this point, HVP had four concurrent TLH paving projects with a total of approximately 318 KM to manage.

On May 10, 2012, officials of HVP and the Department met to review HVP's plan for execution of these projects over the next two years, but particularly in 2012 when all four projects were scheduled to be underway concurrently. Part of the impetus for this meeting was, given the amount of work being done by the contractor, to ensure the work would be executed within the contract timelines. Department officials were satisfied with the plan put forward.

On May 25, 2012, two days after the award of the contracts for Project 1-12 and 2-12, an issue was discovered in relation to the grade line on sections of Project 139-10. The height of a significant portion of the road bed, in particular a 36 KM stretch from KM 143 to KM 179, was determined to contain grades that were too low and were required to be raised. HVP were not determined to be at fault and were instructed to change the grade line.

This requirement to amend the grade line impacted the execution of all four projects on the TLH during 2012. The grade line change took approximately 2 months to complete. This required HVP to increase the amount of equipment in Labrador, increase the amount of granulars (crushed stone) used on Project 139-10, caused the depletion of materials from existing quarries at a faster rate than originally anticipated, and resulted in a reallocation of planned resources from the remaining three projects.

As these were unit price contracts, increases in quantities of materials used were paid for at the unit price specified in the contract. Any increases in costs incurred by the contractor which were not covered by the unit prices would have to be submitted in a separate claim by the contractor to the Department. During 2013, HVP made two claims totaling \$623,367 (\$211,502 - Project 139-10, \$411,865- Project 140-10) for additional costs in relation to the impact of the grade line change on both Project 139-10 and 140-10. Both these claims remain outstanding.

Despite the grade line change, Project 139-10 was completed in 2012. Project 140-10, which had been scheduled for completion in 2012, fell behind due to the reallocation of resources from that project to remediate the grade line on Project 139-10. Project 140-10 was not completed until 2013. At the end of the 2012 construction season, Project 1-12 was ahead of schedule and Project 2-12 was on schedule.

The Department has acknowledged responsibility for the grade line problem, however, the determination of the impact on timing of execution of Projects and its eventual cost, remain unresolved.

### **Contract for Project 1-12**

On May 23, 2012, the Deputy Minister of the Transportation and Works wrote HVP to inform that their tender for Project 1-12 in the amount of \$19,091,961 excluding Harmonized Sales Tax (HST) had been accepted.

The contract was for the paving of approximately 76 kilometres of the TLH from KM 172.5 to KM 248.5, Happy Valley-Goose Bay towards Churchill Falls, Labrador. Work on the contract included upgrading the existing roadway, production and placement of granular A and B material, and production and placement of asphalt, all to required specifications.

The contract was in the form of a standard unit price contract used by the Department for road projects. Contracts are broken down into a set of unit items required to complete the project. Contractors bid on the various unit prices for the project items based upon Departmental estimates of unit quantities required for the project, which are accumulated to give an overall project total cost. HVP had the lowest bid based upon their total estimated cost.

Significant terms noted under the contract include:

- HVP was required to provide a Performance Bond (50% of contract value - \$10,791,478 was provided) and a Labour and Material Payment Bond (50% of contract value - \$10,791,478 was provided);
- Applications for payment of progress estimates were required to be made monthly;
- The contractor was required to substantially perform the work under the contract by July 31, 2013. An extension to the completion date could be granted for certain circumstances beyond the control of the contractor;

- If the Project work extended beyond the approved completion date, liquidated damages would be payable by the contractor to the Department;
- The contractor was required to provide a warranty for defects or faults that appear within a period of two years from the date of substantial completion of the work; and
- The contractor may be eligible for a performance bonus two years after completion of the contract based on the pavement density.

## **2013**

In the Spring of 2013, HVP mobilized back to Labrador with the intention of completing Projects 140-10, 1-12 and 2-12 by the end of the 2013 construction season.

Commencing in June 2013 and continuing for approximately 5 weeks, the execution of the three TLH projects was impacted by forest fires in Western and Central Labrador and in Quebec. The execution was impacted in two broad ways - the delivery of liquid asphalt from Quebec was interrupted and work crews were unable to work.

The contract provided that Project 1-12 was to be completed by July 31, 2013. On July 11, 2013, HVP formally requested an extension for completion of Projects 1-12 and 2-12 as a result of the impact of the forest fires. A formal extension was required in order to avoid HVP incurring liquidated damages which would be imposed by the Department as a result of missing the completion date. An extension was granted by the Department on September 11, 2013. The revised completion date for both projects was July 31, 2014.

At the end of 2013, Projects 140-10 and 2-12 were complete and, approximately, 60 KM of Grade A granular and asphalt pavement was left to complete on Project 1-12.

## Detailed Observations

### Project Timeline

Project 1-12 commenced in March 2012 with a public tender call. An overview of the key milestones related to the Project is shown in Figure 3.

**Figure 3 - Timeline Project 1-12**



## Introduction

This report provides findings related to our five Objectives:

1. Contract Award
2. Progress Payments
3. Change Orders and Other Adjustments
4. Evaluation and Authorization of Contract Cancellation Decision
5. Evidence of Undue Influence

### 1. Contract Award

#### Objective

To determine whether the original tender and contract award related to Project 1-12 was conducted in accordance with the provisions of the *Public Tender Act*.

Our review considered:

- the tender call;
- the receipt of bids;
- the tender opening; and
- the award of the tender to the lowest compliant bidder.

#### Conclusion

The original tender and contract award related to Project 1-12 was conducted in accordance with the provisions of the *Public Tender Act*.

#### Overview

As part of our review of Project 1-12, we examined the award of the contract including compliance with the *Public Tender Act*. The *Public Tender Act* requires that the Department invite tenders for construction projects where the estimated cost is more than \$20,000.

#### Compliance with the *Public Tender Act*

On March 31, 2012, the Department advertised an invitation to tender on Project 1-12. The Project was for the paving KM 172.5 to KM 248.5 of the TLH from Happy Valley-Goose Bay towards Churchill Falls. The original tender closing date of April 17, 2012 was extended through an addendum until April 24, 2012.

The Report After Tender Call shows that there were five tenders received for Project 1-12, as shown in Table 4.

**Table 4**

**Tender Summary – Project 1-12  
April 24, 2012**

Name	Base Bid	HST	Tender Total
Humber Valley Paving Ltd.	\$19,099,961	\$2,482,995	\$21,582,956
Second bidder	\$23,264,643	\$3,024,404	\$26,289,047
Third bidder	\$25,401,470	\$3,302,191	\$28,703,661
Fourth bidder	\$27,455,090	\$3,569,162	\$31,024,252
Fifth bidder	\$39,958,438	\$5,194,597	\$45,153,035

Source: Department of Transportation and Works

We performed a review of files retained by the Department to support the public tender process. Based upon our review, we determined that there was sufficient evidence to conclude that the Department was in compliance with the *Public Tender Act* and *Regulations* in all significant areas.

**Finding**

1. Our review of the contract award process including: the tender call; receipt of bids; tender opening; evaluation; and award of the contract, determined that there was evidence to support the Department’s compliance with the *Public Tender Act* and *Regulations*.

**Tender Closing Dates**

Tenders for two TLH paving projects totaling 158 KM closed on April 24, 2012 - Project 1-12 and Project 2-12. In addition, we noted during our review that two prior tenders, Projects 139-10 and 140-10, for paving a total of 160 KM of the TLH closed on March 30, 2011. Departmental officials indicate that these are some of the largest paving contracts ever awarded in the Province.

The Department chose to have tenders close on the same day in both instances.

A contractor is likely to bid on both projects in order to provide a better possibility of being the successful bidder on at least one. As tenders close at the same time, the contractor has no opportunity to withdraw from one of the bids if their capacity to execute both may be strained.

All contractors are required to have a Bid Bond in place in order to bid on a project. The Bid Bond is intended to provide assurance that, if a bidding contractor is awarded a contract and then refuses to enter into the contract, the Bond provider will pay the Province the price difference between the dishonoured bid and the next lowest bid to a maximum of 10% of the contractor’s bid.

This also adds execution risk to the Department as, ultimately, it would have to deal with any potential fallout from contractor capacity issues.

Given the size of these contracts (approximately \$20 million each), the potential exists to increase the risk around execution and completion of the projects by having both tenders close on the same day.

**Finding**

2. The practice of allowing tenders for large road contracts to close on the same day, particularly in remote areas, increases the risk that contractors bidding on concurrent projects may lack the capacity to complete multiple projects if successful on more than one tender.

## 2. Progress Payments

### Objective

To determine whether progress payments made in connection with the contract for Project 1-12 were properly supported. (Appendix C)

### Conclusions

- Progress payments made in connection with the contract for Project 1-12 were properly supported and HVP was paid only for work completed under the contract.
- Progress payments paid on a bi-weekly basis were not in accordance with the terms of the contract for Project 1-12 and lacked consistency and transparency in administration which could have provided an unfair advantage to HVP bidding on contracts.

### Overview

The Department follows a process for approving progress payments for road construction projects.

A unit price table for a road construction contract contains the individual contract work items determined by Departmental officials for the Project. Each item in the table would contain the following information:

- the unit of measurement;
- a Departmental estimate of quantities required;
- the unit price bid by the successful contractor; and
- the extended totals.

As the project progressed, the Resident Engineer in the field completed regular estimates of work finished and materials supplied by the contractor, based on verified units of measurement such as hours, weight, volume and quantities. In the case of road construction in Labrador, this function is normally performed by a private engineering consultant. Estimates for work completed are cut-off at a particular date (normally the 20<sup>th</sup> day of a month) and forwarded to the Regional Office for approval by the Regional Engineer. A formal road progress estimate of actual quantities by contract unit and price is prepared and approved in the Region. A 10% holdback is deducted by the Department from payments due, as required under the contract. The estimate is then forwarded to Head Office for final approval by the Director of Highway Design and the Assistant Deputy Minister, Transportation Branch and forwarded to the Financial Operations Division for payment.



## Review of Progress Payments

We performed tests of payments for the Project to ensure each payment was properly supported, numerically accurate, and properly authorized.

Support for payments examined included:

- payment recap;
- certificate of payment;
- roads progress estimate;
- analysis for any fuel cost adjustment; and
- analysis for any liquid asphalt cost adjustment.

During our review we identified payments for work on Project 1-12 as indicated in Table 5.

**Table 5**

### Project 1-12 Payments to Humber Valley Paving Ltd. (excluding HST)

Date	Reference	Recap Number	Payment to HVP	Holdback Amount (10%)	Total Amount
<b>Fiscal Year 2012-13</b>					
September 17, 2012	PE1-1-12PHP	V0520131013785	\$ 793,519	\$ 88,169	\$ 881,688
September 21, 2012	PE2-1-12PHP	V0520131014389	1,446,394	160,710	1,607,104
October 17, 2012	PE3-1-12PHP	V0520131016910	989,320	109,924	1,099,244
November 2, 2012	PE4-1-12PHP	V0520131018750	1,026,612	114,068	1,140,680
November 19, 2012	PE5-1-12PHP	V0520131020538	257,386	28,599	285,985
November 27, 2012	PE6-1-12PHP	V0520131021717	596,196	66,244	662,440
January 3, 2013	PE7-1-12PHP	V0520131025393	490,531	54,504	545,035
<b>Total</b>			<b>5,599,958</b>	<b>622,218</b>	<b>6,222,176</b>
<b>Fiscal Year 2013-14</b>					
June 18, 2013	PE8-1-12PHP	V0520141004714	269,147	29,905	299,052
July 10, 2013	PE10-1-12PHP	V0520141006700	644,691	71,632	716,323
July 10, 2013	PE9-1-12PHP	V0520141006700	770,400	85,600	856,000
August 5, 2013	PE11-1-12PHP	V0520141008690	718,540	79,838	798,378
September 13, 2013	PE12-1-12PHP	V0520141012546	101,019	11,224	112,243
October 21, 2013	PE13-1-12PHP	V0520141016331	1,324,706	147,190	1,471,896
November 13, 2013	PE14-1-12PHP	V0520141018519	1,161,696	129,077	1,290,773
December 10, 2013	PE15-1-12PHP	V0520141021466	20,942	2,327	23,269
March 31, 2014	PE16-1-12PHP	adjustment	13,682	1,520	15,202
<b>Total</b>			<b>5,024,823</b>	<b>558,313</b>	<b>5,583,136</b>
<b>Contract Total</b>			<b>\$10,624,781</b>	<b>\$1,180,531</b>	<b>\$11,805,312</b>

Source: Financial Management System

Based upon our review, payments were found to be appropriately supported and certified for payment.

### **Finding**

3. Our review of documentation for payments made to HVP including: recaps; certificates of payment; roads progress estimates; analysis for fuel cost adjustments; and analysis for liquid asphalt cost adjustments, determined that there was evidence to adequately support progress payments.

### **Holdback**

The Department deducted a 10% amount from gross payments due to the contractor that is held in trust. In order to be remitted, the contractor must submit an application to have the holdback released and provide a declaration that there are no amounts left owing to suppliers and/or sub-contractors related to the Project. This has not been completed to date and the final holdback amount of \$1,180,531 has not been remitted to HVP and has been retained by the Department.

### **Finding**

4. A \$1.18 million holdback on progress payments is held in trust by the Department and is due HVP, subject to satisfying required conditions for release, including ensuring valid claims under the contract are satisfied.

Departmental officials discussed potential claims against HVP in relation to the cancellation of the contract for Project 1-12. A check was made to determine whether any claims under the *Mechanics Lien Act* had been filed. At March 13, 2014, there were none identified.

### **Finding**

5. No claims had been filed under the *Mechanics Lien Act* at March 13, 2014.

No formal notice was given by Government of the cancellation of the contract related to Project 1-12. The termination of the contract did not become a public issue until April 30, 2014 which was 40 days after the contract termination. This lack of transparency had the potential to impact the ability of sub-contractors and suppliers to file a claim under the *Mechanics Lien Act*.

### **Finding**

6. There was a lack of transparency in the communication of the decision to terminate the contract for Project 1-12. This had the potential to impact the ability of sub-contractors and suppliers to file a claim under the *Mechanics Lien Act*.

### **Value of Work Completed**

The final progress estimate for the Project was completed and certified up to the period ending March 13, 2014. It shows a gross amount due to the contractor on the Project of \$11,805,312 less a 10% holdback of \$1,180,531 for a net total amount paid to HVP of \$10,624,781. Documentation examined indicated that these progress payments were paid to HVP for materials supplied and work performed.

### **Finding**

7. Progress payments made to HVP in relation to Project 1-12, were made for work certified by Departmental officials amounting to \$11,805,312 or 61.8% of the original contract estimate of \$19,099,961. Based upon our review, HVP was paid only for work completed, consistent with the terms of the contract.

### **Bi-weekly Payments**

During our review, we noted that six payments, totaling \$5,109,426 (excluding HST), followed a bi-weekly payment process. This is not in compliance with the contract for Project 1-12 (see Appendix C) or normal Departmental practice that specifies a monthly payment process for road construction projects.

The biweekly payments identified are included in Table 6

**Table 6**

**Project 1-12  
Payments to Humber Valley Paving Ltd. (excluding HST)  
Bi-weekly basis  
Fiscal Year 2012-13**

Date	Reference	Payment for Period ending	Payment to HVP	Holdback Amount (10%)	Total Amount
September 17, 2012	PE1-1-12PHP	August 20, 2012	\$ 793,519	\$ 88,169	\$ 881,688
September 21, 2012	PE2-1-12PHP	September 5, 2012	1,446,394	160,710	1,607,104
October 17, 2012	PE3-1-12PHP	September 20, 2012	989,320	109,924	1,099,244
November 2, 2012	PE4-1-12PHP	October 5, 2012	1,026,612	114,068	1,140,680
November 19, 2012	PE5-1-12PHP	October 20, 2012	257,386	28,599	285,985
November 27, 2012	PE6-1-12PHP	November 5, 2012	596,196	66,244	662,440
<b>Total</b>			<b>\$5,109,427</b>	<b>\$567,714</b>	<b>\$5,677,141</b>

Source: Financial Management System

The Assistant Deputy Minister, Transportation branch originally approved bi-weekly progress payments related only to liquid asphalt payments for Labrador projects. However, over time, this practice had been extended, by staff, to all work covered by progress payments. Once he became aware that the practice had expanded, he ordered all bi-weekly payments stopped.

HVP would have had knowledge of the bi-weekly payment process and its associated cash flow benefit, from other work they had performed for the Department in Labrador, such as Project 139-10 and 140-10. This could have resulted in a competitive bidding advantage for HVP over bidders relying on the monthly payment process indicated in the tender call. This resulted in a lack of consistency and transparency in the administration of contracts by the Department.

**Findings**

8. During 2012, progress payments made to HVP were made on a bi-weekly basis through an arrangement with the Department as opposed to the customary Departmental monthly payment process which was reflected in the contract for Project 1-12.
9. HVP would have had knowledge of the bi-weekly payment practice from previous contracts with the Department. This could have provided HVP with a competitive bidding advantage. This practice of making payments on a bi-weekly basis ceased, commencing in 2013.

### 3. Change Orders and Other Adjustments

#### Objective

To determine whether change orders and other adjustments to the contract for Project 1-12 were appropriately documented and authorized.

#### Conclusion

Change orders and other adjustments to the contract for Project 1-12 were appropriately documented and authorized.

#### Overview

During the execution of a project, changes to the contract can occur for a variety of reasons including:

- A change in the plans or specifications, changing the character of the work but still within the general scope;
- New work identified not required by the terms of the contract; and
- Inconsistencies or ambiguity in design.

The nature and extent of changes would have to be agreed upon by the contractor and officials of the Department. Change orders may be issued for such work during construction. Claims initiated by the contractor related to issues they feel warrant a contract amendment may be forwarded by the contractor to the Department for evaluation and a decision.

We would expect that any contract amendments would be supported by appropriate documentation to reflect the evaluation process and the decision.

#### Contract Changes - Project 1-12

During our review of Project 1-12, only two significant changes from the requirements of the original contract were noted:

- Change order number 21072, dated August 30, 2013, in the amount of \$15,202, was issued to provide for traffic signal lights in a work area along the TLH. This item had not been provided for in the original contract.
- On September 11, 2013, an extension was granted by the Department to the completion date for Project 1-12 from July 31, 2013 to July 31, 2014.

Based upon our review, these changes were appropriately authorized and documented.

**Finding**

10. The only two significant changes to the contract for Project 1-12, a change order for traffic signals and an extension to the contract completion date, were documented appropriately by way of a change order form and a letter respectively, and authorized by an appropriate official of the Department.

## 4. Evaluation and Authorization of Contract Cancellation Decision

### Objective

To determine whether the decision to mutually agree to cancel the contract related to Project 1-12 was appropriately evaluated and authorized.

Given the value of the remaining work left on Project 1-12 (\$7,294,649) and the impact of this decision on the completion of the contract, we would have expected to find documentation of:

- Supporting facts;
- Analysis and evaluation;
- Legal opinions; and,
- Recommendations.

### Conclusions

- The evaluation of the decision to mutually agree to cancel the contract related to Project 1-12 was conducted during the morning of March 13, 2014 and was not appropriately documented. The urgency to conclude an agreement on March 13, 2014 resulted in an evaluation that, with the benefit of more time, may have more fully considered all options available to the Department.
- Additional time may have allowed the Department to consider other factors during the evaluation of the decision to cancel the contract related to Project 1-12, however, we cannot determine whether more time would have resulted in a different decision.
- The decision by the Minister of Transportation and Works was within the scope of his authority and the decision was properly authorized.

### Overview

On March 13, 2014, the Department provided HVP with a letter which offered to terminate the contract related to Project 1-12. The letter contained certain conditions and required HVP to countersign.

The process commenced with the Department contacting HVP in the morning and included the evaluation by the Department of the request, the decision to mutually terminate the contract and the issuance of a letter by the Department offering to terminate. This all occurred within a period of approximately 7 ½ hours.

**Finding**

11. The process to consider, evaluate, decide, draft and execute the mutual termination of the contract related to Project 1-12 occurred within a period of approximately 7 ½ hours.

**Documentation**

The only evidence that is available related to the events of March 13, 2014 was gathered through the interview process, primarily from interviews with Minister McGrath, Deputy Minister Brent Meade, Assistant Deputy Minister Gary Gosse, Departmental solicitor David Jones, Labrador Regional Director Dion Tee and the Minister of Advanced Education and Skills, Kevin O'Brien. There is no documentary evidence, prepared on March 13, 2014, which is available to support the evaluation process that occurred on that date.

Subsequent to March 13, 2014, an information note dated April 29, 2014 was provided by the Department to the Premier's Office and Executive Council. A summary of the evaluation process which occurred on March 13, 2014 was prepared by the Departmental solicitor for the Assistant Deputy Minister, Courts and Legal Services, Department of Justice on May 8, 2014. Both these documents were prepared after the fact.

**Finding**

12. There was no documentation prepared on March 13, 2014 to support the decision to terminate the contract between HVP and the Department related to Project 1-12.

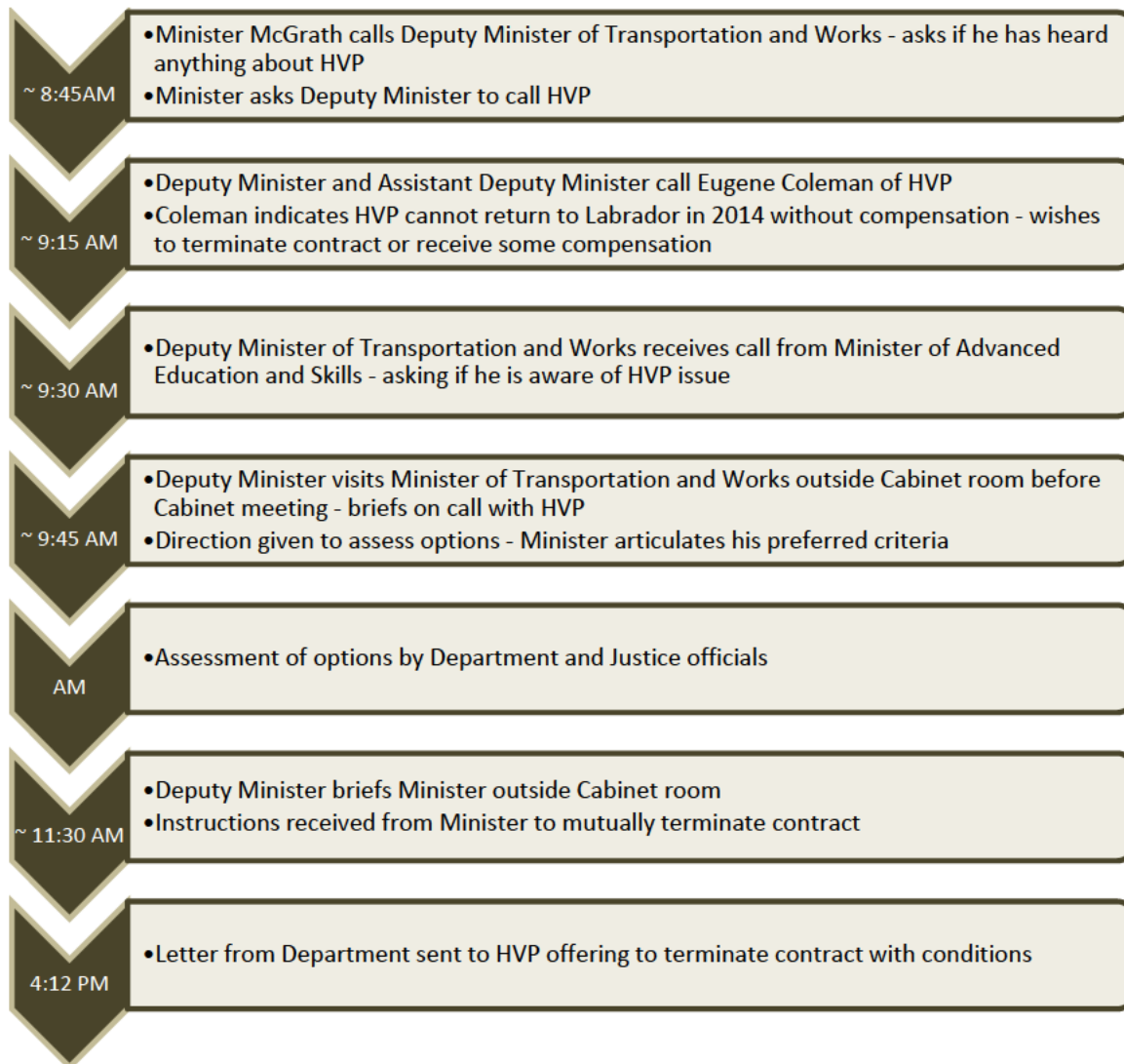


## March 13, 2014

A timeline of events related to the contract cancellation decision on March 13, 2014 is shown in Figure 4.

**Figure 4**

### **Timeline - Contract Cancellation Decision March 13, 2014**



**8:45 AM**

At approximately 8:45 AM on March 13, 2014, the Deputy Minister of Transportation and Works received a call from the Minister of Transportation and Works enquiring whether he had heard that HVP wanted out of their contract for Project 1-12. The Deputy Minister indicated that he had not heard and asked if the Minister wished him to call HVP. The Minister instructed the Deputy Minister to contact HVP.

**9:15 AM**

At approximately 9:15 AM, the Deputy Minister and Assistant Deputy Minister contacted Mr. Eugene Coleman with HVP. Mr. Coleman indicated that HVP was not in a position to return to Labrador in the spring of 2014 to complete work on Project 1-12 in the absence of some form of compensation. Without compensation, they wished to seek a mutual termination of the contract. No information was requested or received from HVP to validate the claim that the company could not afford to return to Labrador or support any claim for compensation.

HVP suggests that this issue was first raised with an official of the Department the previous day, March 12, 2014. The official, while acknowledging contact with the solicitor for HVP on March 12, 2013, does not recall a discussion related to HVP not returning to Labrador in 2014 but felt the discussion related to the potential of a claim resulting from the forest fires in 2013.

**9:30 AM**

At approximately 9:30 AM, the Deputy Minister of Transportation and Works received a phone call from Kevin O'Brien, Minister of Advanced Education and Skills, enquiring whether he was aware of what was happening with HVP. The Deputy Minister indicated he was working with his Minister on the issue and the conversation concluded.

**9:45 AM**

At approximately 9:45 AM, the Deputy Minister met with Minister McGrath outside the Cabinet Room. A Cabinet meeting was scheduled to commence at 10:00 AM that morning. Two broad options were put forward to the Minister at that time – finding a way to mutually terminate the contract or find HVP in default and proceed to call the Performance Bond. While the Deputy Minister indicated that some analysis needed to be done, the indication from the Minister was a preference to work with the company towards a mutual termination of the contract.

## **Evaluation of Options**

Throughout the morning, the Deputy Minister, Assistant Deputy Minister and legal counsel for the Department reviewed options.

### Options

In our view, four alternative courses of action could have been pursued in response to the discussion with HVP:

1. Assignment of the contract to a third party for execution;
2. Provide additional funding to HVP;
3. Mutually terminate the contract; or
4. Consider HVP in default of its obligations under the contract and seek recourse through the bonding company.

### Evaluation Criteria

When evaluating any option, generally there are criteria against which to evaluate the option. These are the key decision drivers. Some criteria will have more importance than others in the evaluation process - the importance placed on any criteria may be dictated by things such as legislation or policy. The level of importance may also become apparent through other means.

In April 2007, Government released its Northern Strategic Plan. One of the key objectives of the plan was to complete the hard surfacing of Phase I (Labrador West to Happy Valley-Goose Bay) of the TLH. The Department had been budgeting, planning and administering a series of contracts for road construction along the TLH with a targeted, and publicly stated, completion date of 2014.

Minister McGrath communicated to his Deputy Minister on the morning of March 13, 2014 that ensuring the remaining work on Project 1-12 was completed in 2014 was a priority.

He also expressed a desire that any solution would not be injurious to HVP and its employees. There was no articulation of what this meant, however, based on the 9:15 AM discussion between the Deputy Minister, Assistant Deputy Minister and Mr. Eugene Coleman, this was likely viewed in the context of not calling the Performance Bond.

These priorities formed the basis for the subsequent evaluation and decision.

While not specifically communicated by the Minister, an additional criteria was to assess whether a particular option would have a negative impact on the cost of the project and, consequently, on the taxpayers of the Province.

### **Finding**

13. Key evaluation criteria communicated by the Minister of Transportation and Works were:

- (1) to ensure Project 1-12 was completed in 2014; and
- (2) to ensure the outcome was not injurious to HVP and its employees.

These priorities formed the basis for the subsequent evaluation and decision.

Minister McGrath indicated to his Deputy Minister some urgency to complete any analysis that day. This would have played a critical role in the speed of the assessment by Department officials of the impact of HVP not returning to Labrador in 2014 and would have been a major contributing factor why no documentation was available from the evaluation process of March 13, 2014.

### **Finding**

14. Minister McGrath indicated to his Deputy Minister an urgency to deal with Project 1-12 based on his stated priorities. This would have played a critical role in the speed of the assessment by Departmental officials of the impact of HVP not returning to Labrador in 2014 and would have been a major contributing factor why no documentation was available from the evaluation process of March 13, 2014.

In examining the four options, the Department used the following three criteria in order of priority:

1. Ensuring the Project was completed in 2014;
2. Inflicting the least amount of harm to HVP and its employees; and,
3. Ensuring the Project was completed at the contracted cost.

Ensuring the project was completed in 2014 was a response to a political commitment and, arguably, should have had a lower priority in the evaluation process.

The criteria of inflicting the least amount of harm on HVP and its employees would require some knowledge of the current financial or operational position of HVP. There is no evidence that the Department sought any documentation regarding HVP's current position.

Ensuring the Project would be completed on budget has the taxpayers of the Province as the primary consideration. This, in our view, should have been the primary consideration in the evaluation process and ensures that the interests of taxpayers are placed ahead of HVP and political commitments. Departmental officials indicate they did consider this as a priority.

### **Finding**

15. Ensuring completion of the contract in 2014 was the primary priority in evaluating the options available to deal with HVP which placed a political commitment to complete Phase I of the TLH ahead of the broad interests of taxpayers.

#### Option 1 - Contract Assignment

Under this option, another contractor would take over the work on Project 1-12 for HVP. This would be a business-to-business arrangement and would require HVP to identify a contractor prepared to take on the remaining work for the remaining value of the contract.

Given that arrangements for this option would be outside their control, this option was not pursued by the Department. There is no evidence that HVP was asked if this was an option they could pursue.

#### *On Time*

Finding someone to step into the shoes of HVP is predicated on the notion that there is sufficient profit left on the remainder of the contract to make it worth someone's time and effort. Given the history of this Project, and the fact that an additional year of mobilization was required to Labrador, it was likely that the remainder of this contract was in a loss position. Given that potential, it is unlikely that HVP would be able to identify someone willing to take on this work. Even if a potential contractor could be found to take on the assignment, there would be some uncertainty whether this type of arrangement could be concluded in sufficient time to ensure completion in 2014.

#### *Injurious to HVP*

It is uncertain whether or not this course of action would be injurious to the company. Any company attempting an arrangement of this nature is likely signaling there are already problems, however, there could be other legitimate reasons for the course of action.

An assignment may be no more injurious to a company that already had existing problems.

#### *On Budget*

In the unlikely event another company could be found to assign the contract to, the nature of the arrangement would be that the work would be completed within the original contracted amounts.

Option 2 - Provide Additional Funding to HVP

HVP raised the possibility of additional compensation to allow them to return to Labrador in 2014. Additional compensation could be provided if the Department was prepared to accept a legitimate claim by HVP related to any additional costs incurred on any of the projects.

*Claims - Project 139-10 and 140-10*

Claims had already been submitted related to Project 139-10 and 140-10 and were the subject of negotiation between the Department and HVP in March 2014. As previously indicated, during 2013, HVP made two claims, totaling \$623,367 (\$211,502 - Project 139-10 and \$411,865 - Project 140-10), for additional costs in relation to the impact the grade line change had on Project 139-10 and 140-10. Both these claims remain outstanding.

*Potential Claim - Forest Fires*

During an approximate five week period in June and July 2013, forest fires in Quebec and Western and Central Labrador led to road closures that disrupted the normal flow of the transportation of goods and services, and people in Labrador. As well, the proximity of the fires to work areas meant, in certain cases, the cessation of work and evacuation of staff from work sites for health and safety reasons.

Liquid asphalt was acquired by HVP from a supplier in southern Quebec. The heated product was placed on tanker trucks and driven through Quebec to Labrador. The product, which cools as it travels, was unloaded into heated holding tanks at HVP's asphalt plants in Labrador. Any delays in delivery of the liquid asphalt could result in the liquid being too cool to unload. It would have to be returned to Quebec. There were approximately 25 loads of liquid asphalt which, either were too cool to use, or which could not pass through areas of forest fires and had to return to Quebec.

This was an added cost to the execution of Project 1-12. Labour, transportation and accommodation costs were still being incurred, although crews were unable to work. A camp was evacuated due to its proximity to the fires which also added to HVP's cost of executing the Project. There were also extra costs due to the return of liquid asphalt.

In addition, because the execution of the contract was delayed into the 2014 construction season, HVP would now be responsible for additional mobilization costs in order to start work in 2014. This additional mobilization was not contemplated in the tender bid.

In February 2014, Mr. Eugene Coleman of HVP contacted a senior Departmental official to raise the possibility of making a claim related to Project 1-12 as a result of the impact of the forest fires. The official indicated that, while it was the company's prerogative to make a claim, it was his view that any additional costs incurred by HVP as a result of the forest fires were not the responsibility of the Department. Senior officials within the Department, including the Minister, shared this view.

Considering that the Department had previously indicated to HVP that it did not believe it was responsible for compensation for claims related to the forest fires, there was no further evaluation of this as an option.

*On Time*

Given sufficient additional compensation, indications from HVP were that they were prepared to go back to Labrador to complete Project 1-12.

There was no evaluation or discussion with HVP as to the amount of additional resources it may have taken to allow them to return. Claims related to Project 139-10 and 140-10 were being negotiated. There was no evaluation whether a settlement of these claims would have been sufficient to allow HVP to return to Labrador in 2014. There was also no evaluation whether, even with additional financial resources, HVP had the capacity to return to Labrador in 2014.

*Injurious to HVP*

This option, if pursued and considered viable, would have allowed HVP to continue work in Labrador.

*On Budget*

If the Department determined that the claims were legitimate and reasonable, they should have been prepared to pay these amounts anyway. There would be no additional cost to the Province over and above what was already reasonably due.

As part of the evaluation process, Departmental officials did acknowledge the risk that the bonding company would evaluate whether a claim Force Majeure was worthwhile pursuing in the event of a default by HVP. There was no legal assessment of the likelihood that it would be successful or any attempt to quantify what a claim of Force Majeure could potentially be. The primary focus was on the potential that a claim could delay completion of Project 1-12 beyond 2014.

Option 3 - Mutual Termination

One of the first issues which officials from the Department considered was the appropriateness of mutual termination from a legal perspective. Legal advice received that day indicated that there was nothing to prevent two willing parties from terminating a contract.

**Finding**

16. There is no impediment, from a legal perspective, to prevent two willing parties agreeing to terminate a contract.

*On Time*

Mutual termination of the contract related to Project 1-12 would result in the Department having to re-tender the contract. Tenders were being prepared for the 2014 construction season around this time, including a tender for 80 KM of road work from Happy Valley-Goose Bay south towards Cartwright (Project 7-14). Departmental officials saw an opportunity to include the remaining work to be done on Project 1-12 with this tender.

While we feel it was reasonable to think that the work could be tendered and contracts entered into for the 2014 construction season, given the history with Projects 139-10, 140-10 and 1-12, there would have been some risk that the re-tendered work related to Project 1-12 could have been delayed. There does not seem to have been any assessment of this risk and, in particular, this risk measured against the other options available to the Department.

We note that, as of September 22, 2014, approximately 28.5 KM of the 60 KM included in the bundled portion of Project 1-12 was complete.

**Finding**

17. As of September 22, 2014, only 28.5 KM of the 60 KM included in the bundled portion of Project 1-12 was complete.

*Injurious to HVP*

Similar to Contract Assignment, it is uncertain whether or not this course of action would be injurious to the company. Any company attempting an arrangement of this nature is likely signaling there are already problems, however, there could be other legitimate reasons for the course of action.

However, there is no evidence that the Department assessed the current financial condition of HVP.

*On Budget*

From discussions on the morning of March 13, 2014, Departmental officials concluded that bundling the remaining Project 1-12 work with the new tender would minimize the impact on the cost of completing Project 1-12. This conclusion was based on the experience of Department officials.

Two years had passed since the original tender for Project 1-12 and the history of escalation of construction contracts, particularly the impact of what Departmental officials and the Minister of Transportation and Works called the “Muskrat Falls effect”, would support a conclusion that the cost to complete the project would be higher.



In June 2014, the Department subsequently estimated an additional cost of approximately \$1.5 million to complete work relating to Project 1-12, based upon its review of the re-bundled contract award for Project 7-14. We have not verified the reasonableness of this estimate, however, we note that this is a 20.6% increase over the value remaining on the contract for Project 1-12.

**Finding**

18. In June 2014, the Department estimated an additional cost of approximately \$1.5 million to complete work relating to Project 1-12 - a 20.6% increase in the cost remaining on the Project.

The issue of potentially having to tender a separate, isolated, project at a later date in the event the remaining work on Project 1-12 was not tendered in 2014 was also considered by the Department. The view was that, measured against this possibility, bundling in 2014 would be considerably less expensive than a stand-alone project in 2015 or beyond. Officials were of the view, based on the fact that the remaining work on Project 1-12 would be isolated from any work that would be tendered in 2015 and beyond (see **Figure 5**), that the cost of the isolated work would be considerably more expensive than if it was bundled and tendered in 2014.

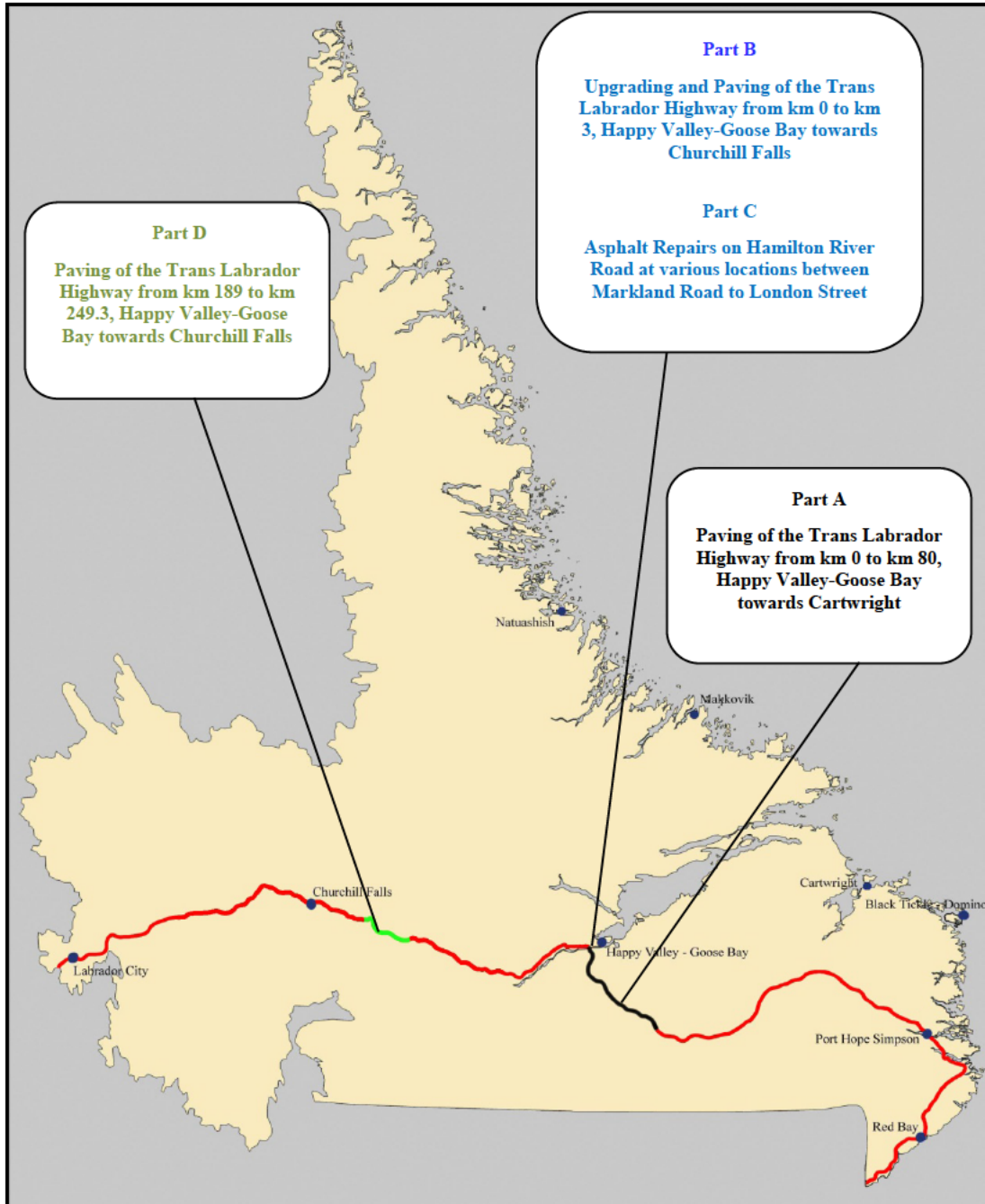
While there is no documentation to support or quantify this view, we feel that this was a reasonable conclusion.

**Finding**

19. The cost of tendering the remainder of Project 1-12 as an isolated project in 2015 or beyond would likely be more expensive than bundling with Project 7-14 in 2014.

**Figure 5**

**Trans Labrador Highway  
Re-bundled Contract 7-14**



Source: Department of Transportation and Works

*Release of Bonds*

The evaluation by Departmental officials on March 13, 2014, also considered the impact of terminating the contract related to Project 1-12 on the Performance and Labour and Material Payment Bonds. The Departmental solicitor advised that, upon termination of the contract, the Bonds would be released. In essence, the Bonds support the contract so that, in the absence of a contract, the bonds are effectively cancelled as well. In our opinion, this is a valid conclusion.

**Finding**

20. Once a decision was made to terminate the contract related to Project 1-12, the Performance and Labour and Material Payment Bonds would have no effect since they provided a guarantee against a contract which was no longer in effect.

*Guarantee of Bonds*

In the aftermath of the decision to terminate the contract, along with the associated release of the Bonds, Mr. Frank Coleman acknowledged that he had been a guarantor of the Bonds and could, potentially, have received a benefit as a result of Bonds being released. Guarantees on Bonds are not unusual. If more time had been available for the evaluation of this decision or if the Premier's office or Cabinet Secretariat had become involved, questions involving guarantees and who could potentially benefit from the decision may have been asked and considered in the process.

Option 4 - Default - Call Bond

One of the Department's options in dealing with HVP was to consider calling the Performance Bond.

*Bonds*

As part of the contract arrangements, HVP provided the Province with two Bonds - a Labour and Material Payment Bond in the amount of \$10,791,478 and a Performance Bond in the same amount.

The Labour and Material Payment Bond provides for payment of the subcontractors and materials suppliers should the contractor not make payments as required. The Performance Bond provides some assurance to the Province of a remedy in the event that the contractor does not perform all of its obligations under the contract. This is the Province's insurance that it will get the work done in accordance with the contract in the event of a default by the contractor.

### *Default Process*

The first step in this process would be for the Department to note HVP in default. It is possible that the Department would have to wait until the construction season was started and noting HVP in default if the company did not show on-site to commence works as scheduled. Although, given HVP's indication that they were not in a position to return to Labrador, it may have been possible to note them in default as of March 13, 2014, prior to a technical breach. This would have required a legal assessment. HVP would then have had five days to correct the default, or notify the Department as to how it intended to correct the default. Once this period was over, the Department could terminate the contract and make a claim under the Performance Bond.

Once a claim is made against the Performance Bond, the bonding company would evaluate the claim. This could take some time to resolve. Two outcomes were possible - the bonding company accepts the claim or it rejects the claim.

In the event the bonding company accepts the claim, it then has four options:

1. Remedy the default;
2. Complete the contract itself;
3. Put in a bid for completion; or
4. Pay the penalty sum.

The most common option is 3 above which would see the bonding company request that the Department have the work completed by another company. This would have led to re-tendering.

### *On Time*

It is uncertain whether this option would have resulted in the contract being completed in 2014.

The obligation on the bonding company upon default is to "promptly" remedy the default, complete the contract or obtain a bid. Generally the bonding company would have a reasonable period of time to properly investigate the contractual and factual circumstances of the claim, with particular regard to the question of whether the contractor is in default under the contract, and whether the Department has performed its obligations under the contract.

The bonding company would consider whether there was an event of Force Majeure, whether the execution of the contract had been frustrated in any way or whether the fires caused a scope change leading to a valid claim.

In the event the bonding company accepted the claim, it is uncertain how long it would take to reach this decision. The bonding company would examine all its options to mitigate its losses and may have looked at the possibility of bundling the work remaining on Project 1-12 with other tenders. This is exactly what the Province did in any event.

*Injurious to HVP*

Calling any Performance Bond would likely have been damaging to the reputation of the company and its relationship with the bonding company. This outcome was inconsistent with the Minister’s desire that any solution not be injurious to HVP and its employees. However, no assessment of the financial condition of HVP was made.

*On Budget*

If the bonding company accepted the claim, the Project would likely have been completed in accordance with the contract.

If the bonding company rejected the Department’s claim, resulting in a delay in being able to tender and have the work completed in 2014, Departmental officials were of the view that this would have resulted in a significant increase in the cost to complete this work. The remaining 60 KM of paving left on Project 1-12 would have been isolated from any new work being tendered in 2015 and beyond and, in their view, would have resulted in a considerably higher price than any other option under consideration (see **Figure 5**). Officials based this conclusion on their years of experience with contracts of this nature. While this seems to be a reasonable conclusion, there is no documentary evidence to support the conclusion or the potential magnitude of any increase in costs.

**Findings**

21. The Department did not pursue the option of calling the Performance Bond because this risked Project 1-12 not being completed in 2014 and would have negatively impacted HVP.

Summary

Our assessment of the four options, evaluated against the Department’s three decision criteria, is contained in the decision matrix in Table 7.

**Table 7**

**Decision Matrix**

Options	Transportation and Works Criteria		
	On Time	Injurious to HVP	On Budget
Contract Assignment	Uncertain	Uncertain	Yes
Contract Amendment	Uncertain	No	Uncertain
Mutual Termination	Uncertain	Uncertain	No
Default - Call Bond	Uncertain	Yes	Uncertain

No single option could satisfy all three decision drivers. In fact, in our view, none of the options available to the Department could provide certainty that the remaining work on Project 1-12 would be completed on time - Minister McGrath's primary consideration.

The only option that was certain not to be injurious to HVP was to amend the contract(s) to provide additional funding to HVP. This option was not evaluated by the Department.

### **Finding**

22. No single option available to the Department to address the issue of HVP's desire not to return to Labrador to complete its obligation under the contract for Project 1-12 was assured to satisfy the primary consideration of the Minister - completing the Project on time.

### **11:30 AM**

At approximately 11:30 AM, the Deputy Minister of Transportation and Works met with Minister McGrath outside the Cabinet room to brief him on the discussions and evaluation conducted by Departmental officials throughout the morning. Following this discussion, Minister McGrath provided direction to the Deputy Minister to proceed with mutual termination of the contract.

As part of his discussion with the Minister, the Deputy Minister asked if he should prepare a briefing note and "move this up the line". The Minister's answer was – "no, move on it".

The Deputy Minister also reminded the Minister that there may be some sensitivity around this course of action because of the relationship of Mr. Frank Coleman with the company. The Minister indicated that he should not worry about it. Based on the testimony of the Deputy Minister, he was of the view that his Minister had discussed the issue with someone in the Premier's Office. Given that the briefing of the Minister and the decision occurred outside the Cabinet Room, we feel this was a reasonable assumption on the part of the Deputy Minister.

The Deputy Minister was given instructions by the Minister that reinforced his earlier instruction to deal with the termination of the contract that day. No supportable reason for the urgency for the decision has been provided.

### **Finding**

23. The Deputy Minister of Transportation and Works was instructed by the Minister not to prepare a briefing note for the Premier's Office or Cabinet Secretariat to inform them of the decision to terminate the contract related to Project 1-12.

The decision by the Minister of Transportation and Works on March 13, 2014 to agree to a mutual termination of the contract with HVP related to Project 1-12 was within the scope of the authority of the Minister.

### **Finding**

24. The decision by the Minister of Transportation and Works on March 13, 2014 to agree to a mutual termination of the contract with HVP related to Project 1-12 was within the scope of authority of the Minister.

#### **4:12 PM**

Throughout the afternoon officials drafted a letter to HVP which contained an offer to terminate the contract related to Project 1-12. The letter of offer outlined two conditions:

1. Confirmation that the warranty related to the paving work already completed was still in effect; and
2. Agreement that HVP would not pursue any further claims against the Department in relation to Project Number 1-12.

While ensuring that the warranty was still in effect was a reasonable condition to include, from a practical perspective, a warranty is only as good as the strength of the company behind it.

The agreement mitigated any risk on a claim from the HVP on Project 1-12, particularly as it relates to the forest fires. There is no analysis to indicate what, if any benefit, the Province received from this condition. There is no documentation, quantification or analysis of the potential strength of a forest fire claim. In fact, officials and the Minister had already determined they were not responsible.

Claims are still outstanding related to Projects 139-10 and 140-10 and were being negotiated up to the week before March 13, 2014. It may have been more beneficial to the Province to seek release from these claims. These claims were quantified.

The letter was e-mailed to Mr. Eugene Coleman at 4:12 PM on March 13, 2014. HVP agreed to the terms on March 21, 2014.

#### **Effect of Urgency**

The Minister communicated to his officials an urgency to complete the assessment of the impact of HVP not returning to Labrador. This resulted on an assessment process that was completed in one day.

Had more time been made available, the Department may have assessed additional considerations which could have affected the decision. It is uncertain whether a different decision would have been reached.

### **Finding**

25. Had more time been available to fully assess the implications of the decision to cancel the contract for Project 1-12, additional items may have been examined:

- a) The option of assigning the contract for Project 1-12 to a third party contractor for completion. While this would be a business-to-business arrangement outside the control of the Department, there is no evidence that HVP was asked if this is an option they could pursue;
- b) Claims related to Project 139-10 and 140-10 were actively being discussed, however, there was no evaluation by the Department whether the value of these claims, had they been settled in time, would have been sufficient to allow HVP to proceed in 2014;
- c) An assessment of whether anyone had guaranteed the Bonds or the potential benefit that the release of the Bonds may have had on guarantors;
- d) An assessment of the likelihood that any possible claim by the bonding company would have been successful; and
- e) A potential claim related to the impact of the forest fires was waived as part of the agreement between the Department and HVP to mutually cancel the contract for Project 1-12. An opportunity to settle claims related to Project 139-10 and 140-10 may have been missed because of the urgency to conclude the agreement on March 13, 2014.

Given more time, the Department would have been able to more fully assess the competing priorities, properly reflect where the appropriate balance lay and make recommendations based on this broader analysis.



## 5. Evidence of Undue Influence

### Objective

To determine whether there was any evidence of undue influence in the evaluation or timing of the decision to cancel the contract related to Project 1-12.

Undue influence generally can be considered as the improper use of power or trust in a way that deprives a person of free will and substitutes another's objective. For the purpose of our review, we considered whether any person who may have exercised the influence was in a position of power and whether the influence may have been exerted for an improper purpose.

### Conclusions

- There is no documentary evidence of undue influence in the decision to mutually terminate the contract related to Project 1-12.
- We have not been able to satisfy ourselves why two Ministers, within ½ hour, independently contacted the Deputy Minister of Transportation and Works to enquire about the status of HVP on the morning of March 13, 2014.
- We have not been able to satisfy ourselves why the process to come to an arrangement with HVP to terminate the contract related to Project 1-12 had to be concluded the day before nominations closed for the leadership of the Progressive Conservative Party of Newfoundland and Labrador.

### Overview

The time between the initial contact with HVP and the Department and the sending of a letter of offer was approximately 7 ½ hours. Given the proximity of this decision to the closing date for nominations for the leadership of the Progressive Conservative Party of Newfoundland and Labrador and the fact that an individual who had been associated with HVP was widely acknowledged as interested in joining the leadership race, we sought to determine whether there was any evidence of undue influence in the decision process.

Our enquiry led us to three broad questions in this regard:

1. What was the impetus that initiated the process on the morning of March 13, 2014, including two phone calls to the Deputy Minister of Transportation and Works from two Ministers within ½ hour, and concluded the same day with an offer to mutually terminate the contract related to Project 1-12?
2. Why was there an urgency to conclude this process in such a short time period and on that day?
3. What involvement did the Premier's Office have in this decision process?

## Question 1 - Initiation of Termination Process

On the morning of March 13, 2014, the Deputy Minister of Transportation and Works received two phone calls, within approximately ½ hour, from two Ministers (Transportation and Works and Advanced Education and Skills) enquiring whether he was aware of what was happening with HVP. As our review developed, we became interested in the coincidence that two Ministers, within such a short time frame, would initiate a phone call to the Deputy Minister on this matter.

### Finding

26. The Deputy Minister of Transportation and Works received two phone calls on the morning of March 13, 2014 from two separate Ministers within ½ hour, both enquiring on the status of HVP.

As part of our review, we requested any e-mails, PINs, extracts from calendars and other documentation in the hands of elected officials, political staff and senior bureaucrats which may have any reference to Humber Valley Paving Ltd., Mr. Frank Coleman or Mr. Eugene Coleman. We found no evidence from this documentation of any contact from anyone attempting to influence the process or decision regarding Project 1-12.

We also conducted formal interviews with a number of individuals, including Ministers McGrath and O'Brien. Both Ministers were asked what prompted them to call the Deputy Minister of Transportation and Works on the morning of March 13, 2014.

Minister McGrath indicated that he had heard “rumblings” that HVP would not be going back to Labrador that summer. When asked to be more specific, he indicated the rumblings may have come from inside caucus or from people in Labrador, however, there was nothing he could “substantiate”. He also indicated he had not had any conversation with Minister O'Brien on this matter up to that point.

Minister O'Brien indicated that he had “heard colleagues” talking that there were issues with HVP. He indicated that he had a number of matters, including the HVP concerns, to discuss with the Deputy Minister of Transportation and Works on the morning of March 13, 2014 and that he was interested because he had been the Minister responsible for fire and emergency services at the time of the forest fires in 2013. When the Deputy Minister indicated that the Department was handling the HVP matter, the conversation concluded.

There is no documentary evidence to indicate what prompted both Ministers to call the Deputy Minister that morning, which, coincidentally, was the day before the close of nominations for the leadership of the Progressive Conservative Party of Newfoundland and Labrador.

### **Finding**

27. There is no documentary evidence to indicate what prompted two Ministers to call the Deputy Minister of Transportation and Works the morning of March 13, 2014 to enquire about HVP, which, coincidentally, was the day before the close of nominations for the leadership of the Progressive Conservative Party of Newfoundland and Labrador.

We also enquired of those we interviewed whether they were aware or thought there had been any undue interference or influence. None of the interviewees we asked indicated they thought there had been any.

The Deputy Minister of Transportation and Works, when asked by the Premier in late April 2014 whether “there had been anything untoward here”, indicated he did not think there was but did feel he was under time pressure and that he felt the Department made the decision in a fairly short window.

### **Finding**

28. There is no documentary evidence of undue influence in the decision to terminate the contract related to Project 1-12.

## **Question 2 - Urgency**

Minister McGrath, when giving instructions to his Deputy Minister, indicated the HVP contract issue was to be dealt with on March 13, 2014. Minister McGrath indicated that the Government had made a commitment that paving of Phase I of the TLH would be completed in 2014.

Minister McGrath, in his testimony, indicated that he felt the primary reason for concluding the contract termination on such a tight timeline was because of the impending release of the tender for 2014 road work in Labrador and the desire to bundle the remaining unfinished work from Project 1-12 with this new tender.

The tender call for the subsequent bundled road work in Labrador under Project 7-14 was not made until April 19, 2014. Based upon this, there was no urgency to conduct the analysis and reach a decision on March 13, 2014. Sufficient time existed to allow for a broader evaluation and consideration of the issues.

**Finding**

29. The tender for Project 7-14, which contained the bundled portion of the remainder of Project 1-12, was not released until April 19, 2014 - 37 days after the termination of the contract for Project 1-12. There was sufficient time available to more fully consider all the ramifications of canceling the contract and the associated implications.

There was also some question as to whether the urgency was initiated from HVP itself. HVP had a Board of Directors meeting on March 13, 2014. While there is evidence to suggest HVP were looking for some indication whether the Department was prepared to consider options regarding Project 1-12, it is not reasonable for any contractor to expect the Department to evaluate a request to terminate a contract with approximately \$7 million in commitments remaining and to reach a decision in one day. There is no evidence to suggest that HVP asked for a decision on March 13, 2014.

**Finding**

30. We can find no operational reason why the mutual termination of the contract related to Project 1-12 had to occur on March 13, 2014.

**Question 3 - Premier's Office**

The Premier and Mr. Frank Coleman have known each other for some time and had dealings with each other on a professional basis in the past.

There is evidence that Mr. Coleman had met with the Premier in early 2014 and, among other things, discussed the ongoing claims and the impact of the forest fires on HVP. There is no evidence which suggests there was any discussion of HVP not completing work on Project 1-12 in 2014.

There is a protocol within the senior levels of the Provincial government that the Premier's Office and/or the Clerk of Executive Council should be informed of any issues arising within a Government department that are, or may become, politically sensitive in nature. This protocol has two purposes:

1. To ensure senior levels of the political hierarchy and the bureaucracy are aware of these issues so that they may be better able to respond; and
2. It allows for a broader perspective to be considered and to initiate any intervention, if needed.

As the Head of the Department, the Deputy Minister is responsible for ensuring the appropriate information is forwarded to the Clerk of Executive Council who would then provide it to the Premier's Office for information or decision, as the case may be.

In this particular instance, the evidence indicates that the Deputy Minister of Transportation and Works raised this issue with Minister McGrath at the time the Minister made the decision to proceed with mutual termination of the contract with HVP. We believe that the Deputy Minister was convinced, based on the Minister's response, the appropriate people in the Premier's Office had been made aware of what was occurring. This view would have been reinforced by the fact that the meeting with Minister McGrath occurred outside the Cabinet Room while a Cabinet meeting was in progress. We feel it would have been a reasonable assumption that the issue was discussed inside the Cabinet Room, particularly in light of the proximity of this decision to the close of nominations for leader of the Progressive Conservative Party of Newfoundland and Labrador on March 14, 2014 – the next day.

Information gathered during our interviews indicates that the issue of termination of the contract with HVP was not discussed during the Cabinet meeting on March 13, 2014. In addition, evidence indicates the Premier did not become aware that the contract was mutually terminated until April 27, 2014.

### **Findings**

31. There is no evidence that the termination of the contract related to Project 1-12 was discussed during the Cabinet meeting on March 13, 2014.
32. The Premier first became aware of the termination of the contract for Project 1-12 on April 27, 2014.

Minister McGrath was briefed by his Deputy Minister outside the Cabinet Room on March 13, 2014 and had every opportunity to raise this issue in Cabinet or with the Premier's Office. While the Minister had the authority to make the decision, it is difficult to understand, given the potential political sensitivity of this issue, why he would not have discussed this with his colleagues in Cabinet or the Premier's Office. Minister McGrath made a conscious decision not to inform the Premier and Cabinet.

### **Finding**

33. Minister McGrath knowingly withheld information from the Premier of Newfoundland and Labrador related to the decision to mutually terminate the contract related to Project 1-12 between HVP and the Department. This meant the Premier was not given the opportunity to evaluate the impact of this decision.

## Recommendations

1. The Department of Transportation and Works should consider staggered tender closing dates, particularly with large projects or in remote areas.
2. The Department of Transportation and Works should ensure compliance with the payment terms of its contracts. Special considerations should form part of the project tender package to ensure transparency in the tender process and the administration of contracts.
3. The Department of Transportation and Works should ensure that there is adequate documentation to support key decisions.
4. Departments should ensure that normal protocols are followed when dealing with sensitive matters. Deputy Ministers should not assume that a Minister will convey sensitive information in a timely manner.
5. The Department of Transportation and Works should consider establishing a process to ensure decisions such as the cancellation of the contract related to Project 1-12 are publically communicated.

## APPENDICES

**APPENDIX  
A  
REQUESTS FOR INFORMATION**



## **Requests for Information**

Included are request for information letters sent to the following:

- Clerk of Executive Council
- Frank Coleman
- Eugene Coleman
- President of Humber Valley Paving Ltd.
- Leader of the Opposition
- Leader of the New Democratic Party
- The Guarantee Corporation of North America



**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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May 29, 2014

DP05-L7314

Ms. Julia Mullaley, CA  
Clerk of Executive Council  
P.O Box 8700  
St. John's, Newfoundland and Labrador  
A1B 4J6

Dear Ms. Mullaley:

The Office of the Auditor General has been requested by the Lieutenant-Governor-in-Council to inquire into and report on any and all aspects of a contract between the Department of Transportation and Works (TW) and Humber Valley Paving Ltd. ("HVP") related to Project Number 1-12PHP (the "Project") pursuant to the powers under the *Auditor General Act*, SNL1991 C 22.

With respect to our requests below, "Documentation" includes any record in print or electronic form, including but not limited to correspondence, opinions, memorandums, briefing notes, notes, e-mails, texts, instant messages, and PINs.

We hereby formally request:

All Documentation in the possession of the Province of Newfoundland and Labrador (the "Province") which relates to the award, administration and/or cancellation of the Project; including:

- (a) Any and all Documentation from or to a worker, an elected official or a political staff member of the Province related to the Project;
- (b) Any and all Documentation in the Province's possession from or to Mr. Frank Coleman, Mr. Eugene (or Gene) Coleman, Mr. Peter Byrne or Mr. Darrin O'Quinn which relate to the Project;

...2

- (c) Any and all Documentation in the Province's possession in relation to the award, administration and/or cancellation of the Project, including Documentation to or from outside consultants (including but not limited to AMEC);
- (d) Copies of appointment calendars, either manual or electronic, that have entries for the Minister of TW, the Executive Assistant to the Minister of TW, the Constituency Assistant to the Minister of TW, the Deputy Minister of TW, the Assistant Deputy Minister of the Transportation Branch of the Department of TW and Mr. David Jones which refer to appointments with Humber Valley Paving Ltd. (or any abbreviation thereof) or any principal, owner or directing mind of HVP, including but not limited to Mr. Frank Coleman or Mr. Eugene (or Gene) Coleman for the period July 1, 2013 to the present;
- (e) Copies of appointment calendars, either manual or electronic, entries for the Premier, Chief of Staff of the Premier, Executive Assistant to the Premier, the Constituency Assistant to the Premier, Clerk of Executive Council or Deputy Clerk of Executive Council which refer to appointments with Humber Valley Paving Ltd. (or any abbreviation thereof) or any principal, owner or directing mind of HVP, including but not limited to Mr. Frank Coleman or Mr. Eugene (or Gene) Coleman for the period July 1, 2013 to the present;
- (f) The request from HVP, and any related Documentation, requesting the cancellation of the Project;
- (g) Working papers, analysis and any other Documentation prepared or used by officials of the Province evaluating the request from HVP to cancel the Project;
- (h) Legal assessments prepared in relation to the Project, whether conducted by lawyers assigned to the Department of TW, lawyers working with the Department of Justice or external counsel;
- (i) Briefing notes, meeting notes or other Documentation, including any prepared for Cabinet, which contains the assessment and/or recommendations related to the cancellation of the Project;

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Ms. Julia Mullaley, CA

Page 3

May 29, 2014

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- (j) The direction to the Department of TW related to the cancellation of the Project; and,
- (k) Information on any claims or possible claims made against the Province in relation to the Project.

We request your reply be in the form of a statutory declaration.

If any of the requested information is unavailable or is not known to exist, please indicate as such. Further, please indicate if any of this requested information was in the possession or control of the Province, but is no longer within the possession and control of the Province.

Your expeditious attention to this request would be greatly appreciated. We expect a response and/or an update as to the status of our request within two weeks.

We trust you will find the above to be in order.

Yours truly;



**TERRY PADDON, CA**  
**Auditor General**



**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

---

June 5, 2014

DP05-L7314

Ms. Julia Mullaley, CA  
Clerk of Executive Council  
P.O. Box 8700  
St. John's, Newfoundland and Labrador  
A1B 4J6

Dear Ms. Mullaley:

Further to our meeting of June 3, 2014 in which you sought clarification regarding the information requested in my letter dated May 29, 2014, I am pleased to provide the following:

1. You asked for clarification regarding how we would expect the Province to be defined.

We feel that, when attempting to determine “any and all Documentation in the Province’s possession”, the focus would be on government departments and would encompass Ministers, Ministers’ Executive Assistants, Departmental executive and any other personnel who would reasonably be expected to have relevant Documentation.

2. You asked for clarification regarding how you could determine whether a worker employed by the province would be in possession of document pertaining to the Project.

We discussed the option that you could canvass each Deputy Minister for their assessment whether or not their Department would reasonably be in possession of Documentation as outlined in my letter of May 29, 2014. We find this to be an acceptable approach. We would expect that if any Deputy Minister concludes that a Minister, an employee or a political staff member may be in possession of Documentation that they would take appropriate action to identify such Documentation.

...2

Ms. Julia Mullaley, CA

Page 2

June 5, 2014

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3. You asked whether an elected official or political staff member included all three political parties.

Please be advised that we have written the leaders of the Liberal and New Democratic Parties requesting information. You had indicated that you could facilitate gathering available information from the Progressive Conservative Party.

4. You asked for clarification whether we intended that the copies of appointment calendars, either manual or electronic we requested back to July 1, 2013 would include former incumbents in the positions outlined.

We confirm that we require information for the former incumbents in those positions.

5. You asked for clarification regarding the process to gather relevant Documentation contained in PIN's.

Our view is that you would include the people described in 1 above. We feel that a request from the Clerk to these individuals to determine whether the Documentation exists or did exist and a response in the form of a Statutory Declaration (copy attached) would suffice.

In addition to the Statutory Declaration noted above related to PINs, we are also attaching a suggested form of Statutory Declaration to be used in your response to my letter of May 29, 2014. We trust you will find the above to be in order, however, if there is further clarification required, please do not hesitate to contact me.

Yours truly:



**TERRY PADDON, CA**  
**Auditor General**

Enclosure

**STATUTORY DECLARATION**

I solemnly declare that I do not have, and have never had, any instant messages, PINs, or texts relating to the contract between the Department of Transportation and Works and Humber Valley Paving Ltd., including but not limited to information pertaining to the cancellation of the contract.

I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as is made under oath, and by virtue of the Canada Evidence Act.

Solemnly declared before me at the City of St. John's, in the Province of Newfoundland and Labrador, this \_\_\_\_\_ day of June, 2014.

Print name: \_\_\_\_\_

\_\_\_\_\_  
A Commissioner for taking affidavits or any person authorized by law to administer an oath)

\_\_\_\_\_  
[Signature]

**STATUTORY DECLARATION**

[INSERT ANSWERS AND INFORMATION]

I solemnly declare that the answers and information contained herein are true in substance and in fact.

I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as is made under oath, and by virtue of the Canada Evidence Act.

Solemnly declared before me at the City of St. John's, in the Province of Newfoundland and Labrador, this \_\_\_\_\_ day of June, 2014.

Print name: \_\_\_\_\_

\_\_\_\_\_  
(A Commissioner for taking affidavits or any person authorized by law to administer an oath)

\_\_\_\_\_  
[Signature]





**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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May 30, 2014

DP05-L7314

Mr. Frank Coleman  
Coleman Group of Companies  
P.O. Box 340  
Corner Brook, NL  
A2H 6E8

Dear Mr. Coleman:

The Office of the Auditor General has been requested by the Lieutenant-Governor-in-Council to inquire into and report on any and all aspects of a contract between the Department of Transportation and Works (TW) and Humber Valley Paving Ltd. (“HVP”) related to Project Number 1-12PHP (the “Project”) pursuant to the powers under the *Auditor General Act*, SNL1991 C 22.

With respect to our requests below, “Documentation” includes any record in print or electronic form, including but not limited to correspondence, opinions, memorandums, briefing notes, notes, e-mails, texts, instant messages, and PINs.

We hereby formally request:

Any Documentation in your possession or control relating to the Project, including but not limited to:

- a) Documentation involving any discussions or meetings with the Province, or a representative of the Province (including but not limited to external consultants such as AMEC);
- b) The subordination agreement between yourself or companies owned or controlled by you and The Guarantee Company of North America related to the Project;
- c) Any indemnities or guarantees relating to HVP by you or by a company owned or controlled by you;

...2

Mr. Frank Coleman

Page 2

May 30, 2014

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- d) Letter of resignation from the Board of Directors of HVP or other relevant documentation ; and,
- e) Documentation regarding the sale of shares of HVP by you or companies owned or controlled by you.

We request your reply be in the form of a statutory declaration.

If any of the requested information is unavailable or is not known to exist, please indicate as such. Further please indicate if any of this requested information was in your possession or control, but is no longer within your possession and control.

In addition to the above information, as our review progresses I will want to meet with you to seek clarification regarding information and documentation which we will gather as our examination proceeds.

Your expeditious attention to this request would be greatly appreciated. We expect a response and/or an update as to the status of our request within two weeks. I wish to thank you for your anticipated cooperation in the regard.

We trust you will find the above to be in order.

Yours sincerely;



**TERRY PADDON, CA**  
**Auditor General**



**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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May 30, 2014

DP05-L7314

Mr. Eugene Coleman  
Coleman Group of Companies  
P.O. Box 340  
Corner Brook, NL  
A2H 6E8

Dear Mr. Coleman:

The Office of the Auditor General has been requested by the Lieutenant-Governor-in-Council to inquire into and report on any and all aspects of a contract between the Department of Transportation and Works (TW) and Humber Valley Paving Ltd. (“HVP”) related to Project Number 1-12PHP (the “Project”) pursuant to the powers under the *Auditor General Act*, SNL1991 C 22.

With respect to our requests below, “Documentation” includes any record in print or electronic form, including but not limited to correspondence, opinions, memorandums, briefing notes, notes, e-mails, texts, instant messages, and PINs.

We hereby formally request:

1. Any Documentation in your possession or control relating to the Project.
2. This specifically includes any Documentation involving any discussions or meetings with the Province, or a representative of the Province (including but not limited to external consultants such as AMEC).

We request your reply be in the form of a statutory declaration.

If any of the requested information is unavailable or is not known to exist, please indicate as such. Further please indicate if any of this requested information was in your possession or control, but is no longer within your possession and control.

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Mr. Eugene Coleman

Page 2

May 30, 2014

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In addition to the above information, as our review progresses I will want to meet with you to seek clarification regarding information and documentation which we will gather as our examination proceeds.

Your expeditious attention to this request would be greatly appreciated. We expect a response and/or an update as to the status of our request within two weeks. I wish to thank you for your anticipated cooperation in the regard.

We trust you will find the above to be in order.

Yours truly;



**TERRY PADDON, CA**  
**Auditor General**



**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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June 9, 2014

DP05-L7314

President  
Humber Valley Paving Ltd.  
P.O. Box 1162  
Corner Brook, NL  
A2H 6T2

Dear Sir:

The Office of the Auditor General has been requested by the Lieutenant-Governor-in-Council to inquire into and report on any and all aspects of a contract between the Department of Transportation and Works (TW) and Humber Valley Paving Ltd. (“HVP”) related to Project Number 1-12PHP (the “Project”) pursuant to the powers under the *Auditor General Act*, SNL1991 C 22.

With respect to our requests below, “Documentation” includes any record in print or electronic form, including but not limited to correspondence, opinions, memorandums, briefing notes, notes, e-mails, texts, instant messages, and PINs.

We hereby formally request:

1. Any Documentation in your possession or control relating to the Project.
2. This includes but is not limited to:
  - a. The request to the Province to cancel the Project;
  - b. Meeting notes between company officials and representatives of the Province of Newfoundland and Labrador regarding the Project including but not limited to external consultants such as AMEC; and,
  - c. Correspondence between yourself and the Province or Province representative (including but not limited to external consultants such as AMEC) regarding the Project.

President

Page 2

June 9, 2014

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We request your reply be in the form of a statutory declaration.

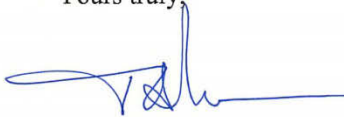
If any of the requested information is unavailable or is not known to exist, please indicate as such. Further please indicate if any of this requested information was in your possession or control, but is no longer within your possession and control.

In addition to the above information, as our review progresses I will want to meet with you to seek clarification regarding information and documentation which we will gather as our examination proceeds.

Your expeditious attention to this request would be greatly appreciated. We expect a response and/or an update as to the status of our request within two weeks. I wish to thank you for your anticipated cooperation in the regard.

We trust you will find the above to be in order.

Yours truly;



**TERRY PADDON, CA**  
**Auditor General**



**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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June 5, 2014

DP05-L7314

Mr. Dwight Ball, MHA  
District of Humber Valley  
Leader of the Opposition  
P.O. Box 8700  
St. John's, Newfoundland and Labrador  
A1B 4J6

Dear Mr. Ball:

The Office of the Auditor General has been requested by the Lieutenant-Governor-in-Council to inquire into and report on any and all aspects of a contract between the Department of Transportation and Works (TW) and Humber Valley Paving Ltd. ("HVP") related to Project Number 1-12PHP (the "Project") pursuant to the powers under the *Auditor General Act*, SNL1991 C 22.

In connection with our investigation, I request that you provide all documentation in the possession of an elected official or a political staff member of your Party which relates to the award, administration and/or cancellation of the Project. "Documentation", as it relates to this request includes any record in print or electronic form, including but not limited to correspondence, opinions, memorandums, briefing notes, notes, e-mails, texts, instant messages, and PINs.

We request your reply be in the form of a statutory declaration (suggested form attached).

If any of the requested information is unavailable or is not known to exist, please indicate as such. Further, please indicate if any of this requested information was in the possession or control of the individuals, but is no longer within the possession and control of the individual.

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Mr. Dwight Ball

Page 2

June 5, 2014

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Your expeditious attention to this request would be greatly appreciated. We expect a response and/or an update as to the status of our request within two weeks.

We trust you will find the above to be in order.

Yours truly:



**TERRY PADDON, CA**  
**Auditor General**

Enclosure



**STATUTORY DECLARATION**

[INSERT ANSWERS AND INFORMATION]

I solemnly declare that the answers and information contained herein are true in substance and in fact.

I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as is made under oath, and by virtue of the Canada Evidence Act.

Solemnly declared before me at the City of St. John's, in the Province of Newfoundland and Labrador, this \_\_\_\_\_ day of June, 2014.

Print name: \_\_\_\_\_

\_\_\_\_\_  
A Commissioner for taking affidavits or any person authorized by law to administer an oath)

\_\_\_\_\_  
[Signature]



**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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June 5, 2014

DP05-L7314

Ms. Lorraine Michael, MHA  
District of Signal Hill-Quidi Vidi  
Leader of the New Democratic Party  
P.O. Box 8700  
St. John's, Newfoundland and Labrador  
A1B 4J6

Dear Ms. Michael:

The Office of the Auditor General has been requested by the Lieutenant-Governor-in-Council to inquire into and report on any and all aspects of a contract between the Department of Transportation and Works (TW) and Humber Valley Paving Ltd. ("HVP") related to Project Number 1-12PHP (the "Project") pursuant to the powers under the *Auditor General Act*, SNL1991 C 22.

In connection with our investigation, I request that you provide all documentation in the possession of an elected official or a political staff member of your Party which relates to the award, administration and/or cancellation of the Project. "Documentation", as it relates to this request includes any record in print or electronic form, including but not limited to correspondence, opinions, memorandums, briefing notes, notes, e-mails, texts, instant messages, and PINs.

We request your reply be in the form of a statutory declaration (suggested form attached).

If any of the requested information is unavailable or is not known to exist, please indicate as such. Further, please indicate if any of this requested information was in the possession or control of the individuals, but is no longer within the possession and control of the individual.

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Ms. Lorraine Michael

Page 2

June 5, 2014

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Your expeditious attention to this request would be greatly appreciated. We expect a response and/or an update as to the status of our request within two weeks.

We trust you will find the above to be in order.

Yours truly:

A handwritten signature in blue ink, appearing to read 'Terry Paddon', with a long horizontal flourish extending to the right.

**TERRY PADDON, CA**  
**Auditor General**

Enclosure

**STATUTORY DECLARATION**

[INSERT ANSWERS AND INFORMATION]

I solemnly declare that the answers and information contained herein are true in substance and in fact.

I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as is made under oath, and by virtue of the Canada Evidence Act.

Solemnly declared before me at the City of St. John's, in the Province of Newfoundland and Labrador, this \_\_\_\_\_ day of June, 2014.

Print name: \_\_\_\_\_

\_\_\_\_\_  
A Commissioner for taking affidavits or any person authorized by law to administer an oath)

\_\_\_\_\_  
[Signature]



**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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June 9, 2014

DP05-L7314

Mr. Alister Campbell  
Chief Executive Office  
The Guarantee Company of North America  
4950 Yonge Street  
Madison Centre  
Suite 1400  
Toronto, Ontario  
M2N 6K1

Dear Sir:

The Lieutenant-Governor-in-Council of the Province of Newfoundland and Labrador has requested that the Office of the Auditor General inquire into and report on any and all aspects of a contract between the Minister of Transportation and Works (TW) of the Government of Newfoundland and Labrador and Humber Valley Paving Ltd. (HVP) related to Project Number 1-12PHP (the Project).

In connection with the Project, The Guarantee Company of North America (the Company) provided a Performance Bond and a Labour & Material Payment Bond (No. HS4139679), both dated June 7, 2012.

With respect to our requests below, "Documentation" includes any record in print or electronic form, including but not limited to correspondence, opinions, memorandums, notes and e-mails.

Part of our inquiry will examine the decision making process surrounding the extension and cancellation of the Project. In this regard, I am requesting any documentation or information that may be in the possession of the Company which may be related to the extension or cancellation of the Project. This information may include, but is not limited to:

- a. any enquiries made of the Company by either the Principal (TW) or the Obligee (HVP) in relation to options available to either party or potential consequences of non-performance of contractual obligations;

...2

Mr. Alister Campbell

Page 2

June 9, 2014

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- b. any responses in relation to the above noted enquiries;
- c. any and all information relating to the cancellation of the bonds; or
- d. any agreement in relation to the cancellation of the Project.

We request your reply be in the form of a statutory declaration (a template of which is attached for your convenience).

If any of the requested information is unavailable or is not known to exist, please indicate as such. Further, please indicate if any of this requested information was in the possession or control of the Company, but is no longer.

Your expeditious attention to this request would be greatly appreciated. We would appreciate a response and/or an update as to the status of our request within two weeks.

We trust you will find the above to be in order.

Yours truly:



**TERRY PADDON, CA**  
**Auditor General**

Enclosure

**STATUTORY DECLARATION**

[INSERT ANSWERS AND INFORMATION]

I solemnly declare that the answers and information contained herein are true in substance and in fact.

I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as is made under oath, and by virtue of the Canada Evidence Act.

Solemnly declared before me at the City of Toronto, in the Province of Ontario, this \_\_\_\_\_ day of June, 2014.

Print name: \_\_\_\_\_

\_\_\_\_\_  
(A Commissioner for taking affidavits or any person authorized by law to administer an oath)

\_\_\_\_\_  
[Signature]

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**APPENDIX**  
**B**  
**INQUIRIES OF HUMBER VALLEY**  
**PAVING LTD. DIRECTORS**

### Inquiries of HVP Directors

Question		Director		
		Michael Coleman	Robert Coleman	Peter Byrne
1(a).	Did you have any contact with anyone in <i>Government</i> regarding <i>extension</i> of the 1-12 contract? If so, describe the contact.	No	No	No
1(b).	Did you have any contact with anyone in <i>Government</i> regarding <i>cancellation</i> of the 1-12 contract? If so, describe the contact.	No	No	No
1(c).	Did you have any contact with anyone in the <i>PC Party</i> regarding <i>extension</i> of the 1-12 contract? If so, describe the contact.	No	No	No
1(d).	Did you have any contact with anyone in the <i>PC Party</i> regarding <i>cancellation</i> of the 1-12 contract? If so, describe the contact.	No	No	No
2(a).	Are you aware of any decision to keep either Gene Coleman or Frank Coleman unaware of anything to do with the 1-12 contract	No	No	No
2(b).	If you are aware, describe the details.	N/A	N/A	N/A
3.	Do you have any documentation concerning the 1-12 contract?	No	No	No
4(a).	Are you aware of any “political influence or interference” in the decisions by the Department of Transportation and Works to extend and then cancel the 1-12 contract?	No	No	No
4(b).	If the answer is yes, describe the details.	N/A	N/A	N/A

N/A-Not Applicable

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**APPENDIX  
C  
CONTRACT FOR PROJECT 1-12**

**TENDERING**



**TRANSPORTATION AND WORKS**

**TENDER BOOK**

**PROJECT NO. 1-12PHP**

**Noon: April 17, 2012**

**PROJECT NAME**

**Paving of the Trans Labrador Highway from km 172.5 to km 248.5, Goose Bay towards Churchill Falls, Labrador.**

**CONTRACTOR HUMBER VALLEY PAVING LTD.**

**GOVERNMENT OF NEWFOUNDLAND AND LABRADOR**

**ADDENDUM NO. 2**

Project No. 1-12 PHP: **Paving of the Trans Labrador Highway from km 172.5 to km 248.5, Goose Bay towards Churchill Falls, Labrador.**

Closing Date: Noon, April 24, 2012

CONTRACTORS ARE ADVISED OF THE FOLLOWING CHANGES TO THE TENDER PACKAGE:

1. Add the following Supplementary General Condition to the Tender:

**22. OCCUPATIONAL HEALTH AND SAFETY DIRECTIVES**

Contractors are advised to revise Section 190 of the Specifications **Occupational Health and Safety** under Section 190.5 CONTRACTORS SAFETY OFFICER subsection .1 as follows:

- .1 The contractor's Safety Officer will be solely responsible for the implementation and monitoring of the Project Health and Safety Risk Assessment and Management Plan, and will have the authority to implement health and safety changes as directed by the Engineer. **The Safety Officer must be solely dedicated to this position throughout the course of the contract. The Safety Officer must have no other duties than those outlined for this position.** The Safety Officer shall have as a minimum:
  - .1 Completed training in hazardous occurrence management and response/protocols
  - .2 Completed training in the use, maintenance of fall protection systems
  - .3 Completed training in the design and construction of scaffolding
  - .4 Completed training in confined space entry protocols and techniques.
  - .5 Completed training in First Aid.

2. Revise Supplementary General Condition 9 Liquidated Damages as follows:

**9. LIQUIDATED DAMAGES**

If the completion date of the whole of the works is later than the completion date specified in the contract, liquidated damages for such default shall be payable by the Contractor to the Owner. The rate per day will be determined as the total of the department's direct costs associated with maintaining a presence and carrying out contract administration duties on the project. The costs to be recovered as liquidated damages will include, but will not be limited to, salaries including overtime, for the normal staff compliment on the project, travel costs for the normal staff compliment on the project, vehicle rental charges, fuel for vehicles, and other equipment rental charges, such as survey equipment, which may be utilized on the project.

1

Depending on the scope of work, there may be other direct or indirect costs to the department, which will also be deemed to be recoverable as liquidated damages. These costs could be substantial.

No bonus will be assessed for completing the project ahead of the given completion date.

Contractors, by submission of their tender, shall be deemed to have accepted these terms.

3. **Revise the Liquid Asphalt Cost Adjustment portion of Supplementary General Condition 10 as follows:**

**Liquid Asphalt Cost Adjustment**

Adjustments will be made to progress estimates to compensate for changes in liquid asphalt cement prices between the Benchmark price and prices in effect on the 20th day of the month during construction. No cost adjustments will be made for changes to the monthly price that are less than or equal to  $\pm$  \$10/tonne.

The Benchmark price for this contract shall be \$715/tonne. The price in effect on the 20th day of the month shall be the average price for PG58-28 asphalt cement as quoted in Potens and Partners Asphalt Weekly Monitor® for Montreal, Quebec area.

Adjustments shall be calculated based on the relative difference between the Benchmark price and the price in effect on the 20th day of each month. The cost adjustment shall be calculated by taking the full amount of the relative difference (provided it is more than  $\pm$  \$10/tonne) and multiplying it by the tonnage of liquid asphalt cement used during the period leading up to the price in effect on the 20th day. The Engineer shall calculate the adjustment for payment or credit each month for inclusion on the Monthly Progress Estimate.

In cases where liquid asphalt cement is included in the unit bid price for the asphalt, the liquid asphalt quantity will be determined using the percentage (%) of liquid asphalt cement required as per the Mix Design Formula approved by the Materials Engineering Division of the department of Transportation and Works.

No adjustments will be made due to an increase in the price of liquid asphalt cement used after the specified completion date, or an approved extension. However, adjustments will be made due to a decrease in the price of liquid asphalt cement used after the specified completion date, or an approved extension.

Contractors purchasing liquid asphalt in bulk for the project shall be subject to a one time adjustment that will be calculated using the difference between the Benchmark price and the price in effect on the 20th day of the month during which delivery of the product is taken at the contractor's own storage facility (provided the change is more than  $\pm$  \$10/tonne). The adjustment will be applied proportionally as the liquid asphalt cement is used on the project.

4. **Revise** Supplementary General Condition 16 as follows:

16. **ASPHALT CEMENT**

Contractors are advised that Section 330.02.01.01 of the Specifications Book: Mixture Materials – Asphalt Cement, has been superseded for this contract by the following:

**330.02.01.01 Asphalt Cement**

Unless otherwise specified, the asphalt cement (binder) shall conform to the latest edition of AASHTO M320 entitled Standard Specification for Performance Graded Asphalt Binder. The Performance Grade (PG) of asphalt binder shall be PG 46-40 and shall conform to the requirements of Table 1 in the AASHTO Specification. Other PG binders may be specified in individual contracts when warranted.

All PG asphalt binders will be subject to testing for acceptance prior to and during use. Samples failing to meet the relevant performance grade will require classification and be subject to penalty based on the following formulation.

Temperature Deviation	Price Reduction (% of Asphalt Cement and Mix Prices)
Within 3 degrees of Specified Grade	N/A
From 3 degrees to 6 degrees of Specified Grade	10%
From 6 degrees to 9 degrees of Specified Grade	20%
Greater than 9 degrees of Specified Grade	Rejection

Projects with only one asphalt binder sample collected and not meeting the specified grade will have the penalty applied to all the unit prices of the entire quantity of hot mix asphalt concrete. Projects with multiple samples of asphalt binder will have the penalty applied proportionally to the affected asphalt.

Performance Graded Asphalt Binder with either higher than the maximum or lower than the minimum design temperature will be accepted at full price and no bonus will be applied.

Prior to the start of and throughout pavement production current copies of certification of all project asphalt binders shall be provided to the Department.

Any asphalt binder other than the asphalt binder specified must be removed from the Contractor's tanks to prevent contamination. Binders meeting the performance specifications but obtained from different sources cannot be stored in the same tank unless approved by the asphalt suppliers.

5. **Revise** Supplementary General Condition 17 as follows:

17. **ITEM NO. 12 OF THE UNIT PRICE TABLE: SELECTED GRANULAR BASE COURSE**

Contractors are advised to **Delete** Table 2 Physical Requirements of Section 315 Selected Granular Base Course of the Departments Specification Book and **Replace** it with the following:



**TABLE 2  
Physical Requirements**

Physical Test	ASTM Designation	Granular "A"	Granular "B"	Granular "C"	Maintenance Grades		
					No. 1	No. 2	No. 3
Percent Crushed (Minimum)**	D5821	50	50	-	50	50	50
Plasticity Index	D4318	0	0	0	0	0	0
Petrographic Number (Max.)	(CSA 23 2-M90)	150	150	-	150	150	150
Micro-Deval Test for Fine Aggregate(% Maximum)	D7428	25	25	-	-	-	-
Micro-Deval Test for Coarse Aggregate (% Max.)	D6928	25	25	-	-	-	-

\*\* The percent of crushed particles will be determined by examining the fraction retained on the 4.76 mm sieve and dividing the weight of the crushed particles by the total weight contained on the 4.76 mm sieve. Pieces having one or more freshly fractured faces only will be considered as crushed material. Pieces with only small chips removed will not be considered as crushed.

6. **Revise Supplementary General Condition 19 as follows:**

**19. PHYSICAL REQUIREMENTS OF FINE ASPHALT AGGREGATE**

Contractors are advised Section 330.02.01.02.02 of the Specifications have been modified for this project as follows:

**330.02.01.02.02 Fine Aggregate**

Fine aggregate shall consist of clean, tough, rough-surfaced grains, free from clay, loam and other foreign matter. The fine aggregate stockpile shall contain no more than 20% retained on the 4.75 mm screen.

For RCU-80 and above highway classifications the maximum allowable percentage in total of all natural occurring fine aggregates plus blending sand in the total combined aggregate shall be 15% (by dry weight). For RLU-80 and below highway classifications the maximum allowable percentage in total of all natural occurring fine aggregates plus blending sand in the total combined aggregate shall be 20% (by dry weight).

For all base and levelling type II course mixes the fine aggregates maximum percentage passing the 75 µm sieve is limited to 7% prior to mix production at the asphalt plant. All surface and levelling type I course mixes the fine aggregates maximum percentage passing the 75 µm sieve is limited to 6% prior to mix production at the asphalt plant.

Irrespective of compliance with the physical requirements of Tables 2 any fine aggregate may be accepted or rejected on the basis of past field performance at the discretion of the department.

**TABLE 2**  
**Physical Requirements for Fine Aggregates**

Test Method	Test No.	All Courses
MICRO-DEVAL TEST FOR FINE AGGREGATE - % MAXIMUM	ASTM D7428	18
PLASTICITY INDEX	ASTM D4318	0
SAND EQUIVALENT - % MINIMUM	ASTM D 2419	50
FINE AGGREGATE ANGULARITY - % MINIMUM (A)	ASTM C 1252	45

Note:

- (A) FAA tests shall be conducted on a representative sample of the total fine aggregate inclusive of all fine aggregate materials as indicated in the mix design including blending sand. The test will be conducted in accordance with Standard Graded Sample Method A

The Contractor must meet all the requirements above, while the guidelines below are provided for information purposes. The Contractor is responsible for ensuring the combination of aggregate conforms to the grading requirements of Table 3. Contractors should also be aware of material breakdown after crusher production testing for the material being utilized and their plants capabilities in producing the mixture in accordance with Table 3.

**Guidelines for Fine Aggregate Gradation**

Sieve Size	Percent Passing by Dry Weight	
	Surface Course & Levelling Course Type I	Base Course & Levelling Course Type II
9.5 mm	100	100
4.75 mm	90-100	85-100
2.00 mm	40-60	40-90
0.425 mm	10-30	20-55
0.150 mm	5-16	10-25
0.075 mm	2-6	2-7

7. Add Supplementary General Condition 23 as follows:

**23. REQUIREMENTS OF CRUSHED AGGREGATE**

Contractors are advised Section 330.02.01.03 of the Specifications have been modified for this project as follows:

**330.02.01.02 Crushed Aggregate**

Additional to all other requirements, the designated aggregates shall be split on the 4.75 mm screen during crushing operations, and each material shall be stockpiled separately such that intermixing of each size and type does not occur.

Where aggregates are processed from pits the naturally occurring fines shall be pre-screened prior to crushing, individually stockpiled and referenced as "naturally occurring fine aggregate". No more than 5% naturally occurring fine aggregate passing the 4.75 mm screen shall be permitted with the retained naturally occurring screened coarse aggregate prior to crushing. Naturally occurring coarse aggregate must be stockpiled separately prior to crushing. Fine aggregate sizes generated during the crushing phase shall also be individually stockpiled and identified as "crushed fines". In no cases shall the fine aggregate stockpiles be combined or mixed with other aggregate types. For all mixes the maximum percentage passing the 75 µm sieve is limited to 10 % for naturally occurring fine aggregate.

As an alternative to the above pre-screening on the 4.75mm screen, where aggregates are processed from pits, contractors may choose to pre-screen with a 19 mm or larger screen size provided that no more than 10% of the retained material for aggregate production passes the 19 mm sieve. For this prescreening operation a completely safe means of accessing the retained material for sampling is to be provided by the contractor. The Department shall have full control over the time of sampling. If the Contractor chooses to pre-screen with a 19 mm or larger screen size, material passing the 19 mm or larger screen size can not be utilized as a naturally occurring fine aggregate.

8. Add Supplementary General Condition 24 as follows:

**24. REQUIREMENTS OF BLENDING SAND**

Contractors are advised Section 330.02.01.03 of the Specifications have been modified for this project as follows:

**330.02.01.03 Blending Sand**

Blending sand shall consist of clean, tough, rough surfaced grains, free from clay, loam, or any other foreign matter. Blending sand is considered as a fine aggregate and thus must meet the requirements of Table 2. Blending sand may be either a naturally occurring screened sand or a manufactured sand added to the mix for the purposes of enhancing mix properties.

The gradation of the blending sand shall be such that when used in the asphalt mix, the resulting mix shall meet the requirements of Tables 2 and 3 of this section. In any case, the blending sand shall have 100% (by dry weight) passing the 9.5 mm sieve and at least 80% (by dry weight) passing the 4.75mm sieve. For all mixes the maximum percentage passing the 75 µm sieve is limited to 10% for all blend sands.

For RCU-80 and above highway classifications the maximum allowable percentage in total of all natural occurring fine aggregates plus blending sand in the total combined aggregate shall be 15% (by dry weight). For RLU-80 and below highway classifications the maximum allowable percentage in total of all natural occurring fine aggregates plus blending sand in the total combined aggregate shall be 20% (by dry weight).

Blending sand shall be supplied by the Contractor.

9. Add Supplementary General Condition 25 as follows:

**25. HOT MIX ASPHALTIC CONCRETE ANTI-STRIPING ADDITIVE**

Contractors are advised Section 330.02.01.05 of the Specifications have been modified for this project as follows:

**330.02.01.05 Anti-Stripping Additive**

For this project an approved anti-stripping additive shall be added to all Hot Mix Asphaltic Concrete. The anti-stripping additive may be either an approved liquid anti-stripping additive or hydrated lime ( $\text{Ca}(\text{OH})_2$ ) with each meeting the requirements outlined as follows.

If an approved liquid anti-stripping additive is utilized it shall be added to all Hot Mix Asphaltic Concrete at a minimum application rate of 0.5% of additive by weight of asphalt cement or the recommended percentage as determined from Lottman test results. Approved liquid anti-stripping additives include the products AD-here LOF 6500 (ARR-MAZ Custom Chemicals) and Redicote C-3082 (Akzo Nobel Chemicals). All other products must be approved by the Department's Materials Engineering Division.

Suppliers of the asphalt cement and anti-stripping additives shall provide in writing all mixing requirements and proof of product compatibility. Treated asphalt PG binders must meet the relevant performance grade specifications.

Contractors must inform the Engineer and advise workers of the proper procedures, use of protective clothing and equipment when handling anti-stripping additives. Hot mix asphaltic concrete with liquid anti-strip additives is known to produce strong odours. Contractors must ensure the mix materials are used under proper environmental conditions to guarantee the safety and comfort of construction personnel and the public.

Modified Lottman tests in accordance with AASHTO T 283 Resistance of Compacted Hot Mix Asphalt (HMA) to Moisture-Induced Damage shall be completed within the mix design procedure to determine if the minimum application rate is sufficient. An additional rate of anti-strip and/or an alternate anti-stripping additive will be required if one of the following conditions occurs as determined by AASHTO T 283:

- The tensile strength ratio of the hot mix asphalt concrete is less than 0.80
- There is visual evidence of stripping. Acceptable specimens shall have a visual stripping rating of 1.0 or lower based on a scale from 0 to 10 (with 0 being no visual stripping and 10 being fully stripped).
- The results of the mix utilizing neat hot mix asphalt concrete (or with no anti-stripping additive) significantly exceed the performance of the mix with the anti-stripping additive.

In addition to AASHTO T 283 requirements, the asphalt hot mix containing the anti-stripping additive shall pass a boiling water test in accordance with ASTM D3625 Standard Practice for the Effect of Water on Bituminous-Coated Aggregate Using Boiling Water within the mix design procedure. The pass criterion for ASTM D 3625 is 95% or greater retained bitumen coating of aggregate.

An additional rate of anti-strip and/or an alternate anti-stripping additive will also be required if the aggregate is known to be prone to stripping from past performance and the minimum application rate was insufficient.

If additional or alternative anti-stripping additives are required, a further 10 working days will be required after the Contractor has advised the Department of its new anti-strip proposal and all materials have been received by the Materials Engineering Division. The Contractor and his supplier shall provide sample materials, any technical information and Manufacturer's recommended application rates.

Modified Lottman Tests (AASHTO T 283) and Boiling Water Tests (ASTM D3625) shall also be conducted on field produced samples of hot mix. All field produced samples shall also pass the requirements above.

Where hydrated lime is used as an anti-strip additive the dosage requirement shall be the greater of one half (1/2) percent by mass of total dry aggregate, or the recommended percentage as determined from the Lottman

and Boiling Water test results.

Where hydrated lime is utilized the hydrated lime shall be added to all aggregates by either of the following methods:

- (a) Hydrated lime slurry shall be homogeneously mixed with the aggregate in a pug-mill or tumble mixer prior to entering the asphalt plant (the hydrated lime slurry shall be produced at the approximate rate of 1 part lime to 3-4 parts water).
- (b) Dry hydrated lime shall be homogeneously mixed with wetted aggregate in a pug-mill or tumble mixer prior to entering the asphalt plant. The wetted aggregate shall have a minimum moisture content of 2% by weight for coarse aggregate and 3% by weight for fine aggregate.

Hydrated lime shall be mixed with the aggregate at least 4 hours prior to entering the asphalt plant. Aggregate treated with hydrated lime shall be used within the same construction season. Treatment shall include both coarse and fine aggregate components of the asphalt aggregate.

Where hydrated lime is to be utilized, the Contractor shall provide the Department with complete information on how the hydrated lime is to be used in the treatment of aggregates. Hot mix produced containing hydrated lime, shall conform to all requirements of the contract before acceptance. The design amount of hydrated lime will be added as a percentage of the total dry aggregate weight.

The cost of all anti-stripping additives (including hydrated lime) will be borne by the Contractor no separate or additional payment will be made.

10. Add Supplementary General Condition 26 as follows:

**26. HOT MIX ASPHALTIC CONCRETE MATERIAL APPLICATION RATE**

**This Supplementary General Condition is included in this project for future project information purposes only. For the current project no pay adjustments will be applied based on the following. It is the Department's intention to apply similar specifications on its method based projects in the future. The Contractor shall provide the material application rates with backup as described below.**

**HMA Material Application Rate**

Hot mix asphalt shall be applied to the roadway at the rate or rates specified by the Engineer. Material application rates will be determined by the tonnage delivered to the paver as recorded by weigh tickets, divided by the area covered by the day's production after allowance has been made for entrances and/or intersections. The Contractor shall provide the material application rates to the Engineer at the completion of each day's production. The appropriate backup information (including calculations) for determining the application rate shall be provided with the application rate, including paving start and end stations, pavement widths, intersection areas, etc.

For future project purposes the pay adjustment for material application rate is shown in the following table. The acceptance limit is the limiting value of the actual material application rate, expressed as a percentage of the specified material application rate for the day, below which the day's production is

rejected. If the application rate of a day's production is outside the acceptance limit, the day's production is rejected automatically regardless of the values of other acceptance parameters.

**Table 17**  
**Daily Pay Adjustments for Material Application Rate**

Actual Application Rate Expressed as % of Specified Application Rate	Unit Price Adjustment (\$ per tonne) for all material in the daily production	
	Lower Lift or Single Lift	Top Lift of Multiple Lifts
≥ 110	-\$6.00 for all material in the daily production up to 110% and no payment for product in excess of 110.0%	-\$6.00 for all material in the daily production up to 106% and no payment for product in excess of 106.0%
106.0 – 109.9	-\$4.00	-\$4.00
105.0 – 105.9		
104.0 – 104.9	\$0.00	-\$2.00
96.0 – 103.9	+\$0.50	+\$0.50
94.0 – 95.9	-\$1.00	-\$1.00
92.0 – 93.9	-\$2.00	-\$2.00
90.0 – 91.9	-\$3.00	-\$3.00
85.0 – 89.9	-\$5.00	-\$5.00
< 84.9	Rejected, Mill and Fill and/or rejected with no remedial work required at the discretion of the Engineer	Rejected, Mill and Fill, Overlay and/or rejected with no remedial work required at the discretion of the Engineer

Contractors are advised to acknowledge receipt of this Addendum on page 4, Item No. 10 of the Tender Form, when submitting a bid.

Date April 19, 2012

**ADDENDUM NO. 1**

Project No. 1-12 PHP: **Paving of the Trans Labrador Highway from km 172.5 to km 248.5, Goose Bay towards Churchill Falls, Labrador.**

Closing Date: Noon, April 17, 2012

CONTRACTORS ARE ADVISED OF THE FOLLOWING CHANGES TO THE TENDER PACKAGE:

1. **Revise the Closing Date for the Tender to: Noon, April 24, 2012**

Contractors are advised to acknowledge receipt of this Addendum on page 4, Item No. 10 of the Tender Form, when submitting a bid.

**Date April 13, 2012**

2012

PROJECT NO 1-12PHP



TABLE OF CONTENTS

Part	Description
1	Project Title and Contents
2	Tender Amendment Form
3	Notice to Bidders
4	Tender Form
5	Distribution of Quantities Form
6	Declaration of Equipment Form
7	Declaration of Sub-Contractors Form
8	Construction Schedule Form
9	Supplementary General Conditions
10	Instructions to Bidders
11	General Conditions
12	Form of Agreement



LIST OF PROJECT PLANS

- 1 Locations Plan
- 1 Typical Asphalt Treatment at Approach Slab Detail





Review of Humber Valley Paving Ltd. - Project Number 1-12PHP

04/24/2012 11:46 7896395254

HUMBER VALLEY PAVING

PAGE 02/02

PROJECT NO.: 1-12 PHP



Transportation and Works

**TENDER AMENDMENT FORM**  
UNIT PRICE CHANGES

**CLOSING DATE: 12:00 NOON APRIL 24, 2012**

Paving of the Trans Labrador Highway from km 172.5 to km 248.5,  
Goose Bay towards Churchill Falls, Labrador

We the undersigned, modify the unit price table for our request for tenders as indicated below, and also acknowledge that:

- a. This change supercedes all previous changes:
- b. We accept full responsibility for any lack of confidentiality arising from this use of this process:
- c. Failure of the complete revision to arrive on time, accurately, or completely for any reason will render these revisions null and void

UNIT PRICE CHANGES						
ITEM NO.	TENDER ITEM DESCRIPTION	PART	ESTIMATED QUANTITY	+/-	Unit Price Change	*TENDER AMOUNT CHANGE LESS H.S.T.
12	Selected Granular Base Course					
12(a)	Granular "A"	t	145920	-	██████	\$ ██████
12(b)	Granular "B"	t	508440	-	██████	\$ ██████
16	Hot Mix Asphaltic Concrete					
16(b)	Asphaltic Surface Course	t	73720	-	██████	\$ ██████
16(d)	Liquid Asphalt See SGC#16	t	4500	-	██████	\$ ██████
FOR DEPARTMENT USE		Total Change				<b>\$1,271,310.80</b>
\$ 21,582,955.87 <sup>55</sup>		+ 13% H. S. T				<b>\$165,270.40</b>
Revised total tender price as per addendum(s)		This will decrease my total tender price (including H.S.T.) by				<b>\$1,436,581.20</b>

We acknowledge receipt of the following addenda: 1,2

<b>Contractor: HUMBER VALLEY PAVING LTD.</b>		
<b>Address: P. O. BOX 1162, CORNER BROOK, NL A2H 6T2</b>		
<b>Signature:</b>	<b>Title: OPERATIONS MANAGER</b>	<b>Date: April 24/12</b>

\*SHOW UNIT PRICE DIFFERENCES AND EXTENDED AMOUNT CHANGES. DO NOT SHOW REVISED UNIT PRICES OR REVISED EXTENDED AMOUNT. THE CHANGES SHOWN WILL BE MADE TO THE ORIGINAL SUBMITTED TENDER DURING THE PROPOSAL EVALUATION PROCESS.



## NOTICE TO BIDDERS

1. THE CLOSING TIME AND DATE OF THIS REQUEST FOR TENDERS IS **NOON** of the day indicated on the cover of this document or as amended by the Deputy Minister.
2. Bidders are advised the Department's FAX NUMBER at Tendering and Contracts is 709-729-6729.
3. **Bidders who are requested to submit the following forms must do so within 72 hours of the time of their notification.**
  - (a) The Declaration of Equipment Form
  - (b) The Declaration of Sub-Contractor Form
  - (c) The Construction Schedule Form
4. Schedule of Minimum Wage Rates applying to this Tender shall be the latest version approved by the Government of Newfoundland and Labrador.
5. (a) Bidders are advised the latest version of the Specifications Book dated January 2008 shall apply to this Tender. The latest version of the Specifications Book is available on the Department of Transportation & Works website at [www.tw.gov.nl.ca/publications](http://www.tw.gov.nl.ca/publications).  
(b) The Specifications Book may be inspected at Tendering and Contracts, Dept. of Transportation & Works, Ground Floor-West Wing, Confederation Building, East Block, St. John's, NL.  
(c) Any amendments and additions to the Specifications Book can be viewed at [www.tw.gov.nl.ca/publications](http://www.tw.gov.nl.ca/publications).  
(d) Bidders are advised any reference to specifications in these documents includes the Department's "Specifications Book".
6. Bidders are advised the "Use of Bid Depository" Item 9 of the Instructions to Bidders does not apply to this contract. "Bidding Security" Item 3(a) of Instructions to Bidders does apply.
7. **Bidders are advised when making a bid the COMPLETE REQUEST FOR TENDER FORM for the project being tendered MUST BE RETURNED INTACT. An altered Request for Tender Form originally issued for another project will not be accepted as a bid.**

## Facsimile Transmittal

**Name:** To Whom It May Concern  
**Organization:** Tendering and Contracts  
**Fax Number:** (709) 729-6729  
**Telephone Number:** (709) 729-3786  
**From the Desk of:** Darrin O'Quinn, Controller  
**Date:** April 24, 2012  
**Subject:** Tender Addendum - Project No. 1-12 PHP  
**Pages:** 2, including this cover sheet

2012APR24 AM11:40

**Comments:**

Could you please include the attached Tender Addendum with the Tender Documents for Humber Valley Paving Ltd. for Project No. 1-12 PHP closing today, April 24, 2012 at 12:00 noon.

Thank you for your consideration in this matter.

Yours truly,

Humber Valley Paving Ltd.



**Darrin O'Quinn**  
Controller

55

2012

PROJECT NO 1-12PHP

Newfoundland  
Labrador  
Transportation and Works  
TENDER FORM  
UNIT PRICE TABLE  
HIGHWAY

Tender for:

Paving of the Trans Labrador Highway from km 172.5 to km 248.5, Goose Bay towards Churchill Falls, Labrador.

To: Deputy Minister  
c/o Tendering and Contracts  
Dept. of Transportation & Works  
Ground Floor-West Wing, Confederation Building, East Block  
P.O. Box 8700, St. John's, NL A1B 4J6

FROM:

Gentlemen:

- 1. Having carefully examined the site of the proposed work and all conditions affecting such, as well as the Contract Documents including the Specifications, all drawings list in the Specifications, all Addenda, and the Instructions to Bidders for this project.

WE, THE UNDERSIGNED, hereby offer to furnish all necessary labour materials, superintendence, plant, tools, and equipment, and everything else required to perform expeditiously and complete in a satisfactory manner the work for unit prices totalling the sum of

~~Twenty Three Million Ninety Thousand Five Hundred Thirty Seven Dollars and Seven Cents~~  
~~(\$ 23,095,537.07)~~  
One FIVE Hundred Eighty Two Thousand Nine Hundred FIFTY Five Dollars Eighty Six  
21,582,955.06

*[Signature]* in lawful money of Canada which includes all prime costs, allowances, and Government sales or excise taxes, including HST, in force at this date, except as otherwise provided in the tender documents.

- 2. The Work shall be substantially performed within 15 months from the date of notification of award of Contract and not later than the 31st of July 2013.
- 3. WE ENCLOSE HEREWITH if required by the Instructions to Bidders
  - (a) a Bid Bond in an acceptable form and correct amount issued by a company licensed to carry on such a business in the Province of Newfoundland and Labrador or

TENDER FORM 1



- (b) a certified cheque in the correct amount.

In the event of this tender being accepted within the time stated in Section 4 below and our failure to enter into a contract in the form hereinafter mentioned for the unit prices in our tender the said security may at the option of the Owner be forfeited. The forfeiting of the security does not limit the right of action to the Owner against us for our failure or refusal to enter into a contract.

4. IF NOTIFIED IN WRITING BY THE OWNER OF THE ACCEPTANCE OF THIS TENDER WITHIN 30 DAYS OF THE REQUEST FOR TENDER CLOSING DATE SUBJECT TO SUCH OTHER PERIOD AS MAY BE SPECIFIED IN THE TENDER DOCUMENTS, WE WILL :
- (a) execute the Standard Form of Construction Contract.
  - (b) if specified, furnish the security for the proper completion of the work, the said security, if in the form of bonds, to be issued on an acceptable form.
  - (c) complete substantially all the work included in the Contract within the time and under the conditions specified.
5. WE understand that Performance Bond, Labour and Materials Bond and Insurance as required by the Contract Documents must be provided and in force prior to the commencement of any work and satisfactory proof of such be provided to the Owner.
6. WE declare that the rates and prices variously set forth in the Schedule of Quantities and Prices (Appendix A) have been correctly computed for the purposes of this Tender and that they include and cover all contingencies and provisional sums and all duties, taxes, and handling charges and all transportation and all other charges.
7. WE confirm that the sums herein tendered include all sales taxes, royalties, custom duties, foreign exchange charges, transportation, travelling costs, all overhead and profit, all co-ordination fees, insurance premiums, and all other charges.
8. WE understand and agree to list the names of sub-contractors and suppliers whose bids have been used in the preparation of this tender price in Appendix "B". The list will be subject to the approval of the Owner. "By own forces" will be considered valid and satisfactory only if the bidder is recognized by the Newfoundland and Labrador Construction Association or by the Road Builders Association as being a "bona fide" contractor or supplier of that particular trade or item.
- WE agree to authorize the Owner to release the names of any sub-contractor used in our tender where such information is requested from the Owner.
- WE reserve to us the right to substitute other sub-contractors for any trades in the event of any sub-contractor becoming bankrupt after the date hereof. Any such substitution shall be subject to the approval of the Owner and contingent upon satisfactory evidence of bankruptcy.
9. WE understand and agree that the Owner may order changes to the work in the form of additions or deletions in accordance with the General Conditions, Supplementary General Conditions and the intent of the Contract Documents.

PROJECT NO. 1-12 PHP

UNIT PRICE TABLE  
HIGHWAYS

NO.	TENDER ITEM	Unit	Estimated Quantity	Unit Price	Amount
CARRIED FORWARD \$					
11	Scarifying and Reshaping	m2	653600		
12	Selected Granular Base Course See SGC # 10, 17 <i>JM</i>				
12(a)	Granular "A"	t	145920		
12(b)	Granular "B"	t	508440		
13	Cutting Asphaltic Pavement	m	8		
14	Disposal of Old Asphaltic Pavement	m3	1		
16	Hot Mix Asphaltic Concrete See SGC # 10, 12, 16, 18, 19 <i>JM</i>				
16(b)	Asphaltic Surface Course	t	73720		
16(d)	Liquid Asphalt See SGC # 16	t	4500		
16(e)	Blending Sand	t	7400		
17	Supply and Installation of Guide Rail				
17(a)	Standard Type Guide Rail	m	3300		
17(b)	Standard Type Buried Ends	each	38		

3-1 CARRIED FORWARD \$ *JM*

PROJECT NO. 1-12 PHP

UNIT PRICE TABLE  
HIGHWAYS

NO.	TENDER ITEM	Unit	Estimated Quantity	Unit Price	Amount
<b>CARRIED FORWARD \$</b>					
18	Removal of Guide Rail (Remove and Dispose)	m	3300	██████	██████
20	<b>Supply &amp; Installation of Sign Posts</b>				
20(a)	Type "A"	each	4	██████	██████
20(c)	Type "C"	each	2	██████	██████
20(d)	Type "D"	each	3	██████	██████
21	Contingency				\$ 50,000.00
22	Flagperson Hours	hrs	10000	██████	██████
23	Mobilization & Demobilization	Lump Sum		Bid This Item	██████
26	Backhoe Hours	hrs	100	██████	██████
32	Asphalt Gutter	m2	6000	██████	██████
47	<b>Supply Fill in Place</b>				
47(c)	Supply Rock Fill in Place	t	2000	██████	██████
115	Adjustment of Standard Type Guiderail (See SGC # 13)	m	14000	██████	██████

3-2 CARRIED FORWARD \$ ████████



PROJECT NO. 1-12 PHP

UNIT PRICE TABLE  
HIGHWAYS

NO.	TENDER ITEM	Unit	Estimated Quantity	Unit Price	Amount
CARRIED FORWARD \$					
116	Bridge Approach Tie-Ins (See SGC #20)	each	4	██████	██████
121	Salvage and Reinstallation of Sign and Sign Posts				
21(a)	Type A and Type B	each	65	██████	██████
21(b)	Type C and Type D	each	20	██████	██████

Total Estimated Tender	19,099,962.94 <del>\$20,371,271.94</del>	<i>APM</i>
HST 13% of above	2,482,974.02 <del>\$2,648,265.28</del>	<i>APM</i>
Total Estimated Tender Including HST Carried Forward to Page 1 of Tender Form	21,582,936.96 <del>\$23,019,537.07</del>	<i>APM</i>

2012

PROJECT NO 1-12PHP



10. WE hereby acknowledge receipt of the following addenda:

Addendum No. 1, 2

Addendum No.


11. In order for a Tender to be valid, it must be signed by duly authorized officials as indicated in the Instructions to Bidders.

Firm Name Humber Valley Paving Ltd.

Address P.O Box 1162, Corner Brook, NL		Postal Code A2H 6T2
Telephone # 709-639-5252	Fax# 709-639-5261	E-Mail gcoleman@colemans.ca

Witness  James MacKenzie

Witness

  
Signed  
Darrin O'Quinn, Controller

Name and Title (Print)

April 24th 2012

Date

Signed

Name and Title (Print)

Date

CORPORATE SEAL

TENDER FORM 4

2012

PROJECT NO 1-12PHP



Transportation and Works

**DECLARATION OF EQUIPMENT**

In the event of being awarded the contract, the undersigned will make available for the work, the plant and the equipment listed below.

QTY	DESCRIPTION	CAPACITY	AGE	PRESENT LOCATION	OWNERS NAME
1	Astec Portable Ultraplant	400 tph	2009	Conche	Humber Valley Aggregates
1	John Deere Skid Steer Loader	328	2008	Labrador City, NL	Humber Valley Paving Ltd.
1	Caterpillar Paver	AP-655D	2008	Labrador City, NL	Humber Valley Paving Ltd.
2	Dynapac Asphalt Roller	CA251A	1997	Labrador City, NL	Humber Valley Paving Ltd.
1	I/R Propac Asphalt Roller	SD100DA	2001	Labrador City, NL	Humber Valley Paving Ltd.
1	Caterpillar Grader	140H	2006	Labrador City, NL	Humber Valley Paving Ltd.
1	Caterpillar Pneumatic Roller	PS150C	2006	Labrador City, NL	Humber Valley Paving Ltd.
1	John Deere Loader	844J	2008	Labrador City, NL	Humber Valley Aggregates
1	Ingersoll Rand Grade Roller	SD115D	1998	Labrador City, NL	Humber Valley Paving Ltd.
1	MFE Portable Sandvik Jaw Crusher	CJ412	2008	Labrador City, NL	Humber Valley Aggregates
2	MFE Cone Crusher	S4800	2008	Labrador City, NL	Humber Valley Aggregates
2	MFE Cone Crusher	H6000	2008	Labrador City, NL	Humber Valley Aggregates
1	MFE Feeder Screener	6203	2008	Labrador City, NL	Humber Valley Aggregates
1	John Deere Grader	772D	2008	Labrador City, NL	Humber Valley Paving Ltd.
1	John Deere Grader	772D	2010	Labrador City, NL	Humber Valley Paving Ltd.
2	Caterpillar Loader	980G	2001	Labrador City, NL	Humber Valley Aggregates
1	Caterpillar Loader	966H	2006	Labrador City, NL	Humber Valley Aggregates
CONTRACTOR: <b>Humber Valley Paving Ltd.</b>					
ADDRESS: <b>P. O. Box 1162, Corner Brook, NL A2H 6T2</b>					
DATE: <b>April 24th 2012</b>					

DECLARATION OF EQUIPMENT 1



2012

PROJECT NO 1-12PHP



Transportation and Works

**CONSTRUCTION SCHEDULE FORM - 2013  
APPENDIX "C"**

Item	Description	April				May				June				July				
		Week	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
11	Scarifying and Reshaping		x	x	x	x	x	x	x	x	x	x	x	x				
12	Selected Granular Base Course		x	x	x	x	x	x	x	x	x	x	x	x				
16	Hot Mix Asphaltic Concrete					x	x	x	x	x	x	x	x					
23	Mobilization and Demobilization													x	x			
47	Supply Fill In Place									x	x	x						
115	Adjustment of Standard Type Guide Rail								x	x								
121	Salvage and Reinstallation of Signs and Signposts												x	x				
Project Name: PROJECT NO. 1-12 PHP																		
Contractor: Humber Valley Paving Ltd.																		
Address: P. O. Box 1162, Corner Brook, NL A2H 6T2																		
Signature: <i>[Signature]</i>																		

CONSTRUCTION SCHEDULE FORM 1



TRANSPORTATION AND WORKS  
SUPPLEMENTARY GENERAL CONDITIONS

1. **GC17 INDEMNIFICATION**

- (a) Except as provided in (b) the Contractor shall be liable for, and shall indemnify and hold harmless the Owner against all claims, demands, losses, costs, damages, actions, suits or proceedings, whatsoever arising under any statute or Common Law:
  - (i) in respect of personal injury to or the death of any person whomsoever arising out of or in the course of or caused by the carrying out of the work; and
  - (ii) in respect of any injury or damage whatsoever to any property, real or personal or any chattel real, insofar as such injury or damage arises out of or in the course of or by reason of the carrying out of the work.
- (b) The Contractor shall not be liable under (a) if the injury, death, loss or damage is due to any act or neglect of the Owner.

2. **INSURANCE**

Contractors are advised that General Conditions #26 LIABILITY INSURANCE and #27 PROPERTY INSURANCE are revised as follows:

**GC 26 LIABILITY INSURANCE**

26.1 Commercial General Liability Insurance

- (a) Without restricting the generality of GC 17 - Indemnification, the Contractor shall provide and maintain, either by way of a separate policy or by an endorsement to his existing policy, Commercial Liability Insurance acceptable to the Owner and subject to limits set out in detail in the Supplementary General Conditions inclusive per occurrence for bodily injury, death, and damage to property including loss of use thereof.
- (b) This insurance shall include as an additional insured Her Majesty the Queen in the Right of Newfoundland. The Contractor shall not commence any work until he obtains, at his expense, all required insurances as specified in the General Conditions and the Supplementary General Conditions. Such insurance must have the approval of the Engineer and be to the limits, form and amounts specified. The Contractor will not permit any Subcontractor to commence work on this Project until the same insurance requirements have been compiled with by the Subcontractor.
- (c) The insurance shall also include as Unnamed Insureds the architectural and engineering consultants of the Owner with respect to work performed by the Contractor, but excluding professional liabilities associated with such architectural and engineering consultants.
- (d) The Commercial General Liability Insurance will not be limited to, but shall include coverage for:

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- |   |   |
|---|---|
| 1. premises and operations liability          | 8. personal injury liability  |
| 2. products or completed operations liability | 9. liability with respect to non-owned licensed vehicles  |
| 3. blanket contractual liability              |   |
| 4. broad form property damage                 | 10. shoring, blasting, excavating, underpinning, demolition, pile driving and caisson work, work below ground surface, tunnelling and grading, <b>as applicable only.</b> |
| 5. cross liability                            |   |
| 6. elevator and hoist liability               |   |
| 7. contingent employer's liability            |   |

26.2 Automobile Liability Insurance

The Contractor shall provide and maintain liability insurance in respect of:

- (i) owned licensed vehicles and
- (ii) leased vehicles, subject to limits set out in the Supplementary General Conditions inclusive.

26.3 Aircraft and Water craft Liability Insurance

The Contractor shall provide and maintain liability insurance with respect to owned and non-owned aircraft and Water craft, as may be applicable, subject to limits set out in the Supplementary General Conditions inclusive. Such insurance shall be in the names of the Contractor, Her Majesty the Queen in the right of Newfoundland, the Owner and the Architect/Engineer as defined in 26.1(b) and (c) where they have an insurable interest in the use and operation of such aircraft and watercraft.

26.4 Completed operations shall be maintained continuously until twelve (12) months after the date the Architect/Engineer issues a Certificate of Substantial Completion.

26.5 All insurance policies shall contain an endorsement requiring notification of Her Majesty and the Named Insured, in writing, thirty (30) days prior to cancellation of any policy or material change except in the event of non-payment where policy conditions dealing with termination will apply.

**GC 27 PROPERTY INSURANCE**

27.1 The Contractor shall provide and maintain property insurance, acceptable to Her Majesty the Queen in the right of Newfoundland, insuring the full value of the work in the amount of the contract price and the full value as stated of products for incorporation into the work. The insurance shall include as additional insured Her Majesty the Queen in Right of Newfoundland.

27.2 Such coverage shall be provided for by either Broad Form Builders' Risks Policy or an Installation Floater or Piers, Wharves, and Docks Rider.

27.3 The policies shall insure on a Broad Form basis direct loss or damage subject to any exclusions specified in the Supplementary General Condition. Such coverage shall apply to:

- (a) others for which the Insureds may have assumed responsibility, to be used in or

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pertaining to the site preparations, demolitions of existing structures, erections and/or fabrication and/or reconstruction and/or repair of the insured project, while on the site or in transit, subject to the exclusion of the property specified.

(b) the installation, testing and any subsequent use of machinery and equipment including boilers, pressure vessels or vessels under vacuum.

(c) damage to the Work caused by an accident to and/or the explosion of any boiler(s) or pressure vessel(s) forming part of the work. Such coverage shall exclude construction machinery, equipment, temporary structural and other temporary facilities, tools, and supplies used in the construction of the work and which are not expendable under the Contract.

27.4 Policies provided shall contain an endorsement requiring notification of Her Majesty and the Named Insured, in writing, thirty (30) days prior to cancellation of any policy or material change of coverage except in the event of non-payment where policy conditions dealing with termination will apply.

27.5 All such insurance shall be maintained continuously until the date the Architect/Engineer issues a Certificate of Substantial Completion. All such insurance shall provide for the Owner to take occupancy of the work or any part thereof during the term of the insurance. Any increase in the cost of this insurance arising out of such occupancy shall be at the Owner's expense.

27.6 The policies shall provide that in the event of a loss, payment for damage to the Work shall be made to the Owner and the Contractor as their respective interests may appear. The Contractor shall act on behalf of the Owner and himself for the purpose of adjusting the amount of such loss with the Insurers. On the determination of the extent of the loss, the Contractor shall immediately proceed to restore the Work and shall be entitled to receive from the Owner (in addition to any sum due under the Contract) the amount at which the Owner's interest in the restoration work has been appraised, such amount to be paid as the work of restoration proceeds and in accordance with the Engineer/Architect's certificates for payment. Damage shall not affect the rights and obligations of either party under the Contract except that the Contractor shall be entitled to such reasonable extension of time for Substantial and Total Performance of the work as the Engineer/Architect may decide.

27.7 The Contractor shall be responsible for any deductible amounts under the policies and for providing such additional insurance as may be required to protect the insureds against loss on items excluded from the policies. Contractors are also advised that tender documents contain a certificate of insurance indicating type and limit of liability of insurance required for this project. The successful bidder will be required prior to commencement of work, to have the Certificate of Insurance completed by his insurance company and delivered to the Department of Transportation and Works no later than 30 days after the award of the contract.

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**CERTIFICATE OF INSURANCE**

DESCRIPTION & LOCATION OF WORK:				
PROJECT NO:	AWARD DATE:	VALUE \$ :		
INSURER:				
ADDRESS:				
BROKER:				
ADDRESS:				
INSURED NAME OF CONTRACTOR:				
ADDRESS:				
ADDITIONAL INSURED (Excluding Automobile Liability Policy)				
<input type="checkbox"/> The OWNER: <input type="checkbox"/> The Occupant/Operator of the Property: <input type="checkbox"/> Project Consultants of the OWNER (excluding professional liabilities)				
This document certifies that the following policies of insurance and indicated coverage are at present in force subject to the terms, conditions and exclusions as contained therein covering the operations of the insured in connection with the above noted contract made between the named insured and the Owner.				
POLICY TYPE	NUMBER	INCEPTION DATE	EXPIRY DATE Y/M/D	LIMITS OF LIABILITY
1.1 COMMERCIAL GENERAL LIABILITY or 1.2 WRAP-UP LIABILITY (Including where indicated) A. BLASTING B. PILE DRIVING OR CAISSON WORK C. REMOVAL OR WEAKENING OF SUPPORT				\$2,000,000 Minimum
2A. BUILDERS' RISK "BROAD FORM" or 2B. INSTALLATION FLOATER "BROAD FORM" or 2C. PIERS, WHARVES, & DOCKS RIDER				100% Contract Value if Exceeds \$25,000
3. AUTOMOBILE LIABILITY INSURANCE				\$2,000,000 Minimum
4. AIRCRAFT and/or WATER CRAFT LIABILITY INSURANCE	Not required			
5. ENVIRONMENTAL IMPAIRMENT LIABILITY	Not required			
6. SHIPBUILDER'S or SHIP REPAIRER'S LIABILITY INSURANCE	Not required			
7. HULL & MACHINERY INSURANCE, and PROTECTION & INDEMNITY Insurance including 4/4 <sup>th</sup> COLLISION LIABILITY	Not required			
The Insurer agrees to notify the Owner, as defined above, in writing, thirty (30) days prior to cancellation, termination or material change of any policy.				
NAME OF INSURER'S OFFICER or AUTHORIZED REPRESENTATIVE :	SIGNATURE:		Date:	
			Tele.:	
			Email:	
Issuance of this certificate shall not limit or restrict the right of the Owner to request at any time duplicate certified copies of said insurance policies.				

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3. **TENDER SURETY AND BONDING**

(a) **Bidding Security**

Please delete the sentence

"No bidding security will be required for a tendered amount of less than \$25,000.00, unless specifically called for elsewhere in the tender documents"

*and replace with:*

"All tenders, regardless of monetary value, require a Bid Security of at least ten percent (10%) of the total tendered amount, with a minimum security of five hundred dollars (\$500.00)." Bid Securities shall be in the form of a Bid Bond or Certified Cheque in favour of the Department of Transportation and Works."

*Add the Following:*

**For tenders less than \$25,000.00, the terms of the Bid Security will be invoked and the amount retained by the Owner, if the Bidder fails to provide the required insurances and commence work within 30 days of being notified of the award of the work within the tender validity period.**

The Tender Security of the unsuccessful bidders numbers two & three will be returned to them upon the award of the contract, Tender Securities of bidders higher than three will be returned after the tender opening. The Tender Security of the successful bidder will be retained until the first progress payment.

**Bidders are reminded that the failure to submit a bid security in accordance with this requirement will result in rejection of bid submitted.**

The Instructions to Bidders may provide for the acceptance, up to the Tender Closing, of amendments documented by telegram, fax, telex or the like. Where a form of Bidding Security other than a Bid Bond is provided with the original tender, an increase in the bid price will render that Bidding Security inadequate. Bidding Security adequate to cover the increased bid price must be provided to the Department prior to tender closing.

For example, if the original bid was submitted at \$100 000.00 with a Bid Security of \$10 000.00 (\$100 000.00 x 10%), and an increase in the bid of \$2 000.00 is submitted by telegram, fax, telex, or the like, then additional Bid Security of \$200.00 (\$2 000.00 x 10%) must be delivered to the Department prior to tender closing.

Failure to provide additional Bid Security prior to tender closing to cover increases to the original bid will make the bid subject to disqualification.

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(b) **Performance Bond**

Bidders are advised that the 50% Performance Bond referenced in 3(b) of the Instructions to Bidders will be based on the Contract Price which will either be the subtotal of Tender Prices or the Total Estimated Tender, not including the Harmonized Sales Tax.

(c) **Labour and Materials Bond**

Bidders are advised that the 50% Labour and Materials Bond referenced in 3 (c) of the Instructions to Bidders will be based on the Contract Price which will either be the subtotal of Tender Prices or the Total Estimated Tender, not including the Harmonized Sales Tax.

THE OWNER RESERVES THE RIGHT TO WAIVE THESE REQUIREMENTS IN PART OR IN WHOLE FOR ANY PROJECT, BY FURTHER SUPPLEMENTARY INSTRUCTIONS TO BIDDERS.

4. **ISSUANCE OF ADDENDUM**

Reference is made to Section 2. (c) Tender Documents in the Instructions to Bidders, regarding the time frame permitted for the issuance of addendum prior to the tender closing date. Change seven (7) days to read five (5) days. Reference is also made to Section 8 Substitution of Materials in the Instructions to Bidders. Change seven (7) days to read five (5) days in the last paragraph of this section.

5. **PROVINCIAL PREFERENCE POLICY**

Effective June 5, 1998 the Provincial Preference Act has been repealed. Please delete GC 46 - Provincial Preference Policy, Instructions to Bidders - Section 11 Provincial Preference Policy, or Notice to Bidders - Section 9, and any other references to Provincial Preference contained in the specifications.

6. **SCOPE OF WORK**

Contractors are advised the PROJECT shall include, but will not be limited to, the scope as outlined in the following summary.

Upgrading and paving, to a RCU 80 standard, Route 500, Trans Labrador Highway, from Happy Valley - Goose Bay towards Churchill Falls, from km 172.5 to km 248.5, for a distance of approximately 76 km, with the exception that there will be one 5 cm lift of asphalt. Work involves scarifying and reshaping existing roadway and placement of granular "B" and granular "A". Supply Rock Fill in Place is included for minor and miscellaneous subgrade improvements and construction of sign islands. Guide rail adjustment is required due to change in elevation of existing road due to granular placement. Placement of 50 mm surface course asphalt 8 meters wide and granular "B" shoulders.

For further information please refer to the breakdown of quantities in the tender document and the updated Department's Specifications Book.

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7. **SPECIFICATIONS BOOK**

Contractors are advised that the specifications book of the Department of Transportation and Works dated MARCH 2011 applies to this project. These specifications are available on the Internet at <http://www.tw.gov.nl.ca/publications/specbook2011.pdf> and <http://www.tw.gov.nl.ca/publications/index.html>. It is the contractor's responsibility to ensure that the correct version of the specifications book is used when bidding on this project.

8. **BONA FIDE STATUS**

Contractors are advised that Item No. 8 of the Tender Form is revised as follows:

Delete the paragraph:

"WE understand and agree to list the names of sub-contractors and suppliers whose bids have been used in the preparation of this tender price in Appendix "B". The list will be subject to the approval of the Owner. "By own forces" will be considered valid and satisfactory only if the tenderer is recognized by the Newfoundland and Labrador Construction Association or by the Road Builders Association as being a "bona fide" contractor or supplier of that particular trade or item.

And replace with the following:

"WE understand and agree to list the names of sub-contractors and suppliers whose bids have been used in the preparation of this tender price in Appendix "B". The list will be subject to the approval of the Owner." The bona fide status of a contractor will be determined by the Owner and decisions made by the Owner will be final.

9. **LIQUIDATED DAMAGES**

If the completion date of the whole of the works is later than the completion date specified in the contract, liquidated damages for such default shall be payable by the Contractor to the Owner. The rate per day will be determined as the total of the department's direct costs associated with maintaining a presence and carrying out contract administration duties on the project. The costs to be recovered as liquidated damages will include, but will not be limited to, salaries including overtime, for the normal staff compliment on the project, travel costs for the normal staff compliment on the project, vehicle rental charges, fuel for vehicles, and other equipment rental charges, such as survey equipment, which may be utilized on the project. The cost will normally range between \$1200 and \$2000 per day for each day beyond the completion date specified.

Depending on the scope of work, there may be other direct or indirect costs to the department, which will also be deemed to be recoverable as liquidated damages. These costs could be substantial.

No bonus will be assessed for completing the project ahead of the given completion date.

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Contractors, by submission of their tender, shall be deemed to have accepted these terms.

**10. PETROLEUM PRODUCTS COST ADJUSTMENT**

**Fuel Cost Adjustment**

Adjustments will be made to progress estimates to reflect changes in fuel prices from The Benchmark Tender Price to those in effect during construction. The Benchmark Tender Price shall be the price established by the Newfoundland and Labrador Board of Commissioners of Public Utilities, Petroleum Pricing Office, at time of tender closing. Increases or decreases in excess of 10% of the Benchmark Tender Price will be paid or deducted accordingly.

For the calculation of adjustments the governing price will be the price in place at the 21<sup>st</sup> of the month for the zone in which the majority of the contract is being carried out, established by the Newfoundland and Labrador Board of Commissioners of Public Utilities, Petroleum Pricing Office. This price will apply for the period from the 21<sup>st</sup> of that month to the 20<sup>th</sup> of the following month. This adjustment will include any changes in taxes outlined in GC 22.2. No adjustments will be made for price changes resulting from the use of the "Interruption Formula".

The adjustment for fuel cost variation shall apply only to those items given in the accompanying list. For other tender items, there will be no fuel cost adjustments.

The adjustments shall be computed based on changes in the governing price, as defined above, in excess of or less than the Benchmark Tender Price at time of production. The Engineer shall then calculate the adjustment to be stated in the Monthly Progress Estimates. No adjustment will be made due to an increase in the price on fuel used after the identified contract completion date or approved contract extension date but adjustments due to a decrease in the price of fuel will be made after the identified contract completion date or approved contract extension date.

For the contract items included in the accompanying list, the fuel cost adjustment shall be calculated using the quantity of the item added to the progress estimate since the last estimate.

I-litre	Nominal Fuel Consumption Rate		
	Clear Diesel Fuel (3)	Furnace Oil (3)	Marked Diesel Fuel (4)
Contract Item			
Excavation Other Material (1)	2.0 l/m <sup>3</sup> or 1.0 l/t	N/A	N/A
Excavation Solid Rock (2)	3.0 l/m <sup>3</sup> or 1.1 l/t	N/A	N/A
Granular "A" and Maintenance Grade III	1.0 l/t (5&6)	N/A	0.7 l/t

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Granular "B"	1.0 l/t (5&6)	N/A	0.5 l/t
Asphaltic, Base Surface & Levelling Courses	2.0 l/t (5)	11.0 l/t	0.7 l/t
Overhaul on excavation items only	0.4 l/m <sup>3</sup> -km	N/A	N/A

- (1) Excavation Other Material shall also include Ditching Other Material, Other Material Borrow, Other Material Fill in Place, Unsuitable Material, Bog, and Excavation for Foundation Other Material.
- (2) Excavation Solid Rock shall also include Ditching Solid Rock, Quarried Rock, Rock Fill in Place, and Excavation for Foundation Solid Rock.
- (3) Clear diesel fuel adjustment and furnace oil adjustment applies to the respective items at the time of excavation or placement as applicable.
- (4) Marked diesel fuel adjustment applies to granular material and asphalt aggregate at the time of production. If the crusher used to produce the granular material or asphalt aggregate is not powered by a diesel generator, there will be no adjustment for marked fuel. If a contractor uses granular material or asphalt aggregate that was crushed previous to the project, there will be no adjustment for marked fuel.
- (5) If the granular material or asphalt aggregate is produced from a rock quarry source, an additional 0.15 l/t of clear diesel fuel will be added to the quantity shown in the table applicable at the time of drilling and blasting.
- (6) If the tender identifies Granular A, Granular B or Maintenance Grade III to be stockpiled for use by the Department of Transportation and Works, then the Nominal Fuel Consumption Rate to apply to stockpiled aggregate will be 0.50 l/t for Clear Diesel.

**Liquid Asphalt Cost Adjustment**

Increases or decreases will be made to progress estimates to compensate for changes in Liquid Asphalt prices from the time of tender to the prices in effect during construction based upon changes in the local market price.

A Benchmark Unit Price per tonne for Liquid Asphalt will be established equal to the quotation price provided to the contractor by the Liquid Asphalt supplier at the time of tender closing. The contractor shall provide to the Department written proof as required of the quoted price.

The contractor's unit price per tonne for Liquid Asphalt will be increased or decreased in accordance with the difference between the Benchmark Unit Price and the invoiced unit Price made to the contractor for Liquid Asphalt by the supplier. The contractor is required to provide documentation by way of invoices and weigh slips from his/her liquid

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asphalt supplier.

Contractors are advised that due to the unavailability of quoted prices for Liquid Asphalt in the spring the Benchmark Unit Price for Liquid Asphalt will be established at \$800 per tonne and this will remain effective until the date at which the suppliers provide quotations.

The Engineer shall calculate the adjustment (payment or credit) for Liquid Asphalt on the Monthly Progress Estimates.

The Liquid Asphalt cost adjustment shall be calculated using the quantity of the item added to the progress estimate since the last estimate. In cases where Liquid Asphalt is included in the price of Asphalt Concrete, the liquid asphalt quantity will be determined using the percentage (%) of asphalt cement required in the Design Mix Formula approved by the Materials Engineering Division.

The onus is on the contractor to provide the required documentation. The Department will not make payment for Liquid Asphalt until such time that the required documentation is provided.

No price adjustments will be made due to an increase in the price on liquid asphalt used after the identified contract completion date or approved contract extension date but adjustments due to a decrease in the price of liquid asphalt will be made for liquid asphalt used after the identified contract completion date or approved contract extension date.

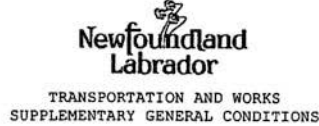
**11. WARRANTY CHANGE TO GENERAL CONDITION NO. 31**

Contractors are advised that General Conditions #31 WARRANTY is revised as follows:

**GC31 WARRANTY**

- 31.1 Without restricting any warranty or guarantee implied or stipulated by law the Contractor shall at the Contractor's own expense rectify and make good any defect or fault however caused appearing within a period of two (2) years from the date of Substantial Performance of the Work provided that the Contractor shall not be responsible for any defect or fault resulting from the design of the work.
- 31.2 The Contractor shall correct and/or pay for any damage to other work resulting from any corrections required under the conditions of 31.1.
- 31.3 Neither the Engineer/Architect's final certificate nor payment thereunder shall relieve the Contractor from the Contractor's responsibility hereunder.
- 31.4 The Owner and/or the Engineer/Architect shall give the Contractor written notice of observed defects promptly.

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- 31.5 In any case where the Contractor claims that the Contractor is not responsible for a defect or fault because the Contractor claims such a defect or fault results from a design of the work by the Owner, the onus to establish that the same is so in the first instance shall be on the Contractor.
- 31.6 The Contractor shall, subject to the procedures for Settlement of Disputes contained in GC 16, abide by the direction and decisions of the Engineer/Architect made pursuant to the General Conditions and in particular GC 7 regarding the correction by the Contractor of any defect or fault in the work discovered during the warranty period referenced in GC 31.1 hereof.
- 31.7 The Contractor shall submit a schedule for the completion of the warranty work in respect of the defect or fault referenced in 31.1 hereof, which schedule must be acceptable to the Engineer/Architect within thirty (30) days of the Engineer/Architect requesting in writing such a schedule from the Contractor.
- 31.8 Where the Contractor rectifies and makes good any defect or fault for which the Contractor is responsible under this Warranty, the Contractor shall warrant the portion of the work that is corrected for a further two (2) years from the date that the correction was done.
12. **PAYMENTS ON ACCOUNT OF PAVEMENT SMOOTHNESS OR ASPHALT DENSITY**
- No payment shall be made to the Contractor pursuant to Section 330.05.10.02 or Section 330.06.09.03 of the Specifications Book that is referenced in SGC 7 before the end of the warranty period provided for in GC 31.1 and shall not be made if a warranty claim has been made under GC 31 until that warranty claim has been resolved. If a warranty claim has not been made by the Owner under GC 31 or if a warranty claim has been made under GC 31 and resolved, any payment(s) due to the Contractor pursuant to Section 330.05.10.02 or Section 330.06.09.03 of the Specifications Book shall be made within thirty (30) days of the later of the resolution of the warranty claim or the expiration of the warranty period referenced in GC 31.
13. **ITEM NO. 115 OF THE UNIT PRICE TABLE: ADJUSTMENT OF STANDARD TYPE GUIDE RAIL**
- The Contractor is advised that work under this item will conform to Section 643 of the Specifications Book with the exception the posts are to remain in their existing location. The existing rail will be repositioned on the posts approximately 350 mm above the existing location. Some plumbing or other adjustments may be required to the posts to allow for the repositioning. Cutting of the posts to the standard height and attachment of guide rail reflectors will also be required as part of this contract item.

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Payment at the contract price shall be compensation in full for all labour, material and use of equipment to: dismantle the rail sections, store the rail parts at a secure location if required, supply bolts, nuts, and washers that may be damaged during the disassembly, adjust the posts position, assemble the rail to the new line and grade, apply wood preservative to the drilled holes, replace original reflectors as required and cut posts to the standard specified height.

**14. BOARD AND LODGING FOR DEPARTMENTAL PERSONNEL**

The Contractor shall supply lodging to the Department's staff, or their representatives, employed on the work site. The Contractor shall provide the Department's staff with a choice of the following two (2) options:

**OPTION # 1**

The Contractor shall construct a cleared area for a trailer park and provide an adequate number of utility services. These services shall include water, sewer, and electrical as approved by the Resident Engineer. The Department's employees availing of this option shall provide their own trailers. The Contractor shall invoice the Department a fixed cost of \$10.00 per day for each employee that avails of this option. The Contractor shall not charge the Department for each day that the employee does not avail of this service. The Contractor will be given sufficient notice as to the number of units requiring service. The Contractor is advised that all government employees, construction personnel and preliminary survey crews, shall be able to avail of this service. (approximately 25 employees)

**OPTION # 2**

If providing site accommodations for its own staff, the Contractor shall provide similar accommodations for the Department's staff. These accommodations shall be furnished single units with washroom facilities as approved by the Resident Engineer. The Contractor is advised that some of the Department's staff are female and provisions are to be made to accommodate them in a separate dwelling apart from the male employees (both Contractor's employees and the Department's) with separate washroom facilities as approved by the Resident Engineer. The Contractor shall invoice the Department a fixed cost of \$25.00 per day for each employee that avails of this option. The Contractor shall not charge the Department for each day that the employee does not avail of this service. The Contractor will be given sufficient notice as to the number of employees requiring lodging. The Contractor is advised that all government employees, construction personnel and preliminary survey crews, shall be able to avail of this service. (approximately 25 employees)

The Contractor shall supply board to the Department's staff if they choose to avail of this service. Payment for meals will be made at the following rates:

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Effective Date	Breakfast	Lunch	Dinner	Total
June 1, 2006	\$7.30	\$10.95	\$18.25	\$36.50

The Contractor is to note that the above prices are inclusive of all taxes.

The Contractor shall not charge the Department for meals not availed by the Department's Engineering staff as long as three (3) hours notice previous to meal time is given by the Engineer. When the Department's employees do not avail of the meals and accommodations supplied by the Contractor on weekends and/or holidays, no payment will be made.

Should the Contractor provide accommodations for his staff, and insufficient space is made available for Department personnel, alternate arrangements will be made for Department personnel and costs associated for the alternate arrangements, in excess of the \$25.00 for lodging specified above, are to be borne by the Contractor.

**15. WORK NEAR OVERHEAD UTILITY LINES**

The Contractor is advised that work included in this project requires the execution of activity near: high voltage overhead electrical transmission lines, local electrical distribution lines, telephone, fibre optic communication lines and possibly other utility lines at several locations within the limits of the project. Prospective bidders should familiarize themselves with current regulations regarding work near utility lines and the issuance of permits required by the owners of these utilities. Activity near these utilities may be restricted until the utility owners have relocated these facilities.

The Contractor is advised that utility lines and poles in the Trans Labrador Highway area of this project may remain in place until road widening, excavation and fill operations in the areas adjacent to poles and lines has been completed. This may allow for temporary or permanent relocation structures to be put in place to carry these utility lines. While road excavation is being carried out in these areas material shall be kept around poles for a five metre radius minimum. Certain fill or road cut operations may be required to be completed at the beginning of this project in order to accommodate utility relocations. The contractor shall schedule excavation and fill operations so as to accommodate these utility relocation operations and required clearances. The Contractor should allow for any costs and temporary measures required to accommodate this situation and these Supplementary General Conditions when submitting a bid for this project.

The Contractor shall be responsible for the acquisition of any permits as may be required to permit the execution of work near these facilities and for the location of all buried lines and other facilities as may be required. Prior to start of work in an area when working under hydrolines or carrying out operations that have a high probability to affect

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hydrolines, such as blasting near powerlines, the Contractor will be required to contact Nalcor Energy – Churchill Falls Control Room at (709) 925-8218 to get a holdoff. The issuance of the holdoff makes the control room aware that work is going on around power lines, while the hydrolines remain energized. The holdoff can only be issued to a qualified individual from Nalcor Energy, and the permit holder has to be on site for the whole time the permit is out. The Contractor will be required to pay the costs of keeping the permit holder on site and include such costs in unit prices bid for the project. The holdoff is only good for one day and has to be issued each morning. A holdoff is not required when the contractor is travelling on the road, under normal conditions, but shall be aware of the height of travelling equipment and the height of the power lines. All operators working around the power line/ road crossing will be required to be trained in the power line hazards course. This training is required for all personnel, including dump truck operators, excavator operators etc.

The contractor should accommodate these conditions when preparing a bid for this project.

The Contractor is advised that no payment shall be provided as compensation for any delays associated with the relocation of any utilities.

**16. ASPHALT CEMENT**

Contractors are advised that Section 330.02.01.01 of the Specifications Book: Mixture Materials – Asphalt Cement, has been superseded for this contract by the following:

**330.02.01.01 Asphalt Cement**

Unless otherwise specified, the asphalt cement (binder) shall conform to the latest edition of AASHTO M320 entitled Standard Specification for Performance Graded Asphalt Binder. The Performance Grade (PG) of asphalt binder shall be PG 52-40 and shall conform to the requirements of Table 1 in the AASHTO Specification. Other PG binders may be specified in individual contracts when warranted.

All PG asphalt binders will be subject to testing for acceptance prior to and during use. Samples failing to meet the relevant performance grade will require classification and be subject to penalty based on the following formulation.

Temperature Deviation	Price Reduction (% of Asphalt Cement and Mix Prices)
Within 3 degrees of Specified Grade	N/A
From 3 degrees to 6 degrees of Specified Grade	10%
From 6 degrees to 9 degrees of Specified Grade	20%
Greater than 9 degrees of Specified Grade	Rejection

Projects with only one asphalt binder sample collected and not meeting the specified grade will have the penalty applied to all the unit prices of the entire quantity of hot mix asphalt concrete. Projects with multiple samples of asphalt binder will have the penalty applied proportionally to the affected asphalt.

SGC14



Performance Graded Asphalt Binder with either higher than the maximum or lower than the minimum design temperature will be accepted at full price and no bonus will be applied.

Prior to the start of and throughout pavement production current copies of certification of all project asphalt binders shall be provided to the Department.

Any asphalt binder other than the asphalt binder specified must be removed from the Contractor's tanks to prevent contamination. Binders meeting the performance specifications but obtained from different sources cannot be stored in the same tank unless approved by the asphalt suppliers.

**17. ITEM NO. 12 OF THE UNIT PRICE TABLE: SELECTED GRANULAR BASE COURSE**

Contractors are advised to **Delete** Table 2 Physical Requirements of Section 315 Selected Granular Base Course of the Departments Specification Book and **Replace** it with the following:

**TABLE 2  
Physical Requirements**

Physical Test	ASTM Designation	Granular "A"	Granular "B"	Granular "C"	Maintenance Grades		
					No. 1	No. 2	No. 3
Percent Crushed (Minimum)**	D5821	50	50	-	50	50	50
Plasticity Index	D4318-84	0	0	0	0	0	0
Petrographic Number (Max.)	(CSA 23 2-M90)	150	150	-	150	150	150
Micro-Deval Test for Fine Aggregate(% Maximum)	CSA A23.2-23A	25	25	-	-	-	-
Micro-Deval Test for Coarse Aggregate (% Max.)	MTO LS.618	25	25	-	-	-	-

\*\* The percent of crushed particles will be determined by examining the fraction retained on the 4.76 mm sieve and dividing the weight of the crushed particles by the total weight contained on the 4.76 mm sieve. Pieces having one or more freshly fractured faces only will be considered as crushed material. Pieces with only small chips removed will not be considered as crushed.

**18. PHYSICAL REQUIREMENTS OF ASPHALT AGGREGATE**

Contractors are advised Section 330.02.01.02.01 of the Specifications have been modified for this project as follows:

**330.02.01.02.01 Coarse Aggregate**

Coarse Aggregate shall consist of hard, durable crushed stone or crushed gravel particles, reasonably uniform in quality and free from soft or disintegrated pieces. The portion of material retained on the 4.75 mm sieve shall be known as coarse aggregate. The coarse aggregate stockpile shall contain no more than 10% passing the 4.75 mm screen.

Coarse Aggregates shall be washed if necessary to have clean surfaces free from coatings of foreign matter. Coarse Aggregates shall conform to the physical requirements shown in Table 1.

SGC15



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Irrespective of compliance with the physical requirements of Tables 1, any coarse aggregate may be accepted or rejected on the basis of past field performance at the discretion of the department.

**TABLE 1**  
**Physical Requirements For Coarse Aggregates**

TEST METHOD	TEST NO.	HIGHWAY CLASSIFICATION		
		RAU & RAD-100 RAU & RAD-90, RCU-80		RLU-60, RLU-70 RLU-80
		SURFACE	BASE	ALL COURSES
ABSORPTION - % MAXIMUM	ASTM C127	1.75	2	2
MAGNESIUM SULPHATE - SOUNDNESS - 5 CYCLES - % MAXIMUM (A)	ASTM C88	12	12	12
PETROGRAPHIC NUMBER - MAXIMUM	CSA A23.2-15A	135	135	135
FREEZE-THAW TEST - 5 CYCLES - % MAXIMUM	CSA A23.2-24A	8	10	10
CRUSHED PARTICLES - % MINIMUM (B)	ASTM D5821	90	90	70
FLAT & ELONGATED PARTICLES - % MAXIMUM (C)	ASTM D 4791	20	20	20
LOSS BY WASHING - % MAXIMUM PASSING (D)	ASTM C117	1.75	1.75	1.75
MICRO DEVAL - % MAXIMUM	ASTM D 6928	16	16	16
CLAY LUMPS - % MAXIMUM	CSA A23.2-3A	1	1	1
LOW DENSITY PARTICLES - % MAXIMUM	CSA A23.2-4A	1	1	1
FRIABLE OR SLATEY SILTSTONE - % MAXIMUM	CSA A23.2-15A	1	1	1

Notes:

- (A) Test to be conducted on basalt rich or highly absorptive (> 1.5%) aggregates.
- (B) Pieces having two or more freshly fractured faces only will be considered as crushed material. Pieces with only small chips removed will not be considered as crushed.
- (C) Flat and elongated pieces are those whose greatest dimension exceeds four times their least dimension.
- (D) When only quarried rock is used as a source of coarse aggregate, a maximum of 2 percent passing the 75 µm sieve shall be permitted

**19. PHYSICAL REQUIREMENTS OF FINE ASPHALT AGGREGATE**

Contractors are advised Section 330.02.01.02.02 of the Specifications have been modified for this project as follows:

**330.02.01.02.02 Fine Aggregate**

Fine aggregate shall consist of clean, tough, rough-surfaced grains, free from clay, loam and other foreign matter. The fine aggregate stockpile shall contain no more than 20% retained on the 4.75 mm screen.

SGC16



For RCU-80 and above highway classifications the maximum allowable percentage of non-crushed fine aggregate in the total combined aggregate shall be 15% inclusive of all natural occurring fines and blending sands. For RLU-80 and below highway classifications the maximum allowable percentage of non-crushed fine aggregate in the total combined aggregate shall be 20% inclusive of all natural occurring fines and blending sands.

For all base and levelling type II course mixes the fine aggregates maximum percentage passing the 75 µm sieve is limited to 7% prior to mix production at the asphalt plant. All surface and levelling type I course mixes the fine aggregates maximum percentage passing the 75 µm sieve is limited to 5% prior to mix production at the asphalt plant.

Irrespective of compliance with the physical requirements of Tables 2 any fine aggregate may be accepted or rejected on the basis of past field performance at the discretion of the department.

**TABLE 2**  
**Physical Requirements for Fine Aggregates**

Test Method	Test No.	All Courses
MICRO-DEVAL TEST FOR FINE AGGREGATE - % MAXIMUM	CSA A23.2-23A	18
PLASTICITY INDEX	ASTM D4318	0
SAND EQUIVALENT - % MINIMUM	ASTM D 2419	Min 50
FINE AGGREGATE ANGULARITY - % MINIMUM (A)	ASTM C 1252	45

Note:

(A) FAA tests shall be conducted on a representative sample of the total fine aggregate inclusive of all fine aggregate materials as indicated in the mix design including blending sand. The test will be conducted in accordance with Standard Graded Sample Method A

**20. ITEM NO. 116 OF THE UNIT PRICE TABLE: BRIDGE APPROACH TIE-INS**

The Contractor is advised that work under this item will conform to attached drawing; TYPICAL ASPHALT END TREATMENT AT APPROACH SLAB – TLH.

**21. CO-ORDINATION WITH OTHER CONTRACTORS**

The contractor is advised that other contractors will be working within the limits of this project at the same time that this project is under construction.

The contractor shall co-ordinate with the other contractors regarding scheduling of work to avoid delays. The Department will not be liable for, and will not accept claims based on delays caused by the activities of other contractors.

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UNIT PRICE TABLE

INDEX

**INSTRUCTION TO BIDDERS**

PAGE	ITEM
1	Index
2	1. Tender
2	2. Tender Documents
2-3	3. Tender Surety and Bonding
3	4. Completion of Tender Form
3	5. Unacceptable Tenders
4	6. Amendments to Tender
4	7. Withdraw of Tender
4	8. Substitution of Materials
4	9. Use of Bid Depository
4	10. Acceptance of Tender



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## INSTRUCTIONS TO BIDDERS

### 1. TENDERS

- (a) Envelopes containing the Tender are to be clearly marked identifying the Project No. and the Project Name as shown on the Tender Form, and the envelopes to be addressed:

**Deputy Minister**

c/o Tendering and Contracts Section, Dept. of Transportation & Works,  
Ground Floor-West Wing, Confederation Bldg., East Block, P.O. Box 8700, St. John's, NL A1B 4J6

The name and address of the Bidder and the closing time and date must be shown on the envelope.

- (b) Tenders must be received by Tendering and Contracts Section, Department of Transportation and Works on or before the exact closing time and date indicated in the advertisement or as amended by the Deputy Minister. **TENDERS RECEIVED AFTER THAT TIME WILL NOT BE CONSIDERED.**
- (c) The Form of Agreement is included in the Contract Documents at the time of tender requests for the purpose of information to Bidders and shall not be completed at the Time of Tender submission.
- (d) Before submitting a Tender, bidders shall carefully examine the Contract Documents and the site of the proposed work and fully inform themselves of the existing conditions and limitations. No subsequent allowance under the Contract Documents will be considered for any Bidder who had failed to become familiar with all aspects of the work.
- (e) The Owner will not defray any expenses incurred by the bidders in the preparation and submission of their tenders.

### 2. TENDER DOCUMENTS

- (a) The Tender Documents consist of the Instructions to Bidders, Tender Form, Agreement, Drawings, Specifications, and any Amendments to the Contract Documents issued during the tender period.
- (b) Every interpretation of or addition to the contract Documents to be considered a valid part of the Contract Documents will be issued in the form of a written addendum.
- (c) No addendums will be issued less than seven (7) days prior to the closing date of the Tender.

### 3. TENDER SURETY AND BONDING

(a) Bidding Security

Every bidder shall submit with their Tender a bid bond issued by an approved Surety Company licensed to do business in the Province of Newfoundland and Labrador and made out in favour of the Department of Transportation and Works. The bid bond shall be at least ten percent (10%) of the tendered amount. No bidding security will be required for a tendered amount of less than \$25,000 unless specifically called for elsewhere in the tender document. An approved certified cheque may be substituted in lieu of the bid bond. The bidding security will be returned upon receipt of the Performance and Labour and Materials Bonds. The terms of the bid security will be invoked and the amount retained by the Owner if the Bidder fails to enter into an agreement when notified of the award of the work within the tender validity period; or fails to provide the Performance and Labour and Materials bonds in the amount and within the period specified.

(b) Performance Bond

A Performance Bond will be required in the amount of fifty percent (50%) of the contract price. The Performance Security is to be received not later than two (2) weeks after the award of the contract by the letter of intent and prior to the formal execution of the agreement. No work is to be undertaken until the Performance Security has been received. Performance Security will not be required for a contract value of less than \$25,000. In lieu of the Performance Bond, the Minister may accept at his sole discretion an approved certified cheque for ten percent

INSTRUCTION TO BIDDERS 2





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(d) The term working day means any day observed by the construction industry in the area of the place of building.

1.10 Substantial Performance

A Contract shall be deemed to be substantially performed

- (a) when the work or a substantial part thereof is ready for use or is being used for the purpose intended; and
- (b) when the work to be done under the contract is capable of completion or correction at a cost of not more than
  - (i) three per centum of the first two hundred and fifty thousand dollars (\$250,000) of the contract price,
  - (ii) two per centum of the next two hundred and fifty thousand dollars (\$250,000) of the contract price, and
  - (iii) one per centum of the balance of the contract price.

1.11 Total Performance

Total Performance shall mean the entire work has been performed to the requirements of the Contract Documents and is so certified by the Engineer/Architect.

**GC2 DOCUMENTS**

- 2.1 The Contract Documents shall be signed in duplicate by the Owner and the Contractor.
- 2.2 Words which have well known technical or trade meanings are used in the Contract Documents in accordance with such recognized meanings.
- 2.3 In the event of conflicts between Contract Documents the following shall apply:
  - (a) Documents of later date shall govern.
  - (b) Figured dimensions shown on the Drawings shall govern even though they may differ from scaled dimensions.
  - (c) Drawings of larger scale shall govern over those of smaller scale of the same date.
  - (d) Specifications shall govern over Drawings
  - (e) The General Conditions of Contract shall govern over Specifications.
  - (f) Supplementary General Conditions shall govern over the General Conditions of the Contract.
  - (g) The Agreement shall govern over all documents

**GC3 ADDITIONAL INSTRUCTIONS AND SCHEDULE OF WORK**

- 3.1 During the progress of the Work the Engineer/Architect shall furnish to the Contractor such additional instructions as may be necessary to supplement the Contract Documents. All such instructions shall be consistent with the intent of the Contract Documents.
- 3.2 Additional instructions may include minor changes to the Work which affect neither the Contract Price nor the Contract Time.
- 3.3 Additional instructions may be in the form of drawings, samples, models or written instructions.
- 3.4 Additional instructions will be issued by the Engineer/Architect with reasonable promptness and in accordance with any schedule agreed upon.
- 3.5 The Contractors shall, within thirty (30) days of the signing of this contract provide the Owner with a schedule of work.

**GC4 DOCUMENTS PROVIDED**

- 4.1 The Contractor will be provided, without charge, a reasonable number of Contract Documents or parts thereof as reasonably necessary for the performance of the Work.

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**6. AMENDMENTS TO TENDER**

Properly documented amendments to the Tender will be permitted up to the Tender closing time. Amendments documented by telegram, fax, telex, or written form will be acceptable.

**7. WITHDRAWAL OF TENDERS**

Bids may be withdrawn without penalty in written form, by fax, telegram, or by telex request if received prior to the time fixed for the opening.

**8. SUBSTITUTION OF MATERIALS**

- (a) Tenders shall be based upon using the materials or products as specified without substitution. Where two or more brand names are specified the choice shall be left to the Contractor. Where only one brand name is stated there shall be no substitution.
- (b) Where the Specifications include the "or approved equal" clause, substitutions may be proposed provided that:
  - 1. the request for a substitution is made in writing at least fourteen (14) days prior to the bid date;
  - 2. the request shall clearly define and describe the product for which the substitution is requested;
  - 3. the substituted article is equivalent to the specified article with regards to design, function, appearance, durability, operation and quality.

Approval of the substitution by the Architect/Engineer shall be in form of an addendum to the Specifications issued at least seven (7) days prior to the Tender closing date to all of those contractors listed as having received a copy of the Contract Documents.

**9. USE OF BID DEPOSITORY**

The attention of the Bidder is drawn to the fact that the Bid Depository of the Newfoundland and Labrador Construction Association will be used for the Trade as listed in Appendix \_\_\_\_\_.

**10. ACCEPTANCE OF TENDER**

- (a) The Owner will not necessarily accept the lowest or any tender.
- (b) Upon written acceptance of the tender within the tender validity period, the Tender Form becomes part of the Contract Documents and the successful bidder becomes the Contractor. The Contractor will be required to execute a formal agreement with the Owner within thirty (30) days of the date of the letter of intent.

INSTRUCTION TO BIDDERS 4



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GENERAL CONDITIONS OF UNIT PRICE CONTRACT

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4	4	Documents Provided
5	4	Documents on the Site
6	4	Ownership of Documents and Models
7	4	Engineer's/Architect's Decisions
8	4-5	Delay
9	5	Owner's Right to do Work
10	5-6	Owner's Right to stop Work or Terminate Contract
11	6	Contractor's Right to stop Work or Terminate Contract
12	7	Other Contractors
13	7	Assignment
14	7-8	Subcontractors
15	8	Emergencies
16	8	Settlement of Disputes and Claims
17	8	Indemnification
18	8-9	Changes in the Work
19	9-10	Valuation and Certification of Changes in the Work
20	10	Application for Payment
21	10-12	Certificates and Payments
22	12	Taxes and Duties
23	12-13	Laws, Notices, Permits and Fees
24	13	Patent Fee
25	13	Workmen's Compensation
26	13-14	Liability Insurance
27	14-15	Property Insurance
28	15-16	Protection of Work and Property
29	16	Damages and Mutual Responsibility
30	16	Bonds
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36	18	Use of Premises
37	18	Cleanup and Final Cleaning of Work
38	18	Cutting and Remedial Work
39	18-19	Inspection of Work
40	19	Rejected Work
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44	20	Materials and Substitutions
45	20-21	Labour
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47	21	Time of Essence



GENERAL CONDITIONS OF UNIT PRICE CONTRACT

GC1 DEFINITIONS

1.1 Contract Documents

The Contract Documents consist of the instruction to Bidders, executed Agreement, General Conditions of Contract, Supplementary General Conditions of Contract, Specifications, Drawings and such other documents as are listed in Article A-2 of the Agreement, including all amendments thereto incorporated before their execution and subsequent amendments thereto made pursuant to the provisions of the contract or agreed upon between the parties. The Successful Bidder's tender, and any addenda to the Specification issued during the bidding period shall also form part of the Contract Documents.

1.2 Owner, Engineer/Architect, Contractor

The Owner, Engineer/Architect and Contractor are the persons, firms or corporations identified as such in the Agreement and referred to throughout the Contract Documents as if singular in number and masculine in gender. The Term Owner, Engineer/Architect and Contractor means the Owner, Engineer/Architect or Contractor or their authorized representatives as designated by each party in writing.

1.3 Subcontractor

A Subcontractor is a person, firm or corporation having a direct contract with the Contractor to perform a part of the Work included in the Contract, or to supply products worked to a special design according to the Contract Documents, but does not include one who merely supplies products not so worked.

1.4 The Project

The Project is the total construction of which the work performed under the Contract Documents may be the whole or a part.

1.5 Products

The term Products means all material, machinery, equipment and fixtures forming the completed work as required by the Contract Documents but does not include machinery and equipment used for preparation, fabrication, conveying and erection of the Work and normally referred to as construction machinery and equipment.

1.6 The Work

Work includes the whole of the works, materials, matters and things required to be done, furnished and performed by the Contractor under the Contract.

1.7 Materials and Equipment

The term Materials and Equipment means all materials, machinery, equipment and fixtures forming the completed work as required by the Contract Documents but does not include machinery and equipment used for preparation, fabrication, conveying and erection of the work and normally referred to as construction machinery and equipment.

1.8 Other Contractor

The term Other Contractor means any person, firm or corporation employed by or having a separate contract directly or indirectly with the Owner for work other than that required by the Contract Documents.

1.9 Time

The Contract Time is the time stated in Article A-1(c) of the Agreement for Substantial Performance of the Work.

(a) The date of Substantial Performance of the Work is the date certified by the Engineer/Architect.

(c) The term day, as used in the Contract Documents, shall mean the calendar day.

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- (d) The term working day means any day observed by the construction industry in the area of the place of building.

1.10 Substantial Performance

A Contract shall be deemed to be substantially performed

- (a) when the work or a substantial part thereof is ready for use or is being used for the purpose intended; and
- (b) when the work to be done under the contract is capable of completion or correction at a cost of not more than
  - (i) three per centum of the first two hundred and fifty thousand dollars (\$250,000) of the contract price,
  - (ii) two per centum of the next two hundred and fifty thousand dollars (\$250,000) of the contract price, and
  - (iii) one per centum of the balance of the contract price.

1.11 Total Performance

Total Performance shall mean the entire work has been performed to the requirements of the Contract Documents and is so certified by the Engineer/Architect.

GC2 DOCUMENTS

- 2.1 The Contract Documents shall be signed in duplicate by the Owner and the Contractor.
- 2.2 Words which have well known technical or trade meanings are used in the Contract Documents in accordance with such recognized meanings.
- 2.3 In the event of conflicts between Contract Documents the following shall apply:
  - (a) Documents of later date shall govern.
  - (b) Figured dimensions shown on the Drawings shall govern even though they may differ from scaled dimensions.
  - (c) Drawings of larger scale shall govern over those of smaller scale of the same date.
  - (d) Specifications shall govern over Drawings
  - (e) The General Conditions of Contract shall govern over Specifications.
  - (f) Supplementary General Conditions shall govern over the General Conditions of the Contract.
  - (g) The Agreement shall govern over all documents

GC3 ADDITIONAL INSTRUCTIONS AND SCHEDULE OF WORK

- 3.1 During the progress of the Work the Engineer/Architect shall furnish to the Contractor such additional instructions as may be necessary to supplement the Contract Documents. All such instructions shall be consistent with the intent of the Contract Documents.
- 3.2 Additional instructions may include minor changes to the Work which affect neither the Contract Price nor the Contract Time.
- 3.3 Additional instructions may be in the form of drawings, samples, models or written instructions.
- 3.4 Additional instructions will be issued by the Engineer/Architect with reasonable promptness and in accordance with any schedule agreed upon.
- 3.5 The Contractors shall, within thirty (30) days of the signing of this contract provide the Owner with a schedule of work.

GC4 DOCUMENTS PROVIDED

- 4.1 The Contractor will be provided, without charge, a reasonable number of Contract Documents or parts thereof as reasonably necessary for the performance of the Work.

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**GC5 DOCUMENTS ON THE SITE**

- 5.1 The Contractor shall keep one copy of all current Contract Documents and shop drawings on the site, in good order and available to the Engineer/Architect and/or his representatives. This requirement shall not be deemed to include the executed Contract Documents.

**GC6 OWNERSHIP OF DOCUMENTS AND MODELS**

- 6.1 All Contract documents and copies thereof, and all models are and shall remain the property of the owner and are not to be used on other work.
- 6.2 Such documents are not to be copied or revised in any manner without the written authorization of the owner.
- 6.3 Models furnished by the Contractor or the Owner are the property of the owner.

**GC7 ENGINEER/ARCHITECTS DECISIONS**

- 7.1 The Engineer/Architect, in the first instance, shall decide on questions arising under the Contract Documents and interpret the requirements therein. Such decisions shall be given in writing.
- 7.2 The Contractor shall notify the Engineer/Architect in writing within 5 days of receipt of a decision of the Engineer/Architect referred to in 7.1 should the Contractor hold that a decision by the Engineer/Architect is in error and/or at variance with the contract Documents. Unless the Contractor fulfills this requirement subsequent claims by him for extra compensation, arising out of the decision, will not be accepted.
- 7.3 If the question of error and/or variance is not resolved immediately, and the Engineer/Architect decides that the disputed work shall be carried out, the Contractor shall act according to the Engineer/Architect's written decision.

Any question of change in Contract Price and/or extension of Contract Time due to such error and/or variance shall be decided as provided in GC16 - Settlement of Disputes.

**GC8 DELAY**

- 8.1 If it can be clearly shown that the Contractor is delayed in the performance of the work by any act or fault of the Owner or other Contractor, then the contract time shall be extended for such reasonable time as the Engineer/Architect may decide in consultation with the Contractor.

The Contractor shall be reimbursed for any costs incurred by the Contractor as a result of such a delay occasioned by the act or fault, provided that it can be clearly shown that the Contractor's forces cannot work efficiently elsewhere on the project and that the incurred cost is limited to that which could not reasonably have been avoided.

- 8.2 If the Contractor is delayed in the performance of the Work by a Stop Work Order issued by any court or other public authority, and providing that such order was not issued as the result of any act or fault of the Contractor or of any one employed by him directly or indirectly, then the Contract Time shall be extended for such reasonable time as the Engineer/Architect may decide, in consultation with the Contractor, and the Contractor shall be reimbursed for any onsite costs incurred by him as the result of such delay.
- 8.3 If the Contractor is delayed in the performance of the Work by civil disorders, labour disputes, strikes, lock-outs (including lock-outs decreed or recommended for its members by a recognized Contractor's Association, of which the Contractor is a member) fire, unusual delay by common carriers or unavoidable casualties or, without limit to any of the foregoing, by any cause of any kind whatsoever beyond the Contractor's control, then the Contract Time shall be extended for such reasonable time as may be decided by the Engineer/Architect in consultation with the Owner and



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the Contractor, but in no case shall the extension of time be less than the time lost as the result of the event causing the delay unless such shorter extension or time be agreed to by the Contractor.

- 8.4 No extension shall be made for delay unless written notice of claim is given to the Engineer/Architect within fourteen (14) days of its commencement, providing that in the case of a continuing cause of delay only one notice shall be necessary.

**GC9 OWNER'S RIGHT TO DO WORK**

- 9.1 If the Contractor should neglect to prosecute the Work properly or fail to perform any provisions of the Contract, the Owner may notify the Contractor in writing that the Contractor is in default of the Contractor's contractual obligations and instruct the Contractor to correct the default within five (5) working days of receiving the notice.
- 9.2 If the correction of the default cannot be completed within the five (5) working days specified, the Contractor shall be considered to be in compliance with the Owner's instructions if the Contractor:
- (a) commences the correction of the default within the specified time, and
  - (b) provides the Owner with an acceptable schedule for such correction, and
  - (c) completes the correction in accordance with such schedule.
- 9.3 If the Contractor fails to comply with the provisions 9.1 and 9.2 the Owner may, without prejudice to any other right or remedy the Owner may have, correct such default and may deduct the cost thereof from the payment then or thereafter due the Contractor.

**GC10 OWNER'S RIGHT TO STOP WORK OR TERMINATE CONTRACT**

- 10.1 If the Contractor should be adjudged bankrupt, or makes a general assignment for the benefit of creditors or if a receiver is appointed on account of the Contractor's insolvency, the Owner may, without prejudice to any other right or remedy he may have, by giving the Contractor written notice, terminate the Contract.
- 10.2 The Owner may notify the Contractor in writing that the Contractor is in default of the Contractor's contractual obligations, if the Contractor:
- (a) fails to proceed regularly and diligently with the work; or
  - (b) without reasonable cause wholly suspends the carrying out of the work before the completion thereof; or
  - (c) refuses or fails to supply sufficient properly skilled workmen or proper workers, products or construction machinery and equipment for the scheduled performance of the work within five (5) working days of receiving written notice from the Engineer/Architect, except in those cases provided in GC8 - Delay; or
  - (d) fails to make payments due to the Contractor's Subcontractors, suppliers or his workmen; or
  - (e) persistently disregards laws or ordinances, or the Engineer/Architect's instructions; or
  - (f) Otherwise violates the provisions of the Contract to a substantial degree. Such written notice by the Owner shall instruct the Contractor to correct the default within five (5) working days from the receipt of the written notice.
- 10.3 If the correction of the default cannot be completed within the five (5) working days specified, the Contractor shall be considered to be in compliance with the Owner's instructions if the Contractor:
- (a) commences the correction of the default within the specified time,
  - (b) provides the Owner with an acceptance schedule for such correction, and
  - (c) completes the correction in accordance with such schedule.
- 10.4 If the Contractor fails to correct the default within the time specified or subsequently agreed upon, the Owner may, without prejudice to any other right or remedy the Owner may have, stop the work or terminate the Contract.
- 10.5 If the Owner terminates the contract under the conditions set out above, the Owner is entitled to:



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- (a) take possession of the premises and products and utilize the temporary buildings, plants, tools, construction machinery and equipment, goods, materials, intended for, delivered to and placed on or adjacent to the work and may complete the work by whatever method he may deem expedient but without undue delay or expense;
- (b) withhold any further payments to the Contractor until the work is finished;
- (c) upon total performance of the work, charge the Contractor the amount by which the full cost of finishing the work including compensation to the Engineer/Architect for his additional services and a reasonable allowance to cover the cost of any corrections required by GC31 - Warranty, exceeds the unpaid balance of the Contract Price; or if such cost of finishing the work is less than the unpaid balance of the Contract Price, pay the Contractor the difference.
- (d) on expiry of the warranty period, charge the Contractor the amount by which the cost of corrections under GC31 - Warranty exceeds the allowance provided for such corrections, or if the cost of such corrections is less than the allowance, pay the Contractor the difference.

**GC11 CONTRACTOR'S RIGHT TO STOP WORK OR TERMINATE CONTRACT**

- 11.1 If the Owner should be adjudged bankrupt, or makes a general assignment for the benefit of creditors, or if a receiver is appointed on account of the Owner's insolvency, the Contractor may, without prejudices to any other right or remedy the Contractor may have, by giving the Owner written notice, terminate the Contract.
- 11.2 If the work should be stopped or otherwise delayed for a period of thirty days or more under an order of any court, or other public authority, and providing that such order was not issued as the result of any court, or other public authority, and providing that such order was not issued as the result of any act or fault of the Contractor or of any one directly or indirectly employed by him, the Contractor may, without prejudice to any other right or remedy he may have, by giving the Owner 15 days written notice, terminate the Contract.
- 11.3 The Contractor may notify the Owner in writing that the Owner is in default of the Owner's contractual obligations if:
  - (a) the Engineer/Architect fails to issue a certificate in accordance with GC21 - Certificates and Payments;
  - (1) The Owner fails to pay to the Contractor when due any amount certified by the Engineer/Architect and verified by the audit of the Owner. Such written notice shall advise the Owner that if such default is not corrected within fifteen (15) days from the receipt of the written notice the Contractor may, without prejudice to any other right or remedy the Contractor may have, stop the work and/or terminate the contract.
- (2) 11.4 If the Contractor terminates the Contract under the conditions set out above, the Contractor shall be entitled to be paid for all work performed and for any loss sustained upon products and plant supplied with reasonable overhead, profit and damages.

**GC12 OTHER CONTRACTORS**

- 12.1 The Owner reserves the right to let separate contracts in connection with the project of which the Work is part.
- 12.2 The Owner shall coordinate the work and insurance coverage of Other Contractors as it affects the Work of this Contract.
- 12.3 The Contractor shall coordinate his work with that of Other Contractors and connect as specified or shown in the Contract Documents. Any change in the cost incurred by the Contractor in the planning and performance of such work which was not shown or included in the Contract documents as of the date of signing the Contract, shall be evaluated as provided under GC19 - Valuation and Certification of Changes in the Work.
- 12.4 The Contractor shall report to the Engineer/Architect any apparent deficiencies in other Contractor's work which would affect the Work of this Contract immediately they come to the Contractor's attention and shall confirm





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such report in writing. Failure by the Contractor to so report shall invalidate any claims against the Owner by reason of the deficiencies of Other Contractor's work except as to those of which the Contractor was not reasonably aware.

**GC13 ASSIGNMENT**

- 13.1 The Contractor shall not assign the contract or any part thereof or any benefit or interest therein or thereunder without the written consent of the Owner.

**GC14 SUBCONTRACTORS**

- 14.1 The Contractor agrees to preserve and protect the rights of the Owner under the Contract with respect to any work to be performed under subcontract. The Contractor shall:
- (a) require the Contractor's Subcontractors to perform their work in accordance with and subject to the terms and conditions of the Contract Documents, and
  - (b) be fully responsible to the Owner for acts and omissions of the Contractor's Subcontractors and of persons directly or indirectly employed by them as for acts and omissions of persons directly employed by them.

The Contractor therefore agrees that the Contractor will incorporate all the terms and conditions of the Contract Documents into all Subcontract Agreements the Contractor enters into with the Contractor's Subcontractors.

- 14.2 The Contractor shall employ those Subcontractors proposed by the Contractor in writing and accepted by the Owner prior to the signing of the Contract for such portions of the work as may be designated in the bidding requirements.
- 14.3 The Owner may, for reasonable cause, object to the use of a proposed Subcontractor and require the Contractor to employ one of the other Subcontractor Bidders.
- 14.4 In the event that the Owner requires a change from any proposed Subcontractor the Contract Price shall be adjusted by the difference in cost occasioned by such required change.
- 14.5 The Contractor shall not be required to employ as a Subcontractor any person or firm to whom the Contractor may reasonably object.
- 14.6 The Engineer/Architect may, upon reasonable request and at his or her discretion, provide to a Subcontractor information as to the percentage of the Subcontractor's work which has been certified for payment.
- 14.7 Nothing contained in the Contract Documents shall create any contractual relationship between any Subcontractor and the Owner.

**GC15 EMERGENCIES**

- 15.1 The Engineer/Architect has authority in an emergency to stop the progress of the work whenever in his or her opinion such stoppage may be necessary to ensure the safety of life, or the work, or neighbouring property. This includes authority to make changes in the work, and to order, assess and award the cost of such work, extra to the Contract or otherwise, as may in his or her opinion be necessary. The Engineer/Architect shall, within two (2) working days, confirm in writing any such instructions. In such a case if the work has been performed under direct order of the Engineer/Architect, the Contractor shall keep the Contractor's right to claim the value of such work.
- 15.2 Should the work be stopped by civil pickets, or other disorder, neither the Owner nor the Contractor shall have claim for a change in the price of the Contract.



**GC16 SETTLEMENT OF DISPUTES AND CLAIMS**

16.1 In the case of any dispute or claim arising between the Owner and the Contractor as to their respective rights and obligations under the Contract, either party hereto may give the other written notification of such dispute or claim. The notification of dispute or claim shall be made within fourteen (14) days of the dispute or cause of action arising. If the dispute or claim cannot be resolved to the satisfaction of both parties, either party may refer the matter to such judicial tribunal as the circumstances require.

16.2 Legal proceedings shall not take place until after the performance or the substantial performance of the disputed work except:

- (a) when the dispute concerns a certificate for payment.
- (b) where either party can show that the matter in dispute requires immediate consideration while evidence is available.
- (c) in the case of legal proceedings, where the action may become prescribed by reason of delay.

**GC17 INDEMNIFICATION**

17.1 Except as provided in 17.2, the Contractor shall be liable for, and shall indemnify and hold harmless the Owner and the Engineer/Architect, their agents and employees from and against all claims, demands, losses, costs, damages, actions, suits or proceedings, whatsoever arising under any statute or Common Law:

- (a) in respect of personal injury to or the death of any person whomsoever arising out of or in the course of or caused by the carrying out of the work; and
- (b) in respect of any injury or damage whatsoever to any property, real or personal or any chattel real, insofar as such injury or damage arises out of or in the course of or by reason of the carrying out of the work.

17.2 The Contractor shall not be liable under 17.1 if the injury, death, loss or damage is due to any act or neglect of the Owner or Engineer/Architect, their agents or employees.

**GC18 CHANGES IN THE WORK**

18.1 The Owner may make changes by altering, adding to, or deducting from the Work, with the amount due under the Contract and the Contract Time being adjusted accordingly.

18.2 Except as provided in GC15 - Emergencies, no change shall be made without a written order from the Engineer/Architect and no claim for an addition or deduction from the amount due under the Contract or change in the Contract time shall be valid unless so ordered and at the same time valued or agreed to be valued as provided in GC19 - Valuation and Certification of Changes in the Work.

**GC19 VALUATION AND CERTIFICATION OF CHANGES IN THE WORK**

19.1 The value of any change shall be determined in one or more of the following methods:

- (a) by unit prices as provided in Article A-3 of the Agreement
- (b) by unit prices subsequently agreed upon
- (c) by cost and a fixed or percentage fee.

In the case of changes in the work valued as outlined in 19.1(c), the Contractor shall submit detailed invoices, vouchers and time sheets for all materials and labour to complete the extra work.

When work is performed by the Contractor's own forces his markup for overhead shall be ten (10) percent and his profit ten (10) percent of the agreed or actual cost of the change. When work is performed by one of his Subcontractors the Subcontractors's markup for overhead shall be ten (10) percent of the agreed or actual cost of the change plus five (5) percent for profit.



The Contractor's markup for overhead and profit shall be (10) percent of the Subcontractor's total price.

- 19.2 Notwithstanding the provisions of 19.1, in case of changes in the work:
- (a) where unit prices are provided in the contract for work to be done those unit prices shall be used in determining the value of any change, and
  - (b) the amount charged for equipment rentals shall be that provided in the contract and no additional amount shall be paid as markup for overhead or profit for the Contractor or Subcontractor.
- 19.3 When a change in the work is proposed or required the Contractor shall present to the Engineer/Architect for approval the Contractor's claim for any change in the Contract Price and/or change in Contract Time. The Engineer/Architect shall satisfy himself or herself as to the correctness of such claim and, when approved shall issue a written order to the Contractor to proceed with the change. The value of work performed in the change shall be included for payment with the regular certificate for payment.
- 19.4 In case of changes in the Work to be paid for under methods (b) and (c) of 19.1, the form of presentation of costs and methods of measurement shall be agreed to by the Engineer/Architect and Contractor before proceeding with the change. The Contractor shall keep accurate records, as agreed upon, of quantities or costs and present an account of the cost of the change in the Work, together with vouchers where applicable.
- 19.5 If the method of valuation, measurement and the change in Contract Price and/or change in Contract Time cannot be promptly agreed upon, and the change is required to be proceeded with then the Engineer/Architect shall determine the method of valuation, measurement and the change in Contract Price and/or Contract Time subject to final determination in the manner set out in GC16 - Settlement of disputes. In this case the Engineer/Architect shall issue a written authorization for the change setting out the method of valuation and if by lump sum his or her valuation of the change in Contract Price and/or Contract Time.
- 19.6 In the case of a dispute in the valuation of a change authorized in the Work pending final determination of such value, the Engineer/Architect shall certify the value of work performed and include the amount with the regular certificates for payment.
- 19.7 It is intended in all matters referred to above that both the Engineer/Architect and Contractor shall act promptly.

**GC20 APPLICATION FOR PAYMENT**

- 20.1 Applications for payment on account as provided for in Article A-4 may be made monthly as the Work progresses.
- 20.2 Application for payment shall be made monthly on a date to be agreed between the Owner and the Contractor and the amount claimed shall be for the value of work performed and products delivered to the site at that date.
- 20.3 Application for release of **holdback monies** following the Substantial Performance of the Work and the application for final payment shall be made at the time and in the manner set forth in GC21 - Certificates and Payments.

**GC21 CERTIFICATES AND PAYMENTS**

- 21.1 The Engineer/Architect shall, within ten (10) days of receipt of an application for payment from the Contractor submitted in accordance with GC20 - Application for Payment, issue a certificate for payment in the amount applied for or such other amount as he or she shall determine to be properly due. If the Engineer/Architect amends the application he shall promptly notify the Contractor in writing, giving his or her reasons for the amendment.
- 21.2 The Owner shall within twenty-one (21) days of issuance of a certificate for payment by the Engineer/Architect, make payment to the Contractor on account, in accordance with the provisions of the Agreement.



- 21.3 If payment is not made within sixty (60) days of issuance of a certificate for payment by the Engineer/Architect the owner will be liable for interest on the amount owing at the rate of 9% per annum from the sixty-first (61st) day to the date of payment.
- 21.4 Notwithstanding any other provisions of this Contract:
- (a) If on account of climatic or other conditions reasonably beyond the control of the Contractor there are items of work that cannot be performed, the payment in full for that which has been performed as certified by the Engineer/Architect shall not be withheld or delayed by the Owner on account thereof, but the Owner may withhold from the Contract Price until the remaining work is finished an amount sufficient to cover the cost to the Owner of performing such remaining work and to adequately protect the Owner from claims.
  - (b) Where legislation permits and where, upon application by the Contractor, the Engineer/Architect has certified that a Subcontract has been totally performed to his or her satisfaction prior to the Substantial Performance of this Contract, the Owner shall pay the Contractor the holdback retained for such Subcontractor on the day following the expiration of the Statutory Limitations Period stipulated in the Mechanics' Lien Act applicable to the place of building.  
The holdbacks will be released on the following conditions:
    - (i) a copy of the contract between the Subcontractor and the Contractor, or some other suitable Document satisfactory to the Owner, must be presented to the Owner.
    - (ii) the Subcontract is completed without deficiencies.
    - (iii) the warranty for the Subcontract will not start until Substantial Performance of the General Contract;
    - (iv) the Contractor provides an approved statutory declaration that all monies have been paid to the Subcontractors;
    - (v) the Owner will, at that time, release the total amount specified on the Sub-contractors Contract.
- 21.5 Notwithstanding the provisions of 21.4(b) and notwithstanding the wording of such certificate the Contractor shall ensure that such work is protected pending the Total Performance of the Contract and be responsible for the correction of any defects in it regardless of whether or not they were apparent when such certificates were issued.
- 21.6 The Engineer/Architect shall, within ten (10) days of receipt of an application from the Contractor for a Certificate of Substantial Performance, make an inspection and assessment of the work to verify the validity of the application. The Engineer/Architect shall within seven (7) days of his or her inspection notify the Contractor of his or her approval or disapproval of the application. When the Engineer/Architect finds the Work to be Substantially Performed he or she shall issue such a certificate. The date of this certificate shall be the date of Substantial Performance of the Contract. Immediately following the issuance of the Certificate of Substantial Performance, the Engineer/Architect, in consultation with the Contractor shall establish a reasonable date for the Total Performance of the Contract.
- 21.7 Following the issuance of the Certificate of Substantial Performance and upon receipt from the Contractor of all documentation called for in the Contract Documents the Engineer/Architect shall issue a certificate for payment of holdback monies. The release of holdback monies authorized by this certificate shall become due and payable on the day following the expiration of the Statutory Limitation Period stipulated in the Mechanics' Lien Act applicable to the place of building, providing that no lien or privilege claims against the Work exist and the Contractor has submitted to the Owner a sworn statement that all accounts for labour, subcontracts, products, construction machinery and equipment and any other indebtedness which may have been incurred by the Contractor in the Substantial Performance of the Work and for which the Owner might in any way be held responsible have been paid in full except holdback monies properly retained.
- 21.8 The Engineer/Architect shall, within ten (10) days of receipt of an application from the Contractor for payment upon Total Performance of the Contract, make an inspection and assessment of the work to verify the validity of the application. The Engineer/Architect shall within seven (7) days of his or her inspection notify the Contractor of his or her approval or disapproval of the application. When the Engineer/Architect finds the Work to be totally performed to his or her satisfaction he or she shall issue a Certificate of Total Performance and certify for payment the remaining monies due to the Contractor under the Contract less any holdback monies which are required to be retained. The



date of this certificate shall be the date of Total Performance of the Contract. The Owner shall, within thirty (30) days of issuance of such certificate, make payment to the Contractor in accordance with the provisions of Article A-4 of the Agreement.

- 21.9 The release of any remaining holdback monies shall become due and payable on the day following the expiration of the Statutory Limitation Period stipulated in the Mechanics' Lien Act applicable to the place of building or where such legislation does not exist or apply in accordance with such other legislation, regulations governing privileges, industry practice or such other provisions which may be agreed to between the parties, provided that no claims against the Work exist and the Contractor has submitted to the Owner a sworn statement that all accounts for labour, subcontracts, products, construction machinery and equipment and any other indebtedness which may have been incurred by the Contractor in the Total Performance of the Work and for which the Owner might in any way be held responsible, have been paid in full except holdback monies properly retained.
- 21.10 No certificate for payment, or any payment made thereunder, nor any partial or entire use of occupancy of the Work by the Owner shall constitute an acceptance of any work or products not in accordance with the Contract Documents.
- 21.11 The issuance of the Certificate of Total Performance shall constitute a waiver of all claims by the Owner against the Contractor except those previously made in writing and still unsettled, if any, and those arising from the provisions of GC31 - Warranty, or those arising from negligence on the part of the Contractor. The acceptance of the Certificate of Total Performance or of the payment due thereunder shall constitute a waiver of all claims by the Contractor against the Owner except those made in writing prior to his application for payment upon Total Performance of the Contract and still unsettled, if any.
- 21.12 The holdback to be used by the Engineer/Architect when issuing certificate of payment will be ten (10) percent of the value of the work completed at the date of the Contractor's claim.
- 21.13 Notwithstanding the provisions of 21.3 or any other provision of this Contract, the Owner may:
- (a) in the event of a claim by the owner against the Contractor for damages arising out of the performance or non-performance of the Contract, withhold payment of any amount equal to the alleged damages until the liability of damages is established and no amount of interest will be paid on amounts held under this clause;
  - (b) set-off amounts owing by the Contractor to the Owner;
  - (c) following the issuance of the Certificate of Substantial Performance, withhold payment of an amount equal to twice the cost, as estimated by the Engineer/Architect of remedying efficiencies until the issuance of a Certificate of Total Performance and no amount of interest will be paid on amounts held under this clause.

**GC22 TAXES AND DUTIES**

- 22.1 Unless otherwise stated in Supplementary General Conditions the Contractor shall pay all government sales taxes, customs duties and excise taxes with respect to the Contract.
- 22.2 Any increase or decrease in costs to the Contractor due to changes in such taxes and duties after the date of the Agreement and up to the agreed date of completion shall increase or decrease the Contract Price accordingly. If the owner so desires the Contractor is to co-operate with the Engineer/Architect and Owner and permit access to books and records in order to establish the amount of such taxes involved.
- 22.3 The Contractor shall maintain full records of the Contractor's estimates of and actual cost to the Contractor of the work together with all proper tender calls, quotations, contracts, correspondence, invoices, receipts and vouchers relating thereto, shall make them available to audit and inspection by the Owner, the Auditor General for Newfoundland and Labrador or by persons acting on their behalf, shall allow them to make copies thereof and to take extracts therefrom, and shall furnish them with any information which they may require from time to time in connection with such record.



**GC23 LAWS, NOTICES, PERMITS AND FEES**

- 23.1 The laws of the place of building shall govern the work.
- 23.2 The Contractor shall obtain all permits licenses and certificates and pay all fees required for the performance of the Work which are in force at the date of tender submissions (but this shall not include the obtaining of permanent easements or rights of servitude).
- 23.3 The Contractor shall give all required notices and comply with all laws, ordinances, rules, regulations, codes and order of all authorities having jurisdiction relating to the Work, to the preservation of the public health and construction safety which are or become in force during the performance of the Work.
- 23.4 The Contractor shall not be responsible for verifying that the Contract Documents are in compliance with the applicable laws, ordinances, rules, regulations and codes relating to the Work. If the Contract Documents are at variance therewith, or changes which require modification to the Contract Documents are made to any of the laws, ordinances, rules, regulations and codes by the authorities having jurisdiction subsequent to the date of tender submission, any resulting change in the cost shall constitute a corresponding change in the Contract Price. The Contractor shall notify the Engineer/Architect in writing requesting direction immediately of any such variance or change is observed by him or her.
- 23.5 If the Contractor fails to notify the Engineer/Architect in writing and obtain his or her direction as required in GC23.4 and performs any work knowing it to be contrary to any laws, ordinances, rules, regulations, codes and orders of any authority having jurisdiction, the Contractor shall be responsible for and shall correct any violations thereof and shall bear all costs, expense and damages, attributable to the Contractor's failure to comply with the provisions of such laws, ordinances, rules, regulations, codes and orders.

**GC24 PATENT FEES**

- 24.1 The Contractor shall pay all royalties and patent license fees required for the performance of the contract and such royalties or fees shall be deemed to have been included in the contract price.  
The Contractor shall hold the Owner harmless from and against all claims, demands, losses, costs, damages, actions, suits or proceedings arising out of the Contractor's performance of the Contract which are attributable to an infringement or an alleged infringement of any patent or invention by the Contractor or anyone for whose acts the Contractor may be liable.
- 24.2 The Owner shall hold the Contractor harmless against all claims, demands, losses, costs, damages, actions, suits, or proceedings arising out of the Contractor's performance of the Contract which are attributable to an infringement or an alleged infringement of any patent or invention in executing anything for the purpose of the Contract, the model, plan or design of which was supplied to the Contractor by the Owner.

**GC25 WORKER'S COMPENSATION**

- 25.1 Prior to commencing the Work and prior to receiving payment on Substantial and Total Performance of the Work, the Contractor shall provide evidence of compliance with all requirements of the Province of the place of building with respect to worker's compensation including payments due thereunder.
- 25.2 At any time during the term of Contract, when requested by the Engineer/Architect, the Contractor shall provide such evidence of compliance by the Contractor and any or all of the Contractor's Subcontractors.

**GC26 LIABILITY INSURANCE**

- 26.1 Comprehensive General Liability Insurance



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- (a) Without restricting the generality of GC17 - Indemnification, the Contractor shall provide and maintain, either by way of a separate policy or by an endorsement to his existing policy, Comprehensive General Liability insurance acceptable to the Owner and subject to limits set out in detail in the Supplementary General Conditions inclusive per occurrence for bodily injury, death, and damage to property including loss of use thereof.
- (b) The insurance shall be in the joint names of the Contractor and the Owner, shall also cover as Unnamed Insureds all Subcontractors and anyone employed directly or indirectly by the Contractor or the Contractor's Subcontractors to perform a part or parts of the Work but excluding suppliers whose only functions is to supply and or transplant products to the project site.
- (c) The insurance shall also include as Unnamed Insureds the architectural and engineering consultants of the Owner and Engineer/Architect.
- (d) The insurance shall preclude subordination claims by the Insurer against anyone insured thereunder.
- (e) The Comprehensive General Liability Insurance will not be limited to, but shall include coverage for:
  - (1) premises and operations liability
  - (2) products or completed operations liability
  - (3) blanket contractual liability
  - (4) cross liability
  - (5) elevator and hoist liability
  - (6) contingent employers's liability
  - (7) personal injury liability arising out of false arrest, detention or imprisonment or malicious prosecution, libel, slander or defamation of character, invasion of privacy, wrongful eviction or wrongful entry.
  - (8) shoring, blasting, excavation, underpinning, demolition, pile driving and caisson work, work below ground surface, tunneling and grading, as applicable.
  - (9) liability with respect to non-owned licensed vehicles.

#### 26.2 Automobile Liability Insurance

The Contractor shall provide and maintain liability insurance in respect of owned licensed vehicles subject to limits set out in detail in the Supplementary General Conditions inclusive.

#### 26.3 Aircraft and Water craft Liability Insurance

The Contractor shall provide and maintain liability insurance with respect to owned and non-owned aircraft and water craft, as may be applicable, subject to limits set out in detail in the Supplementary General Conditions inclusive. Such insurance shall be in the joint names of the Contractor, the Owner, the Engineer/Architect and those parties defined in 26.1(b)(c) where they have an interest in the use and operation of such aircraft or water craft. The insurance shall preclude subordination claims by the Insurer against anyone insured thereunder.

26.4 All liability insurance shall be maintained continuously until twelve (12) months after the date the Engineer/Architect issues a certificate of Substantial performance.

26.5 The Contractor shall provide the Owner with evidence of all liability insurance prior to the commencement of the work and shall promptly provide the Owner with a certified true copy of each insurance policy.

26.6 All liability insurance policies shall contain an endorsement to provide all Named Insureds with prior notice of changes and cancellations. Such endorsements shall be in the following form:

"It is understood and agreed that the coverage provided by this policy will not be changed or amended in any way or cancelled until 30 days after written notice of such change or cancellation shall have been given to all Named Insureds".

#### GC27 PROPERTY INSURANCE

27.1 The Contractor shall provide and maintain property insurance, acceptable to the Owner, insuring the full value of the Work in the amount of the Contract Price and the full value as stated of products for incorporation into the Work. The insurance shall be in the joint names of the Contractor, the Owner, the Subcontractors and all others having an insurable interest in the Work. The policies shall include all Subcontractors as Unnamed Insureds or, if they specifically request, as Named Insureds. The Policies shall preclude subordination claims by the Insurer against anyone insured thereunder.



27.2 Such coverage shall be provided for by EITHER an ALL Risks Builder's Risk Policy OR by a combination of a standard Builders' Risk Fire Policy including Extended Coverage and Malicious Damage Endorsements and a Builders' Risk Difference in Conditions Policy providing equivalent coverage, of Piers, Wharves and Docks Government Structures Policy.

27.3 The policies shall insure against all risks of direct loss or damage subject to the exclusion specified in the Supplementary General Conditions. Such coverage shall apply to:

- (a) all products, labour and supplies of any nature whatsoever, the property of the Insureds or of others for which the Insureds may have assumed responsibility, to be used in or pertaining to the site preparations, demolition of existing structures, erections and/or fabrication and/or reconstruction and/or repair of the insured project, while on the site or in transit, subject to the exclusion of the property specified.
- (b) the installation, testing and any subsequent use of machinery and equipment including boilers, pressure vessels or vessels under vacuum.
- (c) damage to the Work caused by an accident to and/or the explosion of any boiler(s) or pressure vessels(s) forming part of the work.

Such coverage shall exclude construction machinery, equipment, temporary structural and other temporary facilities, tools, and supplies used in the construction of the work and which are not expendable under the Contract.

27.4 The Contractor shall provide the Owner with evidence of all insurance prior to commencement of the Work and shall promptly provide the Owner with a certified true copy of each insurance policy.

Policies provided shall contain an endorsement to provide all Named Insureds with prior notice of changes and cancellations. Such endorsements shall be in the following form: "It is understood and agreed that the coverage provided by this policy will not be changed or amended in any way or cancelled until 30 days after written notice of such change or cancellation shall have been given to all Named Insureds".

27.5 All such insurance shall be maintained continuously until ten (10) days after the date the Engineer/Architect issues a certificate to Total Performance. All such insurance shall provide for the Owner to take occupancy of the work or any part thereof during the terms of this insurance. Any increase in the cost of this insurance arising out of such occupancy shall be at the Owner's expense.

27.6 The policies shall provide that, in the event of a loss, payment for damage to the Work shall be made to the Owner and the Contractor as their respective interests may appear. The Contractor shall act on behalf of the Owner and the Contractor for the purpose of adjusting the amount of such loss with the Insurers. On the determination of the extent of the loss, the Contractor shall immediately proceed to restore the Work and shall be entitled to receive from the Owner (in addition to any sum due under the Contract) the amount at which the Owner's interest in the restoration work has been appraised, such amount to be paid as the work of the restoration proceeds and in accordance with the Engineer/Architect's certificates for payment.

Damage shall not affect the rights and obligations of either party under the Contract except that the Contractor shall be entitled to such reasonable extension of time for Substantial and Total Performance of the Work as the Engineer/Architect may decide.

27.7 The Contractor and/or the Contractor's Subcontractors as may be applicable shall be responsible for any deductible amounts under the policies and for providing such additional insurance as may be required to protect the insureds against loss on items excluded from the policies.

#### GC28 PROTECTION OF WORK AND PROPERTY

28.1 The Contractor shall protect the property adjacent to the Project site from damage as the result of his operations under the Contract.





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- 28.2 The Contractor shall protect the Work and the Owner's property from damage and shall be responsible for any damage which may arise as the result of the Contractor's operations under the Contract except damage which occurs as the result of:
- (a) errors in the Contract Documents, and/or
  - (b) acts or omissions by the Owner's agents, employees or Other Contractors.
- 28.3 Should any damage occur to the Work and/or property for which the Contractor is responsible the Contractor shall make good such damage at the Contractor's own expense or pay all costs incurred by others in making good such damage.
- 28.4 Should any damage occur to the Work and/or Owner's property for which the Contractor is not responsible as provided in GC17 the Contractor shall make good such damage to the Work, and, if the Owner so directs to the Owner's property, and the Contract Price and Contract Time shall be adjusted in accordance with GC18 - Changes in the Work.
- 28.5 The Contractor shall be completely responsible for the safety of the work as it applies to protection of the public and property and the construction of the work.
- The Codes that must be followed and enforced for safety are:
- (a) The National Building Code, Part 8 Construction Safety Measures (Latest Edition);
  - (b) The Workmen's Compensation Board Accident Prevention Regulations (Latest Edition);
  - (c) Canadian Code for Construction Safety (Latest Edition) as issued by the Associate Committee of the National Building Code.
- 28.6 Any person not following stipulated safety regulations shall be dismissed.

**GC29 DAMAGES AND MUTUAL RESPONSIBILITY**

- 29.1 If either party to this Contract should suffer damage in any manner because of any wrongful act or neglect of the other party or anyone employed by that party then that party shall be reimbursed by the other party for such damages. The party reimbursing the other party shall be subrogated to the rights of the other party in respect of such wrongful act or neglect if it be that of a third party.
- 29.2 Claims under this GC shall be made in writing to the party liable within reasonable time after the first observance of such damage and not later than the time limits stipulated in GC21-Certificates and Payments, and may be adjusted by agreement or in the manner set out in GC16-Settlement of Disputes and Claims
- 29.3 If the Contractor has caused damage to any Other Contractor on the work, the Contractor agrees upon due notice to settle with such Other Contractor by agreement or arbitration, if the other Contractor will so settle. If such Other Contractor sues the Owner on account of any damaged alleged to have been so sustained, the Owner shall notify the Contractor and may require the Contractor to defend the action at the Contractor's expense. If any final order or judgement against the Owner arises therefrom the Contractor shall pay or satisfy it and pay all costs incurred by the Owner.
- 29.4 If the Contractor becomes liable to pay or satisfy any final order, judgement or award against the Owner then the Contractor, upon undertaking to indemnify the Owner against any and all liability for costs, shall have the right to appeal in the name of the Owner such final order or judgement to any and all courts of competent jurisdiction.

**GC30 BONDS**

- 30.1 The Owner shall have the right during the period stated in the tender documents for acceptance of the tender to require the Contractor to provide and maintain in good standing until the fulfilment of the Contract, bonds covering the faithful performance of the Contract including the requirements of the Warranty provided for in GC31-Warranty, and the payment of all obligations arising under the Contract.
- 30.2 All such bonds shall be issued by a duly incorporated surety company approved by the Owner and authorized to transact the business of surety-ship in the Province of Newfoundland and Labrador.



- 30.3 If bonds are called for in the tender documents or supplementary general conditions or instructions to bidders, the costs attributable to providing such bonds shall be included in the tender price.
- 30.4 Should the Owner require the provision of a bond or bonds by the Contractor other than those provided for under 30.3, the Contract Price shall be increased by all costs attributable to providing such bonds.
- 30.5 The Contractor shall promptly provide the Owner with any bonds that are required.

**GC31 WARRANTY**

- 31.1 Without restricting any warranty or guarantee implied or stipulated by law the Contractor shall at the Contractor's own expense rectify and make good any defect or fault however caused appearing within a period of one year from the date of Substantial Performance of the Work provided that the Contractor shall not be responsible for any defect or fault resulting from the design of the work.
- 31.2 The Contractor shall correct and/or pay for any damage to other work resulting from any corrections required under the conditions of 31.1.
- 31.3 Neither the Engineer/Architect's final certificate nor payment thereunder shall relieve the Contractor from the Contractor's responsibility hereunder.
- 31.4 The Owner and/or the Engineer/Architect shall give the Contractor written notice of observed defects promptly.

**GC32 CONTRACTOR'S RESPONSIBILITIES AND CONTROL OF THE WORK**

- 32.1 The Contractor shall have complete control of the Work except as provided in GC15 - Emergencies. The Contractor shall effectively direct and supervise the Work using the Contractor's best skill and attention. The Contractor shall be solely responsible for all construction means, methods, techniques, sequences and procedures and for coordinating all parts of the Work under the Contract.
- 32.2 The Contractor shall have the sole responsibility for the design, erection, operation, maintenance and removal of temporary structural and other temporary facilities and the design and execution of construction methods required in their use. The Contractor shall engage and pay for registered professional engineering personnel skilled in the appropriate discipline to perform these functions where required by law or by the Contract Documents and in all cases where such temporary facilities and their method of construction are of such a nature that professional engineering skill is required to produce safe and satisfactory results.
- 32.3 Notwithstanding the provisions of paragraphs 32.1 and 32.2 above, or any provisions to the contrary elsewhere in the Contract Documents where such Contract Documents include design for temporary structural and other temporary facilities and methods shall be deemed to comprise part of the overall design of the Work and the Contractor shall not be held responsible for that part of the design or the specified method of construction. The Contractor shall, however, be responsible for the execution of such design or specified method of construction in the same manner that the Contractor is responsible for the execution of the Work.
- 32.4 The Contractor shall carefully examine the Contract Documents and shall promptly report to the Engineer/Architect any error, inconsistency or omission the Contractor may discover. The Contract shall not be held liable for any damage resulting from any such errors, inconsistencies or omissions in the Contract Documents.

**GC33 SUPERINTENDENCE**

- 33.1 The Contractor shall employ a competent superintendent and necessary assistants who shall be in attendance at the Work site at all times while work is being performed.
- 33.2 The superintendent shall be satisfactory to the Engineer/Architect and shall not be changed except for good reason and only then after consultation with an agreement by the Engineer/Architect.



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- 33.3 The superintendent shall represent the Contractor at the Work site and directions given to the Contractor by the Engineer/Architect shall be held to have been given to the Contractor. Important directions shall be confirmed to the Contractor in writing, other directions will be so confirmed if requested.

**GC34 LABOUR AND PRODUCTS**

- 34.1 Unless otherwise stipulated elsewhere in the Contract Documents, the Contractor shall provide and pay for all labour products, tools, construction equipment and machinery, water, heat, light, power, transportation and other facilities and services necessary for the proper performance of the Work.
- 34.2 All products provided shall be new unless otherwise specified in the Contract Documents. Any products which are not specified shall be of a quality best suited to the purpose required and their use subject to the approval of the Engineer/Architect.
- 34.3 The Contractor shall at times maintain good order and discipline among his employees engaged on the Work and shall not employ on the Work any unfit person nor anyone not skilled in the task assigned to him.

**GC35 SUBSURFACE CONDITIONS**

- 35.1 The Contractor shall promptly notify the Engineer/Architect in writing if, in the Contractor's opinion, the subsurface conditions at the Project site differ materially from those indicated in the Contract Documents or as may have been represented to the Contractor by the Owner or Engineer/Architect before the time of tender submission.
- 35.2 After prompt investigation, should the Engineer/Architect determine that conditions do differ materially, he or she shall issue appropriate instructions for changes in the Work as provided for in GC18 - Changes in Work.

**GC36 USE OF PREMISES**

- 36.1 The Contractor shall confine the Contractor's apparatus, the storage of products and the operations of the Contractor's workers to limits indicated by laws, ordinances, permits or by directions of the Engineer/Architect and shall not unreasonably encumber the premises with his products.
- 36.2 The Contractor shall not load or permit to be loaded any part of the Work with a mass that will endanger its safety.
- 36.3 The Contractor shall enforce the Engineer/Architect's instructions regarding signs, advertisements, fires and smoking.
- 36.4 Unless otherwise provided the Contractor shall, at the Contractor's own expense, and without extra cost to the Owner, make suitable provision to accommodate all traffic either pedestrian or vehicular, over or around, the project upon which work is being performed in a manner satisfactory to the Engineer/Architect.
- 36.5 The Contractor shall provide and maintain at the Contractor's own expense such fences, barriers, signs, lights and watchmen as may be necessary to prevent avoidable accidents to residents or to the public generally.

**GC37 CLEANUP AND FINAL CLEANING OF WORK**

- 37.1 The Contractor shall maintain the work in a tidy condition and free from the accumulation of waste products and debris, other than that caused by the Owner, other Contractor or their employees.
- 37.2 When the Work is Substantially Performed the Contractor shall remove all of the Contractor's surplus products, tools, construction machinery and equipment not required for the performance of the remaining work. The Contractor shall also remove any waste products and debris and leave the Work clean and suitable for occupancy by the Owner unless otherwise specified.
- 37.3 When the Work is totally Performed, the Contractor shall remove all of the Contractor's surplus products, tools, construction machinery and equipment. The Contractor shall also remove any waste products and debris, other than that caused by the Owner, other contractors or their employees.

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**GC38 CUTTING AND REMEDIAL WORK**

- 38.1 The Contractor shall do all cutting and remedial work that may be required to make the several parts of the Work come together properly.
- 38.2 The Contractor shall coordinate the schedule for the Work to ensure that this requirement is kept to a minimum.
- 38.3 Should the Owner or anyone employed by the Contractor be responsible for ill-timed work necessitating cutting and/or remedial work shall be valued as provided in GC19 - Valuation and Certification of Changes in the work and added to the Contract Price.
- 38.4 Cutting and remedial work shall be performed by specialists familiar with the materials affected and shall be performed in a manner to neither damage nor endanger any Work.

**GC39 INSPECTION OF WORK**

- 39.1 The Owner and the Owner's authorized representatives shall have access to the Work for inspection wherever it is in preparation or progress. The Contractor shall cooperate to provide reasonable facilities for such access.
- 39.2 If special tests, inspections or approvals are required by the Contract Documents, the Engineer/Architect instructions or the laws or ordinances of the place of building the Contractor shall give the Engineer/Architect timely notice requesting inspection. Inspection by the Engineer/Architect shall be made promptly. The Contractor shall arrange inspection by other authorities and shall notify the Engineer/Architect of the date and time.
- 39.3 If the Contractor covers or permits to be covered any of the Work that is subject to inspection or before any special tests and approvals are completed without the approval of the Engineer/Architect, the Contractor shall uncover the Work, have the inspection satisfactorily completed and make good the Work at the Contractor's own expense.
- 39.4 Examination of any questioned work may be ordered by the Engineer/Architect. If such work be found in accordance with the Contract the Owner shall pay the cost of examination and replacement, together with the cost of subsequent verification testing. If such Work be found not in accordance with the Contract through the fault of the Contractor, the Contractor shall pay such cost.
- 39.5 The Contractor shall furnish promptly to the Engineer/Architect two (2) copies of all certificates and inspection reports relating to the Work.

**GC40 REJECTED WORK**

- 40.1 Defective Work, whether the result of poor workmanship, use of defective products or damage through carelessness or other act or omission of the Contractor, and whether incorporated in the Work or not, which has been rejected by the Engineer/Architect as failing to conform to the Contract Documents shall be removed promptly from the premises by the Contractor and replaced and/or executed promptly in accordance with the Contract Documents at the Contractor's expense.
- 40.2 Other Contractor's Work destroyed or damaged by such removals or replacements shall be made good promptly at the Contractor's expense.
- 40.3 If in the opinion of the Engineer/Architect it is not expedient to correct defective work not done in accordance with the Contract Documents, the Owner may deduct from the Contract Price the difference in value between the Work as done and that called for by the Contract, the amount of which shall be determined in the first instance by the Engineer/Architect.

**GC41 SHOP DRAWINGS**

- 41.1 The term "shop drawings" means drawings, diagrams, illustrations, schedules, performance charts, brochures, and other data which are to be provided by the Contractor to illustrate details of a portion of the Work.

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- 41.2 The Contractor shall arrange for the preparation of clearly identified shop drawings as called for by the Contract Documents or as the Engineer/Architect may reasonably request.
- 41.3 Prior to Submission to the Engineer/Architect the Contractor shall review all shop drawings. By this review the Contractor represents that the Contractor has determined and verified all field measurements, field construction criteria, materials, catalogue numbers and similar data or will do so and that the Contractor has checked and coordinated each shop drawing with the requirements of the work and the Contract Documents. The Contractor's review of each shop drawing shall be indicated by stamp, date and signature of a responsible person.
- 41.4 The Contractor shall submit shop drawings to the Engineer/Architect for his or her review with reasonable promptness and in orderly sequence so as to cause no delay in the Work or in the Work of Other Contractors. If either the Contractor or the Engineer/Architect so requests they shall jointly prepare a schedule fixing the dates for submission and return of shop drawings. Shop drawings shall be submitted in the form of a reproducible transparency or prints as the Engineer/Architect may direct. At the time of submission the Contractor shall notify the Engineer/Architect in writing of any deviations in the shop drawings from the requirements of the Contract Documents.
- 41.5 The Engineer/Architect will review and return shop drawings in accordance with any schedule agreed upon, or otherwise with reasonable promptness so as to cause no delay. The Engineer/Architect's review shall be for conformity to the design concept and for general arrangement only and such review shall not relieve the Contractor of responsibility for errors or omissions in the shop drawings or of responsibility for meeting all requirements of the Contract Documents unless a deviation on the shop drawings has been approved in writing by the Engineer/Architect.
- 41.6 The Contractor shall make any changes in shop drawings which the Engineer/Architect may require consistent with the Contract Documents and resubmit unless otherwise directed by the Engineer/Architect. When resubmitting the Contractor shall notify the Engineer/Architect in writing of any revisions other than those requested by the Engineer/Architect.

**GC42 SAMPLES**

- 42.1 The Contractor shall submit for the Engineer/Architect's approval such standard manufacturers' samples as the Engineer/Architect may reasonably require. Samples shall be labeled as to origin and intended use in the Work and shall conform to the requirements of the Contract Documents.
- 42.2 The Contractor shall provide samples of special products, assemblies, or components when so specified. The cost of such samples not specified shall be authorized as an addition to the Contract Price as provided in GC18 - Changes in the Work.

**GC43 TESTS AND MIX DESIGNS**

- 43.1 The Contractor shall furnish to the Engineer/Architect test results and mix designs as may be requested. The testing company must first be approved by the Engineer/Architect.
- 43.2 The cost of test and mix designs beyond those called for in the Contract Documents or beyond those required by laws, ordinances, rules and regulations relating to the work and the preservation of public health, shall be as authorized an addition to the Contract Price as provided in GC18-Changes in the Work.

**GC44 MATERIALS AND SUBSTITUTIONS**

- 44.1 Materials, described and named in the specifications with "or approved equal" clause after the Manufacturer's name, or so described as to establish quality only and substitutions of a similar material may be made after award of the contract provided the Engineer/Architect's approval is obtained.
- 44.2 Requests for substitutions must be accompanied by sufficient information in the form of shop drawings, manufacturer's literature, samples and other data to permit proper investigation of the substitutes proposed. Also, indicate the increase or decrease in price.



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- 44.3 Whenever a substitute is proposed for approval the Contractor shall guarantee that such proposed substitute will not adversely affect the space requirements allocated on the drawings for the material specified, and the Contractor shall agree to bear any additional expense incurred due to the Contractor's use of the proposed substitute.
- 44.4 The Engineer/Architect may accept or reject any or all of the proposed substitutions as he or she sees fit, and his or her decision on a question of equality shall be final.

**GC45 LABOUR**

- 45.1 In carrying out his duties under this contract, the Contractor should comply with all Provincial and Federal legislation respecting labour and the employment of labour, where applicable, including the labour standards code and shall not operate in conflict with the Human Rights legislation. In the employment of labour, preference should be given to persons normally resident in Newfoundland and Labrador.
- 45.2 The Contractor and Subcontractors shall maintain and keep available for inspection by the Owner, a record of the names and addresses of all persons employed on the project.
- 45.3 All work shall be done by workers skilled in their various trades.
- 45.4 There shall be no discrimination in the selection of workers for employment on the project in respect of race, religious views or political affiliation, and the office of the Canada Manpower will be used in the recruitment of workers where practicable.
- 45.5 The Contractor shall pay fair wages and shall pay rates of wages and allowances to the various classes of labour not less favorable than those prevailing in the area where the work is being performed.

**GC46 PROVINCIAL PREFERENCE POLICY**

- 46.1 Preference will be given to Newfoundland and Labrador Contractors and Subcontractors and to products manufactured, processed or supplied in Newfoundland and Labrador, in accordance with the Provincial Preference Act, associated regulations and guidelines.

**GC47 TIME OF ESSENCE**

- 47.1 Time is of the essence of the Contract.

2012

PROJECT NO 1-12PHP



Transportation and Works

**AGREEMENT BETWEEN OWNER AND CONTRACTOR for use when a unit price forms the basis of payment and to be used only with the General Conditions of the Contract**

**THIS AGREEMENT** made in duplicate the 25<sup>th</sup> day of May in the year two thousand-twelve.

**BY AND BETWEEN**

Her Majesty the Queen in Right of Newfoundland and Labrador as represented by the Minister of Transportation and Works acting pursuant to the Executive Council Act, SNL 1995 c. E-16.1.

hereinafter called the "Owner"

**AND HUMBER VALLEY PAVING LTD., P.O. BOX 1162, CORNER BROOK, NL**

hereinafter called the "Contractor"

**WITNESSETH** : that the Owner and Contractor undertake and agree as follows:

**ARTICLE A-1 THE WORK**

The Contractor shall:

- (a) perform all the Work required by the Contract Documents for **PROJECT NO. 1-12PHP** (See Tender Form for Description) which have been signed in duplicate by both the parties,
- (b) do and fulfil everything indicated by this Agreement, and
- (c) commence the Work by the day of 2012 and substantially perform the Work of this Contract as certified by the Engineer by the 31st day of July, 2013.
- (d) The "Engineer" is the person designated as such from time to time by the Owner.

**ARTICLE A-2 CONTRACT DOCUMENTS**

The following is an exact list of the Contract Documents referred to in Article A-1:  
(SEE TABLE OF CONTENTS FOR LIST OF DOCUMENTS AND DRAWINGS).

**ARTICLE A-3 CONTRACT PRICE**

The Owner shall pay to the Contractor in lawful money of Canada for the performance of the Contract, the amounts determined for each of the items of work completed at the unit price stated in the unit price table, subject to the adjustments provided herein and in the General Conditions of the Contract. The quantities contained in the unit price table are approximate only, and the final payment shall be made for the actual quantities that are incorporated in or made necessary by the work covered by the Contract.

**THE CONTRACT PRICE IS TWENTY-ONE MILLION, FIVE HUNDRED EIGHTY-TWO THOUSAND, NINE HUNDRED FIFTY-FIVE DOLLARS & EIGHTY-SIX CENTS (\$21,582,955.86)** (including HST) in Canadian funds which price shall be subject to adjustments as may be required in accordance with the General Conditions of the Contract.

**ARTICLE A-4 PAYMENT**

- (a) Subject to applicable legislation and, where such legislation does not exist or apply, in accordance with such prescribed regulations or industry practice respecting holdback percentages and in accordance with the provisions of the General Conditions of the Contract, the Owner shall:

AGREEMENT 1



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- a. make monthly payments to the Contractor on account of the Contract Price. The amounts of such payments shall be as certified by the Engineer and
  - b. upon Substantial Performance of the work as certified by the Engineer pay to the contractor any unpaid balance of holdback monies then due; and
  - c. upon Total Performance of the Work as certified by the Engineer pay to the contractor any unpaid balance of the Contract Price then due.
- (b) If the Owner fails to make payments to the Contractor as they become due under the terms of this Contract in any award by a court, interest at the rate and in the manner specified in GC21-Certificates and Payments, shall become due and payable until payment. Such interest shall be calculated and added to any unpaid amounts monthly.

ARTICLE A-5 ADDRESSES FOR NOTICES

All communications in writing between the parties or between them and the Engineer shall be deemed to have been received by the addressee if delivered to the individual or to a member of the firm or to an officer of the Corporation for whom they are intended or if sent by post or by facsimile addressed as follows:

The Owner at: Tendering and Contracts, Dept. of Transportation & Works  
Ground Floor-West Wing, East Block, Confederation Bldg.  
P.O. Box 8700, St. John's, NL, A1B 4J6

The Contractor at HUMBER VALLEY PAVING LTD., P.O. BOX 1162, CORNER BROOK, NL

The Engineer at: D. Tee, Regional Director, Goose Bay, Labrador

ARTICLE A-6 SUCCESSION

The General Conditions of the Contract hereto annexed, and all other aforesaid Contract Documents, are all to be read into and form part of this Agreement and the whole shall constitute the Contract between the parties and subject to law and the provisions of the Contract Documents shall ensure to the benefit of and be binding upon the parties hereto, their respective heirs, legal representatives, successors and assigns.

IN WITNESS WHEREOF the parties hereto have executed this Agreement under their respective corporate seals and by the hands of their proper officers hereunto duly authorized.

SIGNED, SEALED AND DELIVERED in the presence of:

OWNER

Department of Transportation and Works

*Jamie Chippett*  
\_\_\_\_\_  
Jamie Chippett, Deputy Minister Date *June 15/12*

CORPORATE SEAL

CONTRACTOR

*Eugene Coleman*  
\_\_\_\_\_  
Name and Title (Print)  
*Eugene Coleman* *June 12<sup>th</sup> / 2012*  
\_\_\_\_\_  
Signed Date

\_\_\_\_\_  
Name and Title

\_\_\_\_\_  
Signed Date

\_\_\_\_\_  
Name and Title

AGREEMENT 2



2012

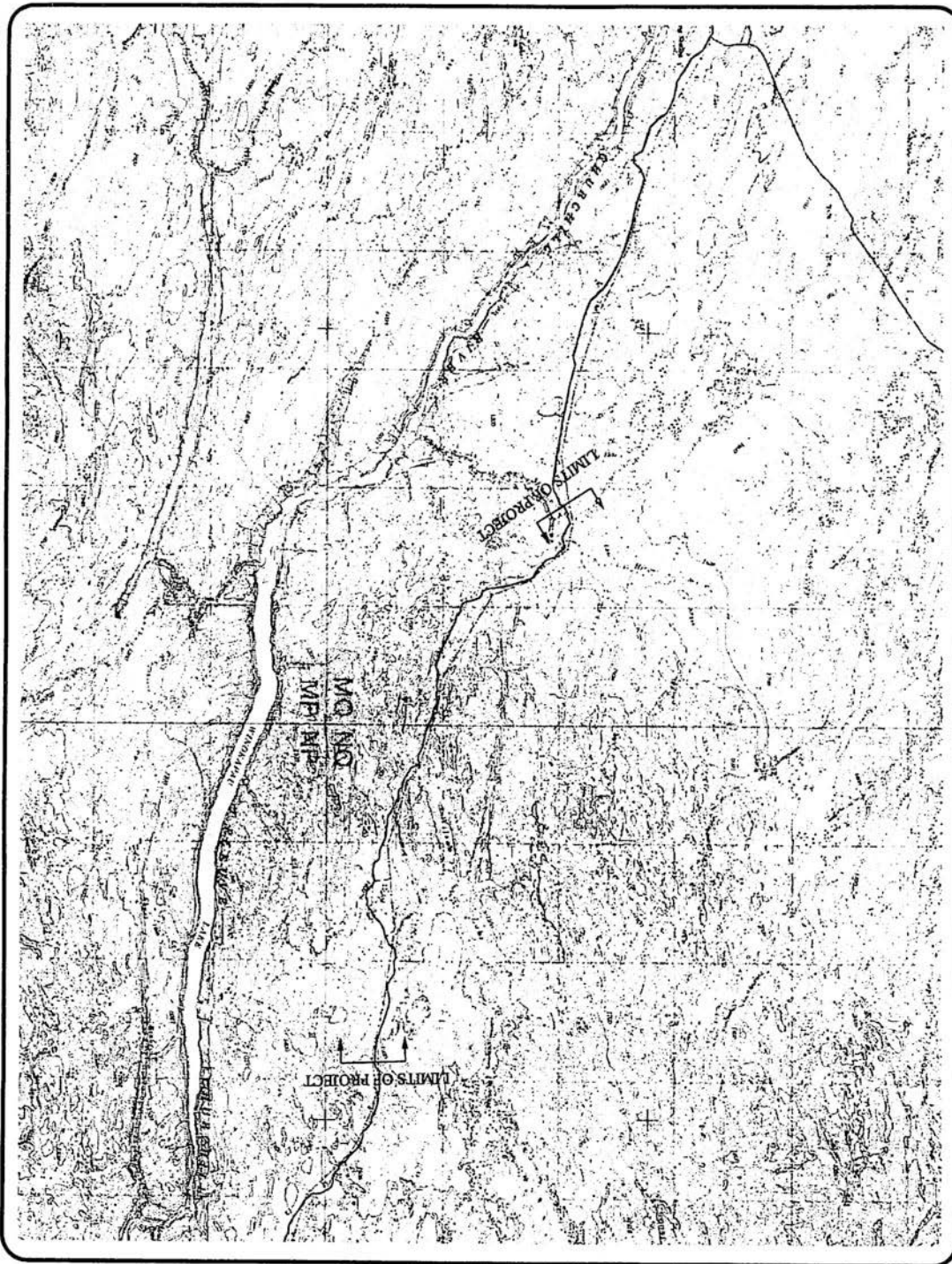
PROJECT NO 1-12PHP




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N.B. Where any legal jurisdiction, local practice or client requirement calls for proof of authority to execute this document, proof of such authority in the form of a certified copy of a resolution naming the person or persons in question as authorized to sign the Agreement for and on behalf of the Corporation or Partnership, should be attached.

AGREEMENT 3



 TRANSPORTATION AND WORKS HIGHWAY DESIGN DIVISION	PROJECT NO. 1-12PHP UPGRADE ROUTE 500, TRANS LABRADOR HIGHWAY, FROM HAPPY VALLEY GOOSE BAY TOWARDS CHURCHILL FALLS KM 172 TO KM 248.5		
	DRAWN BY: J.M.	DATE: March 30, 2012	Not To Scale

