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TENDER REPORT

Interior Finishes: Interior Metal Stud System (supply & install)
Gypsum Board (install, supply & install)
Acoustical Ceilings (install, supply & install)

On January 5, bids were received, in Fort Smith, for the interior metal stud system. The results are as follows:

Interior Metal Stud System

| Contractor | Base Bid | Local Content | Adjusted Tender Price (BIP) |
|---------------------|-----------|---------------|-----------------------------|
| Bay Acrylics | \$ 45,000 | \$ 26,460 | \$ 45,000 |
| Salt River Concrete | \$ 58,200 | \$ 58,200 | \$ 46,560 |
| MCL Ent. Ltd. | \$ 63,650 | \$ 63,650 | \$ 50,920 |
| Rainbow Holdings | \$ 89,394 | \$ 10,000 | \$ 75,484.9 |
| Arc Interiors Ltd. | \$ 99,087 | n/a | \$ 99,087 |

The results of the bids received, on January 12, for the gypsum board and acoustic ceiling are as follows:

Gypsum Board (supply & install)

| Contractor | Base Bid | Local Content | Adjusted Tender Price (BIP) |
|-----------------------|-----------|---------------|-----------------------------|
| Blink's Painting | \$186,628 | \$186,628 | \$149,302.4 * |
| Salt River Concrete | \$267,139 | \$238,399 | \$219,459.2 |
| Rainbow Holdings Ltd. | \$289,870 | \$ 49,000 | \$243,939.5 ** |
| Arc Interiors Ltd. | \$247,104 | n/a | \$247,104 |
| Bay Acrylics Inc. | \$362,908 | \$145,720 | \$362,908 |

Gypsum Board (install)

| | | | |
|------------------------|-----------|-----------|-----------|
| Shannon Interiors Ltd. | \$194,500 | \$ 67,000 | \$161,975 |
|------------------------|-----------|-----------|-----------|

Acoustic Ceiling (supply & install)

| | | | |
|---------------------|-----------|-----------|----------------|
| Salt River Concrete | \$ 65,200 | \$ 62,640 | \$ 54,672 |
| Burke Interiors | \$ 60,920 | n/a | \$ 60,920 |
| Bay Acrylics | \$ 75,409 | \$ 44,450 | \$ 75,409 |
| Arc Interiors | \$ 87,451 | n/a | \$ 87,451 |
| Rainbow Holdings | \$289,870 | \$ 49,000 | \$243,939.5 ** |

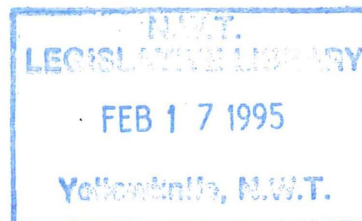
Acoustic Ceiling (install)

| | | | |
|-----------------|-----------|-----------|-----------|
| 913038 NWT Ltd. | \$ 16,050 | \$ 16,050 | \$ 12,840 |
|-----------------|-----------|-----------|-----------|

* for gypsum board and painting. This price is far below our estimates for these work categories; therefore considered unresponsive.

** for gypsum board and acoustic ceiling. Bonding was not provided by this non-local company; therefore considered unresponsive.

February 2, 1995



Page 1 of 3

Following a review of these tenders, Clark Builders recommended that only one contractor be awarded all this tendered work due to the complex co-ordination of the following trades and the potential "grey areas" between contractors. The bidders were subsequently requested to submit a combined price for the supply and installation of the interior metal stud system, gypsum board with related acoustic insulation and the acoustic ceiling system. The results are as follows:

| <u>Contractor</u> | <u>Base Bid</u> | <u>Local Content</u> | <u>Adjusted Tender Price (BIP)</u> |
|---------------------|-----------------|----------------------|------------------------------------|
| Rainbow Holdings | \$361,743 | \$ 59,000 | \$304,531.5 |
| Salt River Concrete | \$385,119 | \$350,619 | \$314,995.2 |
| Arc Interiors | \$355,875 | \$233,670 * | \$355,875 |
| Bay Acrylics | \$379,061 | \$191,390 | \$379,061 |
| Blinks Painting | \$535,676 | \$535,676 | \$428,540.8 |

* This figure is preliminary only and will increase once labour arrangements have been completed with all the local companies identified by the Committee.

On January 27, the Steering Committee (Don Webb, Barry Roste and Ed Andrews) met in Fort Smith to review the tenders.

Rainbow Holdings was unable to provide bonding, as required from non-local companies, and therefore the bid is considered unresponsive.

Salt River Concrete's bid was submitted in cooperation with Alpine Drywall, of Edmonton. While Alpine Drywall's involvement would be acceptable, our recent experiences with Salt River Concrete in the construction of the concrete foundation and floor slabs have led the Steering Committee, Clark Builders, the consultants and Public Works & Services to conclude that have not the "demonstrated ability" to coordinate and manage the scope of work now under consideration. Ability was one of the criteria for award of contract, as defined in the Instructions to Tenderers.

On January 27, Clark Builders' site superintendent (Craig Browne) reported to Public Works & Services the following situations regarding Salt River Concrete:

- a. Delays in pouring concrete: On December 5, Salt River Concrete was notified, by letter, that their "no shows" must stop immediately. This was the second occurrence. Pre-heat expenses were incurred in preparation for these pours.
- b. Lack of material: Cement and gravel supplies ran out during pouring.
- c. Lack of organization: There has never been a full-time foreman on the site.
- d. Lack of skilled tradespeople (finishers, carpenters, layout person).
- e. Lack of priority: This site has been left for other work.
- f. No quality control. Salt River Concrete was advised, at a December site meeting, that much of the second floor concrete finish was unacceptable and must be repaired.
- g. Schedule changes: The remedial repairs to the second floor slab were to be completed over the Christmas holidays. They are still not completed.
- h. No concern for site safety. Workers are regularly reminded by Clark Builders to bring their hard hats and safety shoes. Clark Builders' site superintendent has been told by Salt River Concrete personnel to stop pressing the issue of safety.
- i. No guidance or direction to work force.
- j. No one person has ever been accountable.
- k. Lack of ambition.

In summary, Salt River Concrete lacks organization, direction, accountability, quality / schedule control and a regard for construction safety. The conclusion reached by Clark Builders, Public Works & Services and the consultants is that Salt River Concrete is not considered responsible.

The financial stability of Salt River Concrete is also in question. On December 15, Clark Builders received a Requirement to Pay notice from Revenue Canada regarding tax debts by Salt River Concrete, totaling \$61,451.48, under the Excise Tax Act. This requirement was subsequently withdrawn on the understanding that Clark Builders submit \$10,000 directly to Revenue Canada on behalf of the debtor. On January 25, Clark Builders received another Requirement to Pay notice regarding tax debts totaling \$12,470.45 under the Income Tax Act. This matter is now under review.

The partners of Salt River Concrete are Bob Beach and George Cummings. Bob Beach is the partner with the technical knowledge of construction. It is our understanding that Bob Beach is considering selling his interest in the company to his partner. This issue raises further questions over the future structure of the company.

The lowest acceptable tender for the combined scope of work was received from Arc Interiors, of Edmonton. The local members of the Steering Committee expressed concern that by expanding the scope of work, the local contractors who tendered on portions only would be excluded. The Committee recommended that Clark Builders request Arc Interiors to contact several local companies with the required collective trade skills, as identified by the Committee, to increase the level of local involvement.

On January 30, Arc Interiors confirmed that an agreement had been reached with 913038 NWT Ltd. (Ray Shiels), Blink's Painting (Dwayne Gladue) and Mike's Carpentry / Painting (Mike Freund). Discussions are continuing with MCL Ent. (David McLannon). The intention of Arc Interiors is to send two of their men to ensure quality control with the balance of the labour force to be local. The total required workforce for this scope of work could reach twelve, if work progresses concurrently. Clark Builders is presently working with Arc Interiors on projects in Yellowknife and is confident the contractor would fulfill their commitment on local involvement. It is also their intent to purchase the construction materials in Fort Smith.

The Steering Committee discussed the matter, by telephone, on January 31. By consensus, the Committee recommends that a contract be awarded to Arc Interiors Ltd. for the amount of \$355,875. Clark Builders was notified of this decision on February 1.

This recommendation has been made on the understanding that the levels of local employment and material would be close to that identified by Salt River Concrete. In following through with their commitment, this objective should be achieved. The performance of this contract will be monitored by the Steering Committee.

Economic Development & Tourism, Fort Smith Region, has had considerable involvement with Salt River Concrete. John Sheehan, Regional Superintendent, has been advised of the current issues and acknowledges the reasons behind our decision.

