



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS  
BUREAU OF CONSTRUCTION  
BONIFACIO DRIVE, PORT AREA, MANILA

DPWH 13 DPWH  
2-12-91

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DEPARTMENT ORDER )  
NO. **30**  
Series of 1991

SUBJECT: Preparation of Agency Estimates

DPWH 248  
1991

The following policies, rules, regulations and procedures relative to the preparation of government estimates (AAE) are hereby issued for the guidance of all concerned.

All the items of work to be used therein shall be in accordance with the Standard Specifications for Highways and Bridges, Revised 1988.

The government estimate shall be composed of two parts, the Direct Cost and the Indirect Cost.

A. The Direct Cost are the following:

A.1 Cost of materials, supplies, etc. to be used in doing the work item called for and shall include, inter alia, the following:

- A.1.1 Cost at source. This includes processing, crushing, stockpiling, loading, royalties, local taxes, haul roads, etc.;
- A.1.2 Hauling expenses;
- A.1.3 Handling expenses;
- A.1.4 Storage;
- A.1.5 Waste and/or losses.

A.2 Cost of Labor:

- A.2.1 Salaries and Wages should be as authorized by the Department of Labor;
- A.2.2 It shall include all fringe benefits such as vacation and sick leaves, Workmen's Compensation Act, GSIS and/or SSS contributions, allowances, 13th month pay, bonuses, etc.

A.3 Equipment Expenses.

- A.3.1 Rentals shall be based on prevailing "The Associated Construction Equipment Lessors, Inc." (ACEL) rental rates approved for use by DPWH. (Presently it is the 1989 ACEL Rates.)

A.3.2 Rental rates of equipment not reflected in the ACEL booklet may be taken from the rental rates prepared by the Bureau of Equipment.

A.3.3 For simplicity in computation, the operated rental rates are preferred over the bare rental rates as the former includes operator's wages, fringe benefits, fuel, oil, lubricants and equipment maintenance.

A.3.4 Mobilization and demobilization will be computed on a case to case basis based on the equipment requirements of the project stipulated in the proposal and contract booklet but in no case shall exceed the percentage (ceiling) indicated below:

(a) For projects advertised for bidding in Central Office or for simultaneous bidding in Central Office and Regional Office assuming Manila as the base of contractor:

<u>Location of Projects</u>	<u>In Percentage of Direct Cost</u>
Manila, Southern Luzon and Central Luzon	2%
Northern Luzon and Bicol Provinces	4%
Visayas and Island Provinces in Region IV-B	6%
Mindanao Provinces	7%

(b) For projects under negotiated contract, sealed canvassed bidding and/or bid locally in the Region/District, it shall not exceed 2% (ceiling) of the Direct Cost as it is presumed that the contractor is based in the locality where the project is located.

(c) For projects with estimated direct costs exceeding P10M, it is preferred to make Mobilization/Demobilization as a separate pay item, hence, in calculating unit prices, the indirect cost/mark-up to be used as detailed hereunder shall only be those for OCM and profit.

B. The Indirect Costs are the following:

B.1 Overhead Expenses - [Usually 6-7% (ceiling) of Direct Cost] which includes:

B.1.1 Supervision (Engineering and Administrative);

B.1.2 Transportation allowances;

B.1.3 Office Expenses (Office Equipment and Supplies);

B.1.4 Contractor's All Risk Insurance;

B.1.5 Financing Cost

(a) Premium on Bid Security

(b) Premium on Performance Security

(c) Premium/Charges/Fees on Credit Lines

(d) Cost of Money necessary to finance project

B.2 Unforeseen Contingencies - [Usually 3-5% (ceiling) of Direct Expenses];

B.3 Miscellaneous Expenses - [Usually 1% (maximum) of Direct Expenses].

NOTE: For the percentage to be used for Nos. B.1, B.2 and B.3, see OCM Column in the tabulation below.

ESTIMATED DIRECT COST (EDC)	INDIRECT COSTS % FOR OCM AND PROFIT (maximum ranges)	% COST FOR MOB/ DEMOB (maximum)	% COST FOR MOB/ DEMOB (maximum)	TOTAL MAXIMUM INDIRECT COST % FOR OCM AND PROFIT AND MOB/DEMOB (FOR PROJECTS P10M AND BELOW)
Up to P1Million	13	15	2	30
Above P1M to P5M	12	14	2	28
Above P5M to P10M	12	13	2	27
Above P10M to P20M	11	12	(Separate)	23
Above P20M to P50M	11	11	( Pay )	22
Above P50M	10	10	( Item )	20

B.4 Contractor's Profit Margin - See tabulation above.

B.5 Laboratory Tests- included in Miscellaneous Expenses.

C. The prescribed format for the Calculation of the Agency Estimate is hereto attached (Attachment "A").

D. Instructions in filling-up the format:

D.1 Columns (1) to (4) are self-explanatory.

D.2 Column (5) is the estimated direct cost (EDC) of the work item as calculated and reflected in the cost analysis prepared by the Estimator.

D.3 Column (6) indicates the value added tax component of the work item as shown in the cost analysis.

For work items involving only the use of contractor's labor force and/or equipment the whole EDC is subject to 10% VAT.

For work items involving use of materials, only the labor and equipment cost components of the EDC are subjected to 10% VAT. The materials component is not subjected anymore to VAT because these were already "taxed" by the supplier. The tax added by the supplier to the cost of these materials is part of the total cost paid by the contractor. This is an INPUT tax which is deductible from his output tax.

D.4 Columns (7), (8) and (9) are the mark-ups in percent to be determined from the ranges and locations given.

D.5 Column (10) is the sum of the percentages under columns (7), (8) and (9).

D.6 Column (11) is the peso value of the total mark-up. It is determined by multiplying the total mark-up in percent (column 10) with the EDC (column 5).

D.7 Column (12) is the sum of columns (6) and (11).

D.8 Column (13) is the sum of the direct cost (column 5) and total indirect cost (column 12).

D.9 Column (14) is the unit cost of the work item. It is determined by dividing the total cost of the work items (column 13) with its total quantity (column 3).

D.10 Columns (1) thru (6) shall be filled up by the Implementing Office concerned, i.e., the Chief of the Construction/Maintenance Section/Division of the District/Regional Offices for construction/restoration projects, or the Project Manager incharge of the PMO concerned. These officials shall be fully responsible for the accuracy of their estimates vis-a-vis current market prices of materials and equipment usage, cost-effectiveness of the choice of construction methods and equipment, numbers/types of equipment/labor used, etc., etc., as well as the confidentiality of these estimates.

D.11 Columns (7) thru (14) shall be filled up by the PBAC Chairman concerned who shall similarly be responsible for the accuracy and integrity of his calculations. Also, he may revise the estimates submitted by the Implementing Office if, in his judgement, the estimates are too high.

The authority who will finally approve the AAE (DE/RD/Undersecretary/Secretary) can also cause revisions on these estimates as part of the judicious exercise of their authority.

Since the Government Estimate is to be compared with the Contractor's Bid and is to be the basis for judging whether the bids received are reasonable or not, then the Government Estimate should be based on the proposal and contract booklet and should contain the same items of work and quantities that a Contractor would reckon with in preparing his bid,

DPWH Estimators should continuously update their information/statistics on market prices of all construction inputs and use only unit prices that are realistic based on valid up-to-date information in contrast to guesswork and haphazard pricing. All assumptions in generating the estimate should be shown in the cost analysis.

Those who prepared/reviewed/checked the estimates should see to it that in case they are called upon to make good on their estimates they can perform the job themselves at the cost they have generated.

Previously issued circulars, memoranda and orders inconsistent herewith are hereby revoked.

This Department Order shall take effect immediately.

  
JOSE P. DE JESUS  
Secretary