



Republic of the Philippines

MINISTRY OF PUBLIC WORKS

MPW Building, Port Area, Manila

OFFICE of the MINISTER

8 January 1980

MINISTRY ORDER)

NO. 80 - 4)

SUBJECT: Rental Rates for MPW
Construction Equipment

The following system for setting rental rates is hereby prescribed for all construction equipment of the Ministry of Public Works effective 1st February 1980.

A. Objective

1. The objective in establishing rental rates for the construction equipment of the Ministry of Public Works is to recover the capital cost of the equipment, with provision for its replacement at the end of its economic life, plus all relevant operating and maintenance expenses. It is, therefore, envisioned that equipment operation be a self-liquidating undertaking.
2. In renting its equipment to government agencies and, in some cases, private entities, the Ministry of Public Works seeks to maximize the utilization of the equipment as well as to assist in the development of the country.
3. Even for projects of the Ministry of Public Works itself, rental rates should be "paid" out of project funds for proper accounting, in line with our policy of operating the equipment as a cost center.

B. Cost Factors

The rental rates shall take into account the following cost factors:

1. Depreciation/hr. - (D)

$$D = \frac{C}{UL}$$

2. Interest on Investment/hr - (II)

$$II = \frac{0.16C}{U}$$

3. Insurance/hr. - (I)

$$I = \frac{0.025C}{U}$$

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4. Maintenance and Repair/hr. - (MR)

$$MR = \frac{0.04C}{C}$$

where:

C - average market value of the equipment, in pesos,

U - annual equipment utilization, in hours per year, and

L - economic life of the equipment, in years

C. Equipment Rental Rate Formulae

1. Bare Rental

$$R = D + II + I$$

$$= \frac{C}{UL} + \frac{0.16C}{U} + \frac{0.025C}{U}$$

$$R = \frac{C}{UL} \times (1 + 0.185L)$$

2. Rental with Lessor-Provided Maintenance and Repair

$$R = D + II + I + MR$$

$$= \frac{C}{UL} + \frac{0.16C}{U} + \frac{0.025C}{U} + \frac{0.04C}{U}$$

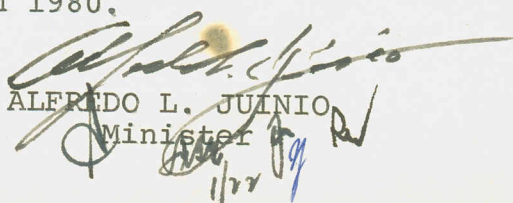
$$R = \frac{C}{UL} \times (1 + 0.225L)$$

3. Rental with Lessor-Provided Maintenance, Repair, Operator, and Fuel

$$R = D + II + I + MR + \text{operator's salary cost} + \text{actual fuel consumption}$$

$$R = \frac{C}{UL} \times (1 + 0.225L) + \text{operator's salary cost} + \text{actual fuel consumption}$$

Based on the above formulae, each Bureau, Regional Office District Office, and other units concerned shall develop a schedule of rental rates for each type of equipment under its jurisdiction and shall submit the same to this Office for approval not later than 1st March 1980.


ALFREDO L. JUNIO
Minister