

23 June 1986

MINISTRY ORDER)
NO. 21)
Series of 1986)

SUBJECT: Revised Guidelines in the Equipment Leasing Operation with schedules of rental rates.

The leasing operation of this Ministry as an integral part of the established equipment management system necessitates the charging of rental for the use of MPWH equipment to generate income as a source of fund for sustained equipment maintenance and the recovery of capital investment for replacement of retired units. Also, Executive Order No. 710 dated 27 July 1981 creating the Ministry, mandates that regional equipment centers and material processing plants shall be operated as financially self-sustaining entities.

To be attuned and responsive with the changing policies that has evolve, the revised guidelines in the Ministry's equipment leasing operation implemented pursuant to Ministry Order No. 28, series of 1984, is further revised.

Effective 01 July 1986, the rental rates in the enclosed schedules shall be the basis in charging for the use of the ministry's owned equipment fleet, Schedule "A" for land based units on a fully-maintained basis (maintenance provided by the lessor but without fuel and operator) and Schedule "B" for the floating equipment, subject to the following terms and conditions:

A. For the Ministry's Field Operating Units undertaking projects by Administration of Force Account.

1. Issuance of equipment shall be covered by Memorandum Receipt (MR) or Responsibility Receipt (RR) to be signed by the Lessee or his duly authorized representative upon withdrawal of the equipment, or by the Lessee's bonded Property Officer initially upon withdrawal of the equipment, but invariably to be signed later by the Lessee.
2. The use of equipment shall be documented by submitting an Equipment Request and Rental Order (ERRO) initiated by the Lessee which is transmitted to the Regional Director for approval, thru the Planning Staff of the Regional/Area Equipment Services for availability, then to the Regional/District/City Accountant as the case maybe, for certification and obligation of corresponding funds for the payment of rental, indicating thereon the corresponding ROA number and finally, to the Regional Equipment Allocation Staff (REAS) for conformity with the established project priorities.

NOTE: THE ORIGINAL AND ALL ATTACHMENT OF

MINISTRY ORDER NO 21 S. OF 1986 DATED JUNE 23, 1986
IS IN THE OFFICE OF BOE, RECEIVED BY
(MR. EMILIANO ROJANO)
JULY 11, 1986 1:30 P.M.

MR. EMILIANO ROJANO
BUREAU OF EQUIPMENT

After approval, the ERRO should be returned to the Regional/Area Equipment Engineer concerned for appropriate compliance.

3. During emergency or calamitous situation, equipment positioned in the Regional/Area Equipment Services which are readily available may be released to authorized users in compliance with the instructions contained in Memorandum Circular No. 83 dated 15 September 1982, provided the necessary documentation relative hereto is simultaneously prepared upon the issuance of the equipment.

B. For Other Government Entities, Local or National.

1. Leasing of equipment to other government entities should have the prior clearance from the Minister.
2. Upon approval of the request and before the release of the equipment, the Lessee will sign an ERRO covering the lease duration to be accompanied by an advance payment in cash or check equivalent to the estimated rental amount.
3. Should the Lessee desire to extend the use of the equipment, approval of the extended time duration is delegated to the Regional Director provided it does not exceed the original time frame approved by the Minister and the corresponding amount to cover the rental of the extended utilization to be paid in advance.

C. For Contractor of the MPWH and Other Government Projects.

1. Prior authority to lease the equipment must be secured from the Minister pursuant to the provisions of Memorandum Circular No. 101 dated 23 November 1982.
2. Request to lease should be addressed to the Regional Director who has jurisdiction over the project and area where the equipment will be used to determine its dispensableness in projects to be undertaken by force account/administration and referred to the Regional/Area Equipment Engineer for availability. The request with the foregoing information furnished, shall be forwarded thru the Bureau of Equipment, to the Minister for disposition.
3. In the case of contractor undertaking MPWH projects wherein the minimum equipment requirement is stipulated in the project proposal and/or contract, the request shall be accompanied by a certification of the Project Engineer, duly verified by the Regional Director in compliance with the requirement.
4. Clearance to lease on short duration as approved by the Minister are always subject to the accompanying conditions in the approval on a case to case basis. With the conditions duly complied, the execution of an Equipment Lease Contract is waived.

For longer lease duration, or as may be determined on prevailing attendant conditions in the locality where the equipment will be used, an Equipment Lease Contract shall be executed, the same to be supported with a GSIS Surety Bond, cash deposit, certified manager's check or cashier's check in an amount equivalent to the replacement cost of the equipment. If a surety bond is posted, it shall guarantee the following:

- a) Payment of the replacement cost of the leased equipment in case of loss;
 - b) Cost of repair that are not due to normal wear and tear, and
 - c) Cost of replacement of missing parts, tools, attachment and/or accessories originally issued with the equipment.
5. The leasing of equipment to contractors/private entities shall be governed by the provisions of the lease contract to be executed incident hereto.
 6. If the leasing is to be covered by a lease contract, the equipment shall be released to the lessee only after the said contract is duly approved by the Minister, or by the Regional Director as may be authorized by the Minister.

D. Discounting of the Rental Rates.

1. Field operating units/offices of this Ministry undertaking projects by administration or force account are entitled to a discount in rental according to the discounting schedule embodied in Memorandum Circular No.55 dated 20 January 1983, but in no case will the discount exceed fifty percent (50%). The discounting rates in the aforesaid Memorandum Circular tabulated below are only applicable to land-base equipment using the rental rates in Schedule "A":

AGE	(based on acquisition date	: Pneumatic Mounted Units	: Crawler-Mounted Units
	2 years old	20%	20%
	3 years old	25%	23%
	4 years old	30%	26%
	5 years old	35%	29%
	6 years old	40%	32%
	7 years old	45%	36%
	8 years old	50%	40%
	9 years old		45%
	10 years old		50%

NOTE: Other construction and maintenance equipment shall follow the discounting under the column of pneumatic-mounted equipment.

2. For uniformity in computing the discounted rental using the percentages in the foregoing tabulation, the enclosed Schedule "D" featuring the ages of the different types and corresponding MPWH inclusive range number of equipment according to the acquisition year shall be used.
3. All other users of MPWH equipment shall pay rental according to the enclosed tabulated rental rates in Schedule "A".

E. Rental/Timing/Charging.

A rental day is defined as a continuous eight (8) hour workable period within a twenty-four (24) hour day, excluding mealtime. Usage in excess of a rental day shall be considered overtime and rental shall be charged in multiples of one hour of overtime or portion thereof. The hours worked per month shall be the number of days that the equipment was with the Lessee during the month multiplied by eight plus the number of hours overtime minus the rental time suspensions authorized.

When the equipment is in the custody of the Lessee, rental shall be charged whether the equipment is operated or idle. This in effect will discourage hoarding of the units for optimum utilization.

I. For Government Lessees.

1. One (1) to three (3) months term ERRO - A minimum of one hundred hours per month whether used or not shall be charged.
2. One (1) day ERRO - A minimum rental amount corresponding to one (1) day of 8 hours shall be charged.
3. Equipment that are exclusively used for highway maintenance r activities shall be charged rental based on the provision of Ministry Order No. 75 dated 08 December 1983.
4. When Material Processing Plants are operated by the Regional Offices in compliance with the expressed provisions of Memorandum Circular No. 76 dated 19 August 1982, the rental rates of these plants and its support equipment as tabulated in Schedule "C" issued and implemented pursuant to Memorandum Circular No. 30 dated 13 May 1983 which is also revised accordingly, shall be used.
5. Rental may be suspended for the following causes:
 - a. During a mechanical breakdown of the equipment, not due to the fault or negligence of the Lessee, provided that the Regional/Area Equipment Engineer is notified accordingly within one (1) day of breakdown, otherwise, the period in excess of the one (1) day notification period shall be subject to payment of rental.

- b. During an official shutdown of the project duly certified by the Project Engineer.
 - c. Preventive maintenance and/or servicing time, in which case, the maximum allowable deduction is 8 hours or one (1) day.
6. To expedite the preparation and payment of rental bill that cannot be served on time because of the delay in the submission of utilization reports (supporting documents of the bill), the procedures outlined in Ministry Order No. 24 dated 15 July 1985 shall govern.
 7. Any ministry field officer/employee will be held liable for technical malversation and/or gross violation of reasonable ministry policy/regulation if he will indiscriminately use the amount intended for equipment rental as provided for in approved programs of work for other purposes, thus, resulting in the non-payment of rental of equipment utilized in the execution of the project. If such actuation can be proven beyond reasonable doubt, he shall be administratively charged for such offense with consequent suspension/dismissal from the service.

II. For Contractors/Private Entities.

1. Charging of rental commences from the day of receipt of the leased equipment by the Lessee and terminates on the date equipment is returned to the place of issue or any other place designated by the Lessor of no greater distance than the place of issue.
2. Contractors and other private entity leasing MPWH equipment shall be charged rental according to the enclosed schedule Marked "A".
3. The Lessee shall not be required to pay rental under the following conditions:
 - a. Non-use of equipment during periods of official shutdown.
 - b. During periods of mechanical breakdown of the equipment, provided that the Area/Regional Equipment Engineer is notified accordingly within one day of breakdown, otherwise, claim for rental suspension for the period earlier beyond one (1) day notification period shall not be allowed.

- F. For accounting purposes, the rental charges will be billed at the close of each calendar month. If the use of the equipment is for a shorter duration, billing will be done upon completion/termination of the lease period.
- G. All users of MPWH equipment shall be charged rental without any exception unless the use on a "rental-free" basis is authorized/approved by the Minister with the accompanying conditions relative to the approval to be strictly complied.

Any existing orders, circulars and memoranda inconsistent herewith are deemed repealed or amended accordingly.

(SGD.)

ROGACIANO M. MERCADO
Minister

encl:

1. MPWH Rental Rates
Schedule A, B & C
2. Ages of MPWH Equipment
Schedule D