



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS
OFFICE OF THE SECRETARY
MANILA

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DEPARTMENT ORDER)
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No. **188**)
Series of 1999)
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SUBJECT: **REVISED GUIDELINES IN EQUIPMENT
LEASING OPERATION WITH SCHEDULES
OF RENTAL RATES**

The equipment leasing operation of this Department, as an integral part of equipment management system, necessitates the charging of RENTAL for the use of equipment pursuant to Section 24 of R.A. 917, as amended by Section 17 of PD 17, in order to generate funds from the use of all DPWH equipment by either government or private users for the purpose of recovering capital investment, cost of maintenance and rehabilitation, depreciation, interest, insurance and overhead as a support to government infrastructure projects and maintenance.

In this connection, the lease/rental of all DPWH equipment (i.e., Land Based and Marine Equipment as per attached Schedules A and B, respectively) on a fully maintained basis, without fuel and operator, shall be subject to the following terms and conditions:

1. Issuance of Equipment to DPWH Field Operating Units Undertaking Projects by Administration or Force Account.

1.1 Usage of equipment shall be documented by submitting and processing an Equipment Rental Request/Order (ERRO), as follows:

- 1.1.1 The District/City/Project Engineer or Project Manager as the Lessee shall initiate and sign the ERRO as the requesting officer with a certification from the authorized field accountant as to availability of fund for the payment of rental.
- 1.1.2. The same will be recommended for approval by the Regional Equipment Engineer (REE) and be approved by the Regional Director.
- 1.1.3. The approved ERRO shall be retained by the concerned Regional Equipment Services (RES), a copy of which shall be furnished the Area Equipment Services (AES) for compliance and billing purposes.
- 1.1.4. Issuance of equipment by the RES or AES to the District/City Engineering Offices or Project Managers of Project Management Offices (PMO) shall be covered by an ERRO.

- 1.1.5. To avoid hoarding of equipment, the DEO or PMO must return the equipment that is no longer covered by the ERRO or list of Basic Highway Maintenance Equipment (BHME) being phased down to the issuing RES/AES to maximize utilization and shall serve as available units in the Regional inter-District/City Engineering Offices transfer of equipment.

2. Utilization of Basic Highway Maintenance Equipment (BHME)

- 2.1 The minimum fleet of BHME assigned to each District Engineering Office (DEO) which conform with the appropriate composition of BHME is considered rental-free pursuant to Department Order No. 54, Series of 1991.
- 2.2 The BHME list must be assessed and adjusted in relation to current Maintenance by Administration (MBA) phase-down from time to time in order to optimize equipment utilization.
- 2.3 To maximize the utilization and to preclude equipment hoarding, the Regional Offices shall strictly enforce the Regional inter-District/City Engineering Offices transfer of equipment.
- 2.4 Issuance of ERROs for equipment to be used in other projects aside from the national highway maintenance undertaken by administration is subject to the payment of equipment rentals.
- 2.5 Equipment not included in the list of minimum fleet of BHME shall not be utilized for highway maintenance unless authorized by the concerned DPWH Undersecretary/Assistant Secretary for Operation upon prior endorsement by the Regional Director and recommended for approval by the Director, Bureau of Equipment (BOE).

3. Rental Timing/Charging

- 3.1 A rental day is defined as a continuous eight (8) hours workable period within a twenty-four (24) hour duration excluding mealtime. Usage in excess of eight (8) hours within a rental day shall be counted or rented whether the equipment is being operated or laid idle. This, in effect, will discourage hoarding of the units and for optimum utilization.
- 3.2 For a day-to-day ERRO, a minimum rental corresponding to one (1) day [8-hours] shall be charged. The usage in excess of eight (8) hours shall be considered overtime and rental shall be charged for each hour of overtime or fraction thereof.
- 3.3 For a month-to-month term, the ERRO for highway construction equipment shall be charged a minimum of one hundred twenty (120) hours per month whether the equipment is used or not. Rental shall also be charged for actual operating hours in excess of the first 120 hours.
- 3.4 Rental may be suspended under the following conditions:

3.4.1 In case of official shutdown due to major repair, provided that the Regional/Area Equipment Engineer is notified accordingly within one (1) day of breakdown, otherwise, claims for rental suspension for the period in question shall not be allowed. Should the period of shutdown exceeds two (2) or more calendar days, the equipment shall be returned to the AES/RES for custody.

4. Payment of Equipment Rentals

- 4.1 For accounting purposes, the rental charges shall be billed at the close of each calendar month. If the use of the equipment is for a shorter duration, billing shall be done upon completion/termination of the lease period. The billing shall be supported by a duly accomplished Utilization Report in consonance with Department Order No. 140, Series of 1996
- 4.2 Any department field officer/employer shall be held administratively liable for the technical malversation or violation of existing regulations if he diverts the amount intended for equipment rental as provided for in the approved ERRO.

5. Discounting of Rental Rates

- 5.1 Utilization of equipment under an approved ERRO is entitled to a discount in rental for land based equipment as follows:

AGE (Based on Acquisition)	PNEUMATIC MOUNTED UNITS	CRAWLER MOUNTED UNITS
5 years old	10 %	10 %
6 years old	15 %	15 %
7 years old	25 %	25 %

- 5.2 All newly-rehabilitated equipment shall be entitled to a ten percent (10%) discount for the first five (5) years of operation/utilization after which it shall follow the prescribed discount as stated above.

6. Utilization of Equipment for Emergency

- 6.1 The fleet of BHME assigned to each DEO/CEO may also be utilized for a calamity-related emergency.
- 6.2 Other equipment which is not part and parcel of the BHME may be used in case of natural calamity/disaster and/or emergency period, but the subject equipment must be returned to the issuing office after the completion of its purpose and shall be billed as rental against calamity funds.

7. Lease/Rental of Material Processing Plants

- 7.1 Idle/underutilized Material Processing Plants under the custody of Regional Offices may be leased to private contractors or suppliers of aggregates, in consonance with Department Order No. 151, Series of 1989, subject, however, to the terms and conditions to be incorporated in the Contract of Lease of Equipment, which shall include, among others, a minimum of one hundred twenty (120) hours rental rates shall be charged per month whether the plant is used or not; the Lessee shall agree to initially put the leased unit in good operating condition, and shall replace/repair any defective parts, and to bear the cost of fuel/lube, insurance, as well as the cost of mobilization and demobilization. Said Contract of Lease shall be coursed through the Utilization Division, BOE, for review and evaluation and to be recommended by the BOE Director, for approval by the Undersecretary/Assistant Secretary for Operations concerned, for contracts exceeding one (1) month but less than one (1) year, and for the Secretary's approval, for contracts of one (1) year up to a maximum of two (2) years.

8. Lease of DPWH Equipment to Other Government Entity, Local or National

- 8.1 Authority to lease equipment to other government entities on a "short-term" duration not exceeding one (1) month is hereby delegated to all Regional Directors pursuant to Department Order No. 59, Series of 1988. After the originally approved lease period not exceeding one (1) month expires, same may be extended for a period of another one (1) month, subject to a certification from the REE concerned that both the original lease period not exceeding one (1) month and the extension, were fully paid for under the advance payment arrangement.
- 8.2 Issuance of equipment shall be made after the lease contract is approved and same shall be withdrawn after the termination of lease period.
- 8.3 Should the Lessee desire to use the equipment for more than sixty (60) days period but less than one (1) year, same should be done with prior clearance from the Undersecretary/Assistant Secretary for Operations concerned, subject, however, to the execution of a Lease Contract by and between the Regional Director concerned as Lessor and other government agency as Lessee, to be approved by the Undersecretary/Assistant Secretary for Operations concerned.

9. Lease of Equipment to DPWH Private Contractor

- 9.1 Private contractor undertaking DPWH projects and other government projects may be allowed to lease the equipment on a short term basis pursuant to Department Order No. 18, Series of 1993, under a Fully-Maintained Equipment Lease Contract (FMELC).

- 9.2 For a lease period for DPWH equipment of more than one (1) month but less than one (1) year, the Lessee shall secure an authority from the Undersecretary/Assistant Secretary for Operations concerned. Thereafter, an Equipment Lease Contract shall be executed by and between the DPWH Private contractor as Lessee, the same to be supported with a Surety Bond to guarantee the replacement cost of leased equipment in case of loss, cost of repair that is not due to normal wear and tear, and cost of replacement of missing parts, tools, attachments and accessories originally issued with the equipment.
- 9.3 The leasing of equipment to contractors/private firms shall be governed by the provisions of the Lease Contract to be executed incident thereto. Said contract if it exceeds one (1) month but less than one (1) year shall be approved by the Undersecretary/Assistant Secretary for Operations concerned.
- 9.4 Payment of rental must be made in advance or the Lessee shall put up a domestic Letter of Credit to guarantee the payment of rental covering the period of lease.
- 9.5 The issuance of the leased equipment shall be done only after the approval of the Contract of Lease.
- 9.6 The mobilization and demobilization costs shall be for the account of Lessee, likewise, the Lessee shall be liable for compensation, lawsuits arising from injury or damage caused/done to any person or property by reason of the use of leased equipment during the period of lease.

10. Leasing of Land-Based and Marine Equipment from Private Lessors

- 10.1 To accelerate early completion of rescinded/terminated projects, and other emergency/urgent projects, which will be more economical and expeditious if undertaken by the administration, and whenever the required equipment is not available at the DPWH Regional Offices where the project is located, the Regional Directors/District Engineers or PMO Project Managers may lease the necessary equipment from the Private Lessors subject to the following conditions:
 - 10.1.1 The equipment rental rates offered by the private lessors shall not exceed the 1998 ACEL RENTAL RATES pursuant to Department Order No. 58, Series of 1999.
 - 10.1.2 Payment of rental shall be for the actual equipment time or number of operating hours used.
 - 10.1.3 A certification must be secured from the BOE Director that subject equipment is not available at the Central Office, or from the concerned Regional Equipment Engineer.

- 10.1.4 An Equipment Inspection report re: equipment proposed to be leased from private lessors, must be secured from the Utilization Division, BOE, or Regional/Area Equipment Services concerned confirming that the subject equipment is in good operating condition.
- 10.1.5 A comparative analysis for reasonableness and acceptance of offered rental rate must be submitted by the BOE indicating that the rental rates by the private Lessor is lower or equal to the current prescribed DPWH rental rates.
- 10.1.6 For land-based equipment, the ownership documents must be submitted indicating the chassis and engine serial numbers.
- 10.1.7 For marine equipment and pursuant to RA 5173 and LOI-208 (Philippine Merchant Marine Rules and Regulations), the following documents must be submitted: Certificate of Ownership, Registry and Coastwise License, and Certificate of Inspection.
- 10.1.8 All lease contracts for short duration of not more than thirty (30) calendar days shall be approved by the concerned Regional Directors; however, lease contracts for more than thirty (30) calendar days but less than one (1) year shall be approved by the Undersecretary/Assistant Secretary for Operations concerned, and for contracts of one (1) year up to a maximum of two (2) years shall be approved by the Secretary upon the recommendation of the BOE Director.
- 10.1.9 A clearance must be obtained from the Undersecretary/Assistant Secretary for Operations concerned if the proposed lease period is more than 30 calendar days but less than one (1) year.

11. Usage of DPWH Equipment

- 11.1 The policies and guidelines on the utilization of service vehicles under a 'rental free basis' shall conform to MPWH Memorandum Circular No. 62, Series of 1986, and other approved exemption orders from the Secretary.
- 11.2 All users of DPWH equipment shall be charged rental without any exception unless authorized/approved by the Secretary upon recommendation of the BOE Director with the attendant condition relative thereto.

12. Issuance of Certificate of Clearance to DPWH Implementing Offices

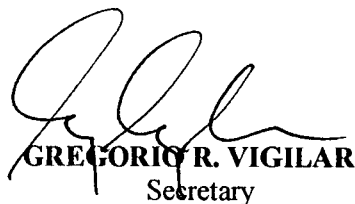
- 12.1 To preclude accumulation of unpaid equipment rentals, the incumbent District/City Engineers and PMO Project Directors/Managers before they are allowed to retire from the service shall be required to secure a clearance from the concerned Regional Equipment Engineer having jurisdiction over the District/Project Management Offices where they were previously and are presently assigned, to the effect that all equipment rentals rendered during their term have been fully paid/liquidated.

13. Issuance of Certificate of Clearance to DPWH Private Contractors

- 13.1 The issuance of Certificates of Clearance for equipment rentals for contractors undertaking DPWH projects shall conform with the provisions of MPWH Memorandum Circular No. 89, Series of 1982. However, for collection of Final Payment of contract work, the concerned contractor should secure a Certificate of Clearance from the BOE thru the Utilization Division in addition to the final payment clearance issued by the Resident Project Engineer and the Regional Equipment Engineer concerned. Issuing officers from the Utilization Division, Bureau of Equipment shall check/verify and take all necessary steps to ensure that all back accounts, if any, were fully paid.

This Order shall take effect immediately and shall remain in force unless modified and/or amended accordingly.

Any existing orders, circulars and memoranda inconsistent herewith are hereby revoked.


GREGORIO R. VIGILAR
Secretary