

Republic of the Philippines DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS

OFFICE OF THE SECRETARY

Manila

07 OCT 2016

DEPARTMENT ORDER)	SUBJECT:	Revised	Guidelines	in	the
No. 197)		Preparation the Contract	of Approved t (ABC)	Budget	for
Series of 2016 1010.44)					

The following policies, rules and procedures relative to the preparation of the "Approved Budget for the Contract" (ABC) previously prescribed under Department Order No. 22, Series of 2015, are hereby revised/reiterated.

The ABC shall be prepared on the basis of the design plans for the project which has been duly approved by authorized officials in accordance with existing regulations.

All items of work to be used in preparing the ABC shall conform to the Standard Specifications for Highways, Bridges and Airports, revised 2013, Standard Specifications for Public Works Structures, 1995, and approved Special Specifications for the project.

The ABC shall be composed of the Direct Cost and the Indirect Cost.

- A. The Direct Cost shall consist of the following:
 - A.1 Cost of materials to be used in doing the work item called for, which shall include, inter alia, the following:
 - A.1.1 Cost at source, including processing, crushing, stockpiling, loading, royalties, local taxes, construction and/or maintenance of haul roads, etc.
 - A.1.2 Expenses for hauling to project site.
 - A.1.3 Handling expenses.
 - A.1.4 Storage expenses.
 - A.1.5 Allowance for waste and/or losses, not to exceed 5% of materials requirement.

A.2 Cost of Labor:

- A.2.1 Salaries and wages, as authorized by the Department of Labor and Employment.
- A.2.2 Fringe benefits, such as vacation and sick leaves, benefits under the Workmen's Compensation Act, GSIS and/or SSS contributions, allowances, 13th month pay, bonuses, etc.

A.3 Equipment Expenses:

- A.3.1 Rental rates of equipment shall be based on the prevailing "Association of Carriers and Equipment Lessors, (ACEL) Inc." approved for use by the DPWH (Presently it is the 2014 ACEL Rates). Rental rates of equipment not indicated in the ACEL booklet shall be taken from the rental rates prepared by the Bureau of Equipment. 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. The make, model and capacity of the equipment should be indicated in the detailed unit cost analysis.
- A.3.2 Mobilization and demobilization shall be treated as a separate pay item. It shall be computed based on the equipment requirements of the project stipulated in the proposal and contract booklet. Mobilization and demobilization shall not exceed 1% of the Estimated Direct Cost (EDC) of the civil works items. However, in special cases wherein requirements for mobilization/demobilization exceed 1%, an approval to utilize the actual computed mobilization/demobilization cost shall be secured from the concerned Undersecretary for Operations.
- A.4 Cost for Permits, Clearances and other Government Taxes (i.e. MMDA Permit, LGU Permits, Bureau of Fire Protection Clearance, etc.) shall be included in the cost under Part B Other General Requirements of the Program of Works (POW) and Estimate/ABC.
- B. The Indirect Cost shall consist of the following:
 - B.1 Overhead Expenses ranges from 7 11% of the EDC, which includes the following:
 - B.1.1 Engineering and Administrative Supervision.
 - B.1.2 Transportation allowances.
 - B.1.3 Office Expenses, e.g., for office equipment and supplies, power and water consumption, communication and maintenance.
 - B.1.4 Premium on Contractor's All Risk Insurance (CARI).
 - B.1.5 Financing Cost.
 - B.1.5.1 Premium on Bid Security
 - B.1.5.2 Premium on Performance Security
 - B.1.5.3 Premium on Surety for Advance Payment
 - B.1.5.4 Premium on Warranty Bond (one year)
 - B.2 Contingencies ranges from 0.5 3% of the EDC. These include expenses for meetings, coordination with other stakeholders, billboards (excluding Project Billboard which is a pay item under the General Requirements), stages during ground breaking & inauguration ceremonies, and other unforeseen events.

- B.3 Miscellaneous Expenses ranges from 0.5 1% of the EDC. These include laboratory tests for quality control and plan preparation.
- B.4 Contractor's Profit Margin shall be 8% of the EDC for projects above P5Million and 10% for projects P5Million and below.
- B.5 VAT Component shall be 5% of the sum of the EDC, OCM and Profit.
- B.6 The following items shall not be subjected to OCM and Profit mark-up:
 - B.6.1 Mobilization and demobilization
 - B.6.2 Provision of Service Vehicle
 - **B.6.3** Permits and Clearances
- B.7 The following non-civil works items shall not be subjected to OCM mark-up:
 - B.7.1 Field/Laboratory Office & Living Quarters (Rental Basis)
 - B.7.2 Furnishing of Furniture, Laboratory Equipment, Survey Equipment and Consumables
 - B.7.3 Assistance to the Engineers
 - **B.7.4 Photographs**
 - B.7.5 Health and Safety
 - **B.7.6** Traffic Management
 - B.7.7 Environmental Compliance
 - B.7.8 Communication Equipment, etc.

NOTE: For the percentage to be used for Nos. B.1, B.2 and B.3, see OCM (Overhead, Contingencies and Miscellaneous) column in the tabulation below.

ESTIMATED DIRECT COST (EDC)	INDIREC % F OCM AND	TOTAL INDIRECT COST % FOR				
DIRECT COST (EDC)	OCM (% OF EDC)	PROFIT (% OF EDC)	OCM AND PROFIT			
Up to P5Million	15	10	25			
Above P5M up to P50M	12	8	20			
Above P50M up to P150M	10	8	18			
Above P150M	8	8	16			

- C. The prescribed format for the calculation of the ABC is shown in Attachment "A".
 - C.1 Instructions for filling-up the format:

- C.1.1 Columns (1) to (4) are self-explanatory.
- C.1.2 Column (5) is the EDC of the work item as calculated and reflected in the cost analysis prepared by the Estimator.
- C.1.3 Columns (6) and (7) are the mark-ups in percent for OCM and profit.
- C.1.4 Column (8) is the total mark-up, which is the sum of the percentages under columns (6) and (7).
- C.1.5 Column (9) is the Peso value of the total mark-up. It is determined by multiplying the total mark-up on percent in column (8) with the EDC (column 5).
- C.1.6 Column (10) is the VAT component which is 5% of the sum of columns (5) and (9).
- C.1.7 Column (11) is the total estimated Indirect Cost which is the sum of columns (9) and (10).
- C.1.8 Column (12) is the total estimated Total Cost or the sum of columns (5) and (11).
- C.1.9 Column (13) is the unit cost for each item of works, determined by dividing the estimated Total Cost in column (12) by its total quantity in column (3).
- C.2 Procedures in preparing, processing and corresponding signatories specified under Department Order No. 163, Series of 2015 in the preparation of Program of Work (POW) and Approved Budget for the Contract (ABC) shall be observed.

Since the ABC is to be compared with the Contractor's bid and is the ceiling for acceptable bid prices in accordance with the provision of R.A. 9184, the ABC should be based on the approved Bidding Documents for the contract which contain the same work items and quantities as those to be used by the contractors in preparing their bid.

DPWH estimators shall continuously update their information/statistics on market prices of all construction inputs submitted for incorporation in the quarterly Construction Materials Price Database (CMPD). All assumptions in generating the estimate should be shown in the cost analysis.

In all cases, estimates for special items of work (SPL) should be accompanied with plans and specifications, methods of construction, measurements and payments duly approved by the Bureau of Research and Standards (BRS).

This Order shall take effect immediately and shall supersede Department Order No. 22, Series of 2015.

MARK A. VILLAR Acting Secretary

6.1 WRO/RCA

Department of Public Works and Highways Office of the Secretary WIN6W01961



(IMPLEMENTING OFFICE)

ATTACHMENT "A"	TACHMENT "A"	
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.O. No	, Series of	2016
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(NAME OF PROJECT) (Location)

APPROVED BUDGET FOR THE CONTRACT

Stations :

ITEM NO.	DESCRIPTION	QUANTITY	UNIT	ESTIMATED DIRECT COST	MARK-UPS IN PERCENT		TOTAL MARK-UP		T	T	Contract Duration :	
I EW NO	DESCRIPTION				OCM	PROFIT	%	VALUE	VAT	TOTAL INDIRECT COST	TOTAL COST	UNIT COS
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) (5)x(8)	(10) 5%[(5)+(9)]	(11) (9)+(10)	(12) (5)+(11)	(13) (12)/(3)
PART A	FACILITIES FOR THE ENGINEER				1			(0).(0)	070[(0)*(0)]	(3)*(10)	(5)*(11)	(12)/(3
											4	
	TOTAL OF PART A											
ART B	OTHER GENERAL REQUIREMENTS											
									-	*		
	TOTAL OF PART B											
PART C	EARTHWORKS											
	TOTAL OF PART O											
ADT D	TOTAL OF PART C SUBBASE AND BASE COURSE											
ARID	SUBBASE AND BASE COURSE											
	TOTAL OF PART D											
DART F	SURFACE COURSES											
AITIE	- CONTROL COUNCES											
		-										
	TOTAL OF PART E											
ART F	BRIDGE CONSTRUCTION											
7411		-										
	TOTAL OF PART F	-										
ART G	DRAINAGE AND SLOPE PROTECTION STRUCTURES											
							-					
							-					
	TOTAL OF PART G											
ART H	MISCELLANEOUS STRUCTURES											
	TOTAL OF PART H											
	TOTAL					-	-					