

REPUBLIC OF THE PHILIPPINES
MINISTRY OF PUBLIC WORKS AND HIGHWAYS
OFFICE OF THE MINISTER
MANILA

June 18, 1984

MINISTERIAL ORDER }
NO. **28** }
Series of 1984 }

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 creating the Ministry, mandates that regional equipment centers and material processing plants shall be operated as financially self-sustaining entities.

Effective 01 July 1984, the enclosed revised rental rates, Marked "Schedule A" shall be the basis of charging for the use of all land-based equipment on a fully-maintained basis (maintenance provided by the lessor, but without fuel and operator) and for floating equipment Marked "Schedule C", subject to the following terms and conditions:

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

1. Memorandum Receipt (MR) or Responsibility Receipt (RR) covering the issuance of the equipment shall 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. Equipment Request and Rental Order (ERRO) initiated by the Lessee is transmitted to the Regional Director for approval, thru the Planning Staff of the Regional/Area Equipment Services for availability of the equipment requested, 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. After approval, the ERRO should be returned to the Regional/Area Equipment Engineer for appropriate compliance.

*P. C.
M. C.
F. C.
P. C.*

28

3. During emergency situation, equipment positioned in the Regional/Area Equipment Services which are ready for issue 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. The ERRO initiated by the Lessee must be accompanied by an advance payment in cash or check equivalent to the estimated rental amount.
3. Within a reasonable time before the advance payment is exhausted, the Lessee must be required to remit an additional advance payment should they desire to extend the use of the equipment.

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 Minister. If addressed to the Regional Director, it shall be referred to the Regional Equipment Engineer for availability of equipment and forwarded with his recommendation, thru the Director, 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. When the clearance to lease is approved by the Minister, the Contract of Lease of Equipment shall be executed and 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. The equipment shall be released to the lessee only after the covering contract is duly approved by the Minister, or by the Regional Director as 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. 5 dated 20 January 1983, but in no case will the discount exceed 50%. The discounting rates are as tabulated below and are only applicable to land-base equipment using rental rate "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%

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

2. All other users of MPWE equipment shall pay rental according to the enclosed tabulated rental rates schedule.

E. Rental Timing

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

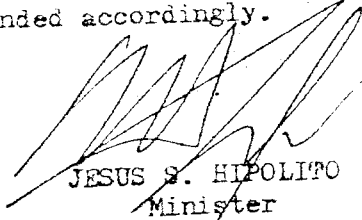
1. One (1) to three (3) months term ERRO - A minimum of one hundred hours per month whether used or not shall be charged.
2. One (1) day ERRO - a minimum rental amount corresponding to one (1) day (8 hours) shall be charged.
3. Rental maybe suspended for the following causes:
 - a. During a mechanical 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.
4. When Material Processing Plants and its support equipment are operated by the Regional Offices in compliance with the expressed provisions of Memorandum Circular No. 76 dated 19 August 1982, the rental rates schedule as issued and implemented pursuant to Memorandum Circular No. 30 dated 13 May 1983 which is also revised accordingly, shall govern. Rental rates marked "Schedule B" shall be used in this scheme of operation.
5. As an exception to the minimum rental hours that will be charged for units covered by ERRO, equipment that are exclusively used for highway maintenance activities shall be charged rental based on the provision of Ministry Order No. 75 dated 08 December 1983.

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.
4. 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.
- F. 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.

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


JESUS S. HIPOLITO
Minister

encl:

MPWH Rental Rates
Schedule A, B & C