



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

077.13 DPWH
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July 1, 1990

DEPARTMENT ORDER

NO. **151** *m 7/24*
SERIES OF 1990

SUBJECT: UPDATED GUIDELINES IN THE
EQUIPMENT LEASING OPERA-
TION WITH SCHEDULES OF
RENTAL RATES.

The equipment leasing operation of this Department as a complement of the equipment management system, necessitates the charging of rental pursuant to Section 17 of P.D. No. 17 in order to generate funds that will take care of the long-term program of repair, maintenance and rehabilitation of the existing department's equipment fleet as well as purchase of new equipment and modern facilities for the establishment and/or maintenance of necessary Base/Area Shops, storage depots, and other equipment aids and facilities for the infrastructure projects in the government.

In view hereof, the lease/rental of all infrastructure equipment (i.e. Land Based and Floating Equipment under the enclosed Schedule A & B respectively) of this department on a fully-maintained basis, without fuel and operator shall be subject to the following terms and conditions:

1. For the Department Field Operating Units undertaking projects by Administration of Force Account.

1.1 Usage of equipment shall be documented by submitting an Equipment Request and Rental Order (ERRO) duly accomplished by the following DPWH's personnel, namely:

- 1.1.1 The District/City/Project Engineer or Project Manager as the Lessee shall initiate and sign ERRO as the requesting officer with certification of authorized field accountant as to availability of funds for payment of rental;
- 1.1.2 Same shall be recommended for approval by the Regional Equipment Engineer and approved by the Regional Director;
- 1.1.3 Approved ERRO should be retained by the concerned RES and copy of approved ERRO shall be furnished the AES for compliance and billing purposes.

1.2 Rental Timing/Charging:

- 1.2.1 A rental day is defined as a continuous eight (8) hours workable period within a twenty-four (24)

hours, excluding mealtime, Usage in excess of 8 hours within a rental day shall be considered overtime and rental shall be charged whether the equipment is operated or idle. This in effect will discourage hoarding of the units for optimum utilization.

- 1.2.2 Three (3) months term ERRO - ERRO must be submitted on quarterly basis, thereafter same shall be renewed on quarterly basis. Equipment used for highway maintenance activities shall be charged rental with a maximum monthly billing of one hundred twenty (120) hours per month whether the equipment is used or not. Any excess utilization beyond 120 hours are considered "rental free" but should be reported for purposes of performing equipment preventive maintenance.
- 1.2.3 Month to month term ERRO - 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. Actual operating hours in excess of the first 120 hours shall be charged rental.
- 1.2.4 Day-to-day ERRO - A minimum rental corresponding to one (1) day (8 hours) shall be charged. The usage in excess of 8 hours shall be considered overtime and rental shall be charged for each hour of overtime or fraction thereof.
- 1.2.5 Rental maybe suspended under the following conditions:
 - 1.2.5.a During official shutdown due to major repair, provided that the Regional/Area Equipment Engineer is notified accordingly within one day of breakdown, otherwise, claim for rental suspension for the period in question shall not be allowed. Should the period of shutdown exceed two (2) calendar days or more, the equipment should be returned to the AES/RES for repair and custody.
 - 1.2.5.b Preventive maintenance and/or servicing time as certified necessary by the Regional/Area Equipment Engineer, in which case, the maximum allowable deduction is 8 hours or one working day.

1.3 Payment of Equipment Rentals:

- 1.3.1 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 will be done upon completion/termination of the lease period. The billing shall be supported by a duly accomplished Utilization Report.

- 1.3.2 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, the procedure outlined in Ministry Order No. 24 Series of 1985 shall be followed.
- 1.3.3 Any department field officer/employee shall be held administratively liable for technical malversation or violation of existing regulations if he diverts the amount intended for equipment rental as provided for in the approved ERRO.

1.4 Discounting of Rental Rates:

- 1.4.1 For a more realistic rental rate that can viably support the operation and maintenance of all infrastructure equipment, the discount of rental rates prescribed under Memorandum Circular No. 5 Series of 1983 and Condition D of Ministry Order No. 21, series of 1986 are hereby amended as follows:
 - 1.4.1.a The maximum discount shall not exceed twenty-five percent (25%) for equipment used by the Field Operating Units/Offices of this Department undertaking project by administration or force account.
 - 1.4.1.b Discounting rates in the aforecited Ministry Order and Memorandum Circular as tabulated below are applicable only to land-based equipment using the rental rates in Schedule "A":

AGE (Based on Acquisition Date)	: PNEUMATIC MOUNTED : CRAWLER-MOUNTED	
	UNITS	UNITS
2 years old	0%	0%
3 years old	0%	0%
4 years old	5%	5%
5 years old	10%	10%
6 years old	15%	15%
7 years & older	25%	25%

NOTE:

Other construction and maintenance equipment and accessories shall follow the discounting rates under the column of pneumatic-mounted equipment. All newly rehabilitated equipment at the start shall be entitled to a ten percent (10%) discount rate and subsequent rates thereafter.

1.5 Release of Equipment Without ERRO:

1.5.1 During time of emergency involving danger to life and property, the equipment maybe issued to end-users even without prior approval of the ERRO subject to the following conditions:

1.5.1.a Immediately after or during the issuance of subject equipment, it shall be the responsibility of the District/City or Project Engineer to comply to all equipment rental rules and regulations.

1.5.1.b Subject equipment shall be exclusively used for the purpose as requested and same shall be returned to the issuing office after the completion of the purpose.

1.6 Lease/Rental of Material Processing Plants:

1.6.1 Idle/Underutilized Plants under the custody of Regional Offices maybe leased to private contractor or aggregate supplier in consonance with Department Order No. 151, Series of 1989, subject however to public bidding among others, terms and conditions to be incorporated in the Contract of Lease of Equipment and submission of requirement as called for by the above Department Order. Said Contract of Lease shall be coursed thru the Utilization Division, BOE for review and evaluation and recommended by the BOE Director for approval by the Secretary or the Undersecretary concerned.

1.7 Request for Rental-Free use of Equipment:

1.7.1 The request for authority on Rental-Free Basis of equipment used by the DPWH's field operating units shall conform to the existing policy and guideline as prescribed by BOE Memorandum dated 12 August 1987, approved by the DPWH Undersecretary concerned.

1.7.2 Funds allocated to ERRO for payment of rentals which are temporarily used for calamity-related projects should be replenished as soon as the calamity funds are released to the concerned Regional Offices.

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

2.1 Authority to lease equipment to other government entity on "Short-Term" duration of one (1) month is hereby delegated to all Regional Director pursuant to Department Order No. 59, Series of 1988. After the originally approved lease period of one (1) month expire, same may be extended for another

thirty (30) calendar days subject to certification from the REE concerned that the original lease period of one (1) month and extension of another thirty (30) calendar days are fully paid for under the advance payment arrangement.

- 2.2 Issuance of equipment shall be made after the lease/ERRO is approved and same shall be withdrawn after the termination of the lease period.
- 2.3 Should the LESSEE desire to use the equipment for more than sixty (60) days period, same shall be made with prior clearance from the Secretary or Undersecretary 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 Secretary or Undersecretary concerned.

3. Lease of Equipment to DPWH Private Contractor.

- 3.1 Private Contractor undertaking DPWH Projects maybe allowed to lease the equipment on short-term lease pursuant to Department Order No. 61, Series of 1988 on Job-Order Basis.
- 3.2 Lease period of DPWH Equipment of more than one (1) month shall secure prior authority from the Secretary or Undersecretary concerned. For longer lease duration of more than one month, an Equipment Lease Contract shall be executed, the same to be supported with a Surety Bond to guarantee the replacement cost of the lease equipment in case of loss, cost of repair that are not due to normal wear and tear, and cost of replacement of missing parts, tools, attachments and accessories originally issued with the equipment.
- 3.3 The leasing of equipment to contractor/private firms shall be governed by the provisions of the lease contract to be executed incident thereto. Said contract shall be approved by the Secretary or Undersecretary concerned.
- 3.4 Payment of rental must be paid in advance or the Lessee shall put up a domestic Letter of Credit to guarantee the payment of rental covering the period of lease.
- 3.5 That the issuance of the leased equipment shall be done only after the approval of the Contract of Lease.
- 3.6 For fully maintained lease, the mobilization from the Lessor's yard to project site and demobilization costs shall be for the account of the LESSEE; likewise the Lessee shall be liable for compensation, lawsuits arising from injury or damage done to any person or property by reason of the use of the leased equipt. during the period of the lease.

4. Leasing of Construction Equipment from Private Lessors.

- 4.1 In order to accelerate early completion of rescinded/terminated projects and similar projects to be undertaken by administration, whenever the required equipment are not available at the DPWH Regional Offices where the project is located, the Regional Directors/District/City Engineers or PMO Project Managers may lease the necessary equipment from Private Lessors subject to the following conditions:
- 4.1.1 The equipment rental rates offered by the private lessors should not exceed the latest approved DPWH rates.
 - 4.1.2 Payment of rental shall be for the actual equipment time used or number of operating hours used.
 - 4.1.3 Certification from the concerned Regional Equipment Engineers that subject equipment is not available in the region or nearby regions.
 - 4.1.4 Inspection of Equipment Report re: Equipment Proposed to be leased from private sector, from the Utilization Division, BOE or Regional/Area Equipment Services, confirming that subject equipment is in good operating condition.
 - 4.1.5 For land based equipment - Submission of ownership documents, picture and engine and serial numbers.
 - 4.1.6 For floating equipment and pursuant to RA 5173 and LOI-208 (Phil. Merchant Marine Rules and Regulations) the following document must be submitted, viz: Certificate of Ownership, Registry and Coastwise License and Certification of Inspection.
 - 4.1.7 The lease contract for short duration of not more than thirty (30) calendar days shall be approved by the concerned Regional Directors, however, lease contract of more than 30 calendar days shall be approved by the Secretary or Undersecretary-in-charge upon recommendation of BOE Director.
 - 4.1.8 Leasing from the private sector shall secure a prior clearance from the Secretary or Undersecretary-in-charge if the proposed lease period is more than 30 calendar days.

5. Usage of DPWH Equipment.

- 5.1 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.
- 5.2 All users of DPWH equipment shall be charged rental without any exception unless otherwise, authorized/approved by the Secretary or Undersecretary concerned upon recommendation of BOE Director with the attendant condition relative thereto.

6. Issuance of Certificate of Clearance for Equipment Rentals.

6.1 In order to preclude accumulation of unpaid equipment rental, the following end-users shall be required to secure the Certificate of Clearance, viz:

6.1.1 Incumbent District/City/Project Engineer and Project Manager before they are allowed to retire shall be required to secure clearance from the concerned Regional Equipment Engineers having jurisdiction over the District/City/Project Offices where they are assigned, that all rentals rendered during their incumbency are fully paid/liquidated.

6.1.2 For the Department's Private Contractors, issuance of Certificate of Clearance as requisite for collecting PARTIAL PAYMENT of contract of work shall conform to MPWH Memorandum Circular No. 89 series of 1982. However, for collection of FINAL PAYMENT of contract of work, the concerned contractor should be required to secure the Certificate of Clearance from the Bureau of Equipment thru the Utilization Division in addition to the final payment clearance issued by the Resident Project Engineer and Regional Equipment Engineer concerned. Issuing offices shall take all necessary steps to insure that all back accounts if any, must be paid.

This order shall take effect on July 1, 1990 and will remain in force unless modified or amended accordingly.

Any existing orders, circulars and memorandum inconsistent herewith is hereby revoked.


FIOHELLIS R. ESTUAR
Secretary

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