



PUNONGHIMPILAN TANOD BAYBAYIN NG PILIPINAS
(Headquarters Philippine Coast Guard)
139 25th Street, Port Area
Manila

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LRMC/CGIDS

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**PREPARATION OF AGENCY ESTIMATES FOR
INFRASTRUCTURE PROJECTS**

I. REFERENCES:

1. Logistics Letter Directive Number MB-98-01, GHQ, AFP dtd 27 March 1998, Preparation of Agency Estimates for Construction and R & U Projects.
2. Department Order No. 22 s. 2015, DPWH dtd 18 February 2015, Revised Guidelines in the Preparation of Approved Budget for the Contract (ABC).
3. Annex "A" Government Procurement Policy Board (GPPB) Resolution No. 09-2005 dtd 28 April 2005, Guidelines on Implementation of Infrastructure Projects Undertaken by the AFP Corps of Engineers.
4. DOTC Department Order No. 2007-29, Approving Authority of the Commandant, Philippine Coast Guard.

II. GENERAL:

The preparation of agency estimates is one of the most important aspects in the implementation of infrastructure projects. It is therefore necessary that implementing guidelines and policies be standardized for transparency and harmonization of procedures in the preparation of the project estimates.

III. PURPOSE:

The purpose of this circular is to set the guidelines and procedures in the preparation of estimates for the guidance of all concerned.

IV. SCOPE:

This circular covers all estimates prepared by the Coast Guard Infrastructure Development Service (CGIDS) and initiating units (project proponents) for all

infrastructure (purely civil and/or with components of mechanical and/or electrical works) projects whether new construction or repair, and maintenance activities to be implemented either by the administration and/or contract.

V. POLICIES:

1. CGIDS and initiating units shall ensure that estimates are computed to a reasonable degree of accuracy in conformity with the technical designs and work drawing/plans while making sure that the same must also be consistent with DPWH DO Nr. 22 Series of 2015.
2. CGIDS and the initiating units shall be fully responsible for the accuracy of their estimates vis-à-vis current market prices of materials and equipment usage, cost-effectiveness of the choice of construction methods and equipment, numbers/types of equipment/labor used, etc., as well as the confidentiality of the estimate.
3. CGIDS shall ensure that all estimates prepared by the initiating units, when submitted for evaluation and approval by the Commandant, PCG, are in accordance with the prescribed guidelines and standard format as embodied in this circular.
4. The estimates prepared by the CGIDS and initiating units shall become the Approved Agency Estimates (AAE) only upon approval by the CPCG and/or concerned unit commanders.
5. Project cost estimates that are higher than the signing authority of the approving authority (i.e. CPCG and unit commanders) should be submitted to the higher headquarters (i.e. DOTr or HPCG) for review and approval.
6. The authority who approves the AAE can revise/amend the prepared estimates as part of the quasi exercise of his authority.
7. The Coast Guard Procurement Service (CGPS) shall periodically (semi-annually) publish price lists of construction materials which shall be the basis in the preparation of the cost estimates.
8. CGIDS and initiating units shall continuously update their information/statistics on market prices of all construction inputs and use only unit prices that are realistic based on valid up-to-date information, in contrast to guesswork and haphazard pricing. All assumptions in generating the estimate should be shown in the cost analysis.

VI. GUIDELINES AND PROCEDURES:

The following guidelines and procedures shall be followed in the preparation and request for approval of the agency estimate:

1. The **Direct Cost** are the following:

a. **Cost of Materials.** Materials are all supplies, including consumables, used in accomplishing the project, which shall include, inter alia, the following:

- i. Cost at source, including processing, crushing, stockpiling, loading, royalties, local taxes, construction and/or maintenance of haul roads, etc;
- ii. Expenses for hauling to project site;
- iii. Handling expenses;
- iv. Storage, and;
- v. Allowance for waste and/or losses.

b. **Labor Cost**

- i. Salaries and wages as authorized by the Department of Labor and Employment (DOLE);
- ii. Fringe benefits, such as vacation and sick leaves, benefits under the Workmen's Compensation Act, GSIS and SSS contributions, allowances, 13th month pay, bonuses, etc.

c. **Equipment Expenses:**

Equipment refers to all facilities, appliances, materials or things required for the execution and completion of the project but shall not form or are not intended to form part of the project.

- i. Rental of equipment which shall be based on the prevailing "Associated Construction Equipment Lessors, Inc." (ACEL) rental rates approved for use by the Department of Public works and Highways (DPWH). Rental rates of equipment not indicated in the ACEL booklet shall be taken from the rental rates prepared by the Bureau of Equipment, DPWH. 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.
- ii. Mobilization and demobilization of the equipment shall be computed on a case to case basis, considering the equipment requirements of the project stipulated in the proposal, but in no case exceeding 1% of total civil works item.

2. The **Indirect Costs** are the following:

a. **Overhead Expenses** – usually 5-8% (ceiling) of the Direct Cost, which includes:

- i. Engineering and Administrative Supervision;
- ii. Transportation allowances;
- iii. Office Expenses (Office Equipment and Supplies);
- iv. Contractor's All Risk Insurance
- v. Financing Cost
 - 1) Premium on Bid Security
 - 2) Premium on Performance Security
 - 3) Premium/charges/fees on Credit Lines
 - 4) Cost of Money necessary to finance the project

b. **Contingencies** – usually 0.5-3% of the Direct Cost to cover any escalation cost, variation/change orders, etc.

c. **Miscellaneous Expenses** – usually 0.5-1% of the Direct Cost. These include laboratory tests.

d. **Contractor's Profit Margin** – See tabulation below:

NOTE: For the percentage to be used for sub para a, b, and c, refer to OCM (Overhead, Contingency and Miscellaneous) column in the tabulation below.

ESTIMATED TOTAL COST (TDC)	INDIRECT COST % FOR OCM AND PROFIT (maximum ranges)		TOTAL MAXIMUM INDIRECT COST % FOR OCM, PROFIT
	OCM (% OF TDC)	PROFIT (% OF TDC)	
Up to P 1 Million	12	10	22
Above P 1M to P 5M	9	8	17
Above P 5M to P 10M	7	8	15
Above P 10M to P 20M	6	8	14

e. **Administration and Supervision Expenses (A & S)**. A & S shall be used to support the project management requirement of the implementing unit/CGIDS, including but not limited to, material testing and quality control, travel for project inspection, and overhead contingencies. A & S shall not exceed three (3%) percent of the project cost and have to be supported by the program/scope of work.

3. The prescribed format for the calculation of the agency estimate is hereto attached as CGIDSF-1 (Program Cost Estimate). The Form shall be filled up as follows:
 - a. The Total Direct Cost (TDC) is computed by adding the Material Costs (A), Labor Cost (B), and Equipment Expenses (C). The values of "A", "B", and "C" are derived from the Bill of Quantities/Detailed Cost Estimate.
 - b. The values for the Overhead, Contingencies, and Miscellaneous (D), and Contractor's Profit (E), shall be determined by multiplying each applicable percentage as derived from the tabulation above to the Total direct cost (TDC).
 - c. The Indirect Cost (IC) shall be computed by adding the values of "D", "E", and "F".
 - d. The Value Added Tax (VAT) shall be computed by adding the values of TDC and IC then multiplying the sum by five percent (5%).
 - e. The Total Indirect Cost (TIC) shall be the sum of the IC and VAT.
 - f. The Project Cost (PC) which shall become the Approved Agency Estimate (AAE) **for purposes of bidding** once the proposal was approved is the sum of the TDC and TIC.
 - g. The Administration and Supervision Expenses (A & S) shall be computed as the three percent (3%) of the Project Cost (PC) but shall not form part of the cost for bidding.
 - h. The Total Project Cost (TPC) for **purposes of fund availability** shall be computed as the sum of the Project Cost (PC) and Administration and Supervision Expenses (A & S).
4. The Project's design/plans/drawings, technical specifications, scope of work, Form CGIDSF-1 (Project Cost Estimate), and Summary of Estimates shall be submitted with confidentiality for approval to CPCG or Commander of the initiating units. Upon approval of the project proposal, the same set of documents and the Bill of Quantities, and Detailed Cost Estimate, shall be provided to the Bids and Awards Committee (BAC) for purposes of bid evaluation.
5. Since the Approved Agency Estimated (AAE) is to be compared with the Contractor's Bid and is to be the basis for judging whether the bids received are reasonable or not, then the AAE should be based on the proposal and contract booklet and should contain the same items of work and quantities as those used by the Contractor in preparing his bid.

6. In addition to the complete project design/plans, the following forms shall also be part of the submitted project proposal, sample of which are hereto attached annexes:

- a. CGIDSF-1 – Program Cost Estimate – Annex 1
- b. CGIDSF-2 – Summary of Estimate – Annex 2
- c. CGIDSF-3 – Bill of Materials/Detailed Cost Estimate – Annex 3
- d. CGIDSF-4 – Scope of Works – Annex 4

VII. RESCISSION:

All publication in conflict with this Circular are hereby rescinded.

VIII. EFFECTIVITY:

This Circular shall take effect upon publication.

BY COMMAND OF REAR ADMIRAL MELAD:

OFFICIAL

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