

DIRECTING COST REDUCTION IN THE HIGHWAYS PROGRAM

LETTER OF INSTRUCTIONS NO. 763, November 08, 1978

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TO:

The Minister of Public Highway
The Minister of Economic Planning
The Minister of the Budget
The Chairman, Commission on Audit
The Chief, Presidential Management Staff

WHEREAS, the highways program is among the most significant programs of the national government, in terms of magnitude and priority;

WHEREAS, the ravages of typhoon "Kading" and anticipated increases in oil price constitute unforeseen demands on government coffers;

WHEREAS, it is necessary to institute a more aggressive program of cost reduction in the highways program, to ensure that priority projects are implemented within available funding;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, do hereby Order and Instruct:

- A Committee on Standard Cost for Road and Bridge Construction is hereby created, with the following composition: Executive Director, Presidential Management Staff, Chairman, and as Members, the Minister of Public Highways, the Minister of the Budget and the Chairman, Commission on Audit,,

The Committee shall be as,minted by a Technical Group consisting of representatives designated by the agencies represented on the Committee.

- The Committee shall submit to the President, cost analyses of each major highways project and recommendations on standard costs applicable to each of the various types of road and bridge construction. In its work, the Committee shall assess actual costs of projects implemented and the details of cost estimates or computations made in support of construction bids awards.

- The Committee shall submit its initial Report and recommendation to the President on or before November 30, 1978, including initial standard cost estimates that shall apply "to road and bridge contracts awarded subsequent to that date. The initial standard cost estimates shall be at least seven per cent (7%) lower than the most recent government estimates on roads and bridge construction projects approved as of the date of these Instructions. Contracts awardedbetween the date of these Instructions and November 30, 1978 shall be at least seven per cent (7%) lower than Government estimates approved following present procedure.

- The Committee shall review and recommend improvements in the existing standards and guidelines on the evaluation and approval of Contract Price Adjustments and Change Orders, with the aim of minimizing increases in costs arising out of these sources.

- In coordination with the Commission on Audit, the Minister of the Budget shall develop a project accounting system for the Ministry of Public Highways and its Regional and District Offices which shall record actual cost information on highways projects.
- No contractor shall be allowed to undertake projects "at his own risk" or in the absence of budgetary allotments released for the specific projects. It shall be understood that contracts approved by the Office of the President are subject to the availability of funds actually released.
- Advice of Allotment and Cash Disbursement Ceilings issued by the Ministry of the Budget for specifically identified projects shall not be diverted to any other project/ Region except as may be authorized under the provisions of P.D. No. 1177.

Done in the City of Manila, this 8th day of November, in the year of Our Lord, nineteen hundred and seventy-eight.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

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