



→ File 7006-PH

Republic of the Philippines *w/ reply 7/6/05.*
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS
OFFICE OF THE SECRETARY
Manila

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Mr. William D.O. Paterson
Principal Highway Engineer/Task Team Leader
Transport Sector Unit
East Asia and Pacific Region
International Bank for Reconstruction
and Development
1818 H. Street N.W.
Washington D.C. 20433
U.S.A.

JUN 28 2005	
RM	WP/70/60
PO39019	
Mr. dwt.	

Thru : **Mr. Rene Manuel**
Operation Officer, Resident Mission

Subject : National Roads Improvement and Management Project,
Phase I
CW-RU-1.4B: Rehabilitation of Surigao-Davao Coastal
Road, Marihatag-Barobo/Tagbina-Hinatuan Sections
CW-RU-1.6: Rehabilitation of Kabankalan-Basay/San
Enrique-Vallehermoso Road, Hinobaan-Basay/La
Castellana-Canlaon Section

Sir:

We write in connection with the Bank's proposal of an independent review and bid analysis by an international engineering specialist, as basis to judge the reasonableness of the prices contained in the bids submitted for the subject Projects per fax message dated March 1, 2005.

As an alternative to the Bank's proposal, we would like to present the study conducted by the IBRD-PMO to more or less establish the reasonableness of the lowest evaluated bids submitted during the bidding of the subject Projects compared to the current price levels. The study was undertaken by updating the Approved Budget for the Contract (ABC) of the bid projects by using the unit prices from the ABCs of two recently bid projects under the Department, and comparing the updated ABCs with the respective lowest evaluated bids. Full detail of the study is discussed in the Memorandum from the IBRD-PMO dated June 17, 2005, copy of which is attached including supporting documents.

The variances compared to the updated ABCs of the bid of China Road and Bridge Corp. for CW-RU-1.4B and the bid of E.C. de Luna Const./China Road and Bridge Corp. (JV) for CW-RU-1.6 are **(+)11.28%** and **(+)9.63%**

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respectively. The new variances show substantial reduction in the variances of the bids from the original ABCs of **(+)27.18%** and **(+)24.83%**, respectively, and indicate that the bid prices are reasonably close to the current price levels.

Based on the above findings, the Department believes that the lowest evaluated bids submitted for CW-RU-1.4B and CW-RU-1.6 are reasonable based on current price levels and hereby recommends award of the Projects to the respectively lowest bidder.

Hoping that our recommendation will merit the Bank's concurrence for the award of the subject Projects as this will allow the immediate start of construction and avoid further delay in their implementation.

Best regards.

Very truly yours,

[Handwritten Signature]
IERMOGENES E. ERDANE, JR.
Acting Secretary



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