



Republic of the Philippines
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS
IBRD-Project Management Office

MEMORANDUM

FOR : Undersecretary MANUEL M. BONOAN
This Department

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

DATE : June 17, 2005

1. Per your instruction, we compared the lowest evaluated bids of China Road and Bridge Corp. and E.C. de Luna Construction/China Road and Bridge Corp. (Joint Venture) for CW-RU-1.4B and CW-RU-1.6, respectively, with the updated ABC based on current prices. The objective of this exercise is to have an indication on the price level of the bids submitted by the contractors during the bidding conducted a year ago on May 6, 2004 compared to the current prices.
2. In updating the ABC for the subject projects, the IBRD-PMO used the unit prices coming from the ABC of two (2) recently bid projects under the Department, namely:

Project	Type	Implementing Office	Date of Bidding	Amount
Package IX-A: Dolores-Oras-San Policarpo Road, Province of Eastern Samar	Road Project, PCCP	RRNDP	May 2005	P 94,551,633.86
Package 4A: Suyo-Cervantes Road, Arterial Road Links Dev. Projects, Ilocos Sur and Benguet	Road and Bridge, ACP	PJHL	April 2005	P940,646,401.50

The majority of the unit prices from the Suyo-Cervantes Road, a project similar in scope (ACP) and magnitude, were adopted in the updated ABC of CW-RU-1.6 (Negros). However, due to the lack of data on recently bid project in Mindanao, it was decided to adopt the unit prices from the same project in the updated ABC of CW-RU-1.4B (Surigao), except for the unit prices for PCCP, which came from the Dolores-Oras-Policarpo Road. The original ABC unit prices were retained for the work items not existing from the ABCs of the named projects and for items under the Facilities for the Engineer.

Furthermore, for the following items whose unit prices from the Suyo-Cervantes Road appear too low and not representative of the current price level, we adopted the unit prices as indicated, to wit:

- (i) Subbase and Base - the unit prices prepared by JOC for the Landslide Study, NRIMP-I, were adopted. The prices of these items from Dolores-Oras-San Policarpo Road appear to be high.
- (ii) The unit costs for Item 301(2), Prime Coat and Item 302(2), Tack Coat in the original ABC for CW-RU-1.6 have been retained in spite of the substantial

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- increase in the prices of Bitumen from May 2004, the preparation of the ABC, to present as shown on the attached quotations.
- (iii) Structural Concrete for Substructure and Superstructure - the unit prices in the original ABCs have been adopted.
3. Detailed cost comparison between the lowest evaluated bids and ABCs for the subject Projects are attached in Appendix 1 and Appendix 2, respectively.
 4. The variances 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 compared to the updated ABCs are (+)11.28% and (+)9.63% respectively, showing a marked reduction from the previous variances of (+)27.18% and (+)24.83%, respectively.
 5. The reasonableness of the lowest evaluated bids based on the above comparison must be evaluated taking into consideration the following factors:
 - (i) The mark-up used in computing the updated ABC was limited to 14% of the Direct Cost (excluding VAT), the maximum that the DPWH allows projects of such magnitude. This is much lower compared to the mark-up of 27% and 19.5% used by the respective bidders for CW-RU-1.4B and CW-RU-1.6.
 - (ii) The unit costs in the updated ABCs were based on prices prior to the bidding of Suyo-Cervantes Road on April 12, 2005 and did not reflect series of successive fuel price increases during the months of April and May 2005.
 - (iii) Suyo-Cervantes Road Project is located in Luzon while the subject projects are located in Visayas and Mindanao, respectively. It may not be always true in all cases, but in general, construction costs in Visayas and Mindanao are higher than in Luzon.
 6. The following documents are attached for information and reference.

APPENDIX 1	-	Comparison between the bid of China Road and Bridge Corp. for CW-RU-1.4B and the updated ABC
APPENDIX 2	-	Comparison between the bid of E.C. de Luna Const./China Road and Bridge Corp. (JV) for CW-RU-1.6 and the updated ABC
ANNEX A	-	Approved ABC for CW-RU-1.4B
ANNEX B	-	Approved ABC for CW-RU-1.6
ANNEX C	-	Approved ABC for Package 4A: Suyo-Cervantes Road
ANNEX D	-	Approved ABC for Package IX-A: Dolores-Oras-Policarpo Road
ANNEX E	-	Quotations of Bituminous Materials
ANNEX F	-	Copy of D.O. No. 57 (series of 2002), Preparation of Approved Budget for the Contract
 7. Submitted for the Undersecretary's information and appropriate action.


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