

# [ PRESIDENTIAL DECREE NO. 454, May 14, 1974 ]

## **AMENDING THE PROVISIONS OF SECTION 10(b) OF REPUBLIC ACT NO. 5979 TO AUTHORIZE ADJUSTMENT OR CONTRACT PRICES FOR GOVERNMENT PROJECTS UNDER CERTAIN CONDITIONS**

**WHEREAS**, the present provisions of Section 10 (b) of Republic Act No. 5979 allow the adjustment of contract prices if during the effectivity of the contract, the cost of labor, materials and supplies for construction should increase due to acts of the government, such as increase in the minimum wage, imposition of additional taxes on construction materials, etc;

**WHEREAS**, under existing government policies, adjustment of contract prices is effected only after the completion of the project involved and subject to the approval of the Adjustment Committee composed of the Auditor General, as Chairman and the Secretary of Public Works, Transportation and Communications and the Budget Commissioner as Members;

**WHEREAS**, because of continuing worldwide economic dislocations resulting not only in the scarcity of commodities, materials and supplies, but also in unprecedented variances in the costs thereof, the provisions of the existing law governing the adjustment of contract prices for government public works projects have become inadequate, as it does not contain any provision for these unforeseen contingencies;

**WHEREAS**, because of these unprecedented increases in the prices of commodities, materials and supplies, the completion of government project in accordance with target schedules has been jeopardized as contractors by reason of unbearable financial burden are lagging behind schedules and/or are defaulting in discharging their contractual obligations, causing impairment of the country's economic program, as well as, requiring that the government take over and complete projects in default at substantially higher costs;

**WHEREAS**, to assure the expeditious and successful completion of government public works projects, the government realizes the need for revising the existing contracts to take into consideration the unprecedented increases in the costs of completing the projects;

**WHEREAS**, unless workable price adjustment mechanisms are provided in the contracts; contractors will tend to excessively provide for price contingencies resulting in unnecessarily high bids to the Government;

**WHEREAS**, contracts awarded at peaks of abnormal prices will result in higher costs not otherwise recoverable by the government when prices normalize; and

**WHEREAS**, the Government feels that amendment of the existing escalatory clause is a fair and equitable way of dealing with the situation.

**NOW, THEREFORE, I, FERDINAND E. MARCOS**, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby decree and order: