

**[ DBM CIRCULAR NO. 446-A, January 30, 1998 ]**

**AMENDING NATIONAL BUDGET CIRCULAR (NBC) NO. 446 DATED NOVEMBER 24, 1995, ON THE SUBJECT, "GUIDELINES ON THE ACQUISITION AND RENTAL OF MOTOR VEHICLES"**

**1  
Purpose**

This Circular is being issued to:

- 1.1 Amend NBC No. 446 to rationalize/refine existing policies relative to the acquisition of motor vehicles for government use;
- 1.2 Prescribed policy guidelines on the purchase of "second hand/reconditioned" transport and heavy equipment as an alternative mode of motor vehicle acquisition; and
- 1.3 Update the Motor Vehicle Classification and Specifications Guide or MVCSG to cover current motor vehicle models available in the market that are deemed most appropriate for the prevailing service vehicular requirements of the government.

**2  
General Policy**

Pursuant to the policy of the State to promote the optimum utilization of public resources, the acquisition of motor vehicles for government use shall be rationalized to enhance economy in government operations. For this purpose, motor vehicles to be acquired shall be limited to those that are deemed necessary and appropriate for the performance of government official functions and activities requiring transport.

**3  
Specific Amendments**

To effect a uniform understanding of vehicle classifications and the inclusion of modified specifications of motor vehicles appropriate for government use. Annex A (Typology of Government Motor Vehicles) is herein made part of this Circular, while Annex B\* (Revised Motor Vehicle Classification and Specifications Guide or RMVCSG) and paragraphs 4.1 and 4.2 of NBC No. 446, s. of 1995, are hereby amended to read as follows:

"4.1 National government agencies (NGAs), including government-owned and/or -controlled corporations (GOCCs) and state universities and colleges (SUCs), may purchase the following types of vehicle chargeable against their respective

appropriations authorized for the purpose upon approval by the **Agency Head and the Secretary of Budget and Management:**

*Motor vehicles with either imported or locally manufactured chassis and body*

- medical ambulances
- military and police patrol vehicles
- armored vehicles
- fire trucks
- heavy equipment for road construction, waste management/environmental sanitation, farm cultivation; and cargo transport/delivery (e.g., graders, payloaders, dumptrucks, compactors, farm tractors, delivery/cargo vans or trucks)

*Motor vehicles with locally manufactured chassis and body*

- passenger wagons/vans
- Asian Utility Vehicles (AUVs) of High Side Pick Up with Roof (HSPUR) utility vehicles
- mini buses/buses
- agency-specific purpose vehicles (e.g., prisoners' vans, OB vans, etc.)

*Other motor vehicles*

- motorized boats
- motorcycles and tri-wheel vehicles
- assembled owner-or passenger -type jeep/jitney/jeepney cdrep

4.2 The purchase of the following motor vehicles is subject to the approval of the President:

*cars (sedan or hatchback type)*

*motor vehicles with imported chassis and body*

- passenger wagons/vans
- pick-ups and all-terrain vehicles
- mini-buses/buses
- agency-specific purpose vehicles

*aircraft and seacraft"*

#### 4

### **Purchase of "Second-Hand/Reconditioned" Transport and Heavy Equipment**

Generally, acquisition of brand new units by outright purchase (paid for on a single, lump-sum basis) shall be adopted as a mode of motor vehicle acquisition.

In exceptional cases, however, particularly when acquisition of brand new units by outright purchase is not feasible, the purchase of second-hand/reconditioned transport and heavy equipment as an alternative mode of acquisition may be authorized, subject to the following requirements:

4.1 The mileage of the second-hand vehicle to be purchased, estimated from the time it was originally acquired as a brand new unit, must not exceed 50,000 kms. for high official function cars/sedans, passenger vans/wagons, and other service vehicles and 60,000 kms. for utility vehicles. Mileage refers to the total distance travelled by the vehicle to be purchased. LexLib

4.2 The remaining useful life of the vehicle to be purchased must not be lower than five (5) years in the case of high official function cars/sedans, passenger vans/wagons, and other service vehicles and three (3) years in the case of utility vehicles. For purposes of this Circular, remaining useful life refers to the difference between the estimated service life of the subject vehicle and the number of years of actual service of the same. (The generally accepted estimated service life of high official function cars/sedans, passenger vans/wagons, and other service vehicles is seven (7) years while that of utility vehicles is five (5) years).

4.3 The price or amount at which the second-hand/reconditioned vehicle is to be acquired must not exceed its Remaining Useful Value (RUV).

For this purpose, the standard formula to compute for the RUV is:

$RUV = (AC-SV) \times R/L + SV$ , where:

RUV = Remaining useful value

AC = Acquisition cost or the price/amount at which the vehicle was originally purchased or acquired as a brand new unit

SV = Salvage value or the amount equivalent to ten percent (10%) of the AC of the vehicle

R = Remaining useful life (as defined in Section 4.2 above)

L = Estimated service life or the length of service life that may be expected from a brand new model of a similar unit assuming normal utilization

4.4 In the case of second-hand/reconditioned heavy equipment (for waste management, construction and maintenance of roads and bridges) which includes, but are not limited to, dump trucks, graders, payloaders, road rollers, cement mixers and other related equipment, all pertinent data/specifications must be provided by the requesting agency as basis for DBM evaluation considering that the specifications/features vary according to manufacturer, size capacity, intended use, etc.

4.5 All second-hand/reconditioned vehicles to be purchased must be operational and in good running condition. The general obsolescence of the transport and heavy equipment, the availability of spare parts, and the quality, degree and extent of repair and maintenance requirements must also be fully considered in the acquisition of second-hand/reconditioned equipment. For this purpose, certification/documentation pertaining to the aforementioned aspects must

accompany all requests for purchases of second-hand/reconditioned transport and heavy equipment.

4.6 All purchases of second-hand/reconditioned transport and heavy equipment shall be subject to existing policy guidelines on the acquisition of motor vehicles and the applicable specifications/classifications prescribed under the attached RMVCSG.

## **5**

### **Acquisition Of Motor Vehicles By Local Government Units (LGUs)**

Pursuant to Administrative Order No. 339 entitled, "Prescribing Guidelines and Specifications of Motor Vehicles for Local Government Units," issued on June 6, 1997, Governors, City and Municipal Mayors and Punong Barangays are authorized to purchase transport and heavy equipment for their respective provinces, cities, municipalities and barangays out of unencumbered local funds covered by an appropriations ordinance specifically authorizing/earmarking the appropriations for the purpose, subject to specifications prescribed therein.

Notwithstanding, however, purchase of motor vehicles by LGUs out of the Countrywide Development Fund (CDF), other Special Purpose Funds, or out of any other appropriation under the Annual General Appropriations Act, shall be subject to the provisions of NBC No. 446, s. of 1995, and this Circular.

## **6**

### **Typology of Government Motor Vehicles**

All acquisitions of motor vehicles that may be authorized for NGAs, GOCCs, SUCs and LGUs shall be guided by the descriptive definition and information prescribed in the Typology Of Government Motor Vehicles herewith attached as Annex A.

## **7**

### **Revised Motor Vehicle Classification and Specifications Guide**

The maximum allowable specifications prescribed in the Revised Motor Vehicle Classification and Specifications Guide herewith attached as Annex B, shall apply to all purchases and rentals of motor vehicles that may be authorized for NGAs, GOCCs, SUCs and LGUs.

## **8**

### **Applicability of NBC No. 446**

The provisions of NBC No. 446, s. of 1995, except those modified in this Circular, shall continue to be applicable.

## **9**

### **Repealing Clause**

The provisions of NBC No. 446 which are inconsistent with this Circular are hereby rescinded, repealed and/or modified accordingly.

## **10**

### **Effectivity**