



RESOLUTION NO. 22-2005

TO APPROVE AND ADOPT AMENDMENTS TO GPPB GUIDELINES ON INDEX-BASED PRICING FOR PETROLEUM, OIL AND LUBRICANT REQUIREMENTS

WHEREAS, Republic Act No. 9184 (R.A. 9184), otherwise known as “Government Procurement Reform Act” and its Implementing Rules and Regulations Part A (IRR-A) took effect on 26 January 2003 and 08 October 2003 respectively;

WHEREAS, Section 63.1 of the IRR-A of R.A. 9184 provides that the Government Procurement Policy Board (GPPB), as established in Section 63 of R.A. 9184 shall have the power to formulate and amend public procurement policies, rules and regulations, and amend, whenever necessary the IRR-A;

WHEREAS, pursuant the afore-mentioned mandate, the GPPB during its 3rd meeting held on 28 April 2005 approved the Guidelines on Index-Based Pricing For Petroleum, Oil and Lubricant (POL) Requirement, through Resolution No. 05-2005, which took effect on 6 June 2005;

WHEREAS, the guidelines referred to above govern the procurement of POL by government agencies when the same is a major operational requirement for the agencies’ principal mandates; and prescribe the rules and procedures on the use of index-based pricing scheme for the aforementioned undertaking;

WHEREAS, upon perusal of these guidelines in view of requests for clarifications and amendments, revisions to these guidelines are necessary to implement effectively and efficiently its provisions;

WHEREAS, the proposed amendments to these guidelines were presented and reviewed by the Inter-Agency Technical Working Group (TWG) in its 7th and 8th meetings on 26 August and 16 September 2005 respectively, and members of the Inter-Agency TWG agreed to recommend these amendments to the GPPB for approval;

WHEREAS, these proposed amendments were presented to the GPPB in its 9th Board meeting on 07 October 2005, the members of the GPPB duly considered and agreed to adopt these amendments to the GPPB Guidelines on Index-Based Pricing For POL Requirements;

NOW, THEREFORE, premises considered, WE, the Members of the GOVERNMENT PROCUREMENT POLICY BOARD, by virtue of the powers vested on US by law, hereby RESOLVE:

To approve and adopt amendments to GPPB Guidelines on Index-Based Pricing for Petroleum, Oil and Lubricant Requirements issued through Resolution No. 05-2005 dated 28 April 2005. The following sections of the guidelines shall be amended, as follows:

1. **Sec. 3(b). Bid Price.** Refers to the difference of AWPP less the discounts plus delivery cost given by the bidder, in case of procurement using the WPP index; and the sum of MOPS plus the premium imposed and delivery cost, in case of procurement using the MOPS index;
2. **Sec. 3. Delivery Cost.** Cost of freight incurred by the Supplier from the source to the delivery point, i.e., refinery to delivery point for deliveries ex-refinery, or oil terminal/depot to delivery point for deliveries ex-depot. (*new provision*);
3. **Sec. 3 (e). Discounts.** Refer to the total deductions from the AWPP;
4. **Sec. 3 (j) Premium.** Refers to the amount added to the MOPS;
5. **Sec. 7.1** Bid prices for procurement using the WPP index in accordance with Section 5.1 hereof shall be based on the AWPP less the discounts offered plus delivery cost charged by the bidder, if any. On the other hand, bid prices for procurement using the MOPS index in accordance with Section 5.2 hereof shall be based on the MOPS plus premium and delivery cost charged by the bidder;
6. **Sec. 7.2** Contract price shall be the index rate at the actual order date less the discount plus delivery cost (in case of use of WPP index) or, plus the sum of premium and delivery cost (in case of use of MOPS index) of the Lowest Calculated Responsive Bidder, subject to the provisions on actual price payable under Section 9 hereof;
7. **Sec. 8.1** For purposes of bid evaluation and/or comparison of bids, in the case of procurements using the WPP index, the Lowest Calculated Bid shall be determined by identifying the bidder that offered the lowest bid represented



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by an amount equal to the AWPP less discount plus delivery cost; and in the case of procurements using the MOPS index, the bidder that offered the lowest bid represented by an amount equal to MOPS plus premium and delivery cost; and

8. **Sec. 9.2** For purposes of payment, the discount or premium and the delivery cost stated in the contract shall not be changed during contract implementation.

This resolution shall take effect immediately.

APPROVED this 7th of October, 2005 at Pasig City, Philippines.

Sgd.

ROMULO L. NERI
Secretary
Department of Budget and Management

Sgd.

AUGUSTO B. SANTOS
Director General
National Economic and Development
Authority

Sgd.

**NATIONAL ECONOMIC AND
DEVELOPMENT AUTHORITY**

**DEPARTMENT OF NATIONAL
DEFENSE**

Sgd.

DEPARTMENT OF EDUCATION

DEPARTMENT OF HEALTH

Sgd.

**DEPARTMENT OF INTERIOR AND
LOCAL GOVERNMENT**

DEPARTMENT OF ENERGY



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Sgd.

**DEPARTMENT OF PUBLIC WORKS
AND HIGHWAYS**

Sgd.

DEPARTMENT OF FINANCE

Sgd.

**DEPARTMENT OF TRADE AND
INDUSTRY**

**DEPARTMENT OF SCIENCE AND
TECHNOLOGY**

Sgd.

**DEPARTMENT OF TRANSPORTATION
AND COMMUNICATIONS**

PRIVATE SECTOR REPRESENTATIVE

Attested by:

Sgd.

JOSE MARTIN C. SYQUIA
Board Secretary, GPPB
Executive Director, GPPB-TSO

GUIDELINES ON INDEX-BASED PRICING FOR PROCUREMENT OF PETROLEUM, OIL AND LUBRICANT PRODUCTS¹

1. SCOPE AND APPLICATION

These guidelines shall govern the use, under extraordinary circumstances, of an index-based pricing scheme, in accordance with Section 61 of Republic Act No. 9184 (R.A. 9184), otherwise known as “Government Procurement Reform Act” and its Implementing Rules and Regulations Part A (IRR-A), and the GPPB Guidelines for Contract Price Escalation.

These rules and procedures shall govern the petroleum, oil and lubricant (POL) procurement of national government, its departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions and local government units when POL is a major operational requirement necessary for the prosecution of their principal mandate. Procurement of POL products from retailers or dealers other than major suppliers as hereafter defined, or from those who are engaged in the business of selling the same to the general public for ultimate consumption and which are sold at pump prices shall not be subject to these guidelines.

2. PURPOSE

These guidelines are being formulated to meet the following objectives:

- 2.1. To identify the conditions for the applicability of the index-based pricing scheme on the procurement of POL products by a procuring entity.
- 2.2. To prescribe the rules and procedures on the use of index-based pricing scheme for the procurement of POL requirements.

3. DEFINITION OF TERMS

- a. **Average Wholesale Posted Price (AWPP).** Refers to the average of the major POL suppliers’ individual Wholesale Posted Price (WPP) as computed and issued by the Oil Industry Management Bureau (OIMB) of the Department of Energy (DOE).
- b. **Bid Price.** Refers to the difference of AWPP less the discounts plus delivery cost given by the bidder, in case of procurement using the WPP index; and the sum of MOPS plus the premium imposed and delivery cost, in case of procurement using the MOPS index.
- c. **Bulk Procurement.** Procurement which, by the totality of all POL product requirements and by their sheer volume, necessitates

¹ As amended by GPPB Resolution 022-2005, dated 12 September 2005.

procurement from major suppliers.

- d. **Total Contract Price.** Refers to the aggregate of the amounts set by a procuring entity, as the ceiling, to meet the volume requirement for each type of POL product; the value of which shall not exceed the ABC.
- e. **Discounts.** Refer to the total deductions from the AWPP.
- f. **Extraordinary Circumstance.** Refers to an event or occurrence, or series of events or occurrences, before or during contract implementation, which give(s) rise to price movements in petroleum and its derivative products.
- g. **Major Suppliers.** Refer to POL wholesale suppliers and who, in the operation of their business, either maintains a refinery in the Philippines or directly imports POL from production or trading venues.
- h. **Mean of Platts Singapore.** Refers to the mean of the high and low components of a Platts assessment for oil cargoes loading from Singapore. **Platts** is a publishing/trading house based in Singapore which publishes daily information on oil price and shipping rates.
- i. **Petroleum, Oil and Lubricant Products (POL).** For purposes of these guidelines, shall refer to those mentioned in Section 5 hereof.
- j. **Premium.** Refers to the amount added to the MOPS.
- k. **Unit Contract Price.** Refers to the percentage of discount, in the case of procurement using the WPP index, the percentage of premium, in the case of procurement using the MOPS index, to be applied to the price rate on the index to be used at the date of actual order by the procuring entity.
- l. **Wholesale Posted Price.** Is the reference fuel prices individually set by local refiners and traders subject to periodic changes based on the movement in crude oil prices, foreign exchange, and all other costs. The WPP shall have considered all allowances for costs and expenses either ex-refinery or ex-depot.
- m. **Delivery Cost.** Cost of freight incurred by the Supplier from the source to the delivery point, i.e., refinery to delivery point for deliveries ex-refinery, or oil terminal/depot to delivery point for deliveries ex-depot.

4. **CONDITIONS FOR APPLICABILITY OF THESE GUIDELINES**

- 4.1. These guidelines shall be applicable only in cases of bulk procurement of POL requirements, by the national government, its departments, bureaus, offices and agencies, including state universities and colleges, government-owned and/or controlled corporations, government financial institutions and local government units where POL

procurement is a major requirement in their operations. For this purpose, procuring entities intending to use these guidelines for their POL procurement shall notify the Government Procurement Policy Board (GPPB) in writing.

POL requirements shall be considered as a major requirement of the procuring entity if the use of the same is necessary in the primary operation of the procuring entity and in the prosecution of its principal mandate. The duration of the contract to cover the POL requirement of the procuring entity shall not exceed one (1) year.

5. INDEX-BASED PRICING FOR PETROLEUM, OIL AND LUBRICANT PRODUCTS

5.1. The Wholesale Posted Price (WPP) index shall be used in the procurement of the following POL products:

- i. Premium, Unleaded or Regular Gasoline;
- ii. Automotive Diesel Oil
- iii. Jet A-1;
- iv. AVGAS; and
- v. Lubricants such as AVOIL EE-100, MIL-H5606 (F/G Synthetic), Hydraulic Brake Fluid (DOT-3), 2-Stroke Engine Oils, Ground Oils, ATF Premium, Gear Oil, Grease MP3, and Lube Oils.

5.2. The Mean of Platts Singapore index shall be used in the procurement of the following products:

- i. Industrial Fuel Oil;
- ii. Low Sulfur Fuel Oil; and
- iii. Industrial Diesel Oil.

5.3. The foregoing list of POL items to be procured using either WPP or MOPS indices shall be subject to annual review, modification or re-classification by the GPPB, or as often as it deems necessary.

6. WPP AND MOPS-BASED PRICING SCHEME

6.1. For the procurement of POL products using the WPP index, the Bid and Unit Contract Prices shall be determined based on the Average Wholesale Posted Price (AWPP) of the major POL suppliers. The AWPP shall be that determined and officially issued by the Oil Industry Management Bureau (OIMB) of the Department of Energy (DOE).

6.2. For the procurement of POL products using the MOPS index, the Bid and Unit Contract Prices shall be determined based on the MOPS assessments as officially released by Platts Singapore.

7. BID AND CONTRACT PRICES

- 7.1. Bid prices for procurement using the WPP index in accordance with Section 5.1 hereof shall be based on the AWPP less the discounts offered plus delivery cost charged by the bidder, if any. On the other hand, bid prices for procurement using the MOPS index in accordance with Section 5.2 hereof shall be based on the MOPS plus premium and delivery cost charged by the bidder.
- 7.2. Contract price shall be the index rate at the actual order date less the discount plus delivery cost (in case of use of WPP index) or, plus the sum of premium and delivery cost (in case of use of MOPS index) of the Lowest Calculated Responsive Bidder, subject to the provisions on actual price payable under Section 9 hereof.

8. BID EVALUATION AND COMPARISON OF BIDS

- 8.1. For purposes of bid evaluation and/or comparison of bids, in the case of procurements using the WPP index, the Lowest Calculated Responsive Bid shall be determined by identifying the bidder that offered the lowest bid represented by an amount equal to the AWPP less discount plus delivery cost; and in the case of procurements using the MOPS index, the bidder that offered the lowest bid represented by an amount equal to MOPS plus premium and delivery cost.
- 8.2. In determining the AWPP or MOPS for purposes of bid prices, reference shall be made to the AWPP or the MOPS, whichever is appropriate, thirty (30) calendar days prior to the scheduled date for bid opening as advertised.

9. ACTUAL PRICES PAYABLE

- 9.1. The amount to be paid by the procuring entity for POL requirements actually delivered and duly received by it shall be the AWPP, at the date the actual order is placed, less the discounts given or the MOPS, at the date the actual order is placed, plus the premium imposed, whichever is appropriate. This shall be the basis for determining the actual price payable for the units/volume delivered.
- 9.2. For purposes of payment, the discount or premium and the delivery cost stated in the contract shall not be changed during contract implementation.
- 9.3. For staggered deliveries, the procuring entity shall make, after every order, an accounting of the amount actually payable based on the date of the Purchase Order/Requisition Request. This will also determine the allowable unit/volume that may still be ordered from the remaining amount allotted for each POL product. The procuring entity shall be allowed to make adjustments in the units/volume to be delivered per type of product to conform to the remaining amount in the total contract price.

- 9.4. For contracts stipulating consignment whereby a supplier makes a delivery of POL products to a procuring entity's holding area and payment is based on volume consumed, the actual price payable shall be determined based on the weighted average of the applicable index from the date the order is placed up until the cut-off date for payments agreed upon by the parties. The same rule shall apply for contracts where a major supplier delivers the POL products to the procuring entity through its authorized stations and/or distribution centers.
- 9.5. If during contract implementation, the total contract price for the project would have been consumed notwithstanding that the requirements were not fully delivered in the units/volume contemplated, no further order and payments shall be made. This agreement shall form part of the bidding documents.

10. EFFECTIVITY

These Guidelines or any amendments hereto shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general nationwide circulation and upon filing with the University of the Philippines Law Center of three (3) certified copies of these guidelines.