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Department of Budget and Management  
**GOVERNMENT PROCUREMENT POLICY BOARD**  
**TECHNICAL SUPPORT OFFICE**

**NPM No. 13-2012**

18 January 2012

**ATTY. LEIZL B. VILLANUEVA**  
*Officer-in-Charge, Procurement Planning & Manag*  
**NATIONAL FOOD AUTHORITY**  
Philippine Sugar Center Bldg., North Avenue,  
Diliman, Quezon City

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**Re: Meaning of Philippine Association of Detective and Protective Agency Operators (PADPAO) Rate**

Dear Atty. Villanueva:

We respond to your letter dated 24 November 2011 seeking clarification on the meaning of PADPAO rate, particularly, whether it is inclusive of administrative cost or agency fee.

To address your concerns, we refer to the Standard Cost Distribution Per Month Wage Order issued by PADPAO for different regions. It provides that the PADPAO rate includes three components: the Total Amount to Guard and Government, Agency Fee, and Value Added Tax.

The Total Amount to Guard and Government includes the standard salaries and benefits for the guard. On the other hand, the Agency Fee covers the Operational and Administrative Expenses to be incurred by the Security Agency in its course of providing security services to its clients such as taxes and licenses (local and national), supervision, training, insurances, and other incidental expenses relative to security guarding to include returns of investment and profit.<sup>1</sup>

Relative thereto, the Government Procurement Policy Board (GPPB) has issued a Circular<sup>2</sup> to advise government agencies of the application and definition of cut-throat competition in accordance with the amendments to the Implementing Rules and Regulations of Republic Act No. 5487 (An Act Governing the Organization and Management of Private Security Agencies, Company Guard Forces and Government Security Forces) on Cut-throat Competition (Revised Rules).

<sup>1</sup> See Note No. 2 of the PADPAO Standard Cost Distribution Per Month Wage Order No. NCR-15 effective 01 July 2010.

<sup>2</sup> Circular No. 02-2006 issued on April 10, 2006.

Pursuant to the Revised Rules, a Philippine Security Agency (PSA) bidding for government contracts may offer different bid prices below the PADPAO rate without being charged of cut-throat competition or violating the provisions of the IRR of R.A. 5487, provided that they do not go below the standard salaries and benefits for the guards and the mandated taxes in the minimum cost distribution formula in conformity with existing wage laws.<sup>3</sup> Impliedly, the PSA can offer an amount lower than the PADPAO rate by reducing the agency fee covering operational and administrative expenses in computing for its bid prices.

It should also be noted that any PSA bidder who shall offer an amount lower than the standard minimum wage and mandated taxes in its financial proposal for government contracts, shall be automatically disqualified and imposed an administrative penalty of suspension from participating in the public bidding process for having submitted bids containing false information, an act punishable under RA 9184 and its IRR<sup>4</sup>.

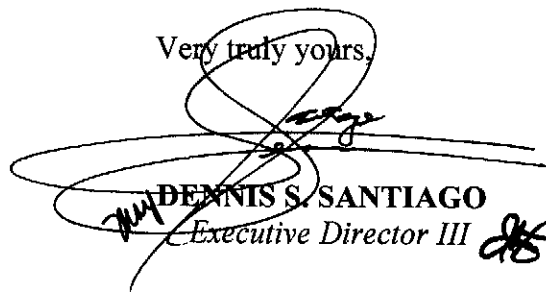
From the foregoing discussion, we are of the view that the administrative cost or agency fee is included in the PADPAO rate.

For more information on the matter, we also suggest that you inquire with the office of Philippine Association of Detective and Protective Agency Operators (PADPAO), Inc. located at 2<sup>nd</sup> Floor Civil Security Group Building, Camp Crame, Quezon City, with telephone number 722-4002, for a clearer and unambiguous understanding.

We hope that our advice sufficiently addresses your concern. We wish to stress that this opinion is being rendered on the basis of the facts and particular circumstances as presented.

Should you have additional questions, please do not hesitate to contact us.

Very truly yours,



**DENNIS S. SANTIAGO**  
Executive Director III

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<sup>3</sup> See Section 3.1 of the Circular on the amendments on Section 3.C.d, Rule X of the Revised Rules .

<sup>4</sup> See Section 3.2 of the Circular on the amendments on Section 7.g, Rule XVII of the Revised Rules.