



U.S. Department
of Transportation
**Federal Highway
Administration**

Memorandum

Washington, D.C. 20590

Subject: Equipment Rental Rates for Contractor
Owned Equipment

Date **OCT 30 1986**

From: Director, Office of Highway Operations

Reply to
Attn of HHO-32

To: Regional Federal Highway Administrators
Regions 1-10

We have had several questions asking if the Federal Highway Administration (FHWA) was mandating that the U.S. Army Corps of Engineers (COE) manual, "Construction Equipment Ownership and Operating Expenses Schedule," be used for equipment rental rates. Our memorandum of August 22, 1986, on equipment rental rates states that the Office of Inspector General (OIG) had identified the COE manual as being an acceptable source of equipment usage rates without modification. We did not mean to imply that States are required to use the COE manual. States may adopt the Blue Book or other industry rate guides that have been modified to exclude cost allowances which are ineligible for Federal reimbursement. We have been advised that modification factors have or will be developed for some industry rate guides. States should obtain these from the publishers.

The COE manuals will be furnished under separate cover so that States may evaluate how the COE rates are determined. The adoption of contractor owned equipment rental rates must be a State decision as the recognition of an approved rate may also be used in rental rates, construction contracts, force accounts, claim work, litigation, and cost accounting.

In the adoption of contractor owned equipment rental rates, the States must make the determination of what are reasonable, fair, and eligible equipment rental rates for contractor owned equipment for extra work orders, claims, etc. It is the FHWA's responsibility to review rates recommended by the State and approve those rates which are fully eligible for Federal participation. Since equipment rental rates are normally covered in standard specifications or supplemental specifications, approval authority would be in accordance with FHWA Order 1-1, Part 1, Chapter 5, paragraph 14d.

DAVID S. GENDALL

David S. Gendell