



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Oregon State Office

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Portland, Oregon 97208



In Reply Refer to:

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September 4, 2008

EMS TRANSMISSION 09/05/2008

Instruction Memorandum No. OR-2008-088

Expires: 9/30/2009

To: District Managers: Lakeview, Salem, Eugene, Roseburg, Medford, and Coos Bay

From: State Director, Oregon/Washington

Subject: Profit and Risk, Overhead, and Contract Administration
Allowances for Road Replacement Cost Calculations under
Reciprocal Right-of-Way Agreements and Permits

Program Area: Oregon and California (O&C) Logging Road Rights-of-Way (43 CFR 2812)

Purpose: Provide guidance for all western Oregon Bureau of Land Management (BLM) Districts in the application of profit and risk, overhead, and contract administration expenses in determining road replacement cost.

Policy/Action: Unless otherwise specified by provision or regulation, the following percentage rates will be used when determining the road replacement cost under reciprocal right-of-way agreements and permits:

Profit and Risk: 0% (no profit and risk is applied to existing roads)

Overhead: 10% (includes all costs involved in administration, record keeping, and clerical personnel not directly involved in actual field or project work)

Contract Administration: 10% (includes planning, contract preparation, and contract administration)

The sum of the percentages identified above will be applied to the construction cost of a road prior to adjustments for separable costs and allocation for non-commercial uses. This policy is applicable to any pending road replacement cost calculations and is not retroactive to any cost calculations which have previously been approved and accepted by either the BLM or permittees. No profit and risk is applied to road replacement cost calculations on existing roads where the construction cost is being determined "after-the-fact." After-the-fact means that the road is in place and the quantities of excavation, material type, drainage structures, surfacing

quantities, etc., can be determined from post-construction surveys. Allowances for overhead and contract administration are agency guidelines for comparable construction contracts using appropriated funds.

Timeframe: Available for immediate implementation.

Budget Impact: Implementation of this policy will not impact agency budget allocations or annual work plan directives.

Background: A fundamental and important component in the administration of the reciprocal right-of-way agreement program in western Oregon is the determination of use fees for the amortization of road investments. Road use fees are calculated using the replacement cost of a road which includes applicable administrative costs including allowances for profit and risk, overhead, and contract administration. The BLM and permittees to reciprocal right-of-way agreements have agreed to establish consistent and uniform guidance in the application of profit and risk, overhead, and contract administration allowances for use in determining road replacement cost.

Manual/Handbook Sections Affected: This policy guidance will be incorporated in the O&C Logging Road Right-of-Way Handbook, H-2812-1.

Coordination: Coordination has taken place with the BLM Western Oregon Transportation Team, Oregon State Office Branch of Engineering, and permittee representatives.

Contact: For questions or additional information, contact John Styduhar, BLM Realty Specialist, Oregon State Office, at 503-808-6454.

Districts with Unions are reminded to notify their unions of this Instruction Memorandum and satisfy any bargaining obligations before implementation. Your servicing Human Resources Office or Labor Relations Specialist can provide you assistance in this matter.

Signed by
James G. Kenna
Associate State Director

Authenticated by
Paj Shua Cha
Records Section

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