

## 48.102 Policies.

(a) As required by 41 U.S.C. 1711, agencies *shall* establish and maintain cost-effective *value engineering* procedures and processes. Agencies *shall* provide contractors a substantial financial incentive to develop and submit VECP's. *Contracting activities* will include *value engineering* provisions in appropriate supply, service, architect-engineer and *construction* contracts as prescribed by 48.201 and 48.202 except where exemptions are granted on a case-by-case basis, or for specific classes of contracts, by the *agency head*.

(b) Agencies *shall*-

(1) Establish guidelines for processing VECP's,

(2) Process VECP's objectively and expeditiously, and

(3) Provide contractors a fair share of the savings on accepted VECP's.

(c) Agencies *shall* consider requiring incorporation of *value engineering* clauses in appropriate subcontracts.

(d)

(1) Agencies other than the Department of Defense *shall* use the *value engineering* program requirement clause (52.248-1, Alternates I or II) in initial production contracts for *major system* programs (see definition of *major system* in 34.001) and for contracts for *major systems* research and development except where the *contracting officer* determines and documents the file to reflect that such use is not appropriate.

(2) In Department of Defense contracts, the VE program requirement clause (52.248-1, Alternates I or II), *shall* be placed in initial production *solicitations* and contracts (first and second production buys) for *major system acquisition* programs as defined in DoD Directive 5000.1, except as specified in subdivisions (d)(2)(i) and (ii) of this section. A program requirement clause *may* be included in initial production contracts for less than *major systems acquisition* programs if there is a potential for savings. The *contracting officer* is not required to include a program requirement clause in initial production contracts-

(i) Where, in the judgment of the *contracting officer*, the prime contractor has demonstrated an effective VE program during either earlier program phases, or during other recent comparable production contracts.

(ii) Which are awarded on the basis of competition.

(e) *Value engineering* incentive payments do not constitute profit or fee within the limitations imposed by 10 U.S.C. 3322(b) and 41 U.S.C.3905 (see 15.404-4(c)(4)(i)).

(f) Generally, profit or fee on the *instant contract* *should* not be adjusted downward as a result of acceptance of a VECP. Profit or fee *shall* be excluded when calculating instant or future contract savings.

(g) The *contracting officer* determines the *sharing periods* and sharing rates on a case-by-case basis

using the guidelines in [48.104-1](#) and [48.104-2](#), respectively. In establishing a *sharing period* and sharing rate, the *contracting officer must* consider the following, as appropriate, and *must* insert supporting rationale in the contract file:

- (1) Extent of the change.
- (2) Complexity of the change.
- (3) Development risk (*e.g.*, contractor's financial risk).
- (4) Development cost.
- (5) Performance and/or reliability impact.
- (6) Production period remaining at the time of VECP acceptance.
- (7) Number of *units* affected.
- (h) Contracts for *architect-engineer services* must require a mandatory *value engineering* program to reduce total ownership cost in accordance with [48.101\(b\)\(2\)](#). However, there *must* be no sharing of *value engineering* savings in contracts for *architect-engineer services*.
- (i) Agencies *shall* establish procedures for funding and payment of the contractor's share of *collateral savings* and future contract savings.

**Parent topic:** [Subpart 48.1 - Policies and Procedures](#)