

## 48.101 General.

(a) *Value engineering* is the formal technique by which contractors *may* (1) voluntarily suggest methods for performing more economically and share in any resulting savings or (2) be required to establish a program to identify and submit to the Government methods for performing more economically. *Value engineering* attempts to eliminate, without impairing essential functions or characteristics, anything that increases *acquisition*, operation, or support costs.

(b) There are two *value engineering* approaches:

(1) The first is an incentive approach in which contractor participation is voluntary and the contractor uses its own resources to develop and submit any *value engineering* change proposals (VECP's). The contract provides for sharing of savings and for payment of the contractor's allowable development and implementation costs only if a VECP is accepted. This voluntary approach *should* not in itself increase costs to the Government.

(2) The second approach is a mandatory program in which the Government requires and pays for a specific *value engineering* program effort. The contractor *must* perform *value engineering* of the scope and level of effort required by the Government's program plan and included as a separately priced item of work in the contract Schedule. No *value engineering* sharing is permitted in architect engineer contracts. All other contracts with a program clause share in savings on accepted VECP's, but at a lower percentage rate than under the voluntary approach. The objective of this *value engineering* program requirement is to ensure that the contractor's *value engineering* effort is applied to areas of the contract that *offer* opportunities for considerable savings consistent with the functional requirements of the end item of the contract.

**Parent topic:** Subpart 48.1 - Policies and Procedures