

## 48.201 Clauses for supply or service contracts.

(a) *General.* The contracting officer shall insert a value engineering clause in solicitations and contracts when the contract amount is expected to exceed the simplified acquisition threshold, except as specified in paragraphs (a)(1) through (5) and in paragraph (f) of this section. A value engineering clause may be included in contracts of lesser value if the contracting officer sees a potential for significant savings. Unless the chief of the contracting office authorizes its inclusion, the contracting officer shall not include a value engineering clause in solicitations and contracts-

(1) For research and development other than full-scale development;

(2) For engineering services from not-for-profit or nonprofit organizations;

(3) For personal services (see [subpart 37.1](#));

(4) Providing for product or component improvement, unless the value engineering incentive application is restricted to areas not covered by provisions for product or component improvement;

(5) For commercial products (see [part 11](#)) that do not involve packaging specifications or other special requirements or specifications; or

(6) When the agency head has exempted the contract (or a class of contracts) from the requirements of this [part 48](#).

(b) *Value engineering incentive.* To provide a value engineering incentive, the contracting officer shall insert the clause at [52.248-1](#), Value Engineering, in solicitations and contracts except as provided in paragraph (a) of this section (but see paragraph (e)(1) of this section).

(c) Value engineering program requirement.

(1) If a mandatory value engineering effort is appropriate (*i.e.*, if the contracting officer considers that substantial savings to the Government may result from a sustained value engineering effort of a specified level), the contracting officer shall use the clause with its AlternateI (but see paragraph (e)(2) of this section).

(2) The value engineering program requirement may be specified by the Government in the solicitation or, in the case of negotiated contracting, proposed by the contractor as part of its offer and included as a subject for negotiation. The program requirement shall be shown as a separately priced line item in the contract Schedule.

(d) Value engineering incentive and program requirement.

(1) If both a value engineering incentive and a mandatory program requirement are appropriate, the contracting officer shall use the clause with its AlternateII (but see paragraph (e)(3) of this section).

(2) The contract shall restrict the value engineering program requirement to well-defined areas of performance designated by line item in the contract Schedule. AlternateII applies a value engineering program to the specified areas and a value engineering incentive to the remaining areas of the contract.

(e) *Collateral savings computation not cost-effective.* If the head of the contracting activity determines for a contract or class of contracts that the cost of computing and tracking collateral savings will exceed the benefits to be derived, the contracting officer shall use the clause with its-

(1) AlternateIII if a value engineering incentive is involved;

(2) AlternateIII and AlternateI if a value engineering program requirement is involved; or

(3) AlternateIII and AlternateII if both an incentive and a program requirement are involved.

(f) *Architect-engineer contracts.* The contracting officer shall insert the clause at [52.248-2](#), Value Engineering Architect-Engineer, in solicitations and contracts whenever the Government requires and pays for a specific value engineering effort in architect-engineer contracts. The clause at [52.248-1](#), Value Engineering, shall not be used in solicitations and contracts for architect-engineer services.

(g) *Engineering-development solicitations and contracts.* For engineering-development solicitations and contracts, and solicitations and contracts containing low-rate-initial-production or early production units, the contracting officer must modify the clause at [52.248-1](#), Value Engineering, by-

(1) Revising paragraph (i)(3)(i) of the clause by substituting "a number equal to the quantity required to be delivered over a period of between 36 and 60 consecutive months (set at the discretion of the Contracting Officer for each VECP) that spans the highest planned production, based on planning and programming or production documentation at the time the VECP is accepted;" for "the number of future contract units scheduled for delivery during the sharing period;" and

(2) Revising the first sentence under paragraph (3) of the definition of "acquisition savings" by substituting "a number equal to the quantity to be delivered over a period of between 36 and 60 consecutive months (set at the discretion of the Contracting Officer for each VECP) that spans the highest planned production, based on planning and programming or production documentation at the time the VECP is accepted." for "the number of future contract units in the sharing base."

(h) *Extended production period solicitations and contracts.* In solicitations and contracts for items requiring an extended period for production (*e.g.*, ship construction, major system acquisition), if agency procedures prescribe sharing of future contract savings on all units to be delivered under contracts awarded during the sharing period (see [48.104-1\(c\)](#)), the contracting officer must modify the clause at [52.248-1](#), Value Engineering, by revising paragraph (i)(3)(i) of the clause and the first sentence under paragraph (3) of the definition of "acquisition savings" by substituting "under contracts awarded during the sharing period" for "during the sharing period."

**Parent topic:** [Subpart 48.2 - Contract Clauses](#)