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Acquisition

VALUE ENGINEERING



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1. The Air Force uses Value Engineering (VE) to ensure the most essential functions of systems, sub-systems, equipment, products, and facilities meet customer requirements and are obtained at the least cost. VE focuses on program essentials and analyzes systems, facilities, products, and processes to determine the lowest life-cycle cost without degrading performance, reliability, maintainability, and safety. The following policies establish VE principles and procedures to ensure Air Force operations benefit from cost-effective economic and technical support. Revised material is indicated by a H.
2. VE is an organized effort directed at analyzing the function of Department of Defense (DoD) systems, equipment, facilities, procedures, and supplies to achieve the required function at the lowest total cost of effective ownership, consistent with requirements for performance, reliability, quality, and maintainability.
3. All systems, subsystems, equipment, and products are candidates for VE, except those specifically exempted by the Federal Acquisition Regulation (FAR), Part 48.
4. The Air Force will encourage using VE by letting program managers use the savings or excess costs avoided that resulted from successful VE efforts during the fiscal year in which the first savings or costs avoided accrue and for the following 2 years.
5. The Air Force will encourage its contractors to voluntarily implement a VE effort aimed at reducing the contractor's cost of providing its product. FAR, Parts 48 and 52, will be used as an incentive for contractors. Voluntary participation by contractors, via Value Engineering Change Proposals (VECP), will be the primary means used by the Air Force to promote the use of VE.
6. The Air Force will implement an internal VE effort, via in-house Value Engineering Proposals (VEP), associated with support activities.
7. The Air Force will apply a VE analysis, via Value Engineering Study Proposals (VESP), during the project planning and design phase of all military construction projects estimated to cost \$10 million or

more; and to such projects estimated to cost \$1 million or more with a potential return on investment of 10 to 1 or greater.

8. The following responsibilities and authorities are established:

8.1. The Office of the Secretary of the Air Force is responsible for policy, resource advocacy, and oversight of the VE Program throughout the Air Force.

8.2. Commanders are responsible for establishing VE programs, identifying product, project, and program candidates, encouraging participation by their contractors, and executing their programs to comply with this policy.

9. This policy applies to all organizations and personnel involved in the acquisition of new or mature systems, subsystems, equipment, products, and new or renovated facilities.

10. The terms used in this policy directive are as follows:

10.1. Value Engineering Change Proposal (VECP). A cost life-cycle reduction change proposal submitted by a contractor pursuant to the Value Engineering clause in a current contract requiring a contract modification that results in a net life-cycle cost reduction to the government without degrading needed quality and performance.

10.2. Value Engineering Proposal (VEP). A specific Value Engineering effort by Government personnel using the Value Engineering methodology for economic improvement, such as, cost reduction or avoidance, without impairing needed quality or performance.

10.3. Value Engineering Study Proposal (VESP). An Air Force-funded Value Engineering Study by an architect-engineer contractor using the Value Engineering methodology for economic improvement. The study generates formal recommendations for changes to design criteria, drawings, or specifications resulting in life-cycle cost reductions without degradation to performance or quality.

11. This directive implements requirements set forth in Office of Management and Budget Circular A-131; DoD 5000.2-M, *Defense Acquisition Management Documentation and Reports*, February 1991, with Change 1; and FAR, Parts 48 and 52. Related instructions are in AFI 63-801, *Value Engineering Program* (formerly AFR 320-1) and AFPAM 63-802, *Value Engineering--A Guide for Contractors* (formerly AFP 320-2).

12. See attachment 1 for the measures used to comply with this policy.

CLARK G. FIESTER
The Assistant Secretary of the Air Force for Acquisition

Attachment 1

MEASURING AND DISPLAYING COMPLIANCE WITH POLICY

A1.1. Compliance with this VE policy will be assessed by taking measurements in two areas: contractor program and facilities program. Measurements, to meet objectives designated by the commander, will be taken by each organization and reported through the major command (MAJCOM) to SAF/AQX. Measurement charts (figures A1.1 and A1.2) display trends in reaching MAJCOM annual objectives. These measurements are collected through RCS: DD-A&T(A)1138, *DoD Value Engineering Program Report*.

A1.2. Contractor Program. Measurements will be taken to evaluate the effectiveness of the program in reducing costs.

A1.3. Facility Program. Measurement will be taken to evaluate the results attributable to the facility VE program on projects over \$1 million.

Figure A1.1. Sample Metric of Contractor VE Savings.

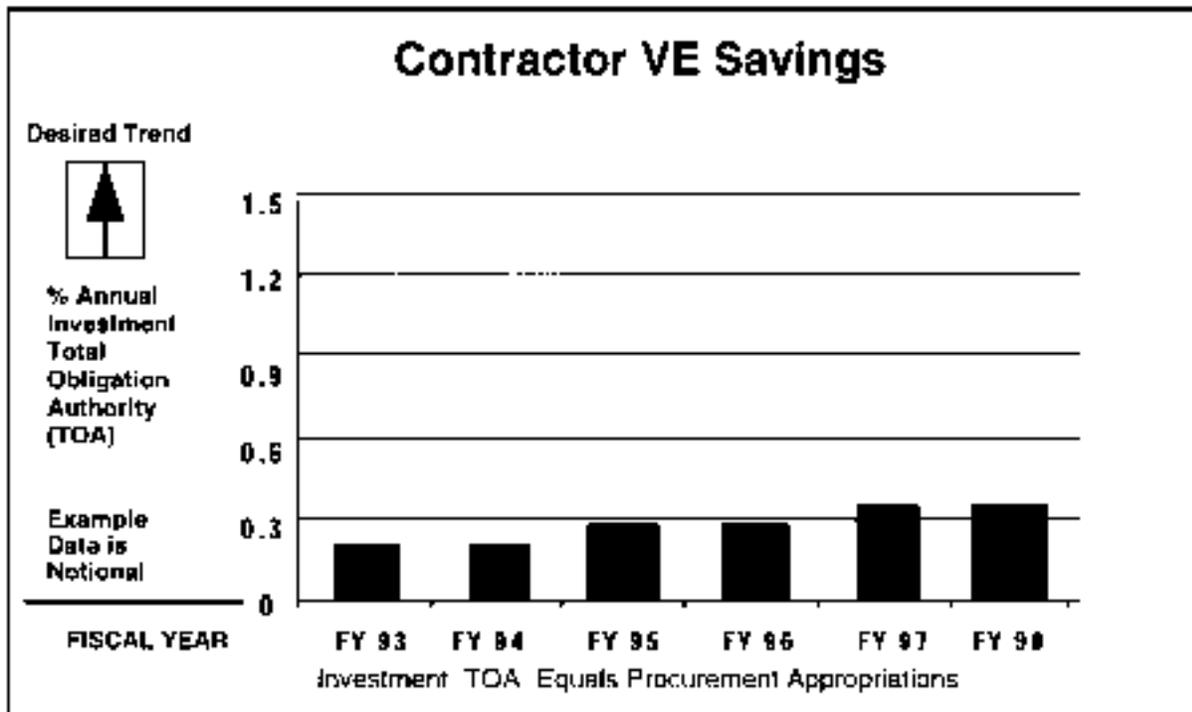


Figure A1.2. Sample Metric of VE Studies Conducted on Facility Projects Over \$1 Million.

