

## 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](#)