

# 48.001 Definitions.

As used in this part-

*Acquisition savings* means savings resulting from the application of a *value engineering change proposal (VECP)* to contracts awarded by the same *contracting office* or its successor for essentially the same *unit*. *Acquisition savings* include-

(1) *Instant contract savings*, that are the net cost reductions on the contract under which the VECP is submitted and accepted, and that are equal to the *instant unit cost reduction* multiplied by the number of *instant contract units* affected by the VECP, less the contractor's allowable development and implementation costs;

(2) Concurrent contract savings, that are net reductions in the prices of other contracts that are definitized and ongoing at the time the VECP is accepted; and

(3) Future contract savings, that are the product of the *future unit cost reduction* multiplied by the number of future contract *units* in the *sharing base*. On an *instant contract*, future contract savings include savings on increases in quantities after VECP acceptance that are due to *contract modifications*, exercise of *options*, additional orders, and funding of subsequent year requirements on a multiyear contract.

*Collateral costs* means agency costs of operation, maintenance, logistic support, or Government-furnished property.

*Collateral savings* means those measurable net reductions resulting from a VECP in the agency's overall projected *collateral costs*, exclusive of *acquisition savings*, whether or not the *acquisition cost changes*.

*Contracting office* includes any *contracting office* that the *acquisition* is transferred to, such as another branch of the agency or another agency's office that is performing a joint *acquisition* action.

*Contractor's development and implementation costs* means those costs the contractor incurs on a VECP specifically in developing, testing, preparing, and submitting the VECP, as well as those costs the contractor incurs to make the contractual changes required by Government acceptance of a VECP.

*Future unit cost reduction* means the *instant unit cost reduction* adjusted as the *contracting officer* considers necessary for projected learning or changes in quantity during the *sharing period*. It is calculated at the time the VECP is accepted and applies either-

(1) Throughout the *sharing period*, unless the *contracting officer* decides that recalculation is necessary because conditions are significantly different from those previously anticipated, or

(2) To the calculation of a lump-sum payment, that cannot later be revised.

*Government costs* means those agency costs that result directly from developing and implementing the VECP, such as any net increases in the cost of testing, operations, maintenance, and logistics support. The term does not include the normal administrative costs of processing the VECP or any increase in *instant contract* cost or price resulting from *negative instant contract savings*, except that for use in [52.248-3](#), see the definition at [52.248-3\(b\)](#).

*Instant contract* means the contract under which the VECP is submitted. It does not include increases in quantities after acceptance of the VECP that are due to *contract modifications*, exercise of *options*, or additional orders. If the contract is a multiyear contract, the term does not include quantities funded after VECP acceptance. In a fixed-price contract with prospective price redetermination, the term refers to the period for which firm prices have been established.

*Instant unit cost reduction* means the amount of the decrease in *unit* cost of performance (without deducting any contractor's development or implementation costs) resulting from using the VECP on the *instant contract*. In service contracts, the *instant unit cost reduction* is normally equal to the number of hours per line-item task saved by using the VECP on the *instant contract*, multiplied by the appropriate contract labor rate.

*Negative instant contract savings* means the increase in the *instant contract* cost or price when the acceptance of a VECP results in an excess of the contractor's allowable development and implementation costs over the product of the *instant unit cost reduction* multiplied by the number of *instant contract units* affected.

*Net acquisition savings* means total *acquisition savings*, including instant, concurrent, and future contract savings, less *Government costs*.

*Sharing base* means the number of affected end items on contracts of the *contracting office* accepting the VECP.

*Sharing period* means the period beginning with acceptance of the first *unit* incorporating the VECP and ending at a calendar date or event determined by the *contracting officer* for each VECP.

*Unit* means the item or task to which the *contracting officer* and the contractor agree the VECP applies.

*Value engineering proposal* means, in connection with an A-E contract, a change proposal developed by employees of the Federal Government or contractor *value engineering* personnel under contract to an agency to provide *value engineering* services for the contract or program.

**Parent topic:** [Part 48 - Value Engineering](#)