52.248-3 Value Engineering-Construction.

As prescribed in 48.202 , insert the following clause:

Value Engineering-Construction (Oct 2025)

(a) *General*. The Contractor is encouraged to develop, prepare, and submit *value engineering* change proposals (VECP's) voluntarily. The Contractor *shall* share in any *instant contract savings* realized from accepted VECP's, in accordance with paragraph (f) of this clause.

(b) *Definitions*. "Collateral costs," as used in this clause, means agency costs of operation, maintenance, logistic support, or Government-furnished property.

Collateral savings, as used in this clause, 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.

Contractor's development and implementation costs, as used in this clause, 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.

Government costs, as used in this clause, 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 logistic support. The term does not include the normal administrative costs of processing the VECP.

Instant contract savings, as used in this clause, means the estimated reduction in Contractor cost of performance resulting from acceptance of the VECP, minus allowable *Contractor's development and implementation costs*, including subcontractors' development and implementation costs (see paragraph (h) of this clause).

Value engineering change proposal (VECP) means a proposal that-

(1) Requires a change to this, the instant contract, to implement; and

(2) Results in reducing the contract price or estimated cost without impairing essential functions or characteristics; *provided*, that it does not involve a change-

(i) In deliverable end item quantities only; or

(ii) To the contract type only.

(c) *VECP preparation*. As a minimum, the Contractor *shall* include in each VECP the information described in paragraphs (c)(1) through (7) of this clause. If the proposed change is affected by contractually required configuration management or similar procedures, the instructions in those procedures relating to format, identification, and priority assignment *shall* govern VECP preparation. The VECP *shall* include the following:

(1) A description of the difference between the existing contract requirement and that proposed, the comparative advantages and disadvantages of each, a justification when an item's function or

characteristics are being altered, and the effect of the change on the end item's performance.

(2) A list and analysis of the contract requirements that *must* be changed if the VECP is accepted, including any suggested specification revisions.

(3) A separate, detailed cost estimate for (i) the affected portions of the existing contract requirement and (ii) the VECP. The cost reduction associated with the VECP *shall* take into account the Contractor's allowable development and implementation costs, including any amount attributable to subcontracts under paragraph (h) of this clause.

(4) A description and estimate of costs the Government *may* incur in implementing the VECP, such as test and evaluation and operating and support costs.

(5) A prediction of any effects the proposed change would have on collateral costs to the agency.

(6) A statement of the time by which a *contract modification* accepting the VECP *must* be issued in order to achieve the maximum cost reduction, noting any effect on the contract completion time or delivery schedule.

(7) Identification of any previous submissions of the VECP, including the dates submitted, the agencies and contract numbers involved, and previous Government actions, if known.

(d) *Submission*. The Contractor *shall* submit VECP's to the Resident Engineer at the worksite, with a copy to the *Contracting Officer*.

(e) Government action.

(1) The *Contracting Officer* will notify the Contractor of the status of the VECP within 45 calendar days after the *contracting office* receives it. If additional time is required, the *Contracting Officer* will notify the Contractor within the 45-*day* period and provide the reason for the delay and the expected date of the decision. The Government will process VECP's expeditiously; however, it will not be liable for any delay in acting upon a VECP.

(2) If the VECP is not accepted, the *Contracting Officer* will notify the Contractor *in writing*, explaining the reasons for rejection. The Contractor *may* withdraw any VECP, in whole or in part, at any time before it is accepted by the Government. The *Contracting Officer may* require that the Contractor provide written notification before undertaking significant expenditures for VECP effort.

(3) Any VECP *may* be accepted, in whole or in part, by the *Contracting Officer*'s award of a modification to this contract citing this clause. The *Contracting Officer may* accept the VECP, even though an agreement on price reduction has not been reached, by issuing the Contractor a notice to proceed with the change. Until a notice to proceed is issued or a *contract modification* applies a VECP to this contract, the Contractor *shall* perform in accordance with the existing contract. The decision to accept or reject all or part of any VECP is a unilateral decision made solely at the discretion of the *Contracting Officer*.

(f) Sharing-

(1) *Rates*. The Government's share of savings is determined by subtracting *Government costs* from *instant contract savings* and multiplying the result by-

(i) 45 percent for fixed-price contracts; or

(ii) 75 percent for cost-reimbursement contracts.

(2) *Payment*. Payment of any share due the Contractor for use of a VECP on this contract *shall* be authorized by a modification to this contract to-

(i) Accept the VECP;

(ii) Reduce the contract price or estimated cost by the amount of *instant contract savings*; and

(iii) Provide the Contractor's share of savings by adding the amount calculated to the contract price or fee.

(g) *Collateral savings*. If a VECP is accepted, the *Contracting Officer* will increase the instant contract amount by 20 percent of any projected *collateral savings* determined to be realized in a typical year of use after subtracting any *Government costs* not previously offset. However, the Contractor's share of *collateral savings* will not exceed the contract's firm-fixed-price or estimated cost, at the time the VECP is accepted, or $100,000, whichever is greater. The *Contracting Officer* is the sole determiner of the amount of *collateral savings*.

(h) *Subcontracts*. The Contractor *shall* include an appropriate *value engineering* clause in any subcontract of $90,000 or more and *may* include one in subcontracts of lesser value. In computing any adjustment in this contract's price under paragraph (f) of this clause, the Contractor's allowable development and implementation costs *shall* include any subcontractor's allowable development and implementation costs clearly resulting from a VECP accepted by the Government under this contract, but *shall* exclude any *value engineering* incentive payments to a subcontractor. The Contractor *may* choose any arrangement for subcontractor *value engineering* incentive payments; *provided*, that these payments *shall* not reduce the Government's share of the savings resulting from the VECP.

(i) *Data*. The Contractor *may* restrict the Government's right to use any part of a VECP or the supporting data by marking the following legend on the affected parts:

These data, furnished under the *Value Engineering-Construction* clause of contract _____, *shall* not be disclosed outside the Government or duplicated, used, or disclosed, in whole or in part, for any purpose other than to evaluate a *value engineering change proposal* submitted under the clause. This restriction does not limit the Government's right to use information contained in these data if it has been obtained or is otherwise available from the Contractor or from another source without limitations.

If a VECP is accepted, the Contractor hereby grants the Government unlimited rights in the VECP and supporting data, except that, with respect to data qualifying and submitted as limited rights *technical data*, the Government *shall* have the rights specified in the *contract modification* implementing the VECP and *shall* appropriately mark the data. (The terms "unlimited rights" and "limited rights" are defined in part 27 of the Federal *Acquisition* Regulation.)

(End of clause)

Alternate I (Apr 1984). When the *head of the contracting activity* determines that the cost of calculating and tracking *collateral savings* will exceed the benefits to be derived in a *construction* contract, delete paragraph (g) from the basic clause and redesignate the remaining paragraphs

accordingly.

Parent topic: 52.248 [Reserved]