



DEPUTY UNDER SECRETARY OF DEFENSE
3015 DEFENSE PENTAGON
WASHINGTON, DC 20301-3015

ACQUISITION AND
TECHNOLOGY

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MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Value Engineering (VE) and Continuous Improvement

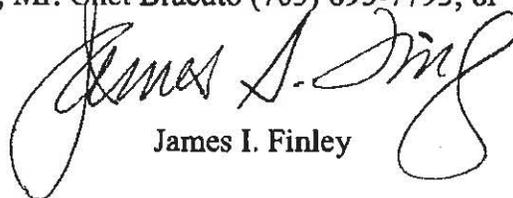
The Department must continue to acquire our Defense products better, faster and more cost effectively. To achieve the most from our acquisition dollars, it is essential that we continue to emphasize the use of VE in our programs. VE provides a structure and methodology with a long and successful history of consistently reducing costs, increasing quality, and improving mission capabilities. VE is a technique that is useful for all programs to reduce total ownership cost. It will complement, rather than compete, with other DoD initiatives to support our warfighters and provide them the best systems possible.

The effectiveness of the VE methodology in optimizing potential savings is recognized in legislation. The Office of Federal Procurement Policy Act 41 USC 432, Federal Acquisition Regulation parts 48 and 52.248, and implementation guidance in OMB Circular A-131 requires Federal departments and agencies to "establish and maintain cost-effective VE procedures and processes" to reduce program acquisition and life cycle costs.

Value Engineering Change Proposals (VECPs) are the contractor portions of a successful VE program. VECPs provide a way for contractors to submit cost reduction and improvement recommendations for which they receive a share in savings. The government portion of VECP savings can be used in multiple ways, including budget deficiencies.

In-house Value Engineering Proposals (VEPs) and contractor VECP submittals are not at the level they should be to attain targeted government savings. VECPs are the standard practice to involve contractors in VE and be in compliance with OMB Circular A-131 policy. I request that you initiate an action plan that will raise the awareness of both the in-house VEPs and contractor VECP processes. I also request that you encourage your contractors to submit Value Engineering Change Proposals.

Please provide your Service/Agency action plans to my VE program manager by January 15, 2008, Mr. Chet Bracuto (703) 695-7793, or Chet.Bracuto@osd.mil.



James I. Finley



Distribution:

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cc: Value Engineering (VE) Management Advisory Group (MAG) Members