



U.S. Department of
Transportation

Office of the Secretary
of Transportation

ORDER

DOT 1395.1A

5-8-92

Subject: DEPARTMENT OF TRANSPORTATION VALUE ENGINEERING PROGRAM

1. PURPOSE. This Order establishes the policy, responsibilities and procedures for the Department of Transportation (DOT) Value Engineering program.
2. CANCELLATION. DOT 1395.1, Use of Value Engineering in the Department of Transportation, dated 4-13-87.
3. REFERENCES.
 - a. Office of Management and Budget (OMB) Circular A-131, Value Engineering, requires agency heads to establish and improve their use of value engineering programs.
 - b. Federal Acquisition Regulation (FAR) Part 48, Value Engineering, Subpart 48.1 - Policies and Procedures and Subpart 48.2 - Contract Clauses.
4. DEFINITION. Value Engineering (VE) is an organized effort to analyze the functions of systems, equipment, facilities, services, and supplies for the purpose of achieving the essential functions at the lowest life cycle cost consistent with required performance, reliability, quality, and safety. VE has also been shown to be applicable to administrative operations.
5. BACKGROUND.
 - a. OMB Circular A-131 requires the use of VE, where appropriate, by Federal departments and agencies to identify and reduce nonessential procurement and program costs and to improve productivity. This Order establishes the procedures for implementing the requirements of OMB Circular A-131 and establishes the framework for a Departmentwide VE program.
 - b. There are two principal categories of VE in DOT. The first category is VE Change Proposals (VECPs). VECPs are contractor initiated change proposals submitted under a DOT contract. The second category is VE proposals (VEPs). VEPs are proposals developed by employees of the Federal Government or contractor VE

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personnel employed by DOT to provide VE services for a contract or program. Both VECs and VEPs must result in measurable cost savings while maintaining equal or achieving improved efficiency and quality.

6. POLICY.

- a. It is the policy of DOT to ensure compliance with OMB Circular A-131's requirement that VE programs be established Departmentwide and that VE be used, where appropriate, to reduce nonessential costs and to improve productivity. Appropriate VE clauses are to be included in DOT contracts as required by the FAR and OMB Circular A-131, and adequate funds are to be allocated for VE programs in annual budget requests.
- b. It is also the policy of DOT to obtain the maximum benefits for Federal-supported construction projects. Therefore:
 - (1) Each project authorized for direct construction by DOT shall use VE in its planning, design, and/or construction phases if the VE criteria established by the Operating Administrations can be applied. The VE criteria should take into account the overall complexity of the project, its estimated cost and other relevant design and/or construction factors. VE should generally be undertaken when there is an assumed potential for a significant ratio of savings to cost of the VE. This use of VE can also apply to design standards, construction procedures, and VE incentive clauses in construction contracts as deemed reasonable and appropriate by the Operating Administrations.
 - (2) Each DOT Operating Administration should strongly encourage the use of VE in its grant awards or Federally assisted programs for major transportation projects throughout the planning, design, and/or construction phases. This may include the use of VEPs as a result of VE studies/analyses as well as VE incentive clauses in construction contracts. Major transportation projects are to be defined by each Operating Administration. Guidelines developed by the American Association of State Highway and Transportation Officials (AASHTO) may also be used in helping to identify projects that should be considered for VE. The Operating Administrations may exempt specified types of projects if the Administrator or the Commandant of the Coast Guard determines that the

absence of complexity or potential cost savings makes the use of VE inappropriate. Design standards and construction procedures that are used in the planning, design, and construction of major transportation projects may also be considered for VE, as deemed reasonable and appropriate by the Operating Administrations. Internal goals or targets for including VE reviews in grant awards or some other measures should be established by each appropriate Operating Administration in order to evaluate the progress being achieved in promoting VE in Departmental grant projects.

- (3) Appropriate action should be taken to provide information, training, and technical assistance to grant award recipients in order to effectively promote the use of VE at the State and local levels.

7. RESPONSIBILITIES.

- a. The Office of Acquisition and Grant Management (M-60) under the Assistant Secretary for Administration shall be the single entity within DOT to manage and monitor VE efforts and shall:
 - (1) Provide overall policy guidance for the DOT VE program.
 - (2) Provide educational guidance and support in the practical application of VE.
 - (3) Ensure that adequate funds are allocated for VE programs in annual budget requests.
 - (4) Review the Operating Administrations' results and future plans of their VE programs.
 - (5) Establish a Departmental VE Committee.
 - (6) Appoint a VE coordinator for the Office of the Secretary.
- b. The Heads of Operating Administrations shall:
 - (1) Establish and actively support a single VE Coordinator for their entire Operating Administration. The name of the VE coordinator shall be reported and updated as required to M-60.

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Establishment of lower tiers of VE points of contact down to the program or project level is encouraged.

- (2) Submit an annual VE Program Plan to M-60 in accordance with paragraph 7.c.(3).
 - (3) Be responsible for establishing VE policy within each Operating Administration in accordance with DOT policy and OMB Circular A-131. This responsibility includes:
 - (a) Ensuring that funds necessary for the VE program are included in annual budget requests, and programming or targeting the funds to specific VE projects.
 - (b) Establishing criteria and guidelines to identify those programs and projects which are most appropriate for VE studies. The criteria and guidelines should recognize that the potential savings are generally greatest during the planning, design, and other early phases of project/program development.
 - (c) Requiring that files be documented to explain why VE studies were not performed or required for any program or project meeting the Operating Administration criteria.
 - (d) Establishing procedures for the evaluation and processing of VECPS and VEPS.
- c. The Operating Administration VE coordinator shall:
- (1) Be responsible for advocacy, guidance, oversight, and VE policy implementation within the Operating Administration.
 - (2) Coordinate, collect, and provide VE data as required by M-60 to support OMB reporting requirements.
 - (3) Develop and maintain a VE Program Plan. The VE Program Plan which shall be submitted by December 1, of each year, shall report on the results of the past year's efforts and accomplishments and also address the coming year's plans for training, staffing, advocacy, tracking, and facilitating contractor submitted

VECPs as well as planned in-house projects. Progress against the plan shall be reviewed at least semiannually by a senior Operating Administration official. The VE Program Plan should also be used to report on DOT grantees' VE activity.

- (4) Ensure that managers (program, project, procurement, and others as appropriate) motivate contractors and DOT personnel to develop and submit VE proposals.
- (5) Provide training, as required, in VE to negotiators, contracting officers, engineers, and program/project management staffs.
- (6) Develop criteria and procedures for providing recognition to individuals for exceptional VE accomplishments. Such recognition may be effected under the provisions of each Operating Administration's Incentive Awards Program.

8. DEPARTMENTAL VE COMMITTEE.

a. Organization and Management. The DOT VE committee shall:

- (1) Be chaired by the VE coordinator of M-60.
- (2) Be composed of the designated VE points of contact for the Operating Administrations.
- (3) Meet periodically, but not less than semiannually, at the call of the chair.

b. Functions. The DOT VE committee shall:

- (1) Recommend policy changes and initiatives.
- (2) Exchange concepts and techniques.
- (3) Provide a crossmodal resource for DOT personnel needing assistance in specific VE proposals or projects.

9. IMPLEMENTATION. Operating Administrations should develop additional guidance required to implement this Order and provide a copy of that guidance to the Office of Acquisition and Grant Management (M-60) within six months of the date of this Order.

FOR THE SECRETARY OF TRANSPORTATION:



Jon H. Seymour
Assistant Secretary for
Administration