

Interactions

Newsletter of
The Society of American
Value Engineers

Vol. 3, No. 4 — April — 1977

SAVE NATIONAL PRESIDENT — Jimmie L. Carter

V. P. COMMUNICATIONS — Hal W. Morrow

SAVE NATIONAL ELECTION RESULTS

The Election Tellers Committee met at the National Business Office on Tuesday, March 22, 1977, to count the ballots cast for the 1977-78 SAVE National Election. President Carter had requested that the actual count be delayed for one week, after the scheduled postmark deadline of March 15, to be assured that all ballots properly posted would be included in the final tally. Elected Officers to serve a one-year term, and the office to which elected are:

PRESIDENT:

Incumbent Jimmie L. Carter, CVS



Supervisor, Value/Productability, E-Systems, Inc., Dallas, Texas. Holds M.E. from University of Texas. Over 20 years in V/E at Bell Helicopter and E-Systems, Inc. Served as Southwest Regional Vice President for 4 years, Executive Vice President 2 years.

VICE PRESIDENT - ADMINISTRATION:

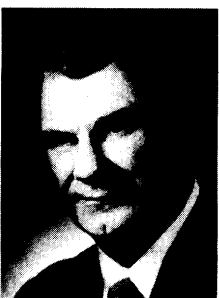
Alice J. Mozley



Manager of Design-to-Cost, Navstar Global Positioning System, Magnavox Research Lab. Holds a B.S. from the University of Redlands, California. Graduated Magna Cum Laude. Member of Los Angeles Chapter.

EXECUTIVE VICE PRESIDENT:

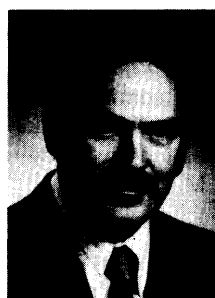
Bernard J. Kerrigan, CVS



Manager, Value Engineering, General Electric Company, Syracuse, N.Y. Attended Syracuse and Pennsylvania Universities. National Fellow, Chairman of Education - Mid New York State Chapter, Vice President Northeast Region 1973/1977.

VICE PRESIDENT - COMMUNICATIONS:

Thomas R. King, CVS



Manager, Cost Improvement, Joy Manufacturing Co., Mining Machinery Division. Attended University of Pittsburgh. Developed and instructs two V/E courses at U.P. Holds three professional writing awards. SAVE's Director-Editor Performance Magazine. V.P. Golden Triangle Chapter.

VICE PRESIDENT - FINANCE:

John D. Groothuis, CVS



Vice President and Director, Program Management, Value Analysis, Inc. Holds B.S.I.E. from California State College and an M.B.A. from Univ. of Pittsburgh. SAVE Senior Member and Past Director of Professional Development Orange Chapter.

VICE PRESIDENT - PROFESSIONAL DEVELOPMENT

Richard J. Park, CVS. P.E.



Manager, Value Control, Chrysler Corporation. Holds B.M.E. Clarkson College, and M.M.E., New York University. Director Career Advancement 1971-74; Value Engineer of the Year - 1972; Secretary National Nominating Committee - 1973. North Central Regional V.P. - 1974/76. Technical Chairman 1977 Conference.

Regional Vice-Presidents are elected for a two year term. Elected Vice-Presidents and the Region they will represent are:

GREAT PLAINS REGIONAL VICE-PRESIDENT

Incumbent John A. Jonelis, CVS, P.E.



Senior Engineer, Western Electric Co., Inc. Received B.S.M.E. from Purdue University. Twenty-six years in manufacturing, product development, cost reduction and upstream V/E. Past President Central Indiana Chapter.

NORTHWEST REGIONAL VICE-PRESIDENT

Robert H. Mitchell, CVS



President, Consulting Value Specialists, Inc. Attended University of Washington and Air Force University. Established V/E program in North Pacific Division, Corps of Engineers and served ten years as V/E Officer. Past President Portland Chapter and currently on Chapter Board.

NORTH CENTRAL REGION

There was a tie in the North Central Region. However, Howard M. Pryor withdrew due to pressuring personal business, and Bernard R. Buncher was declared the winner.

NORTHEAST REGION - RUN-OFF REQUIRED

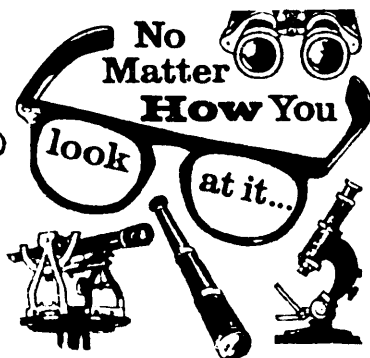
John W. Bryant
Gerald H. Sandler

Incumbent Vice-Presidents for the three Southern Regions; Robert L. Churchill, South Central Region; Donald E. Parker, Southeast Region; O. Jim Vogl, Southwest Region; and the Immediate Past President, J. Jerry Kaufman, will join the newly elected officers to form the incoming administration team following their installation ceremonies. The installation will be held during the Annual Business Meeting on Sunday, May 22, 1977, scheduled time 2:00 - 5:00 P.M.

Congratulations to those elected, and our sincere thanks and appreciation to all candidates for participating in this election where we did provide our members a choice of highly qualified candidates throughout the ballot.

* * * * *

**Your
MEMBERSHIP
is Worth While!**



Thank You

Thank you for the many favorable comments on the improved format and VE/VA articles appearing in our INTERACTIONS Newsletter this past year. This has been a unique, and sometimes even a trying experience for me. I, personally, have learned so much about our entire SAVE operations, from all the input of articles, letters, Chapter News, recommendations, and yes, even complaints that have crossed my desk. The basic reason our Newsletter has become more professional, informative and interesting is due to you, the member, and your timely contributions. Your willingness to share your trials, approaches and successes with your fellow SAVE members has been most receptive. Of course, I can't name each one that has continually assisted in this function, but I do wish to mention those Editors to whom we are so indebted, and with which it has been my good fortune to be closely associated: Rand Creasy, Tom King, Hal Tufty, Nathan Borsuk, Bill Dean and Herman Holtz. Now, as I pass our "Communication Quill" to our newly elected, highly competent, sincere and experienced Vice President - Communications, Tom King — I know he will also be grateful for your continued support and editorial submissions, so we may build from this foundation to an even better publication. Thanks again for all your efforts; I appreciated them very much.

Hal Morrow
V.P. - Communications

Jimmie L. Carter — SAVE National President and Chairman of the Board

Hal W. Morrow — Vice-President—Communications and Chief Editor

Rand Creasy — Editor—INTERACTIONS

Doris C. Clark — Production & Circulation Manager

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Postmaster: Send Form 3579 to INTERACTIONS, 29551 Greenfield Road, Suite 210, Southfield, Michigan 48076.

Executive Panel Exchange

Bill Dean, CVS, Director Inter-Society Relations

I am ending our series of questions and answers from the 1976 SAVE Conference, Executive Management Panel, with this article. The panel has answered all of your remaining questions, and done it just in time to step aside and let you turn your attentions to the 1977 Conference. I hope that you have enjoyed and learned from this series, and that the objective of the series, bridging some of the communication gaps between management and their value engineering staff people, has been achieved.

I want to extend one last "Thank You" to the members of the Executive Management Panel for taking the time to answer these many questions **after** the conference. I feel that they have all demonstrated a genuine interest in bringing about better understanding within the value engineering profession.

QUESTIONS / ANSWERS

1) Question to Mr. James Wilcock, Joy Manufacturing Company

"SHOULD VALUE ENGINEERING BE DIRECTED AT PROBLEMS OTHER THAN PRODUCT COST REDUCTION? i.e. ORGANIZATION, OVERHEAD, etc. IS THE TERM "ENGINEERING" IN THE NAME LIMITING THIS APPLICATION?"

Answer:

"I believe that Value Engineering can properly be directed at any and all functions in a business. To limit it to product cost reduction is ridiculous. There have long been ways to streamline organization, reduce cost of paper flow and overhead and many of these fall under other names. I agree that the term "Engineering" is very misleading and that's why I have always preferred the more precise description of "Cost Reduction." Even this is too limiting because I feel that the most definitive term is "Cost and Expense Reduction." We use this term constantly."

2) Question to Mr. James Wilcock, Joy Manufacturing Company

"MY COMPANY DOES NOT RECOGNIZE VALUE ENGINEERING, BUT HAS A GOOD COST REDUCTION PROGRAM. IS A COMPANY WHO CALLS THEIR PROGRAM V.E. ANY DIFFERENT?"

Answer:

"I think what you are saying is that your company does not recognize the term "Value Engineering." If you have a good cost reduction program, you probably have a Value Engineering approach but simply do not recognize the name. I can't answer whether a company who calls its program "Value Engineering" is any different or not because I don't know exactly what you do in your cost reduction program. You may achieve very satisfactory results without the formalization of a total Value Engineering approach. If the latter would not add any more to your results, why worry about it?"

3) Question to Mr. L.D. Alford, Boeing Missile and Space Group

"WHAT DO YOU SEE AS THE ROLE OF VE IN A DESIGN-TO-COST CONTRACT, AND IN WHAT PHASES?"

Answer:

"One feature of a Value Engineering Program is that of developing and implementing a "Cost-Targeting" or "Should-Cost" element for cost control of selected items during the development phase of a project. While this practice is reasonably common to those producing commercial product lines, it has not been utilized to any great extent by DoD contractors. As Design-to-Cost is the Government's effort to apply these cost evaluations to the contracts for development of defense systems and products in order to bring a better balance between cost and performance, Value Engineering functional analysis techniques and application of the team approach for developing lower cost alternatives to meet DTC goals should be a natural support activity. These activities will include support to development of Life Cycle Costs and studies on early design action to impact lower LCC. DTC and DTLCC goals are addressed during the pre-production phases of a program. DTC and DTLCC may be incentivised to induce greater desire on the part of the contractor. The incorporation of VE incentives is also being considered during the pre-production phases along with DTC and DTLCC and proper provisions to preclude overlap of incentives are being prepared for inclusion in ASPR and in the VEI contract provisions. DoD anticipates that once the production contract is awarded, it will contain Value Engineering incentive provisions in order to encourage development of additional cost reduction ideas into viable VECP's."

4) Question to Mr. L.D. Alford, Boeing Missile and Space Group

A) "WHERE, IN YOUR FUNCTIONAL ORGANIZATION, DO YOU FEEL VALUE ENGINEERS SHOULD REPORT IN ORDER TO ACHIEVE OPTIMUM PERFORMANCE?"

B) "WHAT PERCENT RETURN-ON-INVESTMENT SHOULD MANAGEMENT EXPECT OF ITS VE PROGRAM?"

Answer:

A) "As the results of Value Engineering activities impact the business management function, although thru some engineering design applications, the VE Management function must receive basic policy from the Corporate Manager of VE, with specific goals setting and overall progress reporting at the Divisional Manager level and for implementation and operations the function should report to the Program or Project Manager."

B) "This would depend on company size, product type and business base. If all cost reduction resulting from the VE Program is taken into consideration, most Company Management may shoot for a 10 to 1 return on investment and be satisfied with a 5 to 1 ratio."

5) **Question** to Mr. L.D. Alford, Boeing Missile and Space Group

A) "DO YOU SET \$ GOALS FOR VE OR COST REDUCTION ACHIEVEMENT?"

B) "DO YOU BELIEVE IN SETTING PERFORMANCE GOALS FOR VALUE ENGINEERING ACTIVITIES?"

C) "WHO SHOULD SET THOSE GOALS, (A) AND (B)?"

D) "CAN YOU RECOMMEND THE BEST MOTIVATIONAL TECHNIQUES FOR MEETING GOALS?"

E) "WILL YOU COMMENT ON THE SUCCESS OF YOUR MONETARY REWARDS TO CONTRIBUTORS?"

Answer:

A) "Yes"

B) "Yes"

C) "Each Program or Project Manager should determine his goals and obtain the concurrence of the Division or Group Manager, who in turn will provide budgetary support deemed essential to support the VE activity required to achieve the established goals."

D) "The best motivation is for the Program Manager or Division Manager to take personal interest in the VE Program and directly involve himself with the work force to show appreciation for individual efforts and to personally award people for such effort."

E) "While the rewards have not been large, they have been successful in stimulating interest. We continually review our policy to modify and improve our award system to provide better success. Monetary reward is just one of the factors that interest people. We should always keep in mind that a large majority of people are motivated by "The desire to do a better job" and to see improvements made. People are concerned about improvements that give improved product value and improved company image. It is always important to realize that people take pride in the products they help build and they receive satisfaction in helping to do a better job. A thank you sincerely expressed may be as important as a monetary award."

6) **Question** to Mr. Lyle Cameron, E-Systems

"WOULD IT HELP IF THE GOVERNMENT AGENCY PAID THE CONTRACTOR TO VALUE ENGINEER A PRODUCT UNDER A PRODUCTION CONTRACT? IS THE 50% (FIXED PRICE) INCENTIVE GREAT ENOUGH FOR A CONTRACTOR TO TAKE THE INITIATIVE ON HIS OWN RISK?"

Answer:

"There would probably be more participation by contractors if the government paid for VE by using the Program Requirement Clause. The sharing % depends on many things:

- The number of failures with relation to approved VECP's and their cost.

- The multiplier that you have to work with (units). The 50% return could be much smaller than the investment that has to be made. You have to consider the odds."

7) **Question to Mr. Lyle Cameron, E-Systems**

"WHY NOT MAKE IT A REQUIREMENT OF THE DOD, VE CLAUSES THAT THE GOVERNMENT AND CONTRACTOR MEET, AND DEFINE BETWEEN THEM THE MODE OR PROCEDURE FOR HANDLING VECP'S OR PROPOSALS?"

Answer:

"This is a good idea, contractors try to give their customers what they want. If the customer indicates he wants VECP's submitted, VECP's will be submitted, however, in meeting with the customer and the subject of VE comes up and he says let's move on to the next subject, you move on to the next subject, simple as that."

8) **Question to Mr. Robert R. Ramsey, Leo A. Daly Company**

"DOES AN A-E FIRM TYPICALLY DESIGN TO A BUILDING COST TARGET? IF SO, WHY SHOULDN'T AN A-E HAVE AN INCENTIVE TO SHARE IN UNDER-TARGET DESIGNS? (IF SUCH AN ARRANGEMENT BE WORKED OUT)."

Answer:

"An A-E firm does typically design to a building cost target, which is what we intend to provide in our basic services for the owner. The A-E does not guarantee this cost, but any firm that stays in business for a length of time has a reasonable record of meeting the building cost target. My concept of VE, however, is the expanding of extra effort to accomplish the same function at reduced cost. There is nothing to say that the owner must continue to pay for the effects of continuing escalation."

9) **Question to Mr. Robert R. Ramsey, Leo A. Daly Company**

"EVEN IF SPECIAL VE TEAMS PROPOSE PRACTICAL AND COMPETANT PROJECT SOLUTIONS, WHAT IS NEEDED TO MOTIVATE THE AE DESIGN TEAMS TO IMPLEMENT THE PROPOSALS? HOW MIGHT ONE GET THE CUSTOMER INVOLVED, FOR EXAMPLE?"

Answer:

"I do not see the special VE review team actually proposing solutions — just potential solutions. The VE team should identify areas with potential for further study; the A-E team is then motivated to study these areas by the fact that the owner is willing to pay the A-E design team a fee for conducting such a study. This is the best of all worlds: the special VE team gets paid for the review, the A-E design team gets paid for doing individual studies, and the owner should benefit by reduced construction cost."

10) **Question to Mr. Robert H. Ramsey, Leo A. Daly Company**

"SINCE THERE ARE NEARLY ALWAYS ALTERNATE SOLUTIONS TO ANY DESIGN, AND IF COST HAS ALWAYS BEEN A DESIGN CONSIDERATION AND IS IMPORTANT TO MANAGEMENT AND CUSTOMER ALIKE, THEN WHAT IS A PRACTICAL WAY OF MOTIVATING THE DESIGN TEAM TO OVERCOME TIME AND FUND CONSTRAINTS AND APPLY THE "VALUE ENGINEERING" CONCEPTS HE HAS LEARNED?"

Answer:

"The question is not one of motivating the design team to overcome time and fund constraints and to apply value engineering as he has learned it; value engineering goes beyond the traditional design solutions that have always considered alternates and cost. Value engineering should include the identification of areas of potential savings and the study of these areas in depth beyond the normal design process."

11) **Question** to Mr. Robert R. Ramsey, Leo A. Daly Company

"MY PAPER, "THE ART AND SCIENCE OF VE IN CONSTRUCTION" SUPPORTS SOME OF YOUR VIEWS AS AN A/E. WHAT IS YOUR VIEW OF THE VE INCENTIVE CLAUSE IF YOU HAVE A GOOD VECP DISAPPROVED AND THE IDEA IS USED BY THE CLIENT LATER? DOES GSA PROVIDE A SATISFACTORY ANSWER TO THIS QUESTION?"

Answer:

"The client who will disapprove a good VECP and later use the idea is, I think, stealing. I don't think any agency provides a satisfactory answer to that question; this area must be monitored continually because if this practice becomes widespread, the potential of the VECP program could be destroyed. Obviously, a number of contractors think it already has been."

12) **Question** to Mr. Robert R. Ramsey, Leo A. Daly Company

"DO YOU THINK IT WOULD BE BETTER TO FORGET VECP'S FROM AN A/E AND PAY A VE SPECIALIST TO APPLY VA/VE AND LET THE OWNER DECIDE IF IDEAS SHOULD BE IMPLEMENTED?"

Answer:

"The A/E in his normal service does not provide value engineering in the sense that we in the value engineering profession mean it. These studies, as I pointed out in my talk, are generally not funded by the project manager, who should select the study items that have the most potential and fund those items to be studied by his design team. If the project manager had funds specified for VE studies, he would have these studies made and would ultimately begin to exceed his project cost goals. This should provide a self-energizing process."

13) **Question** to Mr. C.H. Molde, Honeywell Inc., GAP Division

A) "DOES TOP AND MIDDLE MANAGEMENT RECOGNIZE THE PROFIT POTENTIAL OF INCENTIVE PARTICIPATION OF SUBMITTING VECP's?"

B) "WHAT MIGHT BE DONE TO IMPROVE MANAGEMENT'S AWARENESS OF THESE OPPORTUNITIES?"

Answer:

A) "Yes! But every practical measure should be employed to see that they are kept informed."

B) "I'd like to hear anyone's additional ideas on how to keep this awareness high. We believe that accurate and realistic reporting is essential. Some of the means we use are as follows:

- 1) Establishing VECP submittal and accomplishment goals for every department, project or program manager where VECP potential exists, and similar contributory goals for every other department head.
- 2) Requiring regular reports of goal status by department head.
- 3) Requiring factual audit of actual savings achieved plus reporting "instant" and royalty dollars received.
- 4) Requiring our VE group to compile these statistics and assist each department to plan and carry out specific actions, studies, training, etc. to achieve optimum VECP results.

Calendar of Value Events

Society of Manufacturing Engineers — Chapters #5 & #72

"Future of EDM — Tooling"

Trends for new developments and consequences for the Tool Room, and how to utilize this process.

Date: April 12, 1977
Contact: Doug Bergst,
Education Committeeman
Illinois EDM Corporation
Harwood Heights, Il. 60656
Tele: (312) 453-3377

ACEC-AIA Value Engineering Workshops

Forty hour Value Engineering Workshops will be conducted for Architects and Engineers to perform V/E in compliance with Federal Agencies' regulations. These workshops are in cooperation with the GSA and EPA.

Faculty: Alphonse J. Dell'Isola, CVS, PE, Vice President/Director; Robert B. Malcolm, CVS, V/A Project Manager; and Lloyd B. Wilson, CVS, Consultant in the Value Management Division of Smith, Hinchman & Grylls Associates, Washington, D.C. John S. Truhan, Jr., Project Manager with Fellows, Read & Weber Engineering Consultant Firm.

Contact: Director of Education & Meetings
American Consulting Engineers Council
1155 15th St., N.W., Suite 713
Washington, D.C. 20005

Locations: Orlando, Fla.	Apr 10-15
Seattle, Wash.	May 15-20
Dearborn, Mich.	Jun 19-24
Kansas City, Mo.	Sep 18-23
San Diego, Calif.	Oct 16-21
Baltimore, Md.	Nov 13-18

Management Factors in Value Engineering

Industrial Engineering Program Number #420

Fee: \$175
Date: April 18-19, 1977
Contact: Thomas J. Snodgrass, CVS —
Assistant Professor
University of Wisconsin Extension
Department of Engineering
432 North Lake Street
Madison, Wi. 53703
Tele: (608) 262-2061

SAVE 1977 International Conference

Hyatt Regency Hotel
Fairlane Town Center
Dearborn, Mi. 48126
Tele: (313) 593-1234
Date: May 22-25, 1977
Contact: SAVE Business Office
29551 Greenfield Rd., Suite 210
Southfield, Mi. 48076
Tele: (313) 559-4086

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Items of Interest

NEWS RELEASE

You are cordially invited to a Press Conference announcing the 1979 International Conference on world applications of value techniques in conservation, productivity and energy. Given by The Society of American Value Engineers, 3:00 p.m., Wednesday, February 23, 1977, at the Foreign Press Center, 202 National Press Building, Washington, D.C. The speaker will be Rudy H. Kempter, SAVE Vice President - International.

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American Association of Cost Engineers

21st Annual Meeting
Marc Plaza Hotel
Milwaukee, Wisconsin 53203

Date: June 26-29, 1977
Contact: L.J. Fiegel
General Arrangements
Co-Chairman
Johnson Controls, Inc.
P.O. Box 423
Milwaukee, Wi. 53201
Tele: (414) 276-9200

1980 INTERNATIONAL CONFERENCE

11 February 1977

Mr. William F. Lenzer, P.E.
President, D/FW Chapter — SAVE
c/o Value Engineering Inc.
3737 Noble Ave., Suite 275
Dallas, Texas 75204

Dear Bill,

Congratulations! The SAVE National Board of Directors has unanimously approved the Dallas/Ft. Worth Chapter as host for the 1980 SAVE International Conference. Your acceptance as General Chairman of this conference is to be commended.

As time moves on in preparation for the conference, you will realize more and more the size of the task undertaken. But with proper and effective management, I'm sure you will be able to look back after the conference with a great deal of confidence and satisfaction and reflect on a job well done.

Good luck, Bill. Please keep me informed periodically of your progress and feel free to contact me for any guidance or information to help make the 1980 Conference the most successful.

Sincerely,
/s/ Walter L. Wichita, CVS
Director- National Conferences

* * * * *

4 February 1977

Mr. Jimmie L. Carter, President
Society of American Value Engineers
E-Systems, Inc.
Box 1056
Greenville, Texas 75401

Dear Mr. Carter:

For some time the College of Architecture at Georgia Tech has offered a number of courses related to the economics of building construction. Their content ranges from traditional capital cost estimating to life cycle costing and real estate investment analysis. We are presently considering the extension of this program through the introduction of formal value engineering concepts. It is my opinion that an emphasis on Value Engineering will assist us in achieving a balanced consideration of the total cost and appropriate functional requirements for buildings and their components.

As part of our developmental effort, we have approached Mr. Donald Parker of your Board of Directors for advice concerning development of a suitable course framework and requirements for implementation. He provided to us a copy of the letter to you from M.C. Soteriades of Catholic University outlining procedures for introduction of a similar course in the Department of Civil Engineering. I have reviewed the proposal and find the seven specific items recommended for consideration by the SAVE Board of Directors to be consistent with our needs at Georgia Tech. I would, therefore, urge their adoption by your Board at the earliest possible time.

I would also hope to continue working with Mr. Parker to prepare a detailed course proposal for review by the SAVE Board of Directors, with the objective of offering the course in the Fall term, 1977. Any other assistance or guidance from the Board in this regard would be most appreciated.

Thank you for your attention.

Sincerely,
/s/ William L. Fash, Dean
College of Architecture

9 December 1976

Mr. Jimmie Carter
President, Society American Value Engineers
c/o E-Systems Incorporated
Box 1056
Greenville, Texas 75401

Dear Mr. Carter:

At my request, Dick Harmon, National Capital Chapter, SAVE, has suggested that you or selected SAVE members might be interested in contributing an article for future issues of the Manufacturing Technology Journal (MANTECH JOURNAL) which are planned as a quarterly publication.

The MANTECH JOURNAL is to be published quarterly for the U.S. Army by the Army Materials and Mechanics Research Center, Watertown, MA 02172, through the Metals and Ceramics Information Center, Battelle, Columbus Laboratories, 505 King Avenue, Columbus, Ohio 43201. A copy of the Volume 1/ Number 1/Fall 1976 is enclosed for review and your retention.

I would like to add that the objective is to also include supportive technology to ManTech. We are seeking inputs beyond Army sources.

I look forward to hearing from you.

Sincerely,
/s/ Dr. John J. Burke, Editor
U.S. Army ManTech Journal

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MEMORANDUM FOR National Organizations

SUBJECT: Pentagon Bicentennial Tour Program

I am delighted to be able to announce the following:

The Pentagon is now open for Monday through Friday (excluding Federal Holidays) guided tours. Tours begin at 9:00 a.m. and continue every 15 minutes until 3:15 p.m. The tour includes a short filmed presentation and a guided walking tour through major areas of the building. Invite your friends and neighbors to participate in this new program. Call 695-1776 for more information or to reserve a specific time or date for a tour.

It is hoped that the members of your organization could avail themselves to this opportunity when they are in the Washington, D.C. area.

/s/ DeForrest Ballou III
Colonel, U.S. Army
Director for Community Relations

National Business Office News

C. P. Smith, CVS — Executive Director

Chapter Effectiveness Manual

Jim Dziekonski, Chairman, Chapter Effectiveness Manual Revision Committee and members of the Wisconsin Chapter have completed a much-needed project for SAVE by updating this Manual. Their recommendations were presented to the National Board for approval prior to its release for NBO printing. The Manual has been mailed to all holders of the Organization and Procedures Manual. Please consult with your Chapter President and plan for next year's Chapter Effectiveness competition, using this new improved Manual as your guide. Your NBO has recently printed and mailed a letter from Frank Healy, Director-Chapter Effectiveness, to all Chapter Presidents concerning submittals for this year's competition. Good Luck to all participants!

Changes to the Constitution

February's INTERACTIONS announced proposed changes to the Constitution, Article IV — MEMBERSHIP. This definition information on the proposed Library and Position Members is presented for your reference:

Library Member — Open to libraries in colleges, universities, cities and offices to assist in promoting the concepts of value engineering by making available Society publications to their readers.

Library Members will be entitled to purchase all materials and publications at member rates as offered by the Society.

Library Members will have free access to the research material at the Society's resource center.

Library Members will receive subscriptions to the following Society publications; namely, INTERACTIONS, Performance Magazine, and the hardbound annual conference proceedings.

Fee: None

Annual Dues: \$35.00

Position Member — Available to the incumbent of any company or governmental body who, by the nature of their position, is involved in the supervision, management, or operational control of a value program.

The Position Member has all the rights and privileges of an Individual Member, except voting privilege, while serving as the incumbent of that position. However, these rights will transfer to any new individual who, during the course of an administrative year, occupies the position either temporarily or permanently. Membership for this classification will be maintained by position title and organizational address.

Previous incumbents of a Position Membership may enroll to continue in Society affairs as an Individual Member, however they will be required to pay any registration fee in effect at that time.

Fee: \$5.00

Annual Dues: \$35.00

Ballots on these proposed changes have been mailed to each member in good standing. Please do your part and participate in this important SAVE decision by voting and returning your ballot to the NBO by April 14, 1977.

Annual SAVE Dues Notice

Your NBO will mail annual dues notices April 1, 1977. Please try to help us simplify our office administrative operations by returning your payment by May 1, 1977. Don't forget, if you are short on cash, we will gladly accept Master Charge for dues payment. This year, we have also made an extra effort to encourage members, who are completing their first year of SAVE affiliation, to renew their membership. We have mailed over 415 letters encouraging them to stay with us. Results to this approach have been quite positive, as evidenced by the following letter:

February 17, 1977

Mr. C.P. Smith, Executive Director
Society of American Value Engineers

Thank you for your invitation to extend my membership in the Society and it is certainly my intention to continue.

As head of a private practice firm, I am the first member of the company to participate in the 40-hour workshop, but I do have two of our people presently taking a correspondence course in the workshop at the Wisconsin Extension, the company picking up the dues for the program.

I am very enthused about Value Analysis, and while still yet a novice in its procedures, I am this coming Tuesday addressing the Breakfast Optimist Club — my subject matter being Value Analysis and its other terms that we know it to be.

In my case, as President of the company, being initially exposed to Value Analysis, I should not find it too difficult to enroll a number of our people in the program, not only for the benefit of society, but for the benefit of this company which is a private consultant offering inter-disciplinary services in Planning, Engineering and Architecture.

Best regards,
/s/ James W. Powers, President
Powers-Willis and Associates

SAVE Encyclopedia of Value

The NBO is about ready to go to press on the new SAVE Encyclopedia of Value. Watch your mail for a special announcement on our introductory advance "Special Discount" offer for the First Edition. Here again, feel free to use your Master Charge to order a copy.

Performance Magazine

Notice has been received that "Performance" magazine has very abruptly gone out of business. We did not receive any advanced warning, but Hal Morrow, V.P. - Communications, Tom King, SAVE Director - "Performance" Editor, and your NBO are working with SAVE President, Jimmie Carter, to develop alternatives for the Board's consideration. In the meantime, if the next issue of "Performance" is a while in reaching you, please bear with us, as we are attempting to work out a "good value" solution.

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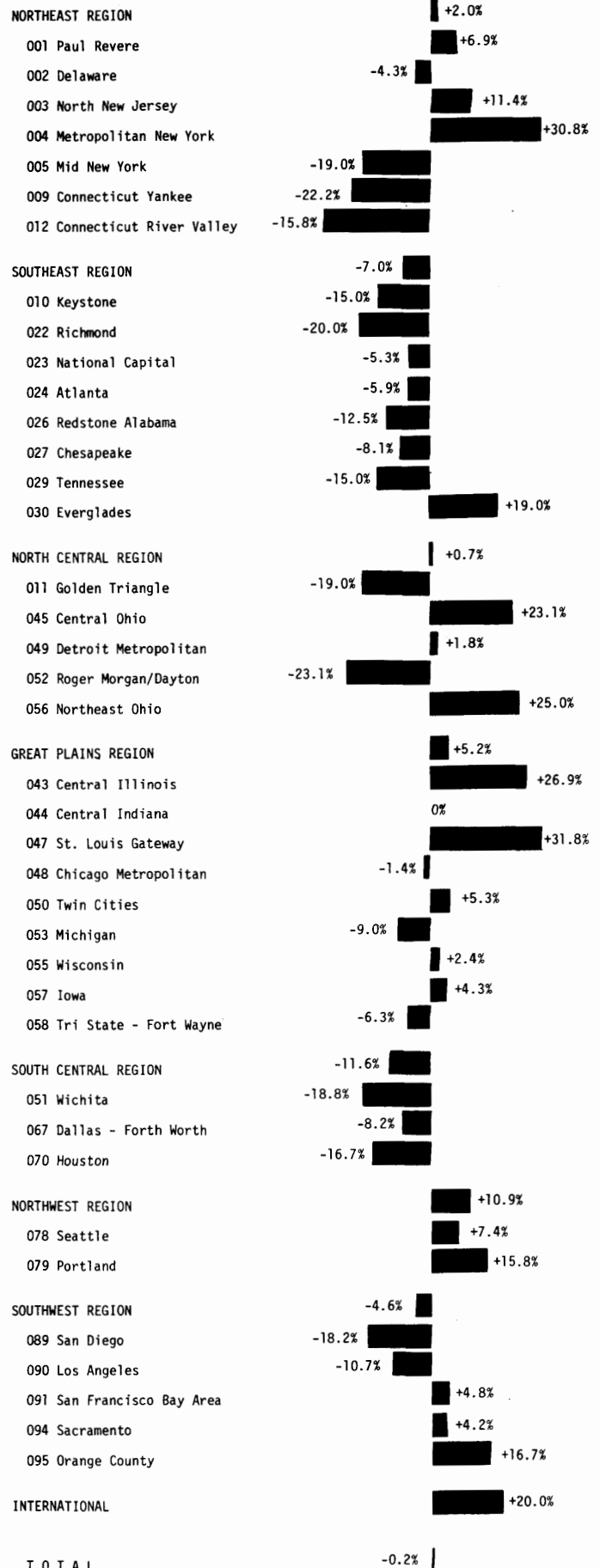


Membership Status Report

You will notice some marked improvement over the last report of 1 November 1976. We have a gain in membership of 45 members. There is a total membership gain of 41 members from the February 1976 report. As usual, we have the attrition problem in that there are 190 members delinquent and will be dropped as of 1 May 1977, unless their dues are paid.

The chart, in the adjacent column, looks considerably better with about a 4-1/2% overall improvement since last quarter. There are more chapters showing an increase in paid-up membership than a decrease with three months yet to go. Specific recognition should be given to the St. Louis Gateway, Metropolitan New York, Central Illinois, Northeast Ohio, Central Ohio, International, Everglades, Orange County and Portland chapters for their excellent work this past year.

/s/ R. W. Jamison, CVS
Director - National Membership



SOCIETY OF AMERICAN VALUE ENGINEERS

INTERNATIONAL CONFERENCE

Schedule of Events

SATURDAY MAY 21, 1977

8:00 AM - 5:00 PM National Board Meeting (Current)

SUNDAY May 22, 1977

8:00 AM - 5:00 PM Exhibit Set Up
1:00 PM - 4:00 PM CVS Examination
1:00 PM - 2:00 PM Delegate Authentication
2:00 PM - 5:00 PM Annual Business Meeting
4:00 PM - 8:00 PM Pre-Registration
6:00 PM - 8:00 PM Attendees Reception

MONDAY MAY 23, 1977

7:30 AM - 5:00 PM Registration & Information Desk Open
9:15 AM - 10:00 PM General Assembly/Opening Ceremony
10:00 AM - 10:30 AM Exhibit Break
10:30 AM - 12:30 PM Career Advancement Workshop
10:30 AM - 12:30 PM Technical Sessions M1 & M2
12:30 PM - 2:00 PM Lunch And Speaker
2:00 PM - 5:30 PM ABC's Of Value Workshop
2:00 PM - 5:30 PM Technical Sessions M3, M4, & M5
3:15 PM - 3:45 PM Exhibit Break
5:30 PM - 7:30 PM International Reception
5:30 PM - 6:30 PM Great Plains Meeting
5:30 PM - 6:30 PM Performance Magazine Brainstorming

(Spouses' Program)Horizons of Awareness

9:00 AM - 10:00 AM Where And Who We Are Workshop
10:00 AM - 10:30 AM Coffee Break
10:30 AM - 12:00 PM How We Got Here Workshop
12:00 PM - 1:00 PM Luncheon
1:00 PM - 2:30 PM Awareness Of Others Workshop
2:30 PM - 3:00 PM Coffee Break
3:00 PM - 4:00 PM New Horizons Workshop
4:00 PM - 4:30 PM Discussion And Evaluation

TUESDAY MAY 24, 1977

8:00 AM - 5:00 PM Registration & Information Desk Open
8:30 AM - 12:15 PM Human Relations And Group Organization Workshop
8:30 AM - 12:15 PM Technical Sessions T1, T2, T3, T4
9:45 AM - 10:15 AM Exhibit Break
11:15 AM - 2:00 PM Presidents' Lunch/Meeting
12:15 PM - 1:45 PM Lunch and Speaker
1:45 PM - 3:15 PM Presidents' Exchange
1:45 PM - 5:30 PM Function And FAST Workshop
1:45 PM - 5:30 PM Technical Sessions T5, T6, T7
3:00 PM - 3:30 PM Exhibit Break
3:30 PM - 5:00 PM Joy Award Papers And Student Paper
5:30 PM - 7:30 PM Attitude Adjustment Hour
7:30 PM - 8:30 PM Banquet
8:30 PM - 10:00 PM Awards
10:00 PM - Entertainment

(Spouses' Program)

9:00 AM - 12:00 PM Tour Greenfield Village
12:00 PM - 1:00 PM Lunch And Speaker
1:00 PM - 3:30 PM Tour Henry Ford Museum

WEDNESDAY MAY 25, 1977

8:00 AM - 12:00 PM Registration & Information Desk Open
8:30 AM - 12:00 PM Creativity Workshop
8:30 AM - 12:00 PM Technical Sessions W1, W2
8:30 AM - 9:45 AM Chapter Officers' Training Session
9:45 AM - 10:15 AM Exhibit Break
10:15 AM - 12:00 PM Meet The Experts
12:00 PM - 12:30 PM Critique The Conference
1:00 PM Exhibits Close
1:00 PM - 5:30 PM DARCOM Seminar
1:00 PM - 5:30 PM Joy Manufacturing Corporate Seminar
2:00 PM - 6:00 PM National Board Meeting (Incoming)
2:00 PM - 5:00 PM Plant Tours

(Spouses' Program)

10:00 AM - 12:00 PM Fairlane Tower Shopping

THURSDAY MAY 26, 1977

8:00 AM - 12:00 PM National Board Meeting (Continued)
8:30 AM - 5:30 PM DARCOM Seminar
8:30 AM - 5:30 PM Joy Manufacturing Corporate Seminar

SAVE CONFERENCE OFFICERSGENERAL CONFERENCE CO-CHAIRPERSONS

Internal Affairs - George B. Rogers
Chrysler Corporation
Highland Park, Michigan
External Affairs - Donna J. Rogers
St. Joseph Mercy Hospital
Detroit, Michigan

CONFERENCE SECRETARY - Harvey Schneider
Albert Kahn Assoc.
Detroit, Michigan

CHAIRMAN OF TECHNICAL PROGRAMS - Richard Park
Chrysler Corporation
Highland Park, Michigan
Director of Programs - Paul Frusti
Chrysler Corporation
Highland Park, Michigan
Director of Proceedings - Ed Heussner
Jackson Products
Warren, Michigan

CHAIRMAN OF EXHIBITS - Rick Otto
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Pontiac, Michigan
CHAIRMAN OF FINANCE - Horton Matthews
Multi-Fastner
Redford, Michigan

Director of Registration & Treasurer - Burdett Dzenel
Ford Tractor
Troy, Michigan
Director of Hotel Accommodations - Paul Boes
Ford Motor
Dearborn, Michigan

CHAIRMAN OF ADMINISTRATIVE AFFAIRS - Doris Clark
N.B.O.
Southfield, Michigan

Spouses' Activities - Mary Boes
Otrud Schneider
June Matthews

CHAIRMAN OF PUBLIC AFFAIRS - Rick Park, Jr.
Batten, Barton, Durnstine & Osborn
Troy, Michigan

1977 INTERNATIONAL CONFERENCE
MAY 22, 23, 24, 25, 1977
DETROIT-METROPOLITAN CHAPTER
HYATT REGENCY HOTEL, DEARBORN, MI

FOCUS 77 • EXPAND HORIZONS

MONDAY, MAY 23

WORKSHOPS

— CAREER ADVANCEMENT

Organizer: Gene Day, President
C.E. Day & Associates

— ABC's OF VALUE

Organizer: Ron Schliebe,
Chevrolet, Gen. Motors

Leaders: Dusty Fowlkes, CVS,
Pres., Value Analysis Inc.

Doc Ruggles, CVS,
Executive V.P.,
Value Analysis Inc.

TECHNICAL SESSIONS

#1 — VALUE ANALYZING MFG. PROCESSES - DOES IT WORK?

John Groothuis, CVS,
V.P. Value Analysis Inc.

VA TEAM 13 - REDUCTION OF REWORK & COSTS

Arnold Skromme, CVS,
John Deere Harvester Works

#2 — COMMUNICATION APPLICATION OF FUNCTION ANALYSIS SYSTEM TECHNIQUE (FAST)

Lloyd Wilson, CVS,
Value Management Services

TEAM VS. INDIVIDUAL EFFORT ON V.E. PROJECTS

David Foland,
AK Spark Plug
General Motors Corp.

#3 — SALES MARKET VALUE

Marv Wasserman, CVS,
Ingersoll-Rand Co.

DEVELOPMENT OF V.E. ACTIVITIES UTILIZING WORST INDEX FIGURE

Shuichi Hoshino,
Victor Company of Japan

REDUCE OVERHEAD COSTS BY VE

A.F. Kaufmann, CVS,
IBM Corporation

#4 — SUBSTANTIAL COST REDUCTION THRU VALUE — MAJOR CONSTRUCTION PROJECTS

Vincent Lao, CVS,
V. L. Lao & Associates

PROJECT SELECTION USING MODELING TECHNIQUES

A. J. Dell'Isola, CVS,
V. P., Smith, Hinchman & Grylls Assoc. Inc.

#5 — VALUE ENGINEERING — COIN OF THE REALM FOR THE MORTGAGE INVESTOR

Irwin Freedman,
I. A. Freedman & Associates

ZERO BASE BUDGETING

Charles Buik

TUESDAY, MAY 24

WORKSHOPS

— HUMAN RELATIONS & GROUP ORGANIZATION

Organizer: Jerry Kaufman, CVS,
Honeywell Inc.

Leaders: Dr. Rosemary Fraser,
Univ. of Ohio, Miami

Peter Ried, President,
Krehl & Ried — Germany

— FUNCTION & FAST

Organizer: David Reeve,
Chrysler Corporation

TECHNICAL SESSIONS

#1 — USE OF SYNETICS IN V.E.

Ray Gilbert, CVS,
DoD

CREATIVITY & MOTIVATION

Teresa Barlow, President,
Barlow & Associates

RESISTANCE TO CHANGE, A MYTH?

Leonard Schehr,
Westinghouse Electric Co.

NUTURING CREATIVITY BEHAVIOR

Angelo Biondi,
University of Buffalo

#2 – HOW TO INTEGRATE THE VE SYSTEM INTO THE WHOLE ORGANIZATION SYSTEM

Georges Gouze,
CETEGE Co. – France

REDUNDANCY ANALYSIS TECHNIQUE – (RAT)

Tom King, CVS,
Joy Manufacturing Co.

#3 – VALUE MANAGEMENT IN COMPUTER SOFTWARE & OPERATIONS

Christopher Barlow,
Johnson Controls Inc.

FUNCTION ANALYSIS & GOVERNMENTAL PROGRAMMING

Donald Goss, Governor's Office,
Commonwealth of Penn.

#4 – MASTERS DEGREE COURSE IN VALUE ENGINEERING MGT.

Thomas Lieb, Jr.,
Air Force Captain

STUDENT INVOLVEMENT IN SAVE

Jim Frusti,,
Chrysler Corporation

#5 – VE DEVELOPMENTS IN THE DoD

R. Biedenbender,
Office of Sec'y. of Defense

FOCUS ON NATURE OF A VECF

Howard Pryor,
Wright Patter. Air Force Base

ILS VECF AWARENESS SESSIONS & RECOGNITION

Richard Keener,
Westinghouse Electric

#6 – COMPREHENSIVE REVIEW OF VA/VE-ENGINEERED PROJECT

Vincent Lao, CVS,
V. L. Lao & Associates

ENERGY SHORTAGE

Hussein Abuswai,
U.S.A.F.

VALUE ENGINEERING STUDY OF LAKE CHICOT PUMPING PLANT

Larry Wilson,
Stanley Consultants, Inc.

#7 – INTRODUCING AND APPLICATION OF THE VALUE METHODOLOGY IN ITALIAN INDUSTRIES

Agostino Sanvenero,
SASTI Integrazione – Italy

Lam Lim, EPA

#8 – JOY AWARD PAPERS

and Student Paper

WEDNESDAY, MAY 25

WORKSHOP

– CREATIVITY

Organizer: Dr. John Polomsky,
Mich. State Univ.

TECHNICAL SESSIONS

#1 – LIFE CYCLE COSTING – A CREATIVITY AMPLIFIER

Stephen Kirk,
Naval Facilities
Engineering Command

THE METHOD OF STEPLIST MANAGEMENT (A NEW CREATING TOOL FOR COMPLEX MANAGEMENT)

Michihiko Esaki,
Kawaski Heavy Industries Co. – Japan

#2 – OFFICER TRAINING SESSION

#3 – ACTIVITIES WITHIN A WORKSHOP

Mitsuhiro Nagai,
Japan Steel Works – Japan

#4 – MEET THE EXPERTS SESSION

* * * * *



Chapter News

001 — Paul Revere Chapter

Jack E. Fetig, President
Charles L. Mason, CVS — Editor

Walter J. Poitras, Director of Building Construction, for the State of Massachusetts, was January's principle speaker. His most informative topic covered "Experiences with Project Management, and Problems Both **Before** and **After** Bidding." This was a joint meeting with the American Association of Cost Engineers (AACE). Welcome is extended to new SAVE member, Richard H. Brainard of Schenectady, New York. Director Eleanor Mason planned an enjoyable Valentine Party for the Chapter's February outing. In March, Robert E. Kessler Corporate Director of Value Engineering, Raytheon Company was the featured speaker. His subject covered the timely need for "V/E and Design-to-Cost." During April, the Chapter will have a joint meeting with the Society of Manufacturing Engineers in Salem, New Hampshire. Then they will drive to Malden, Mass., for a plant tour through the Malden Mills Company.

002 — Delaware Valley Chapter

Frank Healy, CVS — President
Roger T. Newton, Secretary

A vote was taken to join the Engineers Club of Philadelphia. The Chapter had three exhibit tables, showing examples of V/E at Villanova University, as part of Engineers' Week. The exhibits were provided and manned by Hank Wales, George DellaPia, and Larry Davis. Attendees were High School Science Teachers from around the State. The February meeting was a "double feature." Larry Davis discussed "V/A in Armed Services Procurement," and Bernie Shull presented "Value Engineering in Military Clothing." Roger Newton reports that the Chapter now has 47 active members, plus 5 new applicants.

003 — Northern New Jersey Chapter

David H. Smith, President

The February meeting continued the Syntectics Work Shop applications. Members brought in projects for practical exposures to creative techniques.

004 — Metropolitan New York Chapter

Sal J. Castiglioni, CVS — President
Vincent E. DeConzo, Editor

The Chapter had a most interesting February meeting. The subject matter dealt with "Value Analysis of a Bus Terminal."

The speaker, Peter Ripullone, is also a Value Analysis Team Leader on this project. Mr. Ripullone is an architect with the Port Authority of New York/New Jersey, and a member of the American Institute of Architects and SAVE. Each attendee gained worthwhile information regarding applications of value analysis to a large-scale construction project. The Chapter is going International — Nathan Borsuk, Program Chairman, has sent an invitation to Mr. Tanaka and his group from Tokyo, Japan, to attend a meeting (after SAVE's International Conference) on Thursday, 26 May. Gerald H. Sandler, Grumman Aerospace Corporation and SAVE's Northeast Regional V.P., will be the guest speaker.

011 — Golden Triangle Chapter

Bernard R. Buncher, President
Scott Pell — Editor

A very informative February meeting was received by Chapter attendees. Larry Euchler, an instructor in Analytic Trouble Shooting (ATS), was the principle speaker. He described ATS as a systematic approach to problem solving, dealing with cost avoidance in the form of damaged equipment, defective parts, reduced output and greater maintenance expense. Each one that was interested in cost improvement, learned some definite guidelines for applications. Mr. Euchler, stated he was very impressed with the Chapter's enthusiasm for Value Engineering functions. Dick Park, Vice President of the North Central Region, was the guest speaker for the March meeting. Dick, as you know, along with Dr. John Polomsky of Michigan State University, was instrumental, after much work, in establishing the first Student Chapter of SAVE. This independent chapter, limited to MSU students, will be known as the Pioneer Chapter. (Note: The SAVE Society wishes to express their sincere appreciation to the Golden Triangle Chapter, and specifically to Bernie Buncher and his Company, Westinghouse Electric Corporation, for their contributing our 1976-77 Membership Directory.)

026 — Redstone Alabama Chapter

Ann F. Mitchell, President

The Chapter held its monthly meeting on February 25, with the other Huntsville Association of Technical Societies (HATS), in recognition of Engineers' Week. Mr. Orde R. Weaver, Director of Quality Control for Phillips Chemical Company, was the guest speaker. His presentation covered, "A Look at the Future in Energy." As an added attraction, the Redstone Chapter and the American Meteorological Society sponsored a joint Speaker-Panel-Moderator Meeting on March 31. The speaker was Scott Sleeper of Kentron-Hawaii, who discussed "Climatic Changes and Solar Activity."

044 — Central Indiana Chapter

Emmett M. Wiseman, CVS — President

William G. Jenkinson, CVS — Editor

The February meeting was held in the Corporate Headquarters of Geupel Demars, Inc. Paul W. Scheele, Executive Vice President, of Geupel Demars, the featured speaker, made a presentation on "Implementing a Sustained VA/VE Program in Construction." Sam Dunbar discussed his efforts to date in preparing a Chapter Effectiveness Report, he requested members to submit inputs for compilation of the data. John Jonelis, V.P. Great Plains Region, is to send each member a copy of the Wisconsin Chapter Effectiveness Guidelines. Bev Zolezzi, distributed by mail to each Board Member, copies of the National Bylaws and his proposed Chapter's Bylaws for review as to their conformance.

Homer Lane, was General Conference Chairman of Session Four, of the Society of Manufacturing Engineers Conference, held 25-27 January, in Indianapolis. The March meeting was a joint session with Tri State Chapter. Bruce Brown of Delco, handled the details for a "Show and Tell" meeting held at Delco Electronics Division of G.M. in Kokomo, Indiana. The April meeting will feature Bill Jenkinson's presentation of "RCA Application of VE/VA."

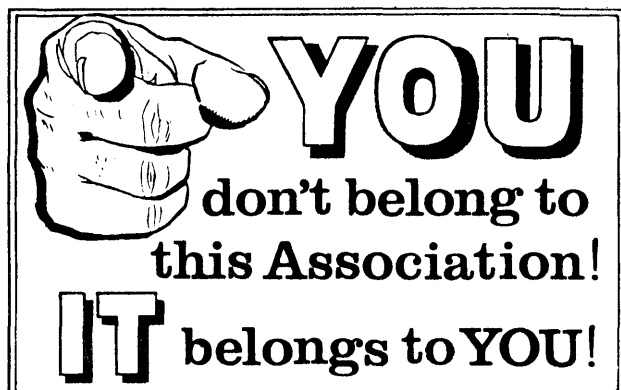
045 — Central Ohio Chapter

James A. Hamrick, President

Russell W. Bartholomew, CVS — Secretary

Howard M. Pryor, Professor of Procurement Management, Air Force School Systems, Wright-Patterson A.F.B. was January's speaker. Mr. Pryor's talk was extremely useful to those actively seeking or working on Government contracts. His topics gave a valuable insight into the governmental aspects of Value Management. The subject matter covered: (1) How to obtain Government contracts; (2) Federal and Armed Service Procurement regulations; and (3) How to Prepare and Submit V/E Change Proposals.

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**048 — Metropolitan Chicago Chapter**

Roger A. Rieckman — President

Hoshang R. Karani — Editor

The Metropolitan Chicago and Wisconsin Chapters joined forces to celebrate Saint Patrick's Day, on March 17th, in Libertyville, Illinois. Art O'Mudge, CVS, of the Golden Triangle Chapter, and Vice President, Value Planning, of Joy Manufacturing Company, was the featured speaker. He brought a most interesting presentation about the "Ingredients of Successful Value Management." Art explored the key ingredients of program management, technique applications, organization arrangements, and the people-chemistry problems that cause programs to either fail or succeed. The April meeting is scheduled to be held on Saturday, 23 April, and will be a V/E Workshop II. It will cover the traditional job plan and will emphasize ways to evaluate generated ideas and how to effectively present them, along with substantiating the savings.

058 — Tri-State Fort Wayne Chapter

Wilbert North, President

Dave Johnson, past President, of the Fort Wayne Chapter, gave a forty-minute talk on "Value Analysis and the ABC's of Value Engineering"; during the East-Central Engineering Conference and Tool Manufacturing Exposition. The conference was held at the Convention Center in Indianapolis, and the theme was "Cost Reduction in Manufacturing."

067 — Dallas/Fort Worth Chapter

William F. Lenzer, P.E. — President

Dallas/Fort Worth was honored to host SAVE's National Board of Directors during their Chapter's monthly meeting 3 February. Bob Pumpelly and Paul Merriman made interesting narrative/slide presentations on Dallas-Fort Worth as the "Metroplex of the Future." Bob Churchill, V.P. South Central Region, who had made superb arrangements at the Fort Worth Hilton, for both The Chapter and National Board Meetings, introduced the Board to the members and guests. A big "Thank You" was also extended to Beth Lenzer and Colleen Pumpelly for their efforts in making the ladies welcome and presenting each with a "Yellow Rose of Texas" corsage. The Chapter voted to sponsor a student for the Annual Engineer's Club of Dallas for the Student Banquet to be held on 19 April. President Lenzer announced that Value Analysis, Inc. is offering a \$500 Student Scholarship Award for a student completing a chosen VA/VE project, with the required function consistent with the requirements of reliability, maintainability and delivery at the lowest overall cost. Applications and projects are to be sent to Dr. Rosemary Fraser, University of Miami, 201 McGuffey Hall, Oxford, OH. 45056.



Send news items for this section to:
Hal Tufty
986 National Press Building
Washington, D. C. 20045

Two Value Engineering developments are of special interest these days in Washington.

The first is the introduction of the Senate Resolution by Senator Randolph mentioned in the last issue of INTERACTIONS. The rationale for this resolution and the potential benefits from it are unpredictable but as seen from here at this time they should be on thing but "positive."

The story of the resolution begins several months ago when your correspondent, in his role as National Director for Federal Liaison, started calling on various Senators to tell them, among other things, that VE is a professional discipline that saved more money than it cost. When the Senator said, "If what you tell me is true, what can I do for you?" Your Director replied that, "Because we are a non-profit, educational, professional corporation we cannot lobby and, therefore, are not for or against any particular legislation."

A resolution which is not legislation helps solve that problem. The resolution merely expresses "the sense of the Senate." In our case, and as the subsequent text of the resolution shows, the Senate expresses itself, "that all Federal departments and agencies, in order to achieve maximum efficiency and economy, shall utilize, where possible, Value Engineering in carrying out their functions and administering their programs as part of their affirmative efforts for cost reduction."

So the first advantage of the resolution is that it will provide an answer to the Senator's question reported above.

A second advantage of a resolution is that it will serve as a briefing document because the Senator will, in fact, be asked to vote on this at some time or another when it reaches the floor of the Senate. Presumably, he will know more about VE than he would if he were just handed a pamphlet or had a conversation on it.

Thirdly, Senator Randolph told this correspondent after he addressed the SAVE-EPA session in St. Louis in November, that in some instances Senate resolutions have been "as effective or

maybe more effective than law." The West Virginia Democrat explained that in the past various bills going through Congress have, by virtue of alert staff work, absorbed in the language of of their legislation the essence of various resolutions.

Another advantage of the resolution is the way it is written. It does not refer to construction only. Because of this broad language it will very likely be referred to the Senate Government Operations Committee which has jurisdiction across all departments and agencies of the Executive Branch. Senator Randolph's jurisdiction and interest in VE in the past has been primarily aimed at the construction functions of the various Executive Branch activities that fall within his committee's jurisdiction, specifically: EPA, Corps of Engineers Civil Works, Highways, Economic Development Administration, Buildings and Grounds (GSA), and Disaster Relief.

The following is the current draft of the resolution which, according to the Public Works Committee staff, is exactly or within just a few words of the way it will most likely be introduced early in the 95th session. The tentative calendar number is S. Res. 2 (S. Res. 1 is the reorganization of the committee structures and jurisdiction of the whole Senate which perhaps you read about).

The text follows:

RESOLUTION

A resolution stating the sense of the Senate that Value Engineering is a useful cost saving procedure.

Whereas, it is recognized that Value Engineering is a proven method to conserve energy, improve services, save money or otherwise generally control the expenditure of resources by means of budgeted, organized, multi-disciplined and function-oriented team review, and

Whereas, the Value Engineering methodology is applicable wherever there is a function to be performed and a means to measure it, and

Whereas, the preponderance of testimony before committees of Congress has shown that Value Engineering saves at least five dollars for each Value Engineering dollar spent, and

Whereas, the General Accounting Office has recommended the use of Value Engineering be expanded in Federal construction, and

Whereas, the Corps of Engineers in the past ten years has, by the use of Value Engineering, saved \$200 million in construction costs for an expenditure of \$10 million, and

(Continued next page)

Whereas, the first four years of Value Engineering application in the General Services Administration has saved \$12.84 for each dollar spent, and

Whereas, Value Engineering has been successfully applied in private industry to generate additional profits and better products and services, and

Therefore, Be it resolved that it is the sense of the Senate that all Federal departments and agencies, in order to achieve maximum efficiency and economy, shall utilize, where possible, Value Engineering in carrying out their functions and administering their programs as part of their affirmative efforts for cost reduction.

* * * * *

The second major area of activity of considerable interest around Washington among VE professionals is the inclusion in the Federal Procurement Regulation (FPR) of Value Engineering language largely based on ASPR. To translate all this to those who are not as addicted to "Federal Alphabetitis" as we are here, what this means is that the entire civilian branch purchasing activities of the Federal Government which are governed by the FPR is in the process of adapting the VE language from Defense Department procurement regulations known as Armed Services Procurement Regulations (ASPR).

Thus, the news is that FPR, which currently has no language on Value Engineering, is in the process of adopting a non-military version of ASPR's VE language. This subject has been kicked around for at least a year, if not more, and there are certain areas of rather active disagreement, particularly in the construction area. The civilian side of the Executive Branch, notably GSA, has been a pioneer in bringing VE to the design process in the private sector through its own regulations (but not through FPR). Both ASPR and FPR are silent on this subject and accommodations are still being ironed out.

All we can say at this writing is that: The enlargement of VE language into the FPR should have a considerable impact on federal procurement in the civilian sector . . . and that this subject will be an area for future more-detailed coverage in this column.

* * * * *

You're Invited
to join us
AT THE NEW
HYATT REGENCY HOTEL
DEARBORN, MICHIGAN



Send News Items for this Section to:

Nathan Borsuk, Federman
Construction Consultants, Inc.
Suite 809
30 East 42nd Street
New York, New York 10017

* * * * *

ZERO-BASE VALUE ENGINEERING IN DESIGN AND CONSTRUCTION

Lloyd B. Wilson
Value Management Consultant

Consideration of the similarities between zero-base budgeting and value engineering is a way of getting better understanding and agreement on what VE is and, in particular, how it can be applied better in the design and construction of buildings. Value engineering involves getting down to the basic functions of a design in the same way that zero-base budgeting takes a fresh look, starting from scratch, at the cost elements of a particular activity or operation.

Zero-base budgeting's key elements are the use of a functional base and the development of alternative ways of accomplishing this functional base. The result of zero-base budgeting is a "decision package" which shows the recommended way to achieve the required functions and identifies the alternative ways considered, together with a brief explanation of why they were not chosen.

An in-depth value study or workshop achieves its fresh look by avoiding the attitude that the present design is the best design. VE also avoids the attitude that "we do it all the time" cost reduction techniques were able to achieve optimum reduction of costs. The VE approach to the present way design is to consider it to be the best that could be done under the pressures to meet schedule deadlines and requirements for "get it to work first" performance. Using this as a base, VE stresses the systematic use of creativity techniques by a multi-discipline team of design professionals who combine their knowledge and skills in a way that produces alternative ways ordinarily encountered only from a few exceptionally innovative individuals.

This challenging of the present way design and consideration of a number of alternative ways to accomplish the required

functions is most effective for both value engineering and zero-base budgeting when it does not criticize the present design. Instead, the emphasis should be on the high cost elements of the present design, and the present design should be considered and listed in the decision package or VE proposal as only one of several possible alternative ways of accomplishing the required functions.

Further information on this zero-base approach and how it relates to value engineering can be found in the following references: (a) Peter A. Pyhrr, "Zero-base Budgeting"; Harvard Business Review, November-December 1970; pp. 111-121. (b) Peter A. Pyhrr, Zero-Base Budgeting — A Practical Management Tool for Evaluating Expenses; John Wiley & Sons, 1973.

* * * * *

GSA Strengthens Value Management Provisions

In March 1973, GSA issued the first value management service provisions for incorporation in architect-engineer (A-E) and construction management (CM) contracts. These first contract requirements have proven successful in helping to control construction costs for GSA and have provided a handsome return-on-investment of more than \$8 for every dollar of program costs. The total savings to GSA since issuing these provisions has exceeded \$11 million. Now that A-E's and CM's are accustomed to providing the VM services during the design phase of a project, GSA has increased its requirements for projects in excess of \$30 million. These larger projects warrant a more thorough VM review and all projects now require the submission of a cost model prepared by the A-E or CM.

The new regulations went into effect November 11, 1976. They are issued as GSA handbook PBS P 8010.1 titled, A-E/CM Value Management Requirements. This document may be obtained free of charge from: Director of Value Management (PWV), General Services Administration - PBS, 18th and F Sts NW, Washington, DC 20405.

* * * * *

TAKE ANOTHER WAY OUT

Nathan Borsuk

At a recent Metropolitan New York Chapter meeting, the guest speaker was Mr. Frank G. Healy, National Director of Chapter Effectiveness. Frank did a magnificent job and his talk which covered, in part, his program at R.C.A. as Value Engineer, was most interesting and well received by the members present.

One of the things Frank spoke about was the sifting of ideas to find the one that would solve the technical problem, yet help reduce cost of the overall project. It is this process that the construction community has yet to apply. It seems simpler for the architect to request the mechanical or electrical consultant to simply cut quality in order to reduce cost. In answer, the con-

sultant will condemn the architectural design as the real culprit. Too often the stalemate is the result of three fatal phrases, "The boss always wanted it done this way" or — "Our quality control wouldn't approve a change" or the most damaging of all — "Don't ask me to rock the boat."

How do we get through to the A/E that the time is now? The place is here? There must be a concerted effort to participate in the only intelligent approach to modern requirements for low cost and functional construction without sacrifice of esthetics. The application of Value Engineering, supervised by someone who will tenaciously require an analysis of every idea submitted is the reasonable answer. The entire construction industry must re-evaluate the priorities. Every effort should be made to promote Value Engineering as the answer to the uncontrolled spiral of building costs. As a Society, we must take the initiative to show that there is **another way out**.

* * * * *

Evolutionary Trends of Value Engineering in the Construction Industry

William F. Lenzer, P.E.

In the construction industry, "value engineering" is often a misunderstood concept. On the other hand "Value Engineers" who have primarily been associated with DoD and manufacturing endeavors, seldom understand the construction industry. This breakdown in communications has made it difficult for the "Society of American Value Engineers" to recruit substantial membership from construction contracting and design firms.

Traditionally, facility construction has been implemented on the basis of Design-Bid-Build. Under this arrangement, an Architectural/Engineering design firm is hired by the Owner to prepare construction contract documents. The documents are then submitted to anywhere from 2 to 50 (or more) contractors for bidding. The Contractor with the lowest bid is then awarded the construction contract. Except for a one-year guarantee after the project is completed, the original designers and contractors have no further involvement in the operation of the facility.

About twenty years ago this procedure began to break down as speculative development started to "boom" and minimizing "first cost" became the Owner's primary objective. Architectural/Engineering design firms found it difficult to cope with first cost objectives. Historically, architects were accustomed to creating monuments and concentrating on the aesthetic qualities of a facility. At the same time engineering (structural, mechanical and electrical) was considered of secondary importance and was required to conform with and support aesthetic functions. Very few design firms were capable of evaluating cost requirements or of meeting cost objectives.

This condition resulted in serious budget overruns, which were not discovered until the design and bidding had been completed. In many cases the Owner's only recourse was to have the contractor redesign the project to meet first cost objectives. As the speculative construction "boom" gained momentum this situation became more frequent and severe. As a result, contractors became more and more proficient at evaluating, controlling and minimizing first costs. In turn this developed a strong feeling of animosity between design and contracting firms.

Responding to the need for "first cost" control, many contractors added design capabilities to their organization and began offering total "design and build" services. At the same time design firms often either joint-ventured with contractors or began to offer "Construction Management" and/or construction services. Probably 70% of all private commercial construction is currently implemented under some form of "design and build" venture.

Today there is a general feeling in the construction industry, that "value engineering" is merely "first cost" control. Based upon their experience, contracting and design firms generally believe that there is little need to study Value Engineering technology. They believe that they have been doing "value engineering" for years, and that the value engineering organizations and technology are merely gimmicks, somehow developed by the federal bureaucracy, to create more jobs and paperwork.

The 1974 "Energy Crisis" and subsequent skyrocketing cost of utilities, have begun to demonstrate the fallacy of "first cost" concepts. Many of the speculative facilities built in the last twenty years, are experiencing severe reductions in profit resulting from staggering increases in operating costs. In most cases this condition is directly associated with "first-cost" reductions in structure, insulation, mechanical and electrical features which result in highly inefficient operation. Very few individuals realize that even when such facilities were built, if life-cycle costs had been considered (even as a secondary objective), short-term pay-back could have been realized and a substantial amount of the current problem could have been eliminated.

Many sectors of private enterprise have still not reacted properly to these conditions. Increased operating costs are simply passed through to the end-user in the form of "price increases." This only adds to inflationary trends and we all pay for it. In situations where such costs cannot immediately be passed on to the user, corporate profits are reduced and recessionary trends are supported.

There are moves in the construction industry to resolve these problems as individuals become more and more aware of the "value" of V/E technology and the results that can be realized by applying functional analysis, life-cycle cost analysis and the "V/E Method." This trend is slowly gaining momentum and

eventually the firms and organizations that adopt the "total picture" concept of Value Engineering, and how it works for facilities construction, will be among the most successful in the industry.

As private enterprise begins to realize that utilities and the associated operating costs often exceed their financing costs on the order of 3 to 1, "Value Engineering," in its true sense, will be recognized in proper perspective an integral, valuable and primary tool in the construction and management of facilities.

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ANNOUNCEMENT

Federman Construction Consultants, Inc. announces the opening of its Washington, D.C. area office at 1200 North Nash Street, Arlington, VA. 22209. Tel. (703) 522-0239. Barry Federman, President, says that expansion to the Capitol City is to facilitate the servicing of both government agencies and private-owner A-E firms.

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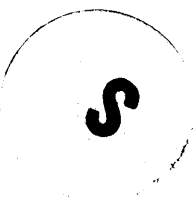
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