

DD Gives Value Engineering Nod as Cost-Saving Method

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LOS ANGELES. — The Department of Defense, in an apparent turnabout from previous statements and policies, has decided to recognize, and emphasize value engineering as a cost-saving technique.

A formal DOD policy statement endorsing value engineering is expected to be issued "in the near future," James N. Davis, Deputy Assistant Secretary of Defense, said at the weekend.

The DOD also expects to incorporate a standard value engineering contract incentive clause into the Armed Service Procurement Regulation, he told the inaugural meeting here of the southern California chapter of the Society of American Value Engineers.

This is a sharp contrast to statements of a DOD spokesman just one year ago, when he told an Electronic Industries Association VE conference in Anaheim, Calif., that value engineering as an organization "had no status and is not recognized" by DOD. John J. Rioridan, staff director for quality control and reliability, Office of the Assistant Secretary of Defense, then said that DOD has "reservations, even cynicism," regarding the present "ballyhoo" toward value engineering.

Mr. Davis' remarks last week were based on the results of a review conducted recently to determine the status of value engineering in DOD, and to consider VE within the broader perspective of current efforts to cut costs and broaden competition.

The Army, Navy, Air Force task group came up with the following common definition, he said: "VE is the technical analysis of an item by an engineer or a team of specialists to determine whether the function of the item can be achieved less expensively without compromising quality."

The DOD review established two facts, Mr. Davis said. One, the three services and industry have made "very substantial" progress in using VE as a cost-saving device; two, it is in the interests of the DOD and industry to "vigorously expand" the application of VE. Industry can expect "stronger emphasis" on VE in the future, he added.

Mr. Davis said Defense Secretary McNamara had already indicated his personal endorsement of the objectives of value engineering. All three services have published

departmental policies on VE, the Army being the last to do this on Sept. 12, 1961.

The ad hoc group also proposed that the VE provisions of ASPR be broadened and a standard value engineering contract incentive clause be incorporated into ASPR. The present ASPR provision on VE (Para 3-406) pertains solely to incentive contracts, stating that VE incentive provisions were suitable for items covered only by firm Government specification, he noted.

The group also recommended that a DOD-industry advisory group be established to serve as a forum for exchange of information; assess new ideas on incentives, policies, and opportunities for expanding the applications of VE; and advise the DOD in acting on existing reports, the Aug. 31, 1961 EIA report, for example, Mr. Davis said.