



# DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



## C&T Value Management Program VECP Breakout

Kelly Floyd, MBA  
November 22, 2017



# Overview

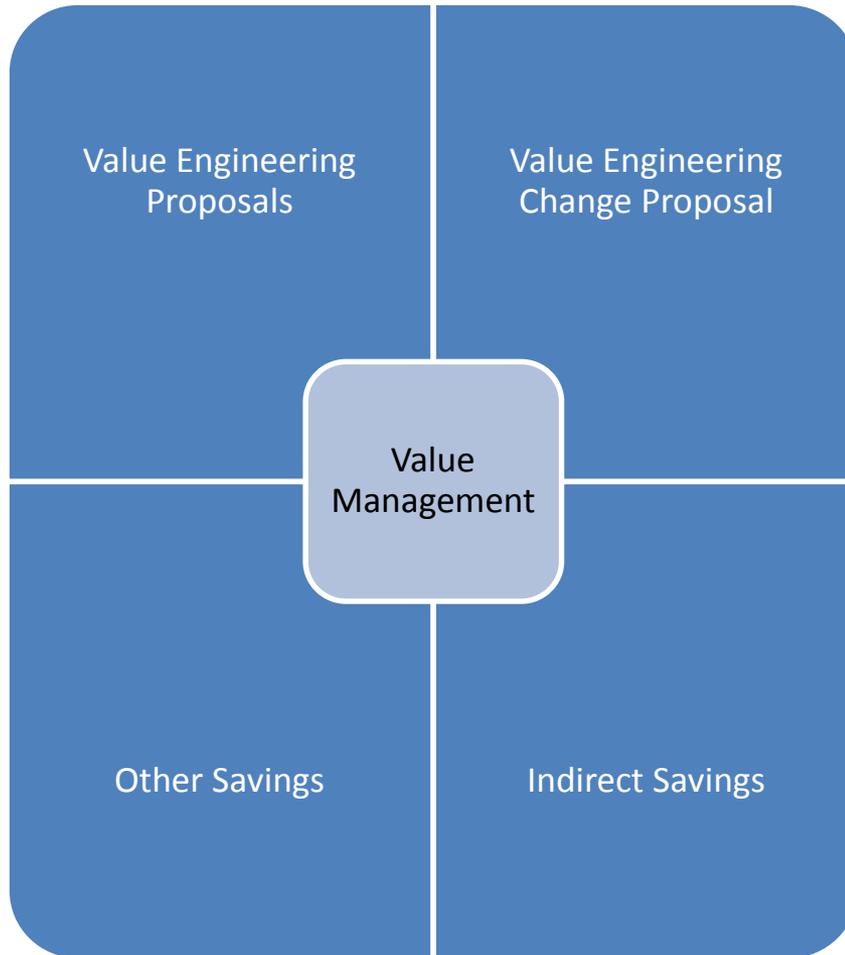
## Value Engineering Change Proposal:

- VE/VM Purpose & Examination of Function
- VECP Defined
- VECP Preparation, Eight Points & Submission
- Rules & Tools
- Contractor Guidance & References
- Contact Information





# C&T Value Management Program



- Program includes:
  - Value engineering
    - Internal Proposal
      - VEP
    - External Proposal
      - VECP
  - Indirect Savings
    - Reverse Auction\*<sub>last year</sub>
    - 3PL<sub>(3rd party logistic providers)</sub>
  - Other Savings
    - Should Cost
    - Reverse Engineering



# What is VM?

## Value Management

- Umbrella term for Value Engineering functions
- Term often used interchangeably with Value Engineering
- Stakeholder value judgements vary, and VM reconciles differing priorities to deliver best value for all stakeholders
- Defined in DLA Instruction 4245.01 Value Management



# What is VE?

## Value Engineering

An organized technique and effort to purchase:

- An essential function
- At the lower cost
- At the desired time and place
- Without degradation of
  - Performance
  - Quality
  - Reliability
  - Maintainability



# Value Engineering

## Ratio of Function to Cost

Customer needs to stir paint...



Which solution is most appropriate?

Benefit?

$$\text{Value} = \frac{\text{Function}}{\text{Cost}}$$



# VE & Contractors?

- Contractors can apply Value Engineering techniques to their products through the submission of a Value Engineering Change Proposal (VECP)
- Successful VECPs can result in royalty payments





# What is a VECP?

## Value Engineering Change Proposal

A **contractor-initiated** proposal where the savings are shared between the Government and the contractor. A VECP is submitted under the value engineering (VE) clause of a contract pursuant to Federal Acquisition Regulation (FAR) Part 48. It proposes a net life-cycle cost reduction to the DoD and requires a contract modification.



# VECP

- VECP Clause in DLA contracts > SAT (150K)
  - Clause can be added by Mod
- Contractual method to share savings
  - Savings shared between Contractor and DoD
  - Typical Share: 50/50
  - Sharing for 3-5 years
- Improve DoD supplies and/or equipment
  - Improvements include any price savings
    - Process
    - Materials
    - Manufacturing Techniques





# VECP Clause Preparation

**As a minimum**, the Contractor shall include in each VECP the information described in paragraphs (c)(1) through (8) 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:



8 Points



# VECP Clause Point One

- A description of the difference between the existing contract requirement and the proposed requirement
- The comparative advantages and disadvantages of each
- A justification when an item's function or characteristics are being altered
- The effect of the change on the end item's performance
- Any pertinent objective test data



# VECP Point One

## Current Requirement



## Recommended Modification

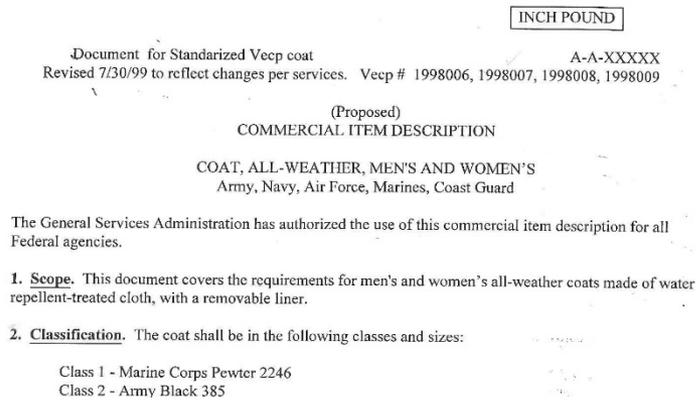


- Do:
  - Include pictures
  - Be descriptive
- Don't:
  - Assume anything is common knowledge



# VECP Point Two

- A list and analysis of the contract requirements that must be changed if the VECP is accepted
  - Include any suggested specification revisions
- Do:
  - Cite specific language in Spec
  - Cite specific language in contract



- Don't:
  - Use generalizations
  - Forget reference docs



# VECP Point Three

- Identification of the unit to which the VECP applies

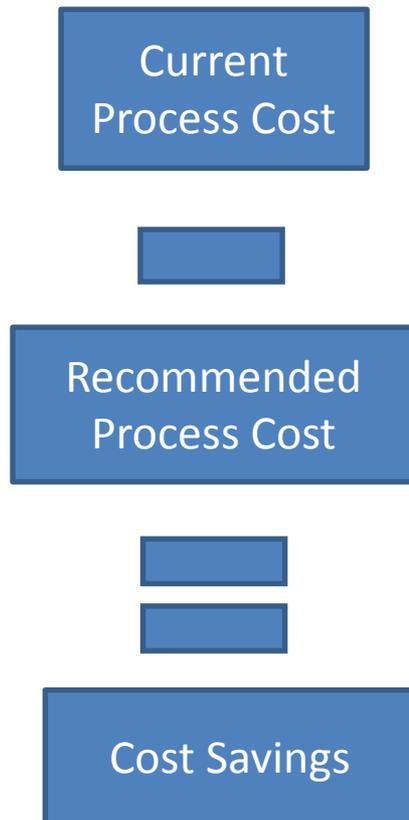


- Do:
  - Include PGC(s)
  - Include NSN(s)
  - Include Part Number(s)
- Don't:
  - Include items not on your contract



# VECP Point Four

A separate, detailed cost estimate



- A separate, detailed cost estimate for:
  - The affected portions of the existing contract requirement and 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 the Subcontracts paragraph of this clause



# VECP Point Five & Six

## VECP Point Five

- A description and estimate of costs the Government may incur in implementing the VECP
  - such as test and evaluation and operating and support costs

## VECP Point Six

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





# VECP Point Seven & Eight

## VECP Point Seven

- 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

## VECP Point Eight

- Identification of any previous submissions of the VECP
- If there are previous submissions include:
  - The dates submitted
  - The agencies and contract numbers involved
  - Previous Government actions, if known



# DSCP Form 1772

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**SUGGESTED FORMAT FOR VALUE ENGINEERING CHANGE PROPOSALS**

TO: \_\_\_\_\_ FROM (Contractor): \_\_\_\_\_

THE PROPOSAL DESCRIBED HEREIN (or attached hereto) IS SUBMITTED PURSUANT TO PROVISIONS OF THE VALUE ENGINEERING INCENTIVE CLAUSE WHICH FORMS A PART OF CONTRACT NUMBER \_\_\_\_\_ FOR \_\_\_\_\_ (Contract Number) (Item)

AWARDED TO \_\_\_\_\_ (Contractor)

ON \_\_\_\_\_ (Date)

DATE \_\_\_\_\_ CONTRACTOR'S AUTHORIZED REPRESENTATIVE (Signature) \_\_\_\_\_

**SECTION CHIEF'S CERTIFICATION**

1. DESCRIPTION OF VALUE ENGINEERING CHANGE PROPOSAL FOR \_\_\_\_\_ (Item)

SPECIFICATION NUMBER \_\_\_\_\_

a. APPLICABLE REQUIREMENTS AS STATED IN CONTRACT  
 b. DESCRIPTION OF PROPOSED CHANGE  
 c. NARRATIVE DISCUSSION, ESTABLISHING THAT THE PROPOSAL DOES NOT ADVERSELY AFFECT QUALITY, PERFORMANCE OR RELIABILITY

2. SPECIFIC CONTRACTUAL MODIFICATIONS NEEDED TO IMPLEMENT THIS PROPOSAL. (Furnish proposed necessary additions and/or deletions to contractual provisions which will effect the change.)

3. COST ANALYSIS OF SAVINGS TO BE REALIZED FROM ADOPTION OF PROPOSAL.

a. FIXED COSTS:		TOTAL FIXED COST IF REQUIREMENTS ARE CHANGED AS OUTLINED IN ABOVE PROPOSAL
TOTAL FIXED COSTS INVOLVED IN MEETING PRESENT REQUIREMENTS		
ENGINEERING	_____	_____
TOOLING	_____	
MACHINERY	_____	
TESTING	_____	
OTHER (Specify)	_____	
b. VARIABLE COSTS:		COST (Per Unit) IF REQUIREMENTS ARE CHANGED AS OUTLINED IN ABOVE PROPOSAL
COSTS (Per Unit) INVOLVED IN MEETING PRESENT REQUIREMENTS		
MATERIALS	_____	_____
LABOR	_____	
OVERHEAD	_____	
OTHER COSTS (Specify)	_____	

ESTIMATED SAVINGS PER UNIT \_\_\_\_\_

4. TIME SCHEDULE WITHIN THE ABOVE VE CHANGE PROPOSAL SHOULD BE APPROVED IN ORDER TO EFFECT SPECIFIC SAVINGS ON THE CONTRACT:

DATE(S) \_\_\_\_\_ NUMBER OF UNITS ON WHICH SAVINGS WILL BE REALIZED \_\_\_\_\_

LAST CUT-OFF DATE ON WHICH NO SAVINGS WILL ACCRUE \_\_\_\_\_

- <http://www.dla.mil/TroopSupport/Subsistence/valuemgmt.aspx>
- Point one
- Point two
- Point three
- Point four
- Point five
- Point six
- Point seven
- Point eight





# Submission

- The Contractor shall submit VECP's to the Contracting Officer
  - unless this contract states otherwise
- If the contract is administered by other than the contracting office
  - The Contractor shall submit a copy of the VECP simultaneously to the Contracting Officer and to the Administrative Contracting Officer





# References

- Instructions:
  - DoDI 4245.14 Value Engineering
  - DLAI 4245.01 Value Management
  - DLAD 48.101
- FAR (Federal Acquisition Regulation):
  - 48.201 Clauses for supply or service contracts
- Contract Clause
  - 52.248-1 Value engineering
    - Prescribed by 48.201 on all contracts over SAT (Simplified Acquisition Threshold, 150k)



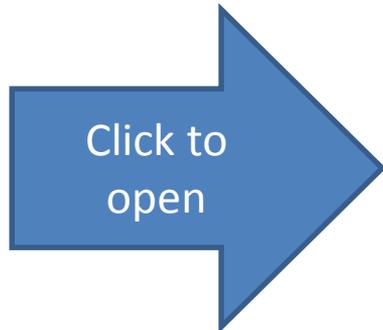


**DEPARTMENT OF DEFENSE CONTRACTOR'S  
GUIDE TO VALUE ENGINEERING**

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Version 2.3

May 2011





# Points of Contact

## DLA Troop Support C&T Value Management Office

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**Project Manager**  
**Soldier Protection and Individual Equipment**

# **The Soldier**

*Our Strength and Purpose*

## **Product Manager**

# **Soldier Clothing and Individual Equipment (PdM SCIE)**

## **Innovation**

# **Value Engineer Change Proposal (VECP)**

**JAPBI Brief**

**15 - 16 November 2017**

Susan McLendon  
Quality Team Lead



# PdM SCIE Major Lines of Effort



## SCIE Individual Clothing and Equipment

**FUTURE FLAME RESISTANT CLOTHING  
AND EQUIPMENT**

**NEXT GENERATION LOAD CARRIAGE**

**MULTI-MISSION ENVIRONMENTAL  
CLOTHING**

**PARACHUTE IMPROVEMENT PROCESS**

**FOOTWEAR STANDARDIZATION**

**UNIFORMS AND OCIE FOR EVERY  
OPERATING ENVIRONMENT**

**RESPONSIBLY MANAGE LEGACY OCIE**

### ***End State:***

- ✓ Deployers ALWAYS supported
- ✓ Increased operational effectiveness in all environments
- ✓ Sustainable capabilities
- ✓ Greater capability at reduced cost



# Value Engineer Change Proposal (VECP)



- General Guidelines

- Know the requirements for the End Item
- Performance gaps in the item requirement between the Thresholds (T) and Objectives (O) are the items that can change through a VECP and an approved Material Change Proposal (MCP)
- PM-SPIE MCPs authorize improvements for end-items supported by a program of record.
- Approval from the Army Uniform Board authorizes a change for Clothing Bag Items



# Clothing and Individual Equipment Approval Process



## Approval Processes

### Army Uniform Board (AUB)

The Army Uniform Board (AUB) is the primary review forum for clothing bag, mess, dress, service, and optional purchase uniform items. The AUB resolves issues, provides and obtains guidance, **ensures that items fit the 5<sup>th</sup> to the 95 percentile**, and makes recommendations to the CSA. The CSA approves the initiation of concept development and adoption of these items.

The AUB will—

(a) Conduct milestone reviews on new or improved items and make recommendations to the CSA (Milestone Decision Authority) for decision.

(b) Review policies pertaining to the wear of new or improved clothing items.

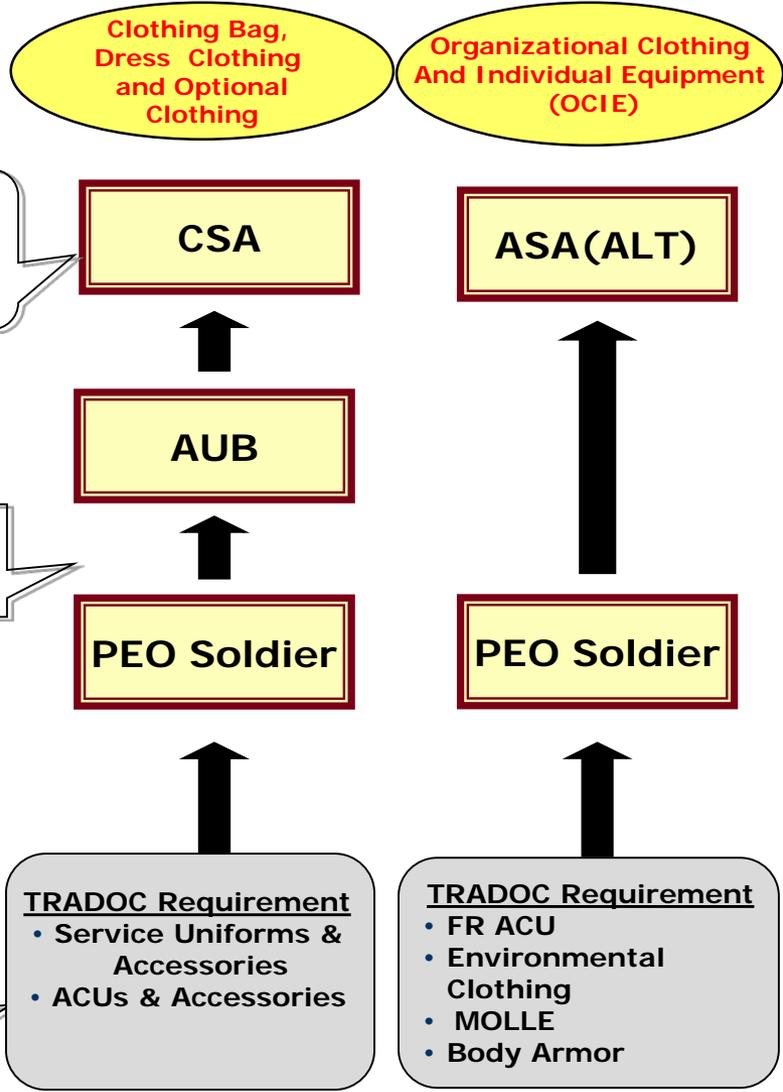
- AR 70-1 (Army Acquisition Policy)

- ARMY UNIFORM BOARD MEMBERS**
- DA G4 (Chair)
  - ASA (ALT)
  - ASA (FMC)
  - DA G1
  - Director, Army National Guard
  - Chief, Army Reserve
  - Sergeant Major of the Army
  - Deputy Inspector General
  - DA G3
  - DA G8
  - TRADOC (Combat Developer)
  - Senior Female Officer on the Army Staff
  - PEO Soldier
  - Senior Female Representative from ASA(M&RA)
  - Female Command Sergeant Major
  - Junior Enlisted Male
  - Junior Enlisted Female

TRADOC establishes clothing requirements. Those requiring a materiel solution are provided to PEO-Soldier.  
- Product improvements are identified to PEO Soldier from NSRDEC, TRADOC schools, Soldier feedback, etc.

PEO Soldier presents improvements to the AUB for concept approval

Results of the AUB are provided to the CSA at the conclusion of the AUB.





# Potential Areas for VECP



- Flame Resistant Army Combat Uniform (FR ACU)
  - Fabric that improves burn injury prediction
  - Fabric that increases durability (strength and color fastness)
- Fire Resistant Environmental Ensemble (FREE)
  - Lower Cost fabrics
  - Knits that meet requirements with improved shade consistency
- Army Physical Fitness Uniform (APFU)
  - Trunk lining material – improved color fastness/lower cost
- Load Carriage
  - Reduce weight and cost
- Fuel Handler's Coverall
  - Improved Comfort/Breathability
- Fastening system for rank/patch that does not pill/wear out



# PdM SCIE Points of Contact



## Command Group

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