



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

DEC 06 2011

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Value Engineering (VE) and Obtaining Greater Efficiency and Productivity in Defense Spending

The Department currently spends about \$400 billion annually on products and services. Maximizing the impact of these expenditures is an imperative. The Department will obtain greater efficiency and productivity in its spending by continuing to pursue Better Buying Power initiatives like Value Engineering. Increased usage of VE is a vehicle to enable greater success in pursuing these initiatives on acquisition programs.

VE complements other Department efforts to support Warfighters by providing them with the best possible systems through energy-efficient and effective solutions. The proven effectiveness of the VE methodology is recognized in legislation. The Office of Federal Procurement Policy Act (41 U.S.C. 432), Federal Acquisition Regulation parts 48 and 52.248, and OMB Circular A-131 require Federal departments and agencies to "establish and maintain cost-effective VE procedures and processes" to reduce program acquisition and life cycle costs, in addition to reporting results at the end of each calendar year.

In FY 2010, the Department's VE goal was 1.5 percent (\$6.3 billion) of total obligation authority (\$419 billion). Our reported savings of \$3.4 billion was well below this goal. With your help, I believe we can achieve an even higher level of performance by emphasizing greater application of both in-house VE and contractor-initiated VE Change Proposals (VECPs). VECPs are in particular need of greater focus.

The Department's fiscal environment demands that you make every effort to reduce the cost of the products and services we acquire. Please identify a VE senior manager for expanding VE activities within your area of responsibility and your VE targets for FY12 by January 15, 2012. I would like to track your progress toward these targets on a quarterly basis. Please submit this information to Mr. Nicholas Torelli at Nicholas.Torelli@osd.mil or 703-695-2300. Thank you in advance for supporting this important requirement.

A handwritten signature in black ink, appearing to read "Frank Kendall", is positioned above the printed name.

Frank Kendall
Acting

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