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UNITED STATES
ATOMIC ENERGY COMMISSION
WASHINGTON, D.C. 20545

AUG 6 1973

LeRoy E. Hopkins, Captain, SC, USN
Chairman, ASPR Committee
Office of the Assistant Secretary
of Defense
Department of Defense
Washington, D. C. 20301

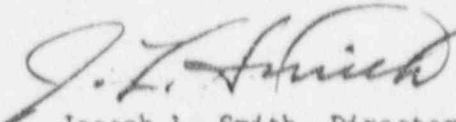
Dear Captain Hopkins:

We have reviewed the proposed revision to ASPR Section I, Part 17, relating to Value Engineering, and ASPR Section III, relating to the proposed Value Engineering clauses. As stated in Part 17, this technique is designed to provide a financial incentive in contracts to encourage contractors to undertake Value Engineering.

It is to be noted that even though this subject has been covered in the ASPR for a number of years it does not appear in the Federal Procurement Regulations or in our AEC Procurement Regulations. This lack of coverage is apparently due to the type and nature of contracts processed by the civilian agencies. In our case the majority of our contracts are of a research and development nature and are awarded on a cost reimbursement basis. In addition, many of our contracts are awarded to universities and "not for profit" organizations. Furthermore, we award very few contracts that can be categorized as production-type contracts.

In view of the nature and type of our contract activity, which is similar to the exceptions stated in proposed ASPR 1-1702.1 (Value Engineering Incentive Clause) and are outside the objective of proposed ASPR 1-1702.2 (Value Engineering Program Requirement Clause), we believe that the proposed revision has very limited application to AEC. Therefore, we are not furnishing any comments; however, we appreciate the opportunity to review proposed changes to the ASPR.

Sincerely,


Joseph L. Smith, Director
Division of Contracts