



South Carolina
Department of Transportation

DM0499

March 5, 1999

MEMORANDUM TO GROUP LEADERS & CONSULTANTS

SUBJECT: VALUE ENGINEERING PROPOSALS

The attached revised Bridge Design standard notes sheets should be used for bridge projects beginning with the May 1999 letting. The old "Alternates to Plan Details" note has been removed and a new "Value Engineering Proposals" note added in it's place.

This change is required to avoid conflict when road and bridge plans are let in the same contract. The attached new special provision entitled "Value Engineering Proposal" will be included in all bridge projects beginning with the May 1999 letting.

Plans that are complete and that will be let in May 1999 or later must be revised to include this revision. Your cooperation in this matter is appreciated.

Randy R. Cannon, P.E.
Bridge Design Engineer

Attachments:

cc: Assistant Bridge Design Engineers

File: PC/REL



(1) VALUE ENGINEERING PROPOSAL:

This value engineering specification is to provide an incentive to the Contractor to initiate, develop, and present to the Department of Transportation for consideration, any cost reduction proposals conceived by them involving changes in the drawings, designs, specifications, or other requirements of the contract. This specification does not apply unless the proposal submitted is specifically identified by the Contractor as being presented for consideration as a Value Engineering Proposal.

Value Engineering Proposals contemplated are those that would result in a net savings to the Department by providing a decrease in the total cost of construction or reduce the construction time without increasing the cost to construct the project. The affects the Proposal may have on the following items, but not limited to these items, will be considered by the Department when evaluating the proposal:

- | | |
|-------------------------|--------------------------|
| 1) Service Life | 5) Ease of Maintenance |
| 2) Safety | 6) Desired Aesthetics |
| 3) Reliability | 7) Design |
| 4) Economy of Operation | 8) Standardized Features |

The Department reserves the right to reject the Proposal or deduct from the savings identified in the Proposal to compensate for any adverse effects to these items which may result form implementation of the Proposal.

The Department reserves the right to reject at its discretion any Value Engineering Proposal submitted which would require additional right-of-way. Substitution of another design alternate, which is detailed in the contract plans, for the one on which the Contractor bid, will not be allowed. Plan errors which are identified by the Contractor and which result in a cost reduction will not qualify for submittal as a Value Engineering Proposal. Pending execution of a formal supplemental agreement, implementing an approved Value Engineering Proposal, the Contractor shall remain obligated to perform in accordance with the terms of the existing contract. No time extension will be granted due to the time required to review a Value Engineering Proposal.

The Contractor is encouraged to include this specification in contracts with subcontractors. The Contractor shall encourage submissions of Value Engineering Proposals from subcontractors, however, it is not mandatory that the Contractor accept or transmit to the Department Value Engineering Proposals proposed by the subcontractors. The Contractor may choose any arrangement for the subcontractor value engineering payments, provided that these payments shall not reduce the Department's share of the savings resulting from the Value Engineering Proposal.

Should the Contractor desire a preliminary review of a possible Value Engineering Proposal, prior to expending considerable time and expense in full development, a copy of the preliminary proposal shall be submitted to the Resident Engineer. The submittal shall state, Preliminary Value Engineering Proposal Review Request and must contain sufficient drawings, cost estimates and written information that can be clearly understood and interpreted. Also, include the identity of any Private Engineering Firms proposed by the Contractor to prepare designs or revisions to designs. The Department will review the preliminary submittal only to the extent necessary to determine if it has a possible merit as a Value Engineering Proposal. This review does not obligate the Department to approve the final proposal should a preliminary review indicate the proposal has possible merit. The Department is under no obligation to consider any Value Engineering Proposal (Preliminary or Final) that is submitted.

A copy of the Final Value Engineering Proposal shall be submitted by the Contractor to the Resident Engineer. The proposal shall contain, as a minimum, the following:

- (1) A statement that the request for the modification is being made as a Value Engineering Proposal.
- (2) A description of the difference between the existing contract requirements and the proposed modifications, with the comparative advantages and disadvantages of each.
- (3) If applicable, a complete drawing of the details covering the proposed modifications and supporting design computations shall be included in the final submittal. The preparation of new

designs or revisions or modifications to the designs shown in the contract drawings shall be accomplished and sealed by a Professional Engineer registered in the State of South Carolina. Further, the Department may require a review, and possibly the redesign, be accomplished by the project's original designer, or an approved equal. The Department may contract with private engineering firms, when needed, for reviews requested by the Department. The Contractor shall contract with the original project designer, or an approved equal, when required by the Department, for any design work needed to completely and accurately prepare contract drawings. The Department may waive the requirements to have the preparation of contract drawings accomplished by a Professional Engineer or the project's original designer based on the extent, detail, and complexity of the design needed to implement the Value Engineering Proposal.

- (4) An itemized list of the contract requirements that would be modified and a recommendation of how to make each modification.
- (5) A detailed estimate of the cost of performing work under the proposed modification.
- (6) A statement of the time by which approval of the Value Engineering Proposal must be issued by the Department to obtain the total estimated cost reduction during the remainder of the contract, noting any effect on the contract completion or delivery schedule.

To facilitate the preparation of revisions to contract drawings, the Contractor may purchase reproducible copies of drawings for their use through the Department. The preparation of new design drawings by or for the Contractor shall be coordinated with the appropriate Department Branch. The Contractor shall provide, at no charge to the Department, one set of reproducible drawings of the approved design needed to implement the Value Engineering Proposal.

The Engineer will be the sole judge of the acceptability of a Value Engineering Proposal requested in accordance with these provisions and of the estimated net savings resulting from the approval of all or any part of the Proposal. The Contractor has the right to withdraw, in whole or in part, any Value Engineering Proposal not accepted by the Department within the period to be specified in the Proposal per Item (6) of the preceding paragraph.

If a Value Engineering Proposal is approved, the necessary changes will be effected by Supplemental Agreement. Included as a part of the Supplemental Agreement will be provisions for price adjustment giving the Contractor 50 percent of the net savings to the project resulting from the modifications.

The Department reserves the right to include in the Supplemental Agreement any conditions it deems appropriate for consideration, approval, and implementation of the proposal. Acceptance of the Supplemental Agreement by the Contractor shall constitute acceptance of such conditions.

The final net savings to be distributed will be the difference in cost between the existing contract cost for the involved bid items and the actual final cost occurring as a result of the modification. Only those unit bid items directly affected by the Supplemental Agreement will be considered in making the final determination of net savings. In determining the estimated net savings, the Department reserves the right to disregard the contract prices if, in the judgement of the Department, such prices do not represent a fair measure of the value of the work to be performed or to be deleted. Subsequent change documents affecting the modified unit bid items but not related to the Value Engineering Proposal will be excluded from such determination. The Department's review and administrative costs for Value Engineering Proposals will be borne by the Department. The Contractor's costs for designs and /or revisions to designs and the preparation of design drawings will be borne by the Contractor. The costs to either party will not be considered in determining the net saving obtained by implementing the Value Engineering Proposal. The Contractor's portion of the net savings shall constitute full compensation to them for effecting all changes pursuant to the agreement. The new savings will be prorated, 50 percent for the Contractor and 50 percent for the Department, for all accepted Value Engineering Proposals.

Upon execution of the Supplemental Agreement, the Department will thereafter have the right to use, duplicate or disclose in whole or in part any data necessary for utilization of the modification on other projects without obligation or compensation of any kind to the Contractor. Restrictions or conditions imposed by the Contractor for use of proposal on other projects shall not be valid.

Except as may otherwise precluded by this specification, the Contractor may submit a previously approved Value Engineering Proposal on another project.

Unless and until a Supplemental Agreement is executed and issued by the Department, the Contractor shall remain obligated to perform the work in accordance with the terms of the existing contract.

Acceptance of the modification and its implementation will not modify the completion date of the contract unless specifically provided for in the Supplemental Agreement.

The Contractor shall not be entitled to additional compensation for alterations in the plans or in the details of construction pursuant to the Value Engineering Proposal.

The Department will not be liable to the Contractor for failure to accept or act upon any Value Engineering Proposal submitted pursuant to this provision nor for any delays to the work attributable to any such proposal.

The Department reserves the right to negotiate desired changes with the Contractor under the provisions of the contract even though the changes are the result of a Value Engineering Proposal submitted on another contract. In this instance the savings will be prorated in accordance with the terms of the negotiated agreement.

