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Advisory Circular

FILE

Subject: Change 22 to STANDARDS FOR
SPECIFYING CONSTRUCTION OF AIRPORTS--
Adds Subsection on Cost Reduction to
Section 50

Date: 1/18/84
Initiated by: AAS-200

AC No: 150/5370-10
Change: 22

1. PURPOSE. A Cost Reduction provision has been added to Section 50. This provision will act as an incentive to a Contractor to submit proposals for modifying the plans or specifications for the purpose of reducing the total cost of construction.

The Change number and date of change are carried at the top of each page.

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CONTROL OF WORK

50-13 FAILURE TO MAINTAIN THE WORK. Should the contractor at any time fail to maintain the work as provided in the subsection titled MAINTENANCE DURING CONSTRUCTION of this section, the engineer shall immediately notify the contractor of such noncompliance. Such notification shall specify a reasonable time within which the contractor shall be required to remedy such unsatisfactory maintenance condition. The time specified will give due consideration to the exigency that exists.

Should the contractor fail to respond to the engineer's notification, the engineer may suspend any work necessary for the owner to correct such unsatisfactory maintenance condition, depending on the exigency that exists. Any maintenance cost incurred by the owner, shall be deducted from monies due or to become due the contractor.

50-14 PARTIAL ACCEPTANCE. If at any time during the prosecution of the project the contractor substantially completes a usable unit or portion of the work, the occupancy of which will benefit the owner, he may request the engineer to make final inspection of that unit. If the engineer finds upon inspection that the unit has been satisfactorily completed in compliance with the contract, he may accept it as being completed, and the contractor may be relieved of further responsibility for that unit. Such partial acceptance and beneficial occupancy by the owner shall not void or alter any provision of the contract.

50-15 FINAL ACCEPTANCE. Upon due notice from the contractor of presumptive completion of the entire project, the engineer and owner will make an inspection. If all construction provided for and contemplated by the contract is found to be completed in accordance with the contract, plans, and specifications, such inspection shall constitute the final inspection. The engineer shall notify the contractor in writing of final acceptance as of the date of the final inspection.

If, however, the inspection discloses any work, in whole or in part, as being unsatisfactory, the engineer will give the contractor the necessary instructions for correction of same, and the contractor shall immediately comply with and execute such instructions. Upon correction of the work, another inspection will be made which shall constitute the final inspection, provided the work has been satisfactorily completed. In such event, the engineer will make the final acceptance and notify the contractor in writing of this acceptance as of the date of final inspection.

CONTROL OF WORK

50-16 CLAIMS FOR ADJUSTMENT AND DISPUTES. If for any reason the Contractor deems that additional compensation is due him for work or materials not clearly provided for in the contract, plans or specifications, or previously authorized as extra work, he shall notify the Engineer in writing of his intention to claim such additional compensation. Such notice by the Contractor and the fact that the Engineer has kept account of the cost of the work shall not in any way be construed as proving or substantiating the validity of the claim. When the work on which the claim for additional compensation is based has been completed, the Contractor shall, within 10 calendar days, submit his written claim to the Engineer who will present it to the owner for consideration in accordance with local laws or ordinances.

Nothing in this subsection shall be construed as a waiver of the Contractor's right to dispute final payment based on differences in measurements or computations.

50-17 COST REDUCTION INCENTIVE

The provisions of this subsection will apply only to contracts awarded to the lowest bidder pursuant to competitive bidding.

On projects with original contract amounts in excess of \$100,000, the Contractor may submit to the Engineer, in writing, proposals for modifying the plans, specifications or other requirements of the contract for the sole purpose of reducing the cost of construction. The cost reduction proposal shall not impair, in any manner, the essential functions or characteristics of the project, including but not limited to service life, economy of operation, ease of maintenance, desired appearance, design and safety standards. This provision shall not apply unless the proposal submitted is specifically identified by the Contractor as being presented for consideration as a value engineering proposal.

Not eligible for cost reduction proposals are changes in the basic design of a pavement type, runway and taxiway lighting, visual aids, hydraulic capacity of drainage facilities, or changes in grade or alignment that reduce the geometric standards of the project.

As a minimum, the following information shall be submitted by the Contractor with each proposal:

- a) a description of both the existing contract requirements for performing the work and the proposed changes, with a discussion of the comparative advantages and disadvantages of each;
- b) an itemization of the contract requirements that must be changed if the proposal is adopted;

- c) a detailed estimate of the cost of performing the work under the existing contract and under the proposed changes;
- d) a statement of the time by which a change order adopting the proposal must be issued;
- e) a statement of the effect adoption of the proposal will have on the time for completion of the contract; and
- f. the contract items of work affected by the proposed changes, including any quantity variation attributable to them.

The Contractor may withdraw, in whole or in part, any cost reduction proposal not accepted by the Engineer, within the period specified in the proposal. The provisions of this subsection shall not be construed to require the Engineer to consider any cost reduction proposal which may be submitted.

The Contractor shall continue to perform the work in accordance with the requirements of the contract until a change order incorporating the cost reduction proposal has been issued. If a change order has not been issued by the date upon which the Contractor's cost reduction proposal specifies that a decision should be made, or such other date as the Contractor may subsequently have requested in writing, such cost reduction proposal shall be deemed rejected.

The Engineer shall be the sole judge of the acceptability of a cost reduction proposal and of the estimated net savings from the adoption of all or any part of such proposal. In determining the estimated net savings, the Engineer may disregard the contract bid prices if, in the Engineer's judgement such prices do not represent a fair measure of the value of the work to be performed or deleted.

The owner may require the Contractor to share in the owner's costs of investigating a cost reduction proposal submitted by the Contractor as a condition of considering such proposal. Where such a condition is imposed, the Contractor shall acknowledge acceptance of it in writing. Such acceptance shall constitute full authority for the owner to deduct the cost of investigating a cost reduction proposal from amounts payable to the Contractor under the contract.

If the Contractor's cost reduction proposal is accepted in whole or in part, such acceptance will be by a contract change order which shall specifically state that it is executed pursuant to this subsection. Such change order shall incorporate the changes in the plans and specifications which are necessary to permit the cost reduction proposal or such part of it as has been accepted and shall include any conditions upon which the Engineer's approval is based. The

change order shall also set forth the estimated net savings attributable to the cost reduction proposal. The net savings shall be determined as the difference in costs between the original contract costs for the involved work items and the costs occurring as a result of the proposed change. The change order shall also establish the net savings agreed upon and shall provide for adjustment in the contract price that will divide the net savings equally between the Contractor and the Owner.

The Contractor's 50 percent share of the net savings shall constitute full compensation to the Contractor for the cost reduction proposal and the performance of the work.

Acceptance of the cost-reduction proposal and performance of the cost-reduction work shall not extend the time of completion of the contract unless specifically provided for in the contract change order.

NOTE TO THE ENGINEER

1. Use of this subsection in project specifications is at the option of the owner/engineer.
2. This subsection should not be incorporated into project specifications if State or local laws prohibit its use or if the project does not lend itself to value engineering.

END NOTE