

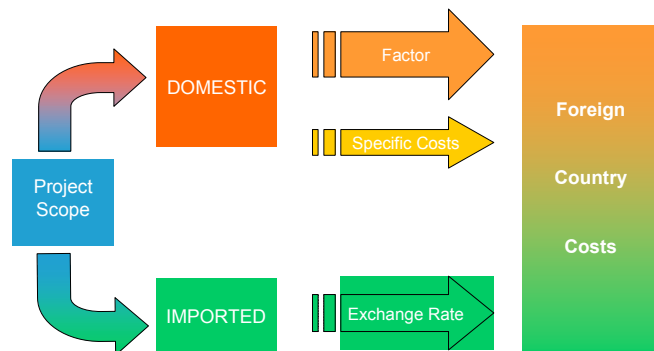
Determination of Foreign Country Estimating Factors

Werner Pehlke, BASF SE, Ludwigshafen am Rhein/Deutschland;

Dr. Frank-Michael Korgitzsch, BASF SE, Ludwigshafen am Rhein/Deutschland

Global Markets and increasing international division of labor require globalization of production. This implies a tremendous challenge for the Cost Engineering departments of the companies in terms of the determination, maintenance and improvement of their foreign country data base. Even though material prices most often follow a world market price level, the labor rates and productivities for local services and supplies are significantly different. These have a big impact on the total investment costs. In order to account for that, Cost Engineering departments have to maintain a foreign country data base. One possibility would be to build up a full fledged foreign country data base with all specific prices, labor rates and productivity. However, can this be economical?

We at BASF consider it as costly and subsequently follow the concept of estimating with foreign country factors. We build a set of factors for each country taking into account the split of material and labor per item as



well as the influence of the world market. The presentation gives an overview of the methodology in the determination of foreign country factors. The presentation gives insights on:

- Methodology of foreign country factor determination
- Sources for foreign country factors
- Challenge of keeping factors up to date
- Parameters influencing the factors
- Estimating with foreign country factors
- Traps with comparing investments for different countries