



## PRICING AND PURCHASING SERVICE

### ► CONTRACT WITH CONFIDENCE

IHS Global Insight's Pricing and Purchasing Service provides detailed, accurate commodity pricing and wage information that helps companies and government agencies more effectively identify and negotiate forward pricing contracts.

The Pricing and Purchasing Service combines critical data, forecasts, and outlook for more than 1200 global commodity prices and wages. Unique in its scope and detail, the Pricing and Purchasing Service offers clients more accurate cost escalation than broad inflation indicators or forecasts of historical trends. The service provides a reliable basis for improved cost planning, analysis, and savings over the life of a contract.

### ► BENEFIT FROM OUR EXPERTISE

The Pricing and Purchasing Service's most powerful tool is IHS Global Insight's dedicated staff of industry analysts and commodity consultants. Our experts have worked with various defense departments and contractors for more than 20 years and know the ins and outs of escalator clauses. Our experts can help you:

- Identify the most appropriate indices of materials and labor costs
- Quantify the key escalation drivers and risks for a particular price or labor rate
- Minimize your contract exposure
- Navigate series re-basing and replacement

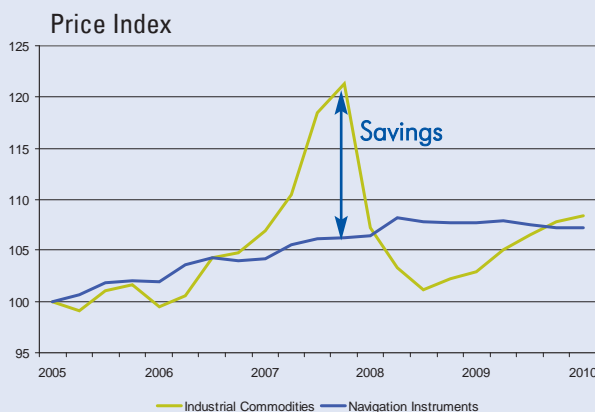
Within the U.S. government's Department of Defense, the **Defense Contract Audit Agency (DCAA)** selected IHS Global Insight's Pricing and Purchasing Service to provide detailed escalation projections and analysis for use in evaluating contract proposals for many federal agencies.

### UNMATCHED COVERAGE

**More than 1200 global prices, wages, and manufacturing costs**

- ✓ Expanded service coverage
- ✓ General business expenses
- ✓ Detailed wages and benefits
- ✓ Energy products
- ✓ Chemicals
- ✓ Steel
- ✓ Nonferrous metals
- ✓ Industrial machinery and equipment
- ✓ Electronic components
- ✓ Paper and packaging
- ✓ Transportation
- ✓ Building materials

### The Wrong Index Could Cost Millions



*IHS Global Insight's Pricing and Purchasing Service translates information into savings. If you tie a five-year, \$10 million contract to a broad price measure such as the Industrial Commodities Price Index, instead of a more appropriate indicator such as the Navigation Instrument Price Index, you could lose millions of dollars over the life of your contract.*



► **FLEXIBLE ACCESS TO VITAL INFORMATION**

The Pricing and Purchasing Service offers clients a comprehensive array of solutions and services to meet their contract needs—all available through MyInsight, IHS Global Insight’s client Web site. MyInsight features frequent updates to all the Pricing and Purchasing Service’s forecasts and analyses, including:

**Online Analysis**

IHS Global Insight provides comprehensive forecast and analysis. This includes our monthly commodity price watch, quarterly forecast updates, and articles covering close to 100 commodity areas.

**The Cost Analyzer**

The Cost Analyzer allows clients to access data quickly and perform customized cost analysis. Providing historical and forecast data for over 1200 commodity price and wage series, the Cost Analyzer enables clients to:

- View and graph data
- Create company-specific budgets
- Identify appropriate contract escalators
- Compare forecasts
- Build composite cost-escalator indexes

**CASE STUDY**

**Client Need:**

Price forecasts are employed in long-term contracting between the U.S. Government and private parties via economic price adjustment (EPA) clauses. These projected costs are then adjusted, every year, as the actual data are reported by the U.S. Bureau of Labor Statistics (BLS). One series the U.S. Government and aircraft manufacturers rely heavily upon is the employment cost index (ECI) for total compensation in aircraft manufacturing. This series is utilized in countless contracts, and in the mid-2000s, volatility in the series wreaked havoc on EPA calculations.

**IHS Global Insight Solution:**

With the assistance and help of IHS Global Insight, the U.S. Department of Defense Inspector General's (DoD IG) office was able to estimate what the true changes to compensation were in 2005 and 2006, excluding the pre-payment pension credits reported by Boeing. IHS Global Insight provided new projections of compensation changes going forward based on these estimations.

**The Result:**

The DoD IG's Office recalculated contract adjustments with Boeing for the Air Force C-17, the Navy F/A 18 E/F, and the Army Apache Longbow using the estimated series. As a result, the U.S. Government avoided significant costs that would have been incurred based on the ECI as reported by the Bureau of Labor Statistics. **The U.S. Department of Defense saved \$520.6 million** as a result of the contract recalculations.

**THE POWER OF PERSPECTIVE**

**ABOUT IHS GLOBAL INSIGHT:** IHS Global Insight ([www.ihsglobalinsight.com](http://www.ihsglobalinsight.com)) provides the most comprehensive economic and financial information on countries, regions, and industries available from any source. IHS Global Insight’s immediate and insightful analysis of market conditions and key events enables innovative and successful decision making for clients around the world. IHS Global Insight employs approximately 700 employees in 13 countries.

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