

Real Cost[®] Analysis

Benchmark Costs and Make Better Decisions with Real Cost[®]

Proper accounting for management systems and related costs opens new doors for identifying and cutting costs that are “hidden” throughout the manufacturing, operations, and business process so companies can better optimize budget dollars.

Kestrel can perform a Real Cost[®] Analysis of your management systems, risk and liability management strategies, and business practices using proven specially designed tools and techniques that help industrial managers identify improvement opportunities and better understand the benefits of making the improvements.

Project Real Cost Case Study: SOCMA

The **Synthetic Organic Chemical Manufacturers Association (SOCMA)** retained Kestrel to use its activity-based costing models and tools to determine the real costs of comprehensive Environmental, Health and Safety (EHS) management in a project involving **four member chemical plants in three states**.

Kestrel’s mission was to determine the Real Costs of compliance with U.S. Environmental Protection Agency estimates for SARA Title III reporting and CAAA Title V permitting.

A High Level Summary of Results Found:

- “Real Costs” of compliance were shown to be 2 to 20 times the government estimates made during rule making
- **Actual EHS spending averaged 3.3 times the costs budgeted and tracked** by the participating companies
- An average of 21.6% of annual capital spending was for EHS-related controls
- An average of 10.1% of total labor costs was spent for EHS activities

Opportunities for Improvement Revealed

Knowing the “real” dollar amount the chemical companies spent for environmental related activities provided them with additional incentive for investments to prevent pollution, minimize waste and optimize energy use. Identifying the “hidden” costs revealed opportunities to improve performance while simultaneously improving manufacturing flexibility, efficiency, quality, cycle time.