



Australian Railway Leader Reduces Labor Costs by 80% and Easily Passes Safety Audits After Partnering with Avetta

"Before Avetta, we calculated a need for six employees, all working full time, to properly manage our entire supply chain. Today with Avetta, we have one person sitting in that seat."

Supply Development & Performance Manager

Australian Railway Leader

1

COUNTRY

4,500

EMPLOYEES

2013

AVETTA CLIENT SINCE

150+

AUDITS PERFORMED

960+

CONTRACTORS

80%

LABOR COSTS REDUCED BY

This railway leader operates a fleet of 407 three-car train sets over 837 kilometers of track, providing over 14,000 services each week and carries 415,000 passengers each weekday. Over the course of a year, its train fleet travels 30 million kilometers and provides more than 228 million customer boardings.

Key Solutions

- Successfully qualifying and managing over 3,500 contractors
- Centralized, companywide database for fast contractor lookup
- Elevated data sharing
- New level of process and efficiency for optimizing supply chain
- New level of procedure and oversight

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Metropolitan Passenger Rail Network Franchise Lays Track for Future Growth and Cost Savings

THE CHALLENGE

For a metropolitan passenger rail network franchise in Australia, managing the supply chain is about more than bringing efficiency to the process or finding ways to save money. Although those goals are certainly important, the company's primary responsibility is safely carrying the citizens to and from work each day. More than 415,000 passengers use the rail every weekday, and getting them to their destination safely, and on time, is the highest priority.

Safety touches all aspects of the organization, including construction and maintenance of every train it operates, every station in the system, and every kilometer of track it lays. Since much of that work is done by contractors and suppliers, the railway leader needs to know that each of them are qualified to perform the work for which they're hired. It's important that suppliers deliver the service at a competitive price, but it's vital that they meet environmental and safety requirements. For this company, supply chain management has enormous implications for passenger safety and service.

3,500 Contractors

Nevertheless, qualifying and managing some 3,500 contractors was a massive job that the organization simply wasn't adequately staffed for. That was the stark conclusion of its Supply Development & Performance Manager when he stepped into a procurement role for the company. While reviewing the procurement process, he discovered that management of the supply chain—including prequalification of contractors and suppliers—wasn't being performed properly. Responsibility for selecting and introducing new suppliers was largely handled by superintendents in the field. "If a superintendent wanted a new supplier added," he shares, "they

filled out a form and sent it to procurement. The purchasing manager would sign the form and the supplier would be added to the system. A PO would be issued and they'd turn up to do the work—without anyone reviewing their insurance, looking at their management systems, or running an audit."

The Audit

The lack of careful oversight hit a critical point—and came to the attention of the executive staff—in October 2013. That's when the office of the Federal Safety Commissioner audited one of the organization's business units—the group responsible for new stations, sections of mainline, and other construction projects. The audit of this group's contract management process failed across the board, receiving one point out of 100. "Obviously the executive committee became very interested in this area, and their appetite to turn the ship around was heightened by the fact that our license to operate could potentially be taken away," the Supply Development & Performance Manager recalls. He says this was a key catalyst for change within the organization and provided incentive to revamp the way it managed contractors and suppliers. The problem wasn't simply a lack of oversight. To the degree that the company prequalified and managed its supply chain, the process was simply inefficient. The prequalification process was a basic, manual, and labor-intensive process. It relied on paper records, was handled entirely in-house, and lacked the automation necessary to efficiently manage thousands of third-party workers. Various people across the company spent a good deal of time on this process. And because it was difficult to share information, there was a lot of duplication, both internally and within the supplier community. "The system was primitive," he reports. "And we realized we couldn't continue to do things that way."

THE SOLUTION

In exploring supply chain risk management solutions, the internal team was thinking beyond problem-solving. They knew they had to correct certain deficiencies—fix the prequalification process, ensure compliance, modernize the procurement process and so on—but they also had a larger vision for the solution. Effective management of the supply chain was considered critical for passenger safety as well as the growth and agility of the organization.

Moreover, while the company itself was growing, its parent company was also on the verge of landing its second franchise in Australia, serving another large city. This metro system would require the same careful management of its supply chain, and could leverage this solution—if it worked.

Setting the Rail Industry Standard

The organization's vision for supply chain risk management included all of the rail industry. "The rail industry is an old industry," explains the Supply Development & Performance Manager, noting that in mature industries, especially those in the public sector, organizations can become quite set in their ways. "There's the fear of change," he says, "the fear of doing things in a new way." Against that grain, the rail network franchise felt it could help propel the industry into the 21st century with respect to procurement and supplier management.

A "Rail Sector Solution" Partnership

This idea of developing a "rail sector solution" was discussed with every supply chain risk management vendor that the company approached. In explaining this vision to prospective partners, the team was surprised to find that each resisted the idea of working with them in a true, collaborative partnership—except one. "Avetta was the only company willing to work with us to develop more functionality in a long-term, collaborative approach to the product," he says. "Only Avetta embraced our vision of a rail sector solution." This openness to the idea of a collaboration was an important reason the team chose Avetta for its supply chain risk management solution.

Accessible, Simplified, and Smart

This was not the only reason, of course. Ease of use was

another key differentiator of the Avetta solution. The company wanted a solution that end users would actually use. He recalls that "a couple of the solutions we looked at from other providers were very clunky. We thought that would turn users away from the system, which defeats the whole purpose. We'd end up with a risk management tool that sits in the background, with no one actually using it." The organization found the Avetta solutions to be very accessible, very easy to use, especially from the users' point of view. In addition, Avetta provided other core capabilities and functionality that were needed, including reporting, dashboards, and risk management. Of the five vendors considered, Avetta met the broadest range of requirements. After a rigorous process and proper due diligence, the company selected Avetta in the summer of 2014 and went live with the solution by September.

"Two-Pronged Attack"

Avetta supported the go-live process by collaborating with the railways leader to inform contractors and suppliers about the new system. Avetta called each one, sent out an initial mailing and worked with the internal team on program education. This "two-pronged attack," with efforts by both companies, helped underscore the importance of the initiative and led to a faster sign-up rate. It also reinforced the collaborative approach so important to the organization.

THE RESULTS

While the Avetta solution is relatively new to the company, its impact has already been felt. In October 2014, the Federal Safety Commission performed another audit on the business unit that had failed a year earlier. This time, says the Supply Development & Performance Manager, "We got 99 points out of 100, thanks to all the work that was done within the contract safety management committee, and the fact that we'd engaged with Avetta. It was clear we were turning the ship around."

Reducing Labor Costs by More Than 80%

The impact in terms of cost savings (and potential cost savings) were equally impressive. As part of the justification for sourcing contractor prequalification and management, the team estimated the number of hours it would take to do that work internally. They calculated it would require six full-time employees on a continuous basis to manage the thousands of contractors and suppliers currently working with the railway leader, given the influx of new workers and ongoing yearly reviews and audits. To properly qualify that many contractors into the system internally, as Avetta did externally, would have meant those six employees would be working 40 to 50 hours for at least six months. This effort would have been massive. The internal team worked out that they would need three administrators, one safety/environment auditor, one person for quality control, and an engineering auditor—all working full time to properly do what Avetta now did. Instead, they have one person sitting in that seat. In addition, the time required for manual prequalification of contractors would be 80 hours per week. With Avetta, the railway staff spends just 10 hours per week on prequalification—an eighth of the time they would otherwise spend.

Reducing Redundancy and Risk to Control Costs

Prior to engaging with Avetta, the company contracted with some 3,500 suppliers, with unnecessary overlap in numerous areas. In addition, the team was concerned that some of these suppliers may not have been properly prequalified for the projects in which they were assigned. Avetta gave the company a unique opportunity to cull its list, retaining high-performing, certified contractors and eliminating redundancy. The team reports: “Some suppliers wouldn’t get the green flag, and we knew we shouldn’t be using them from a risk point of view. Secondly, we realized that we had multiple contractors

supplying the same service—and we were paying the price for it.”

Fostering Long-Term, Loyal Supplier Relations

One reason for redundancy within the contractor community had to do with how superintendents in the field found suppliers. Because there was no central database of prequalified contractors, a superintendent was unable to easily look up and select a contractor from a list of approved vendors. Instead, people in the field would check the Yellow Pages or look online, find someone for the job, and add them to procurement. It was this situation that resulted in an overabundance of contractors.

Today, this problem is going away. The organization now works more closely with its approved, green-flagged contractors and suppliers. And now they’re getting to a point where they’re using the right people, understanding how they’re performing, and working to develop the relationship with them further. The benefit to both the hiring company and its stable of contractors is greater trust, confidence, and loyalty.

Greater Responsiveness and Agility

Although a private business, the railway leader is subject to local government, which can take months or years to approve a project—and then suddenly want it tomorrow. Avetta gives them the ability to quickly mobilize already-qualified contractors and put them on the job in short order. “When everyone’s green-flagged,” says the Supply Development & Performance Manager, “we can immediately interact with them and know they’re at the level we want them to be at. In addition, the ability to access the greater Avetta network gives us more options when we need to respond quickly if we can’t find the right resource in our existing supply base.”

Avetta provides a cloud-based supply chain risk management platform. Our global solution is uniquely designed to connect the world’s leading organizations with qualified suppliers, driving sustainable growth. Our SaaS subscription software is used by 50,000 active customers in 100 countries. We build trustworthy bonds through responsive technology and human insight. Our process is collaborative, and our global reach is complemented by our local expertise. Over 300 of the world’s biggest organizations depend on Avetta to align their supply chains to sustainable business practices. Let’s connect at [avetta.com](https://www.avetta.com) | inquiries@avetta.com