Supplier assurance framework

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Background
All suppliers and buying organisations within the GB Mainline Rail industry are subject to regulatory obligations which require them to control supply chain risk. Furthermore, many are required to satisfy EU procurement regulations. To meet regulatory and customer requirements each organisation in the supply chain has to assure its supply of products and services. Since privatisation the mainline railway has been structured into a number of stakeholders e.g. TOCs, FOCs, ROSCOs, Network Rail, Infrastructure suppliers, Traction and Rolling Stock (T&RS) suppliers, etc. This structure has led to the development and application of a number of industry schemes and in-house processes for supplier assurance, which covers both qualification arrangements and supplier certification activities.

Overview
This project informed an investigation into the Supplier Assurance Framework in the GB mainline railway and found that:

There appears to be a need for a single world class Supplier Assurance Framework. The next step is to build a business case for action.

Supplier assurance is just one process underlying many other company processes and external schemes to which suppliers in the GB rail industry must adhere.

Supplier assurance schemes touch companies in many areas; from the processes a company mandates on its suppliers, through to the assurance required by customers.

Aims
Through interviews with both suppliers and customers within the rail industry, three key questions were addressed:

1. What is supplier assurance costing the GB rail industry each year (order of magnitude)?
2. Where are the potential opportunities for improvement?
3. What are the quantified benefits?

Findings
The total cost expended in the GB rail industry in supplier assurance was estimated to be £90m to £100m per year, made up of ~1000 person years of effort and direct costs.

The study identified a realistic saving of £35m per year.

Currently the cost of Supplier Assurance is driven by in-house processes and supplier compliance effort:

- 91% of the cost is attributable to suppliers’ person day effort and scheme provider fees; the remaining 9% is spent by buyers.
The total cost is divided between in-house company processes and industry schemes. The biggest single driver of supplier assurance cost comes from companies’ own in-house assurance processes.

The requirements for scheme compliance differ within sectors of the rail industry and are driven by buyer requirements, which include procurement regulations:

- In the infrastructure supply chain Link-up is the most commonly mandated industry scheme.
- The spread of assurance schemes mandated across the T&RS supply chain is much broader.

In-house process complexity varies within the industry depending on the size and nature of the supplier. A tiered profile of supplier effort was used to calculate the cost of in-house assurance processes, in order to account for this varying scale and complexity.

- Forecasts for the GB rail industry suggest the volume of activity in the supply chain is expected to grow with no clear consensus on future levels of supplier assurance interventions:
- Forecasts for the industry suggest that sales will remain at current levels or will increase. The need for supplier assurance will therefore be as important for the next five years as it is today.

There is recognition that improvements are currently being made, however these require more effort.

**Next Steps**

The research findings were reviewed and signed-off by the RSSB Board, RISAS Board, RSSB members and the Supplier Assurance Working Party (SAWP). The findings helped to confirm the future supplier assurance principles which had already been developed by the SAWP. Prior to this research, quantifying the level of activity and cost of in-house supplier assurance had never been considered and the in-house effort levels expended were found to be much greater than previously understood.

The next steps involve resourcing, planning, and developing the next phase, which will be divided into two streams of work:

1. Development of the Supplier Assurance Framework
2. Deployment of appropriate engagement/communication products

**Supplier Assurance Sponsor Group**

In addition a Supplier Assurance Sponsor Group will be formed with the following roles and responsibilities (to be confirmed):

- Set the remit for the specific project work streams.
- Monitor progress with the project work streams through receipt of reports against remits, objectives, milestones, and project plans.
- Provide challenge to and support for the project work streams as requested or identified.
- Act as champions for this initiative in member’s specific parts of the industry and across the industry, engaging all stakeholders as necessary.
- Review the framework specification and business case and approve for consultation.
- Review the results of the consultation and recommend the framework for approval to the RSSB Board.
- Review/shape/mould proposals for implementation (Phase 3) and approve for submission to the RSSB Board.

**Contact**

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