



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

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.

Industry

Rail

Profile

- 4,500 Employees
- 150 Audits Performed
- 960+ Contractors

Challenges

- Existing process was disorganized across multiple different departments
- No way to track the performance of contractors used in the past
- No standardized process for verifying insurance documents and other prequalification requirements.

Solutions

- Supplier Prequalification
- Supplier Audits
- Insurance Monitoring

Results

- Reduced redundancy and risk to control costs
- Fostered long-term, loyal supplier relations
- Reduced labor costs by more than 80%
- Greater responsiveness and agility

The Challenge

Qualifying and managing some 3,500 contractors was a massive job that the organization simply wasn't adequately staffed for. While reviewing the procurement process, the executives discovered that management of the supply chain—including prequalification of contractors and suppliers—wasn't being performed properly.

The Audit

The lack of careful oversight hit a critical point in October 2013, when the office of the Federal Safety Commissioner audited one of the organization's business units. The audit of this group's contract management process failed across the board, receiving one point out of 100. 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. And we realized we couldn't continue to do things that way," said the Supply Development Manager.

The Avetta Solution

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.

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. With Avetta, the railway staff spends just 10 hours per week on prequalification—an eighth of the time they would otherwise spend.

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.”

“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.”



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 Manager