

VIP CODE OF PRACTICE

THE RAILWAY INDUSTRY CODE OF PRACTICE FOR SUPPLY CHAIN RELATIONSHIPS

Consultations with RIA members, Railtrack, LUL and ATOC has led to a set of guiding principles to be adopted as a code of practice to which all organisations in the Industry Value Chain should aspire when conducting their business.

SCOPE

The code of practice, for our conduct in the UK, is a set of guiding principles to be adopted by Railway Industry companies. It is voluntary, but it aims to achieve a change from an inefficient and adversarial supply chain to one which is world class, open and positive and where risk and reward are shared.

It aims to achieve a common and shared ownership in the mission to eliminate waste, drive down costs, improve relationships and add value for the benefit of everyone in the entire value chain.

BACKGROUND

This code is the start of a continuing process to improve performance and is likely to be a dynamic document with updates and changes to reflect our business at each point in time.

You might already be achieving the standards set out in this code of practice, in which case you are expected to promote and share your experiences with others in your supply chains. You may aspire to the principles set out in the Code of Practice, but you have still not achieved all of the standards. Whatever your status in implementing the Code's principles, the Industry expects you to be adopting all of the ideas in full no later than 2005.

This code of practice supports a safer Railway. It encourages and promotes continuous improvement for the sustainable long-term growth of the Railway Industry.

VISION

“To achieve improved value and efficiency for all Railway Industry customers and suppliers throughout the supply chain using open and positive relationships”.

COMMUNICATIONS – Encouraging mutual openness and clarity

- ❖ Share your plans, forecasts and uncertainties with all appropriate customers and suppliers in your supply chain.
- ❖ If your plans and forecasts change tell others quickly, don't delay.
- ❖ Seek early involvement of suppliers in the design/specification process.
- ❖ Communicate with openness, honesty and trust at all times.
- ❖ Communicate early and often to avoid surprises.
- ❖ Own the problem, seek solutions and implement corrective actions.
- ❖ Seek co-operation by setting up cross-functional customer and supplier teams to deliver improvements.
- ❖ Engender a culture of co-operation and mutual support.
- ❖ All communications should be proactive, timely and responsive.
- ❖ Ensure safety related information is made available to all parties in the supply chain.
- ❖ Communicate and share successes.

COMMERCIAL AGREEMENTS – For win-win solutions

- ❖ The aim of commercial agreements should be to achieve a positive win-win for all parties.

- ❖ Adhere to all mutually agreed terms.
- ❖ The best deals are not generally the lowest price. Agreement should be based on total VALUE including life-cycle costs.
- ❖ Longer-term agreements should be encouraged.
- ❖ Commercial agreements should be mindful of an equitable sharing of risks and rewards.

SUPPLIER APPROVALS – *Avoiding duplication to cut cost*

- ❖ Recognising the customers' obligations to audit their suppliers it is desirable that common supplier approvals and auditing should be used wherever appropriate.
- ❖ Safety, Environment and Quality considerations must be built into all supply chain processes.
- ❖ Multi-auditing must be reduced where suppliers' performance allows.
- ❖ Companies must demonstrate their investment to train and develop their staff.
- ❖ Where a company is approved, the company should ensure its continuing compliance with the terms of the approval.
- ❖ All non-value adding requests for information or other activity as part of supplier approval processes should be eliminated.

VALUE – *Improving value should be a shared process*

- ❖ All parties should seek to cut out waste at all levels of a project or provision of services and to develop ideas for continuous improvement.
- ❖ Customers and suppliers should discuss key areas of cost and seek to identify means of reducing them.
- ❖ Customers and Suppliers should work together to minimise lead times from concept through tendering to delivery of goods and services.
- ❖ All parties must share the activity of cost reduction and the benefits of efficiencies made.

- ❖ Customers and suppliers should seek to identify and agree risks at the earliest opportunity.
- ❖ Customers and Suppliers should appraise each others' performance in a structured and open way.
- ❖ Established attitudes, customs and standards should be challenged where they do not affect health and safety.
- ❖ All improvement ideas should add value and all the organisations responsible for the savings should also share in the rewards.

ETHICS – Treat others, as you would expect to be treated

- ❖ Respect commercial discussions, treat any information given or received as confidential and do not use it for any other purposes.
- ❖ Honour the intellectual property rights, copyrights, patents and trademarks of all those in the supply chain.
- ❖ Pay your suppliers on time. If there is a problem let them know immediately. Do not actively withhold payment without just cause.
- ❖ Neither offer nor accept business gifts and hospitality, other than those of small intrinsic value.
- ❖ Show mutual respect and courtesy with all others in the supply chain.