

# On track to deliver great value

An enormous amount of investment is planned in the Australian rail industry and Metro Trains Melbourne recognises that effective procurement procedures are critical to delivering good value. The company achieved a CIPS Procurement Excellence Silver award, demonstrating advanced governance against global best practice standards, and went on to have its franchise agreement renewed.



## About CIPS

CIPS, the Chartered Institute of Procurement & Supply, is the world's largest organisation dedicated to the profession of procurement and supply, with a voice that is recognised across the globe. CIPS works in partnership with governments, businesses, public sector entities and international development agencies to support organisations to achieve sustainable value.

“ CIPS Procurement Excellence ”  
is an important step on our way to becoming a global procurement leader. It forced us to challenge current processes and procedures and upgrade them where necessary.

JASON WESTWOOD, GENERAL MANAGER  
PROCUREMENT & SUPPLY CHAIN, METRO

# Why CIPS Procurement Excellence?

**Metro Trains Melbourne (Metro) operates the city's rail network under a franchise agreement with the local authority. To retain the contract, the rail operator had to demonstrate how they would operate a transport system that met the needs of the city's growing population, was consistent with international best practice, and focused on safety and service.**

Metro also wanted to mitigate risk in the supply chain, deliver sustainable value to shareholders, and improve efficiency and knowledge exchange.

Working with CIPS to identify better ways of working for their procurement function, Metro successfully achieved CIPS Procurement Excellence Standard award, and went on to be one of only a handful of organisations worldwide to achieve the Advanced Silver award.

## The background

As congestion on the roads increases with urbanisation, many countries are looking to rail to take the strain. However, the industry faces wide-ranging challenges from rising energy and raw material costs, to changing governments and their respective policy differences, and maintaining an ageing infrastructure.

In Australia, this is further complicated by a lack of standardisation between states' regulations, for example, three different track sizes are used across the country. There have been several inquiries into the state of the rail industry with questions asked about how procurement can improve value for money, competitiveness and reliability.

## About Metro

Metro operates the rail network in Melbourne, Australia, with more than 200 trains transporting 415,000 customers each day across over 800 kilometres of track. It is a consortium jointly owned by the Hong Kong government's rail operations company MTR, construction giant John Holland, and maintenance company UGL Rail.

The company, which employs 5,500 staff, has a procurement team of 35 managing sourcing, supplier development and performance for over 1,500 suppliers, with a combined spend of over AUS \$900m.

## What is Procurement Excellence?

CIPS Procurement Excellence Programme is an assessment of your organisation's procurement and supplier management procedures which highlights where improvements and efficiencies can be made and helps you to focus. It will encourage you to question what you do and how you do it, ensuring that procurement becomes an essential value driver and organisational influencer.

## The benefits for Metro

- Expanded the scope of procurement's spend influence
- Highlighted gaps in the company's people development procedures, which lead to a major capability project based on the CIPS Global Standard competency framework
- Contract management moved from a centralised model to a centre-led model where strategic decisions are coordinated centrally while transactional activities are decentralized
- Created SRM framework which that has a direct link to the customer value proposition
- The introduction of market intelligence enabled the sourcing process to achieve improved value propositions
- Helped to further raise the company's reputation within the industry



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