

## Increasing rail car availability, reducing costs and improving service through insourcing

Bringing maintenance in-house to overcome rail car capacity challenges

### The results

Our review of our client's outsourcing strategy identified a substantial opportunity to carry out rail car maintenance and repairs in-house, which resulted in:

- A total financial impact in excess of 20% savings in rail car repair expenses
- Increased capacity that reduced their rail car fleet by 40 cars with potential for 100-car reduction
- Enhanced service level agreements with suppliers to include lower hourly and material rates, guaranteed turn times and incentives
- Improved tracking of internal car days and measure performance of internal resources enabling management to reduce internal car day dwell
- Helped the client's supply chain organization meet their savings targets for the year

### This story is for executives that:

1. Are experiencing rail fleet capacity and cost challenges.
2. Want to improve rail fleet availability by bringing maintenance in-house to reduce costs and turn times.
3. Want to improve their negotiating position with suppliers in a constrained market.

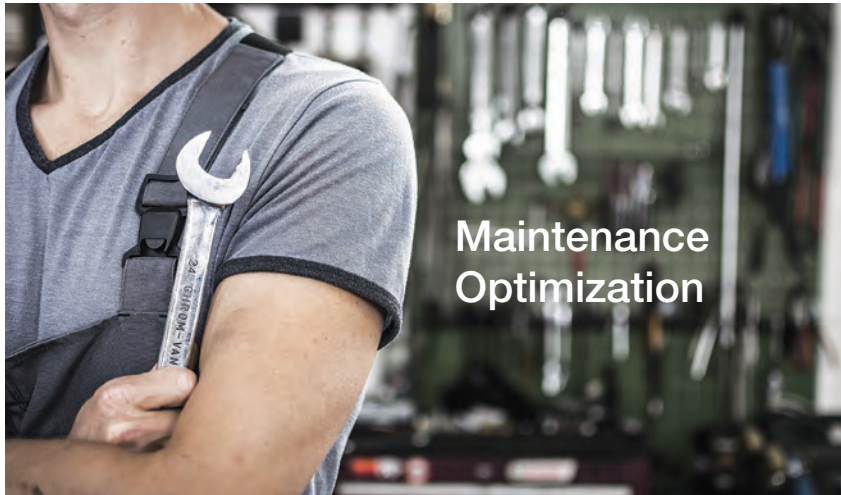
### The challenge

Falling commodities prices, ever-increasing rail costs and the threat of a hostile takeover had put this leading chlorovinyls company under increasing pressure to reduce operating margins and increase EBITDA. As part of a broader savings initiative, senior executives had set a substantial in-year savings target for their supply chain operations.

With no significant projects in place to meet their target, senior supply chain executives asked Maine Pointe's industry experts to help identify and implement savings. Our focus was on identifying operational and procurement specific solutions to reduce costs and improve service levels with internal rail car repair resources and external rail car repair suppliers.

## Reducing costs and increasing service levels in a capacity constrained environment

In an extremely constrained, highly regulated market, executives were concerned about the impact that increasing demand for rail storage, maintenance & repairs and limited supply was having on their business. Maine Pointe worked shoulder-to-shoulder with them to conduct a comprehensive review of their outsourcing strategy and design an operational solution, which included:

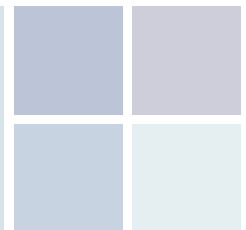


- Developing a system to bring general rail car maintenance and repairs in-house to reduce costs and decrease out-of-service time
- Installing a Management Operating System (MOS) that reduced internal and external car days that also measured performance of internal resources to reduce internal car day dwell
- Negotiating a new service level agreement with a major rail car repair supplier that included lower hourly and material rates, guaranteed turn times and incentives

Our client is now able to carry out standard repairs and maintenance, faster and cheaper, which has reduced the number of cars that are out of service at any given time. This led to an immediate rail car fleet reduction with the potential for an even greater reduction. Additionally, by reducing dependency on outside suppliers, our client's negotiating position has been strengthened, allowing them to secure more favorable terms with service providers.

### Lessons Learned for Other Executives

- You can bring rail car maintenance in-house to reduce cost and improve rail car capacity
- Rail car availability is critical to operational reliability and helped improve the bidding price during the hostile takeover
- It is possible to negotiate a better deal with suppliers even in a capacity constrained environment



Want to **reduce costs** and **improve rail car capacity**?

Need help bringing **rail car maintenance in house**?

Talk it through with one of our executives.

Email [info@mainepointe.com](mailto:info@mainepointe.com) to arrange a call

### About Maine Pointe

Maine Pointe is an operational implementation focused consulting firm that accelerates measurable performance improvements in both EBITDA and cash flow for chief executives and private equity firms around the world. As specialists in procurement, logistics and operations, Maine Pointe is uniquely positioned to accelerate measurable improvement across the buy-make-move-fulfill supply chain to deliver the greatest value to customers and investors at the lowest cost to business through Total Value Optimization™.

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