



# Key Issues in Negotiating a CMS Contract

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Jamestown Engine Plant

Cummins, Inc.

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TIME.**



# bp Cummins Inc., Lakewood NY



## CMS Supplier: BP Industrial Lubricants & Services



Industrial Lubricants & Services

### ■ The JEP Facility

- 1M square feet, 9 Machining lines, 1 Assembly line with 92 stations, 8 production engine test cells, 8 engineering test cells, waste treatment facility and disposal

### ■ BP On-site team

- 4 Team Members – 1 Site Manager, 1 Admin Assistant, 2 Fluid Handlers

### ■ Program Summary

- JEP implemented CMS in 1997 after 3 years of intensive research
- CMS program scope: procurement, management and system control of Coolants, Cleaners, Oils and Greases; maintain EHS information on all products; key member of ERT for spills and hazardous materials
- CMS contract based on fixed costs with steps – charges are predictable based on engine build and component volume
- Contract and relationship has evolved over time – 2<sup>nd</sup> task and scope related contract, multiple financial negotiations over 8 years

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# Key Elements to a Successful CMS Relationship

- Active cross-functional, multi-level participation by the Customer
- Clear, Frequent Communication between CMS team and Customer
- Mutual understanding of contract interpretation
- Extensive data sharing to develop and maintain trust between the parties
- Alignment of Safety strategy and Quality systems

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# Transition to CMS from Plant Managed Fluids

- On site Implementation team for 2 months – Initial success of program largely depends on foundation laid by implementation team
  - Accurately and completely captured location of all systems, product, addition method (proportioner, automatic, manual)
  - Developed team/line contacts and documented working relationships
  - With Cummins' line engineers, established control plans and reaction plans for out of control situations
  - Gathered baseline data to measure improvement: usage, cost, system dumps/change-outs, transportation and logistics costs and patterns
- Cummins supplied office space and equipment, phones, some computer equipment, system access, e-mail accounts, full time participation in implementation team and following 2+ years

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# JEP Program Metrics

## 2005 Report Card

Industrial Lubricants & Services  
SCALE

### KEY MEASURES / GOALS:

#### HSSE

Total Plant Dermatitis Recordables  
Incidents of Odor Reported to BP  
Environmental Reporting (monthly)  
Spills

2004 Target

0 0  
1 0  
100% 100%  
0 0

G=0, Y=1-2, R=>3  
G=0, Y=1, R=>2 /month  
G=100%, Y=99-70%, R=<69%  
G=0, R>=1

#### QUALITY

Control Plans Current  
System Control Charts Posted/Updated  
Percent of Coolant Systems within specified limits  
Oil Reservoir Low Alarms  
PM Completion - YTD  
Coolant Sampling Completion  
Vendor Reviews

100% 100%  
100% 100%  
95% 100%  
1 0  
100% 100%  
100% 100%  
98% 100%

G=95%, Y=94-75%, R=<74%  
G=100%, Y=99-70%, R=<69%  
G=>95%, Y=94-70%, R=<69%  
G=0, Y=1-6, R=>7  
G=100%-98%, Y=97-80%, R=<79%  
G=100%-95%, Y=94-80%, R=<79%  
G=100%-95%, Y=94-80%, R=<79%

#### DELIVERY / RESPONSIVENESS

Issue Calls closed  
Product point of use outages

99% 100%  
0 0

G=100-95%, Y=94-85%, R=<85%  
G=0, R>=1

#### PEOPLE / EDUCATION / TRAINING

Product labeling for all drums and totes  
Product labeling for all Coolant and Oil Reservoirs  
Update Hydraulic Tank Information and Tagging  
Castrol Team Required Cummins' Training Attendance

100% 100%  
100% 100%  
100% 100%  
100% 100%

G=100%, Y=99-80%, R=<79%  
G=100%, Y=99-80%, R=<79%  
G=100%, Y=99-80%, R=<79%  
G=100%, Y=99-70%, R=<69%

#### TECHNOLOGY / SUPPORT / SERVICE

Work order reports to PDM & followed up  
Housekeeping Calls - including drum pickups and sweeping

100% 100%  
6 1/mo

G=100%, Y=99-80%, R=<79%  
G=<1, Y=2-4, R=>5/month

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# General Deliverables of a CMS Program

- Reduction in chemical costs
- Reduction in biocide usage
- Reduction in product usage, waste, scrap, etc.
- Accurate environmental reporting
- System control and coolant sampling
- Reduction in cross-contamination issues
- PM's completed regularly
- Pro-Active vs. Reactive management of issues
- Vendor management and corrective actions
- Consistent tool wear and usage
- On-site Chemical/fluid/system expert – direct link to new technologies and services in the chemical industry

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# Continuous Improvement at Cummins, JEP

- Fixed cost contract structure drives continual improvement on supplier's part because they receive the same fixed cost for lower usage, while maintaining system quality
- Continuous Improvement Projects are submitted to the Administrative team for review and approval
  - Improvements include TCO models – tooling, product usage, team/line efficiencies, reduced system dumps
  - 6 Sigma DMAIC methodology is used to:
    - Gather data
    - Make improvements
    - Analyze follow up data

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# Contract Structure vs. RFP

- Many different types of cost structures are available: variable, fixed costs and CPU are examples. You must design your structure to meet your organization's needs.
- There are typically 3 main aspects of a CMS program: Management (procurement), Service & Technical Support. The RFP needs to be designed around the specific needs of the facility; JEP structured the RFP around specific needs in each of the areas.
- Baseline data and improvement expectations should dictate the structure of RFP. JEP desired a fixed cost structure with certain service aspects, thus wrote the RFP with those specific deliverables in mind



# Challenges and Lessons Learned

- Implementation team overlap with the on-site team is key for a successful launch
- At a Manufacturing Facility, Machine Operator and Engineering buy-in is the key to a successful program
- Specific and continued communication regarding contract deliverables is key - individual expectations don't always align with contract obligations
- The relationship between the CMS supplier and Customer must be win-win.
- CMS team integration into facility operation is a clear indicator of success, however, as services are relied on, the value supplied by the provider can not always be quantified as easily as the cost information.