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**Document Title:** **Cost Recovery**

## 1. PURPOSE

- 1.1 To ensure that Manufacturing receives adequate reimbursement from suppliers for:
- a) Value of returned defective material/product, incorrectly supplied, or not in accordance with specification and or performance requirements.
  - b) Costs incurred resulting from Containment/Rework/Sort actions carried out by Manufacturing personnel, Customer and/or Third Party on non-conforming purchased material/product (defective, incorrectly supplied, or not in accordance with specification and/or performance requirement).
  - c) Costs incurred resulting from warranty claims carried out by Manufacturing personnel, Customer and/or Dealerships on non-conforming purchased material/product (defective, incorrectly supplied, or not in accordance with specification and/or performance requirement).
  - d) Value (including labour/overheads) of materials/products/assemblies scrapped as a result of a defective supplier product.
  - e) Shipments delivered late to schedule/kan-ban and resulting in down time in manufacturing.
  - f) Value of any additional penalties incurred resulting from supply of late/defective product.  
E.g. Premium freight, labour penalty rates, travel, accommodation/subsistence, car hire, contract labour/external laboratory etc.

Note: Any lost efficiency rates where assemblies have not been built as a result of down time may not be reimbursed from the supplier as its classified as non-value added assembly costs

## 2. SCOPE

- 2.1 Applicable to all suppliers of Original Equipment and Aftermarket products to Manufacturing
- 2.2 Involves joint participation from Supplier Quality manager/ nominee, Purchasing, accounts and relevant department originator of concern.

### 3. REFERENCES

#### Quality Manual

##### Related Position Descriptions:

##### Related Work Instructions:

- WIG 11-001 -- PBR Specific Requirements
- WIG 11-005 -- Monthly Supplier Performance Rating System
- WIG 11-010 -- Return To Supplier

##### Other Related Documents: (eg: Books/Forms/Charts/Database etc.)

##### Miscellaneous Documents:

- SP 12-001 -- Concern Resolution
- FG 11-006 -- Cost Recovery Notice
- FG 11-007 -- Cost Recovery Summary Sheet
- CP 006 -- Customer Concern Resolution
- CP 007 -- Management Of Customer Satisfaction
- SP 12-003 -- Control Of Non Conforming Product
- SP 21-003 -- Continuing Supply of Purchased Production Components

### 4. RESPONSIBILITY

- Supplier Quality Manager/nominee (SM)
- Supplier Quality Engineer (SQE)
- Quality Engineer
- Customer Liaison Coordinator
- Product Group Manager - Aftermarket
- Work Centres (PWC)
- Supplier
- Plant Accountant / Nominee
- Finance Administration Manager
- Plant Quality Manager / Nominee
- Plant Manufacturing Manager / Nominee

### 5. METHOD

#### 5.1 Return of Product

##### 5.1.1

- a) An Inspection report (IR), Defective Material Report (DMR) or Do Not Use (DNU) is raised to return non-conforming purchased product to the supplier as per (WIG 11-010),
- b) Debit memos (request for credit) are automatically generated from IR to deduct the total debit memo amount from supplier, from the next payment are made to the supplier.

#### 5.2 Down Time

### 5.2.1

#### a) **Late Delivery**

Suppliers shall be liable for all costs associated with late shipment or missed delivery resulting in line stoppage / production down time. Costs shall only be recovered if there is sufficient evidence on demonstrated non-compliance to schedule adherence.

#### b) **Supplier Quality Spill**

Suppliers shall also be liable for any costs associated with defective product resulting in line stoppage and production down time as a result of insufficient conforming stock at CBxx premises to support production or time taken to replace affected stock in quarantine area.

### 5.3 **Containment/Rework/Sort**

**5.3.1** Plant Quality Manager / nominee is to seek authorisation from Purchasing to claim rework/sorting activity on non-conforming material/product from a supplier to be carried out by CBxx personnel, customer and or third party.

**5.3.2** Rework / sorting of purchased product should only be performed by CBxx Personnel and/or third party on CBxx premises if:

- Production assemblies/sequence is in jeopardy of stopping and there is no conforming material/ product in the store or available from the supplier to prevent a production assembly/ sequence stoppage
- The supplier cannot provide personnel to perform the rework /sorting operation (CBxx may require rework or sorting to be conducted off site)
- The supplier agrees to reimburse CBxx with the cost of such rework / sorting

**5.3.3** Contract labour hours expended on conducting a sort / rework operation at CBxx premises or at the customer shall be claimed under "other costs" in the cost recovery notice.

**5.3.4** CBxx work centres (PWC) shall determine the time required to complete the

### 5.4 **Warranty Claims**

**5.4.1** Customer Liaison/Plant Quality to assess warranty returns and categorise by supplier. Warranty cost charges shall be assessed for Special Cause concerns based on Customer and CBxx "out of pocket expenses."

Total Claim Costs and/or Percentage Claim Ratio Costs will be in accordance with CBxx's Customer warranty policy, and/or specific program "Risk/Reward" guidelines (outlined at program launch).

**5.4.2** Customer Liaison/Plant Quality to advise Supplier Quality and Account departments of amount to be paid by the Supplier. Cost will include;

- Dealership/Customer/CBxx labour charges (where applicable)
- Cost of component/sub-assembly
- Delivery and handling charges
- Administrative cost (where applicable)
- Cost as outlined by the "Risk/Reward" Warranty Sharing Program (where applicable)

## **5.5 Finalisation and Realisation of Cost Recovery**

**5.5.1** The Supplier Quality Manager / nominee provides a SCAR (Supplier Corrective Action Request) number to the CBxx work center where the cost recovery claim has originated from to track the claim through to completion.

**5.5.2** The Plant Quality Manager / nominee shall forward the Cost Recovery Notice (FG 11-006) to the Plant Accountant / nominee to detail standard costs, hourly rates, over head rates, the cost of scrapped assemblies and administration costs attributed to a particular work center. Penalty rates apply if additional production scheduling is required where capacity is affected. On completion, the Plant Accountant / nominee will forward the Cost Recovery Notice (FG 11-006) to the Buyer/Supplier Quality Engineer to obtain the suppliers approval of the claim.

**5.5.3** The Buyer/Supplier Quality Manager/ nominee shall verbally communicate and send (fax, e-mail or mail) the Cost Recovery Summary Sheet (FG 11-007) and the Cost Recovery Notice (FG 11-006) to the supplier to formalise and seek authorisation for CBxx to process the claim.

**5.5.4** The supplier may appeal against the cost recovery claim whereby CBxx has not provided sufficient evidence to support the claim being made. The supplier shall initiate the appeal within 24 hours of a claim being made. All claims must be finalised within 2 weeks of in the initial claims being lodged.

**5.5.5** The above authorisation will generate either a CBxx invoice or credit note for recovery of all incurred costs from the supplier.

**5.5.6** Any supplier failing to respond or appeal against a cost recovery claim and/or finalising an appeal within two weeks will be taken as an automatic acceptance by the supplier to off set the Cost Recovery claim against the supplier's next invoice payment. The Supply Manager (CBTA Finance & Administration Manager) can approve and authorise automatic deduction of the claim provided CBxx has documented evidence (SCAR, FG 11-006, FG 11-007) to support the claim. The Supply Manager (CBTA Finance & Administration Manager) to provide the supplier a copy of the authorised Cost Recovery Summary Sheet prior to deduction being made by the Plant Accountant/nominee.

**5.5.7** The Plant Accountant / nominee will deduct Cost Recover Claim once the Cost Recovery Summary Sheet (FG 11-007) has been approved by the Supplier and/or the Supply Manager (CBTA Finance & Administration Manager).

**5.5.8** Payment by the supplier will be executed by one of the following methods:

- Authorised supplier purchase order
- Authorised supplier credit note
- Authorised automatic deductions from credit note for warranty claims specified over an agreed period.

**5.5.9** Any product that is rejected is handled as per WIG 11-010 (Return to Supplier)

## 6. FLOWCHART

