

INFORMATIONAL UPDATE - CONCERNING QS-9000 3RD EDITION SECTION 4.6.2.1 SUBCONTRACTOR DEVELOPMENT AND SANCTIONED INTERPRETATION C9

*Released with commentary on published QS-9000:1998 manual and
July 1, 2002 Sanctioned Interpretations. Edited by P.B. Lake, 05/28/02, IASG*

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Background

This information comes from a joint statement from Hank Gryn of DaimlerChrysler, Russ Hopkins of Ford Motor Company and Joe Bransky of General Motors Corp., representatives to The Supplier Quality Requirements Task Force, SQRTF, and conclusions reached at the March 2002 IASG meeting.

SQRTF Statements

Effective July 1, 2001, IASG QS-9000 Sanctioned Interpretation C9 was implemented to clarify the meaning of "the goal of subcontractor compliance" under Subcontractor Development of element 4.6.2.1 of QS-9000 3rd Edition. The Sanctioned Interpretation C9 is intended to be used in conjunction with all elements pertaining to subcontractor development within QS-9000 3rd edition, which remains in full effect.

The full text of the sanctioned interpretation for 4.6.2.1 is shown below:

Element 4.6 Purchasing

C9 Supplier Development (4.6.2.1) (07/01/01)

"Goal of subcontractor compliance" requires subcontractors to achieve compliance within a defined period of time not to exceed 18 months from the effective date of this sanctioned interpretation. Minimum subcontractor compliance shall be certification by an accredited certification body to a current version of the ISO 9000 Quality Management Series of Standards, excluding ISO 9003: plus any requirements specified by the customer. Assessment by an OEM or an OEM-approved second party will be recognized as meeting subcontractor compliance requirements to 4.6.2.1.

Note: The second note under 4.6.2.1 referencing "prioritization" does not negate this requirement.

The sanctioned interpretation stated above should be used with 4.6.2.1 of QS-9000 (see last section **Applicable QS-9000 3rd Edition Reference Language**). There are two options to meet the goal of subcontractor compliance:

- 1) Subcontractor is certified by an accredited certification body to a current version of the ISO 9000 Quality Management Series of Standards, excluding ISO 9003; plus any requirements specified by the customer, by December 31, 2002; or
- 2) Subcontractor assessment to QS-9000*, Section 1, by the OEM customer, an OEM customer-approved second party, or an accredited third party certification body/registrant by December 31, 2002.

*DaimlerChrysler and General Motors Corporation will accept subcontractor assessments to QS-9000 or ISO/TS 16949. Ford Motor Company will accept subcontractor assessments to Q1 2002 Manufacturing Site Assessment, QS-9000 or ISO/TS 16949.

Important Added Points Concerning C9

Here are some additional important points:

- A. An OEM customer-approved second party audit can be performed by any QS-9000 certified Tier I supplier after obtaining customer approval to conduct the audit. The supplier must obtain approval from each customer who receives product from the supplier containing products or services from the subcontractor.
- B. Subcontractor Development - 4.6.2.1 and C9 of the IASG QS-9000 Sanctioned Interpretations are auditable requirements. A supplier shall have the following documentation on file:
 - 1) Record of customer approval of audit
 - 2) Audit review and results

Q&A: Questions and Answers On C9

1. Does 4.6.2.1 and C9 apply to all subcontractors, including both direct and indirect materials and service providers?

No. See "Subcontractor" definition in QS-9000 3rd Edition, page 133, also shown below.

2. Does 4.6.2.1 and C9 apply to all tiers of subcontractors?

No. Section 4.6.2.1 and C9 only apply to those subcontractors of suppliers who have QS-9000 certification.

3. Do subcontractors who act as distributors for parts manufacturers, or the parts manufacturers who provide parts to a supplier through a distributor, affected by 4.6.2 and C9?

Neither is affected. Distributors who do not add manufacturing value to parts or materials are not subject to the requirements of 4.6.2 or C9. Once the supply chain is broken by non-applicability of distributor, 4.6.2 and C9 no longer applies to the distributor

or the parts manufacturers for which it distributes.

4. Many of my sub-contractors are small "mom and pop" shops who cannot afford to get registered. Must we stop using them?

No. If you refer to QS-9000 3rd Edition, Appendix I.4, page 112, also shown below, you will see that small, low impact subcontractors are addressed by permitting waiver by the supplier of certain specified QS-9000 sub-elements, such as C9 (4.6.2).

5. I have a large, Fortune 500 company that is a subcontractor in that it supplies a few relatively insignificant parts. I cannot make them get registered - must I find an alternative source?

Registration is not required. OEM approved second party assessment may be utilized or Appendix I.4, page 112, may apply if the subcontractor supplies a low volume part or ingredient.

In either item 4 or 5 mentioned above, any exceptions or waivers made by the supplier of a subcontractor, based on QS-9000:1998 Appendix I.4, must be documented with specifics about the subcontractor, and the supplier's justification. Both must be made available to the supplier's registrar.

6. Can I conduct a 2nd party audit of my subcontractor in lieu of requiring registration?

YES, as long as the following conditions are met and documented:

- 1) All of your QS-9000 subscribing customers of the parts you supply using the subcontractor's parts or material have given their written approval to utilize a second party audit process;
- 2) The second party audit process meets the "OEM-Approved 2nd party requirements" as defined below, and
- 3) You can provide your QS-9000 registrar documentation that the "OEM-Approved 2nd party requirements" have been met as defined below.

Second Party Customer Approval Guidelines

The following is the 2nd party customer approval criteria and authorization jointly agreed by DaimlerChrysler, Ford Motor Co. and General Motors Corp., "DaimlerChrysler, Ford Motor Company and General Motors Corporation Second Party Recognition for Compliance to QS-9000, 3rd Edition, 4.6.2.1, and Sanctioned Interpretation C9".

OEM-approved 2nd Party requirements:

1. The 2nd Party must be QS-9000 registered.
2. The 2nd Party cannot be on QS-9000 Probation.
3. The 2nd Party must utilize a qualified Lead Auditor, or qualified Internal Auditor with evidence of their successful completion of training, such as AIAG "Internal Auditing for QS-9000," or evidence of a minimum of five internal QS-9000 audits under the

supervision of a qualified Lead Auditor.

4. The 2nd Party must audit annually each qualifying subcontractor for whom it has performed the 2nd Party service, and maintain records of these audits.
5. The duration of these audits must conform to the full application of the Audit Day Requirements table of Appendix H in QS-9000, 3rd Edition.
6. Any of the QS-9000 accredited Registrars (Certification Bodies) may be utilized as an OEM-approved 2nd Party.

Applicable QS-9000 3rd Edition Reference Language

The following contains the full text of Subcontractor Development - 4.6.2.1 and Appendix I, No. 4, followed by the definition of "Subcontractor":

Subcontractor Development - 4.6.2.1

The supplier shall perform subcontractor (see Glossary) quality system development with the goal of subcontractor compliance to QS-9000 using Section I of QS-9000 as their fundamental quality system requirement. Assessments, if part of subcontractor development, should occur at supplier specified frequency. Subcontractor assessments to QS-9000 by the OEM customer, an OEM customer-approved second party, or an accredited third party certification body/registrar (see Appendix B) will be recognized in lieu of audits by the supplier.

NOTE: Acceptance of the above audits or ISO 9001/9002 registration is not intended to limit more specific supplier/subcontractor quality system and product development.

NOTE: The prioritization of subcontractors for development is dependent upon the needs of the subcontractor relative to the requirements of QS-9000 and the importance of the product or service they supply.

The use of customer-designated subcontractors does not relieve the supplier of the responsibility for ensuring the quality of subcontracted parts, materials and services.

Appendix I. 4. Subcontractor Development

When a subcontractor is so small as to not have adequate resources to develop a system according to QS-9000, Section 1, certain specified QS-9000 sub-elements may be waived by the supplier of their subcontractor. The majority of QS-9000 contains fundamental quality system requirements which would be of value to any size of provider of production/ service parts/ materials. Note that there are many ways to implement a compliant system, so a simpler approach could be used for the smaller subcontractors.

Definition of "Subcontractor" as it appears in QS-9000 Third Edition, Page 133:

Subcontractors are defined as providers of production materials, or production or service parts, directly to a supplier to Chrysler, Ford, General Motors or other customers subscribing to this document. Also included are providers of heat treating, painting, plating or other finishing services.

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