

OPERATIONS REVIEW



Sin Ming • Changi • Bukit Batok • Yishun • Kaki Bukit • Pioneer • Ang Mo Kio
Teban Gardens • Puchong (Malaysia)

Revenue
(\$'mil)
105.0

Total Number
of Employees
920

OVERVIEW

Demand for the Group's various services stayed strong in 2013, amid rising car prices, increased marketing efforts and the rollout of more testing services.

Vehicle inspection services, for instance, benefitted from an increase in the number of car buyers opting for cheaper secondhand cars as new car prices hit record highs amid rising Certificate of Entitlement (COE) premiums. New vehicles, including those in the small car category, well exceeded the \$100,000-mark, putting them out of reach of many car buyers. With an increase in secondhand cars on the road, our inspection centres experienced brisk business with close to 520,000 passing through our inspection lanes – 2.7% more than in the previous year. Contributing also to the increase in demand was the Light and Heavy goods vehicle segment which has been the focus of marketing efforts in the last year.

With the increase in demand, new inspection lines were added to both Kaki Bukit vehicle inspection centre and JIC Pioneer inspection centre. Two old inspection lines at the Ang Mo Kio vehicle inspection centre will also be replaced by the first quarter 2014. Image-capturing devices that complement the vehicle inspection system were also introduced during the year. The inspection

centres were also spruced up to further enhance the customer experience. Bright colours and informative stickers were utilised to make the inspection process more inviting and engaging. Vehicle inspectors and cashiers were also outfitted with new uniforms. All our vehicle inspectors also underwent the Technical Knowledge Evaluation for the ninth time to ensure they kept abreast of industry developments.

Our inspection centres offer more than just plain vanilla inspection services. Motor insurance and road tax renewal, in-vehicle unit (IU) maintenance, car evaluation, vehicle emission certification, enforcement inspection and accident vehicle assessment are some of the other services available to motorists who call at our centres. In 2013, we filed 18,296 accident reports and assisted 1,898 motorists with the repair of their vehicles at approved workshops. We also carried out 3,967 surveys on accident vehicles making insurance claims.

We also entered into arrangements with NTUC Income and ComfortDelGro's Group Claims Unit for claims matters relating to ComfortDelGro taxis and SBS Transit buses. An IU management system which removes the need for vehicle inspectors to manually fill up multiple forms was also rolled out during the year, resulting in a shorter turnaround for IU services.

OPERATIONS REVIEW

Our VICOM Emission Test Laboratory (VETL) experienced strong growth in the first half of the year as parallel importers rushed to have their vehicles tested and certified before the Land Transport Authority's (LTA) Carbon Emission-based Vehicle Scheme (CEVS) came into effect in July 2013. In all, VETL tested 294 vehicles in 2013, up from 91 previously.

With the introduction of the "Lemon Law" in September 2012, our revamped evaluation service, VICOM FIT™, saw demand increase by 84.3% in 2013, with a total of 3,418 cars evaluated compared to 1,855 cars in 2012.

Demand for our testing services continued on its strong growth path during the year with Setsco Services Pte Ltd (SETSCO), our wholly-owned subsidiary, undertaking more projects in the oil and gas, marine and offshore, as well as construction industries.

Testing services in the construction sector was driven by an increase in the number of public housing developments such as Build-to-Order flats by the Housing Development Board as well as the development of the Singapore Sports Hub. Other large contracts included the provision of heat treatment services for the construction of the Jurong Aromatics Complex Plant. SETSCO was appointed a Building & Construction Authority approved training centre in Continual Educational Training for construction workers.

SETSCO also became the first training organisation in Singapore to be accredited by the British Institute of Non-Destructive Testing (BINDT) as an Outside Agency for the aerospace sector in the provision of training and examination of NDT personnel. The accreditation, which is in support of employer-based certification in accordance with EN 4179, is significant because Outside Agencies accredited by BINDT are recognised by the UK National Aerospace NDT (NANDT) Board. In June, a new SETSCO's Clinical Laboratory was also approved by the Ministry of Health to provide basic health screening services.

During the year, we performed Non-Destructive Testing (NDT) of the two oil rigs and a semi-submersible offshore platform for Jurong Shipyard Limited. Separately, SETSCO was given the nod by Det Norske Veritas, a Norwegian Classification Society, to conduct NDT on offshore projects and offshore units/components. With this, SETSCO will be able to broaden its scope of work to include the NDT of nozzles, T, K, Y joints, plates and pipes for UT on carbon steel.

Outside Singapore, SETSCO secured a structural monitoring project for Petronas Twin Towers in Kuala Lumpur. Under the contract, SETSCO deployed seismic sensors with the Global Positioning System to monitor both the static and dynamic characteristics of the Twin Towers remotely and in real time. This state-of-the-art technology is now being marketed to building owners as a monitoring device in structural integrity assessment.

IMPROVING INTERNAL EFFICIENCY

Even as work hard at improving our frontline operations and service offerings, we have not forgotten the need to review and refine our internal processes.

During the year, we undertook several projects which have increased our overall efficiency and productivity. These included the consolidation of our billing process for NTUC Income by combining up to 20 cases in a single invoice. We also changed the billing frequency for our corporate customers, from fortnightly to monthly. These actions have resulted in manpower, printing and postage savings.

We have also developed a software to automate the process of submitting 900 pages of statistical summaries to the LTA on a monthly basis. This resulted in a savings of 21 man-days of laborious manual data input.

We continue to look at new ways to innovate to improve productivity and derive greater efficiencies.