

# OPERATIONS REVIEW

# SERVICES

SINGAPORE / KUALA LUMPUR (MALAYSIA)



**Malaysia**  
 ● KUALA LUMPUR

Revenue (\$'million)

# 100.1

Total Number of Employees

# 865

## Vehicle Testing Business

When one door closes, another opens. That sort of sums up 2018 for the Group's vehicle inspection business.

With the Government's continued push for a car-lite society, many policies have been put in place to curtail the relentless growth of private cars. But even as this happened, new tests and more stringent testing requirements have been put in place for a cleaner and greener vehicle population, and this has certainly helped boost demand for inspection services – albeit in a different form.

Since February 2018, there has been a "zero-growth" policy for private cars and motorcycles. The growth rate for commercial vehicles will remain unchanged at 0.25% per annum till the first quarter of 2021 to provide businesses more time to improve the efficiency of their logistics operations and reduce the number of commercial vehicles that they require.

Concurrently, several schemes were introduced and enhanced to reduce the number of older and consequently, less environmentally friendly vehicles on the road. For example, the National Environment Agency (NEA) announced in April 2018 that all motorcycles registered before 1



## Singapore

YISHUN

ANG MO KIO

SIN MING

CHANGI

BUKIT BATOK

PIONEER

TEBAN GARDENS

KAKI BUKIT

● Vehicle Testing Business

● Non-Vehicle Testing Business

## OPERATIONS REVIEW

July 2003 (pre-Euro motorcycles) will be banned from roads in Singapore after 30 June 2028. The rationale for the policy was that while motorcycles make up only 15% of the local vehicle population, they contribute around 53% of carbon monoxide (CO) emitted from vehicles. In addition, pre-Euro motorcycles emit up to 10 times more CO – and 30 times more hydrocarbon (HC) – than Euro 4 motorcycles, and account for about 40% of CO emitted by the motorcycle fleet in Singapore. These pollutants are known to impair respiratory functions. NEA said then that it estimated that 27,000 motorcycles representing 20% of the motorcycle fleet will be affected.

Similarly, in an effort to encourage the earlier de-registration of older diesel vehicles, the Government has further enhanced the Early Turnover Scheme from 1 August 2017 till 31 July 2019 by upping the discounted Prevailing Quota Premium to include a bonus Certificate of Entitlement or COE period of 35% instead of 13%.

These measures have had an immediate impact on inspection volume as a whole, with the total number of vehicles inspected in Singapore falling from 702,716 in 2015 to 625,940 in 2018.

But the move towards a cleaner, greener environment has also generated demand for new and existing services.

For example, all petrol and diesel vehicles had to be Euro 6-compliant by 1 September 2017 and 1 January 2018 respectively. In addition, the introduction of the Vehicular Emission Scheme means four previously unconsidered pollutants – HC, CO, nitrogen oxide and particulate matter – now need to come under scrutiny. As a result, our VICOM Emission Test Laboratory (VETL), which provides emission testing services, experienced an increase in business volume from both Parallel Importers and Authorised Agents. VETL conducted 35% more emission tests in 2018, as compared to the previous year.

Following the successful introduction of the Chassis Dynamometer Smoke Test for diesel vehicles in 2007, NEA further tightened exhaust emission standards for in-use petrol vehicles and motorcycles

in April 2018. Under the new policy, the CO limits were lowered for newer petrol vehicles and motorcycles. In addition, HC limits were introduced for all in-use petrol vehicles and most motorcycles. A new high idle test and lambda measurement was also introduced for newer in-use petrol vehicles (excluding motorcycles) to detect defective components such as sensors and catalysts which could result in higher emissions. The new test was introduced in April 2018 across VICOM's Inspection Centres which gave a boost to our inspection business.

The Vehicle Assessment Centre (VAC), located at Sin Ming, Bukit Batok and Kaki Bukit continued to serve motorists who had an accident. VAC assisted 824 motorists with the repair of their vehicles at approved workshops and filed 13,004 accident reports altogether in the year.

### Non-Vehicle Testing Business

Our non-vehicular testing subsidiary, Setsco Services Pte Ltd (SETSCO) continued to face fierce competition but managed to grow the business as some of the sectors it serves staged a recovery during the year. In particular, SETSCO managed to secure several prestigious projects in Singapore including the Building and Construction Authority's term contract for testing essential construction materials.

SETSCO also extended its involvement in the soil testing works from Package 1 to Package 2 for the Changi Terminal 5 Project and secured a two-year contract to conduct water testing, industrial hygiene and indoor air quality for one of our semiconductor clients.

In the area of non-destructive testing, SETSCO won a major contract related to the construction of a floating production unit by a local shipyard.

Besides being strong in the area of Inspection and Testing, SETSCO also made inroads to the Certification area. SETSCO was appointed one of three assessment bodies by the Infocomm Media Development Authority to conduct independent audit of firms who wish to apply for the Data Protection Trustmark Certification.

### Innovation

VICOM's Solution for Inspection Requirements system or V-SIR, the opt-in system that sends automated inspection reminders to customers via email and/or SMSes, experienced an uptick in 2018. To-date, about 40 vehicle fleet owners with a total fleet size of more than 5,000 vehicles have signed up for this service.

Complementing the V-SIR is the e-Pay service that allows for automatic billing for fleet owners. This meant that they no longer need to make cash payments before inspection. This not only helped to reduce administrative work for both VICOM and the fleet owners, but also sped up inspection times.

To encourage V-SIR sign-ups amongst walk-in customers, a lucky draw was organised in which customers had a chance of winning up to \$22,000 in grand and weekly draw prizes. Through the campaign, which ended in January 2019, over 6,000 vehicle owners signed up for the V-SIR programme.

The Diners/VICOM Cobrand Credit Card continued to make its mark in the motoring industry, with the number of card members surpassing 35,000. The card provides a slew of motoring benefits, including up to 21.27% in fuel discounts at Esso petrol stations, car grooming discounts and emergency breakdown services.

To boost our pre-owned car evaluation service, VICOM Fit or VFIT, we teamed up with DBS Bank Ltd to offer a special rate of \$188 to visitors of the Car Marketplace – DBS' car platform where visitors can view second-hand vehicles. In return, VFIT was featured on all vehicle listing pages. This partnership gave VFIT brand exposure to all Car Marketplace visitors.

To entice customers to purchase their motor insurance at VICOM, we partnered several insurance companies to roll out attractive promotions. Such campaigns included free or discounted vehicle inspection and discounts on insurance policies that were purchased at VICOM.

In an ever increasingly competitive environment, SETSCO continued to

introduce new testing services to grow its businesses. One of the new services launched was SAFERAD (Small Area For Exposure Radiography), or sometimes referred to as close-proximity radiography. Typically used only at night due to radiation levels, SAFERAD can be performed during the day due to the lower levels of radiation emitted. This greatly improved operational efficiency. SETSCO also rolled out three-dimensional mapping services to check for possible deformation of in-service equipment due to abnormal operating conditions as well as the Pulsed Eddy Current technique to monitor the safety of equipment and piping in chemical plants and refineries.

## Recognition

VICOM bagged two awards at the 19th Securities Investors Association Singapore (SIAS) Investor's Choice Awards – winning the Singapore Corporate Governance Award, in the Mid-Cap Category and also finishing Runner-Up in the Most Transparent Company Award, Services Category.

VICOM was also recognised for good corporate governance and was placed on the Singapore Exchange Fast Track programme in April 2018. SETSCO received recognition for its operational safety from ExxonMobil Asia Pacific for 'Zero Recordable Injuries in 2017' and a 'Safety Excellence and Bonus Award' from Petrochemical Corporation of Singapore (Private) Limited. One of SETSCO's staff also won the "Young Professional Award" from Enterprise Singapore, which honours outstanding young professionals who have participated actively in the National Standardisation Programme.

## Customer Experience

Customer service plays an integral part of VICOM's product offering and is woven deeply in our culture. At VICOM, we strive towards inculcating the concept of "PPC" (Professionalism, Productivity and Customer Service) in all our staff.

In 2018, 3,624 compliments were received for our vehicle inspectors, an 11% increase as compared to 2017 and a reflection of the growing influence of the "PPC" culture amongst VICOM employees. As a form of motivation and encouragement, top customer service-oriented inspectors were

featured on special digital panels across selected Inspection Centres. In total, over two-thirds of vehicle inspectors received at least one compliment for 2018, up from 54% the previous year.

VICOM also kept its vehicle inspectors abreast of the latest testing developments by holding regular training sessions throughout the year and keeping communication channels open with ground staff. Members of the Management team also regularly attended courses, such as the Worldwide Harmonised Light Vehicle Test Procedure or WLTP course in Taiwan which prepared our staff for changes in emission testing requirements.

In February 2018, 20 of VICOM's most senior vehicle inspectors attended a course titled 'Automotive Systems and Development' that was arranged by Ngee Ann Polytechnic. The course highlighted the changes in engine technology throughout the years and also featured a sub-topic on Hybrid technology, which is becoming increasingly more popular amongst Singaporean drivers.

The makeover and retro-fitting of VICOM's Sin Ming Inspection Centre was completed in early 2018, boasting fresh and updated livery and fittings. Understanding our customers' most basic needs, we also embarked on upgrading our public facing lavatories in stages, beginning with Changi Inspection Centre in 2018.

To better serve customers, all road tax payments across the Inspection Centres were shifted and merged with inspection payment counters for greater efficiency and ease of payment.

## Operational Efficiency

VICOM continued to put in place new systems and processes to improve efficiency and reduce costs. In 2018, the Information Technology team rolled out a new Point of Sales system which was more secure, robust and faster in terms of receipt printing. Such improvements in system speed would help provide faster service to our customers and reduce overall inspection time. The issuance of cheques was also streamlined with the adoption of CitiDirect Paylink Cheque process, reducing administrative time in processing such cheques by the Finance team.

An upgrade to SETSCO's SAP (Systeme, Anwendungen und Produkte in der Datenverarbeitung) software enabled the Operations team to view and retrieve required information more efficiently – thus providing clients with more timely updates and information, improving the customer experience.

VICOM's Human Resources Department eliminated hardcopy timesheets in favour of digital ones, greatly improving efficiency and accuracy in addition to reducing administrative work and paper.

## Relocation of SETSCO

SETSCO had accepted an offer from the JTC Corporation (JTC) for the surrender of lease of its Property located at 18 Teban Gardens Crescent, Singapore 608925, following the Government's decision to earmark the Property for redevelopment. The Property was on a 30-year lease commencing 1 February 2009 and had a land area and Gross Floor Area of 9,829.7 and 12,199 square metres respectively. The transaction was completed on 31 December 2018.

As a replacement site, SETSCO purchased a new property located at 531 Bukit Batok Street 23, Singapore 659547, from the open market in October 2018. The new property has a 30+30 years lease from 1 October 1995 and a Land and Gross Floor Area of 7,554 and 18,843 square metres respectively. Comparing to the Property at Teban Gardens Crescent, the new premises has a much longer tenure as well as larger space to cater to testing activities. Work has begun for the planning and design for the necessary "Additions and Alterations" (A&A) to suit the future needs of SETSCO. The A&A is expected to commence in the second quarter of 2019 and complete by the second quarter of 2020.

Meanwhile, SETSCO will continue to rent the Property at Teban Garden Crescent from JTC until it completes its move to the new property at Bukit Batok Street 23.