

OPERATIONS REVIEW

SERVICES

SINGAPORE / KUALA LUMPUR (MALAYSIA)



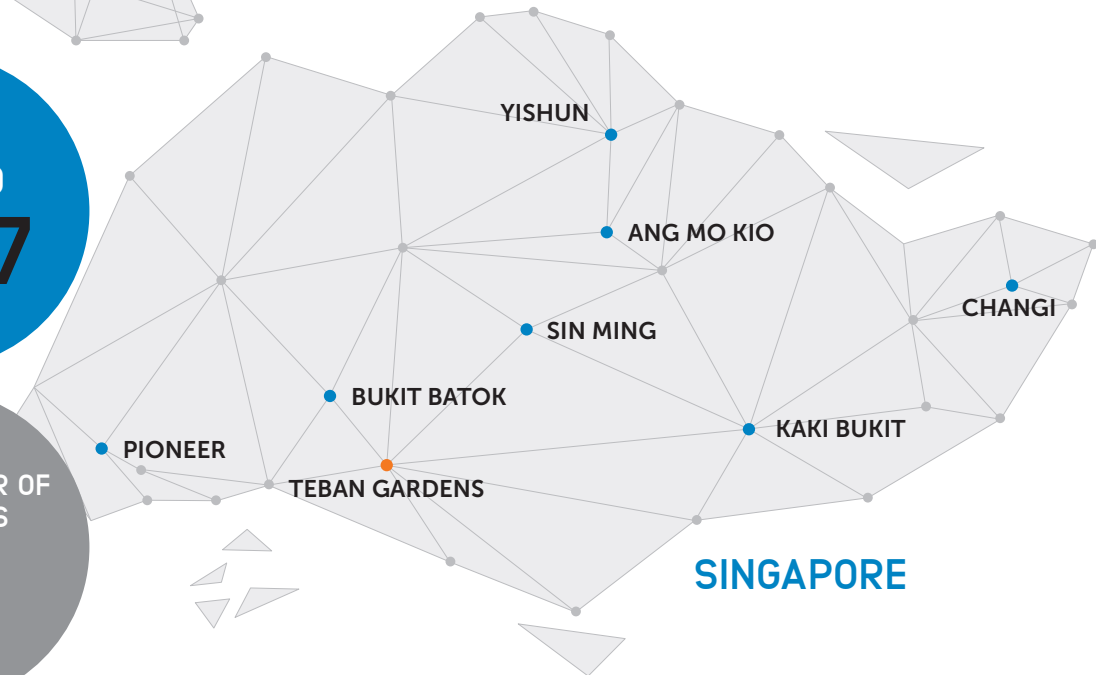
VEHICLE TESTING BUSINESS

The Government's continuous push towards a car-lite city, which has manifested in policies like the 'zero-growth' policy for private cars and motorcycles and other schemes aimed at encouraging motorists to scrap their older vehicles, has resulted in a drop in the total number of cars due for inspection.

Fortunately, more than 37,000 passenger cars had their Certificates of Entitlement renewed in 2018, which helped mitigate the reduction. This resulted in a total of 625,753 vehicles undergoing inspection in 2019, a figure that was not much lower than the 625,940 vehicles that went through inspections in 2018. Its market share though was 74% in 2019, higher than the 73.7% in 2018.

In August 2019, Parliament passed the 'Point-to-Point Passenger Transport Bill' requiring that all licensed ride-hail and street-hail service providers with a fleet size of more than 800 vehicles have their vehicles undergo periodic inspection from July 2020.

It was also announced that both new and current Personal Mobility Devices (PMDs) would have to go through mandatory inspection to ensure that they meet the UL2272 safety standard and conform to regulations in terms of their weight, width and speed from April 2020. Subsequently, it was announced in October 2019 that all PMDs will have to be inspected every two years, starting April 2022.



- Vehicle Testing Business
- Non-Vehicle Testing Business



A total of 5,429 compliments were received for its vehicle inspectors, up by 1,805 or 50% more than 2018. In fact, about 90% of VICOM vehicle inspectors received at least one compliment in 2019, up from 68% from previous year.

With these new regulatory requirements came a new avenue of growth for VICOM Ltd, although another new regulation which came into effect on 5 November 2019, is likely to dampen the number of PMDs that come through our lanes: The ban of PMDs on footpaths.

With the extension of the National Environment Agency's Vehicular Emission Scheme (VES) for another year until 31 December 2020, parallel car importers, which are VICOM's major clients, took a more aggressive approach and brought in new environmentally models, capturing 20% of the overall car market in 2019, up from the 14% in 2018. As such, demand for VICOM Emission Test Laboratory (VETL) services remained strong in 2019.

Looking beyond the current plethora of inspection tests, VICOM invested in an Israeli company called Fortellix, which develops solutions to address challenges in Autonomous Vehicle (AV) testing and compliance. This investment will pave the way for VICOM to become a leading player in AV testing when it becomes a reality.

Just as alliances were forged to lay the foundation for future growth, VICOM also entered into a new partnership with Direct Asia (DA) Insurance to ensure that motorists visiting the Company's seven inspection centres could have easy access to promotional offers on motor insurance.

NON-VEHICLE TESTING BUSINESS

2019 was a challenging year for VICOM's wholly-owned subsidiary, Setsco Services Pte Ltd (SETSCO), due to intense competition.

Despite that, SETSCO spread its wings further afield by securing two overseas projects from notable clients. The first being an emission test project for three garment factories in Phnom Penh, Cambodia, for the United Nations Development Programme Office. The second project was the calibration of a cube compression machine for the Ministry of Construction in Myanmar.

Having completed a project involving the provision of semi-destructive and non-destructive tests (NDT) for a pilot

batch of housing flats, SETSCO went on to secure five more batches. It also successfully secured two other NDT service contracts from two different contractors in the refinery.

In the aerospace sector, SETSCO diversified its NDT to include Level III consultancy services. It also provided value-added services by bringing its NDT services to clients' sites thereby improving productivity and minimising the risks of component damage during transit.

In the construction sector, SETSCO secured four out of ten testing packages for Singapore's North-South Corridor (NSC), a 21.5km road connecting growing towns in the North region to the city area.

On other fronts, SETSCO conducted more food hygiene inspections after a series of food poisoning cases that had resulted in a death. It also provided microbiological testing to a local hospital and is hopeful it will be able to extend it to other hospitals here.

Separately, SETSCO was engaged by a Japanese company to conduct Electro Magnetic Compatibility (EMC) monitoring on a sky train at the Changi Airport, and also performed ambient air quality monitoring for construction companies.

DIGITAL TRANSFORMATION

Since 2015, when VICOM first introduced its Automated Payment Machines (APMs), motorists have been provided with an additional mode of payment. With 16 APMs across all seven inspection centres, not only are motorists able to complete the payment process faster, but the duration of the entire inspection process has been shortened.

To bring greater convenience to its corporate clients that use VETL services, VICOM introduced corporate PayNow in August 2019, which is instantaneous, compared to the two to three days that are required for traditional cheque clearing methods. With that, corporate clients are now able to receive VETL reports on the very same day.

VICOM's partnership with DA Insurance is also very tech savvy. Instead of insurance agents seated behind counters, agents stationed at the VICOM inspection centres are all armed with iPads so that they are completely mobile and can approach motorists actively.

VICOM also continued to improve its operational efficiency by cutting down manual work. For example, the Finance team reviewed and implemented a system for online submission of new vendors, while the Human Resources (HR) team worked with the ComfortDelGro Group's Organisational Development Department on an e-Learning Management System called HR360. Both cases resulted in a dramatic reduction in paper usage and improved tracking and accountability.

The Information Technology Department also developed software aimed at enhancing business efficiencies during the year. For example, it developed a dashboard to enable heads of departments and division directors to monitor quotations, jobs and invoice status in real-time.

SETSCO, too, embraced Industry 4.0 in its transformation journey in 2019. Its Microbiology Department, had for example, digitalised the entire microbiological testing process – from the time the client submits the Chain of Custody Form to the time approvals are given. Every step in between – the collection and delivery of samples by logistics to the laboratory personnel, the microbiological test, the verification of results as well as the delivery of e-reports to customers – is now fully digitalised.

Digitalising the process not only saved manpower, but also reduced the turnaround time for the reports and improved the tracking of the hundreds of tests that the Microbiology Department laboratories perform every day.

Apart from its Microbiology Department, SETSCO also automated its Environmental Baseline Studies (EBS) reports using Robotic Process Automation (RPA). Processes were logically grouped together and executed by a "software robot" or "bot" which mimics repeated mundane tasks. In doing so, the laborious task of having to spend eight hours testing 20 to 30 samples was reduced to a mere half hour.

With the successful implementation of RPA to its EBS reports, SETSCO plans to automate other laborious processes going forward.

TECHNICAL EXPERTISE

Since April 2019, the Land Transport Authority (LTA) has been organising regular meetings with industry players with the objective of aligning and raising the inspection standards. To ensure all its vehicle inspectors are kept abreast of instructions given by the LTA during these meetings, quarterly training sessions were conducted for all vehicle inspectors during the year.

VICOM also conducted its 15th Technical Knowledge Exam (TKE) for its vehicle inspectors on 6 November 2019. The theory-based examination focussed on new regulations implemented during the year and highlighted common mistakes made by vehicle inspectors during the course of their work. The TKE is testament of VICOM's commitment to deliver quality inspection services to its customers. Of the 95 vehicle inspectors who took the TKE, 94.7% achieved a score of 85 marks and above. Those who received scores below 85 marks were required to be re-tested until they crossed that score.

As part of efforts to keep abreast of technology advances and potential policy changes overseas, two Senior Management staff attended the 19th International Conference for Periodic Inspection, which was organised by the International Motor Vehicle Inspection Committee (CITA). Various topics on vehicle inspection were presented and discussed during the biennial conference which was held in Seoul.

Of particular interest were proposed standards by China for the inspection of Electric Vehicles (EVs), as well as those by Korea, Germany and the Netherlands on the measurement of nitrogen oxides

(NOx) and particulate number (PN). VICOM kept the Authorities apprised of these new developments with the aim of introducing similar tests for periodic inspection.

With the nation moving towards the electrification of vehicles, it is imperative for VICOM to keep track of the development in the area of inspection for EVs. Management attended a one-day event where topics such as "Global EV Outlook and Opportunities in Singapore", "Digitalisation of e-mobility", "Technical Requirement for Electrical Safety Installations of Electric Chargers" and "EV Testing & Safety Requirement" were covered.

CUSTOMER EXPERIENCE

Customer experience, also known as CX, is the holistic perception that customers have of their experience with a business or brand. It is the result of every interaction a customer has with the business, from navigating the website to talking to customer service and receiving the product or service.

CX plays a vital role in VICOM as a whole and much effort was put in during the year to improve the overall CX for its motorists and customers. As a result, a total of 5,429 compliments were received for its vehicle inspectors, up by 1,805 or 50% more than 2018. In fact, about 90% of VICOM vehicle inspectors received at least one compliment in 2019, up from 68% from previous year.

RECOGNITION

VICOM bagged several awards during the year.

On 23 July 2019, Ms Lee Peck Kim, Mary, VICOM's Chief Financial Officer, won the "Best Chief Financial Officer Award" in the Mid-cap category at the 14th Singapore Corporate Awards.

At the 2019 annual Securities Investors Association (Singapore) Investors' Choice Awards, VICOM also won the "Singapore Corporate Governance Award" - Mid-cap category, and was Runner-up in both the "Shareholder Communication Excellence Award" - Mid-cap and the "Most Transparent Company Award" - Consumer Discretionary Services categories.

SETSCO also received recognition from ExxonMobil Asia Pacific for having achieved "Zero Recordable Injuries" record in 2018. It was also given the 'Safety Excellence and Bonus Award' from Petrochemical Corporation of Singapore (Private) Limited.

One of its staff from the Polymer Testing Department under its Construction Technology Division, Mr Salim Suwignjo, also received a commendation from Enterprise Singapore on 2 July 2019 for his contributions to the development of a number of standards towards Singapore's Standardisation and Accreditation Programme.

ACCREDITATION

With the launch of the Data Protection Trust Mark (DPTM) by the Infocomm Media Development Authority (IMDA) and Personal Data Commission (PDPC) in 2017, the VICOM Group wasted no time in applying for this important certification. A three-day external audit took place in 2019 and the Group is expecting to be DPTM-certified in 2020. With this certification, the Group will be amongst the first few companies in Singapore to obtain the trustmark.

In December, SETSCO was made the certification body for Structural Steelworks Fabricators by the Singapore Accreditation Council. With this accreditation, SETSCO is able to expand the scope of its product certification to include steel fabrication.

Another feather was added to its cap when SETSCO, as an organisation outside the European Union, was authorised by the European Aviation Space Agency (EASA) to give Part-145 approvals on specialised NDT services. With this approval, SETSCO is now able to provide specialised NDT services to registered aircrafts such as Airbus in Europe in addition to Boeing from the United States.

SETSCO was awarded new scope of accreditation including staphylococcal enterotoxin, sterility, bacterial endotoxin, consolidation and triaxial tests that would enable it to offer an expanded range of services to its customers.

RELOCATION OF SETSCO

During the year, work on the \$50 million six-storey high Jurong Town Corporation industrial building located at Bukit Batok Street 23 continued. Laboratories, offices and a dormitory are being fitted and SETSCO will relocate to this new premises by the end of 2020 as planned. With larger premises, SETSCO will be able to expand the depth and breadth of its testing services and also raise productivity through better workflow re-design of all the laboratories.