

Vehicle Certification Agency
New Commercial Models Project
Industry Day
5TH August 2013 – Q&A session notes

Q What level of investment does DfT expect from the PSP and will all current assets and liabilities automatically transfer to the New Co including current pension liabilities? What is the minimum investment that you expect from the new partner?

There is no *minimum* investment requirement. The level of investment required from a PSP would depend on their plans for sustaining current business operations and exploiting growth opportunities.

It is expected that all assets and liabilities on the VCA balance sheet would transfer to a NewCo when a deal is signed. The Government expects to announce changes to its Fair Deal policy on the treatment of pensions on compulsory transfer of staff from the public sector late in 2013. That could have an impact on any liability arising from pensions.

Q Will current VCA staff be given an investment stake in the NewCo?

DfT is open to proposals from potential partners to incentivise VCA staff. Staff engagement is an issue DfT would expect to explore further in market engagement meetings.

Q. What is the current value of all assets of the agency?

The Department's current view at the moment is that the net value of assets on the VCA balance sheet is around £2.35m. This excludes any potential valuation of goodwill. The trading surplus does not form part of the basis of valuation of the VCA.

Q. Who are VCA competitors now and moving forward?

Current competitors are mostly in the technical services market including, for example, the TUVs, RDW and IDIADA. The main Management Systems Certification (MSC) competitors include BSI and SGS.

In future, competitors will depend on the services offered by NewCo to existing or new customers.

Q. What is Government's requirement for investors and will DfT inject cash or will their stake be diluted over time?

As already stated there is no minimum requirement for investors. However, potential partners would be expected to demonstrate that they have the financial backing to enter in to a joint venture with DfT. This would be evaluated at the Pre-Qualification Questionnaire (PQQ) stage.

At this stage, DfT did not envisage injecting cash in to the business. The expectation is that the Secretary of State would be a minority shareholder in the joint venture with certain minority protections and representation on the board of directors. Any proposal for the Secretary of State to dilute his stake in NewCo would require the approval of both partners in the joint venture.

Q. What opportunities exist for flexibility on fees and product certification?

The VCA fee structure is set by regulation and any changes to fees require changes to regulations.

DfT is currently considering the extent to which VCA fees could be de-regulated. Any proposal to de-regulate fees would require HM Treasury approval.

Q. Has the project considered potential conflicts of interest in the partner's organisation and/or NewCo given that NewCo could be a Type Approval Authority and providing Technical Services and Management Systems Certification?

DfT was exploring potential conflicts of interest. The extent to which a conflict of interest might exist would depend on the nature of a successful partner's business. DfT expected this aspect of the transaction to be closely examined by the EC.

Q. What would happen if the NewCo fails to win the concession after the expiry of the original term? Would staff transfer to the winning bidder?

DfT expected that, in the event of the New Co failing to re-gain the TA concession (either at 7 or 7+3 years) when it was retendered, the NewCo would retain all other services.

It was expected that staff transfer terms would be under TUPE Regulations.

Q. How would NewCo continue to deal with and win Government contracts?

It would be for New Co to take responsibility for its own marketing and sales to enable them to extend their relationships with other Government departments and to secure other service lines going forwards.

Q. Can you tell me what is expected from bidders in the procurement process and do you have any prerequisite in terms of their UK trading history?

Bidders would be expected to comply with public sector procurement rules. DfT had no plans to include a UK trading history in the evaluation process.

Q. Would the Government change its share in the NewCo?

The DfT expected the Secretary of State to be a minority shareholder in the NewCo. Any proposal to change its shareholding would require the approval of both partners in the joint venture.

Q. Do you see the Government's stake staying at the same level and would they have any special reserve over the sale of any part of the NewCo? Is the project is flexible on this issue?

DfT expected to be a minority shareholder but would welcome discussion with potential partners over their views on equity and this issue would form part of market engagement.

It was further explained that the project was part of wider Government policy, including supporting UK SMEs and the UK automotive sector. The Secretary of State's involvement in NewCo would depend, amongst other things, on ensuring those two objectives were achieved.

Q. Type Approval services are currently undertaken by an agency of HM Government which is self insured. How would this work going forward?

It is expected that NewCo would take out some form of insurance to cover the services it would provide in the future. The New Commercial Models project is a new approach to service delivery and liability insurance or protection for the Secretary of State was a matter yet to be resolved. This was another topic that would be part of future market engagement sessions with potential partners.

Q. Crown brand is very important; will the NewCo be able to continue trading on both the VCA and Crown brand?

It was recognised that this was an important issue for customers who would expect certificates issued by a NewCo to continue being recognised across the EU. The Department accepted the importance of being associated with the Crown Brand to this project, but this would have been an issue for Government more widely to take a view on and would require further discussions to work out what Government would be comfortable with. It was reiterated that market engagement would be a two way process and detailed discussions would be required to better understand each side's position.

Q. What is the current breakdown of VCA revenue?

The current breakdown for Type Approval revenue when compared to Technical Services revenue is c15:85. It was pointed out that VCA's ability to provide both services gave it a significant competitive advantage.

Q. How much of VCA's business comes from UK companies?

It was explained that many of VCA's customers were foreign-owned but had significant operations in the UK. VCA did not hold information on the amount of revenue generated by companies which were solely based in the UK or owned by UK nationals.