



Department
for Transport

VCA New Commercial Models Project

Industry Day

5 August 2013

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Welcome

Alan Aitchison

Project Director,

VCA New Commercial Models Project Team



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Introduction

The government is seeking a partner to take VCA into a new commercial operating model

The purpose of today is to:

- Share information about the project and the government's ambition and approach
- Be open about some of the challenges and seek your views
- Set out predicted timetable and process for Market Engagement and beyond



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Agenda

1. Welcome and Introduction
2. Background to VCA
3. Economic Environment
4. Financial and Commercial Considerations
5. Q&A
6. Next steps
7. Networking and close

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Introduction

Brian Etheridge

**Managing Director, Motoring Services,
Department for Transport**



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The wider context

A period of significant change in the way that the government delivers services and the way that the Civil Service operates

DfT is committed to transforming the delivery of its Motoring Services by putting the consumer and businesses at their heart

This means:

- services that are more responsive to customer needs, are quicker, more flexible and deliver better quality products
- working with a wider range of partners
- increasing freedom to innovate, support economic growth, and deliver better value for money
- removing barriers
- unlocking talent

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Project aims and constraints

The government wants to:

- enable VCA to grow and contribute to the wider economy
- support the UK automotive industry
- continue to provide a high quality and trusted service from a provider recognised for its integrity

It is likely as a minimum to want to:

- maintain a significant presence in the UK
- maintain a good relationship with existing customers
- ensure that UK small and medium sized enterprises are serviced by affordable and accessible testing facilities

Its room for manoeuvre is in any event limited by:

- public procurement rules:
- EU and UK legislative constraints

We want to gauge the impact of all of this on the viability of the project and how we shape a commercial proposition

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The process

Though not a traditional procurement for goods and services we will have to follow a procurement route. We aim to make this as short and as painless as possible. As we get into detailed discussions, there will be some rules of engagement to protect confidentiality on the one hand and a fair and open competition on the other.

Our outline timetable:

- July to November 2013 – market engagement
- November to December 2013 – issue OJEU and PQQ
- January to February 2014 - evaluation of PQQ
- February to August 2014 - negotiation with a limited number of bidders
- September 2014 – award contract

Market engagement is needed to shape how we go to market and the parameters of a future partnership. Beyond OJEU, the scope for further iteration is limited.

We need to know what is important to you, what of this makes commercial sense and what is unrealistic.

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An Introduction to VCA

**Paul Markwick, Chief Executive
Vehicle Certification Agency**

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What is the VCA?

- An Executive Agency of DfT and the designated UK Type Approval Authority.
- VCA recovers its costs by charging fees and operates in commercial environment.
- Competes mainly with large international service suppliers.

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Vehicle Type Approval

The agency delivers:

- Testing and inspection to European legislation and UN/ECE regulations.
- Internationally recognised approvals for new vehicles, systems and components to manufacturers worldwide.
- Improvements in safety and environmental performance.

The UK is



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VCA has four key products and services

- Vehicle Type Approval and Conformity of Production (CoP).
- Management Systems Certification (MSC) and training.
- Enforcement – including Emissions and Noise Regulations.
- Certification of the Packaging of Dangerous Goods.





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VCA Type Approval

- To be registered in Europe, the vehicle must be approved.
- Vehicles are approved by type designation. For example, a Ford Focus can cover 3, 4, 5 doors, SUVs and MPVs, each of which requires a separate type designation.
- EU legislation provides for the approval of whole vehicles, vehicle systems, and separate components.
- United Nations (UN) Regulations provide for approval of vehicle systems and separate components, but not whole vehicles.
- Each Member State is required to appoint a Type Approval Authority to issue the approvals. These are then mutually accepted throughout the EU.
- Most Member States have separated the Type Approval Authority from the Technical Service.



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The value of VCA

- VCA is a specialist automotive body with nearly 40 years experience.
- Our professional engineering team has extensive experience and a reputation for quality and technical excellence.
- VCA is a combined approval authority and technical service, which means our customers can get products to market more quickly.
- VCA has a global network of offices.
- VCA issues approvals to UN Regulations, which can help customers access markets outside the EU, where contracting parties accept these Regulations.
- VCA is accredited to some Japanese, Taiwanese and Australian standards.



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Vehicle categories

VCA issues approvals to a wide range of vehicle categories;

- Passenger vehicles
- Goods vehicles
- Trailers
- Special Purpose Vehicles
- Ambulances
- Motorcycles
- Tractors
- Systems & components



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Management Systems Certification

Management Systems Certification (MSC):

- VCA has been a Certification Body for over 20 years
- In the automotive sector

Delivers:

- VCA offers training and certification to:
 - ISO 9001 (Quality).
 - ISO/TS 16949 (Automotive Quality).
 - ISO 14001 (Environmental).
 - EMAS (Environmental).
 - Acorn (Staged Environmental).
 - OHSAS 18001 (Health & Safety).



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Enforcement activities

Enforcement programmes for DfT, BIS and DEFRA;

- Non Road Mobile Machinery
- End of Life Directive (recyclability)
- Projects for Policy Units
- Noise emissions from equipment designed for outdoor use
- WEEE Directive (Waste Electrical etc)
- Waste Batteries and Accumulators



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Dangerous Goods

The VCA Dangerous Goods Office is the UK authority for the certification of packaging and intermediate bulk containers used for the transport of dangerous goods.

- Dangerous in Use
- Dangerous in Transport
- Tanks and Transportable Pressure Equipment
- Testing of aerosols filled in the UK



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VCA client base...

VCA is well respected by the automotive Industry and was voted 'best' type approval service in an independent survey and has partnerships with hundreds of manufacturers worldwide, some of which include:

Honda

Ford

Chrysler

Toyota

Hyundai

KIA

Mazda

GM

Triumph

Nissan

Chery

TATA

Deer

Holden

Piaggio

Land Rover

Bentley

McLaren

Case

Visteon

Caterpillar

Autoliv

Hella

Vectrix

Jeep

Perkins

Cummins

Aston Martin

Jaguar

Magna

Great Wall

Harley Davidson

Buell

Morgan

BYD



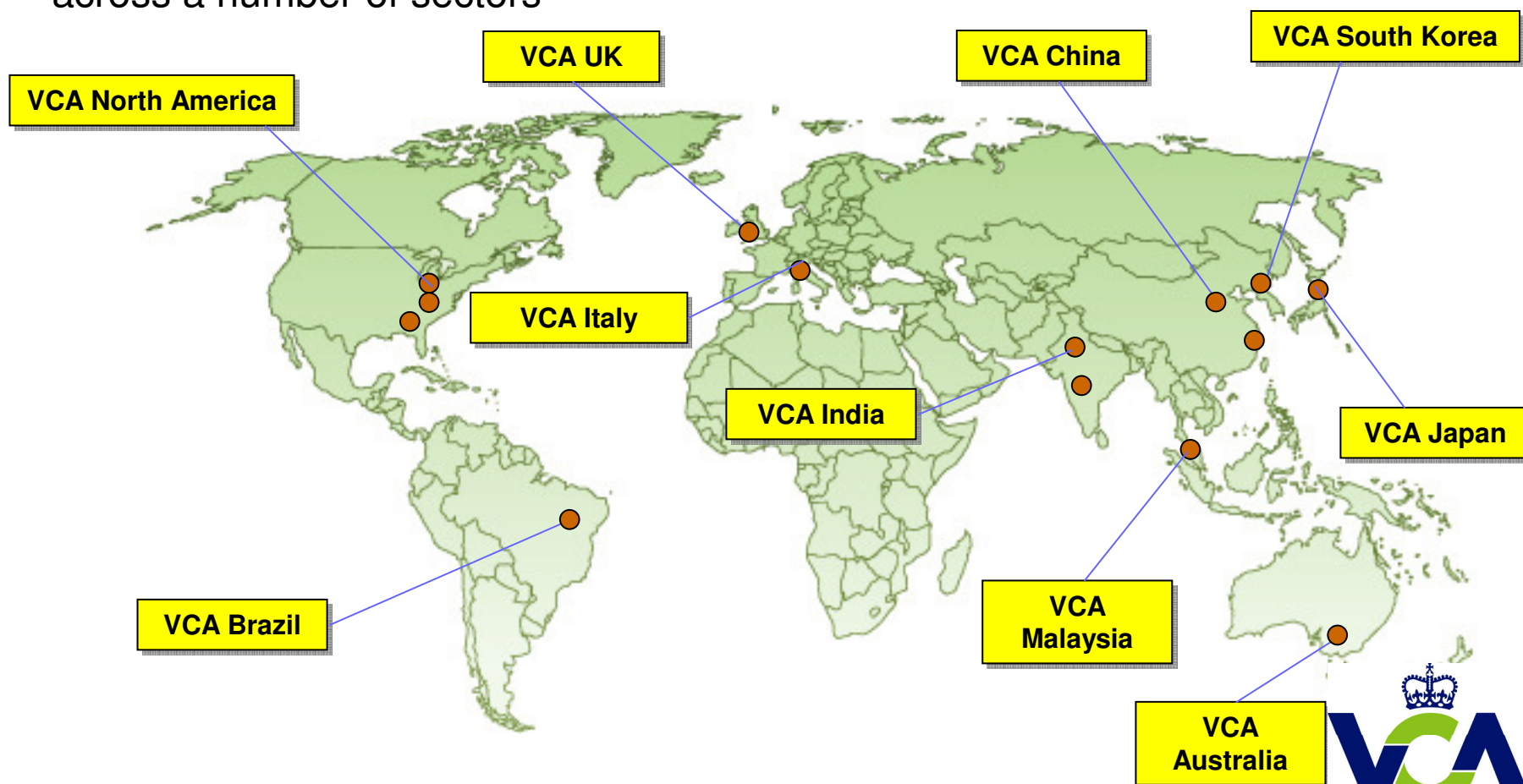
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VCA Worldwide

VCA has offices around the world to meet the global demands of customers across a number of sectors



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Opportunities for Growth

- A freedom to focus on opportunities beyond DfT's priorities
- Released from Civil Service constraints and bureaucracy
- A commercial model and approach is a requirement for some operating markets
- Further efficiency savings
- A growing market from recent regulatory change
- New products building on our key skills
- Importing additional know-how and experience



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The Economic Environment

Andrew Charlesworth-May, Economics Lead VCA New Commercial Models Project Team

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What is happening to the market?

This presentation gives an overview of the changes that are occurring in the economic environment in which the VCA operates and the implications of this.

The main areas looked at are:

- Changes to demand
- Technological change
- Changes in specific country production and demand
- The changing market for Management Systems Certification

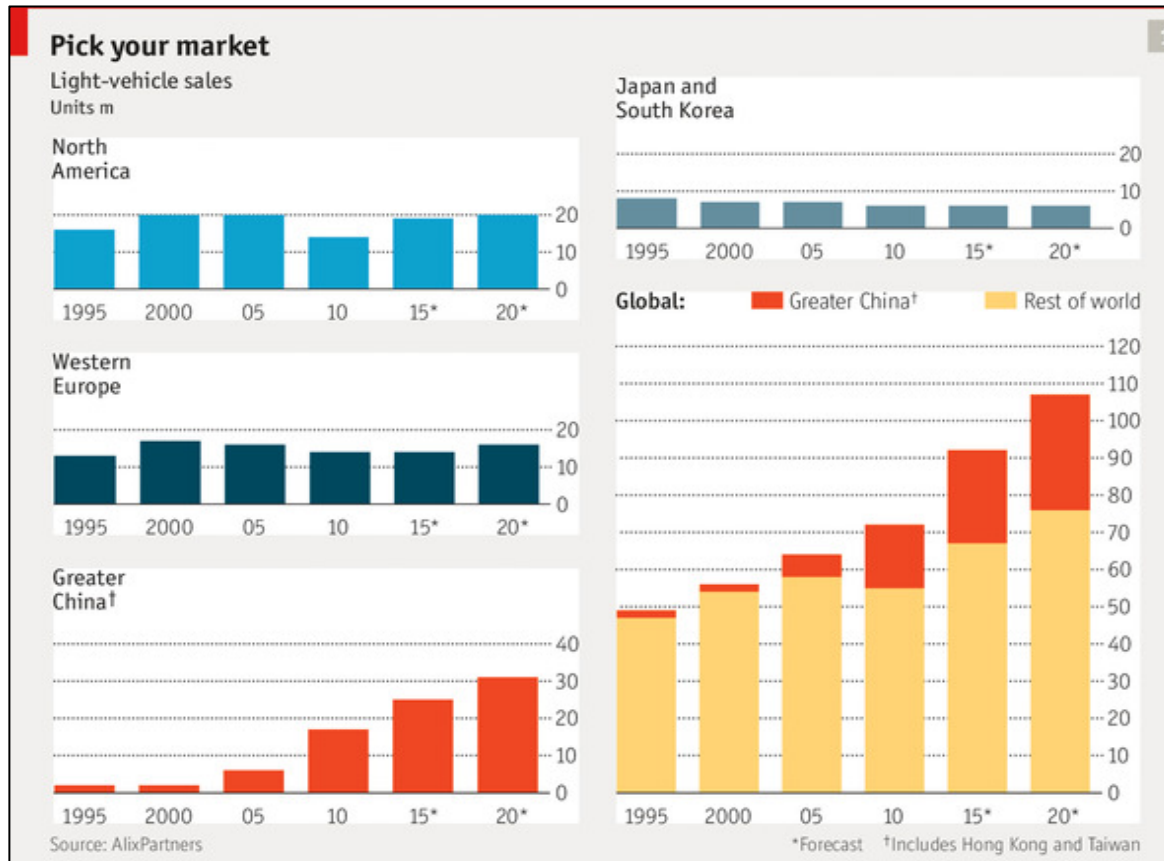
The economic environment in which the VCA competes is changing because of increased complexity and demand patterns.





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Changing patterns of demand and production will increase levels of product certification



Most economists are forecasting big increases in vehicle sales - mainly from the BRICs.

This could increase product certification and testing for two reasons:

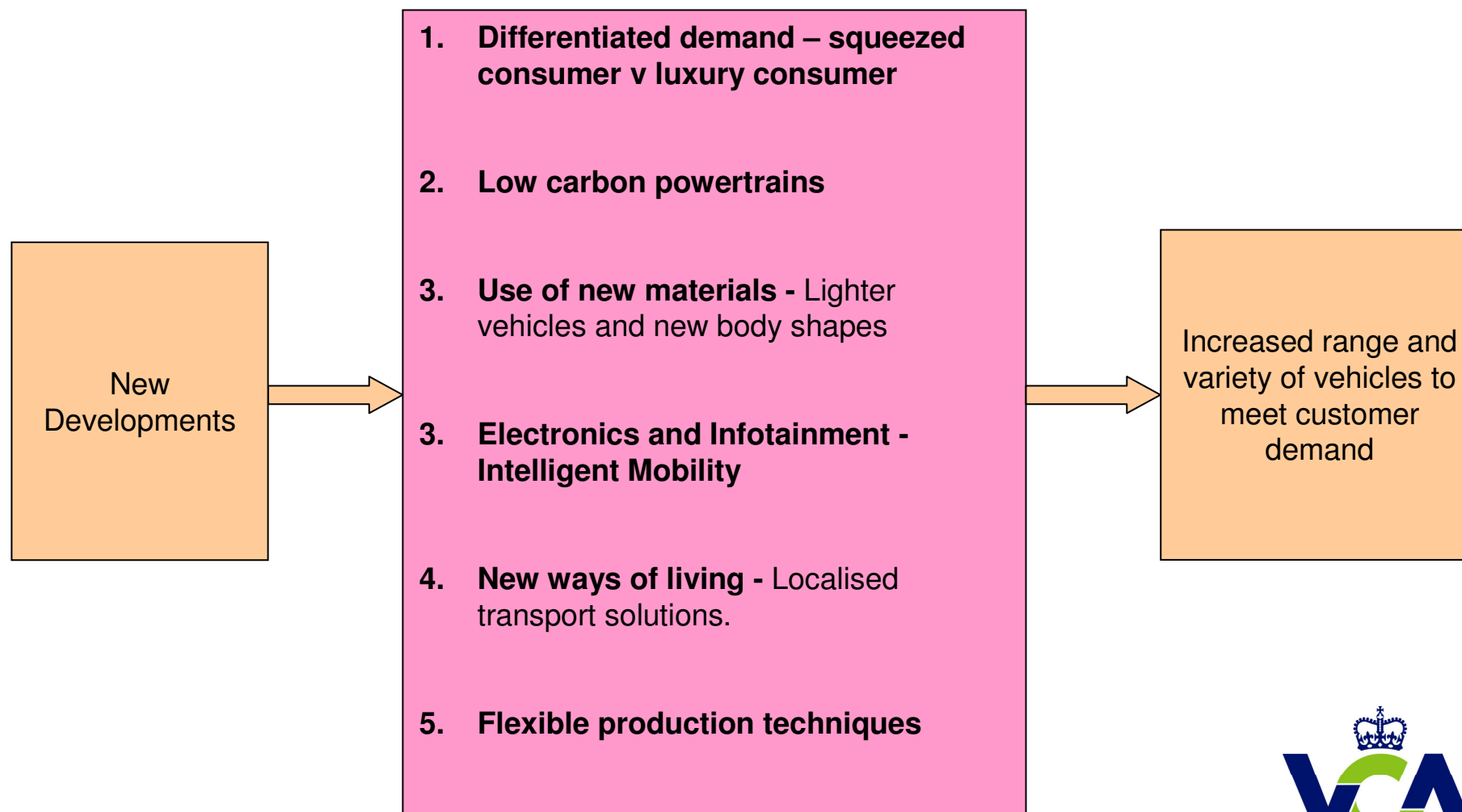
- BRICs will develop their vehicle production capability and vehicles ranges.
- Proliferation of new niches

Both these trends will increase the range of vehicles on the market and product certification and testing.

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An increasingly complex market driven by greater innovation and customisation will impact on product certification and testing



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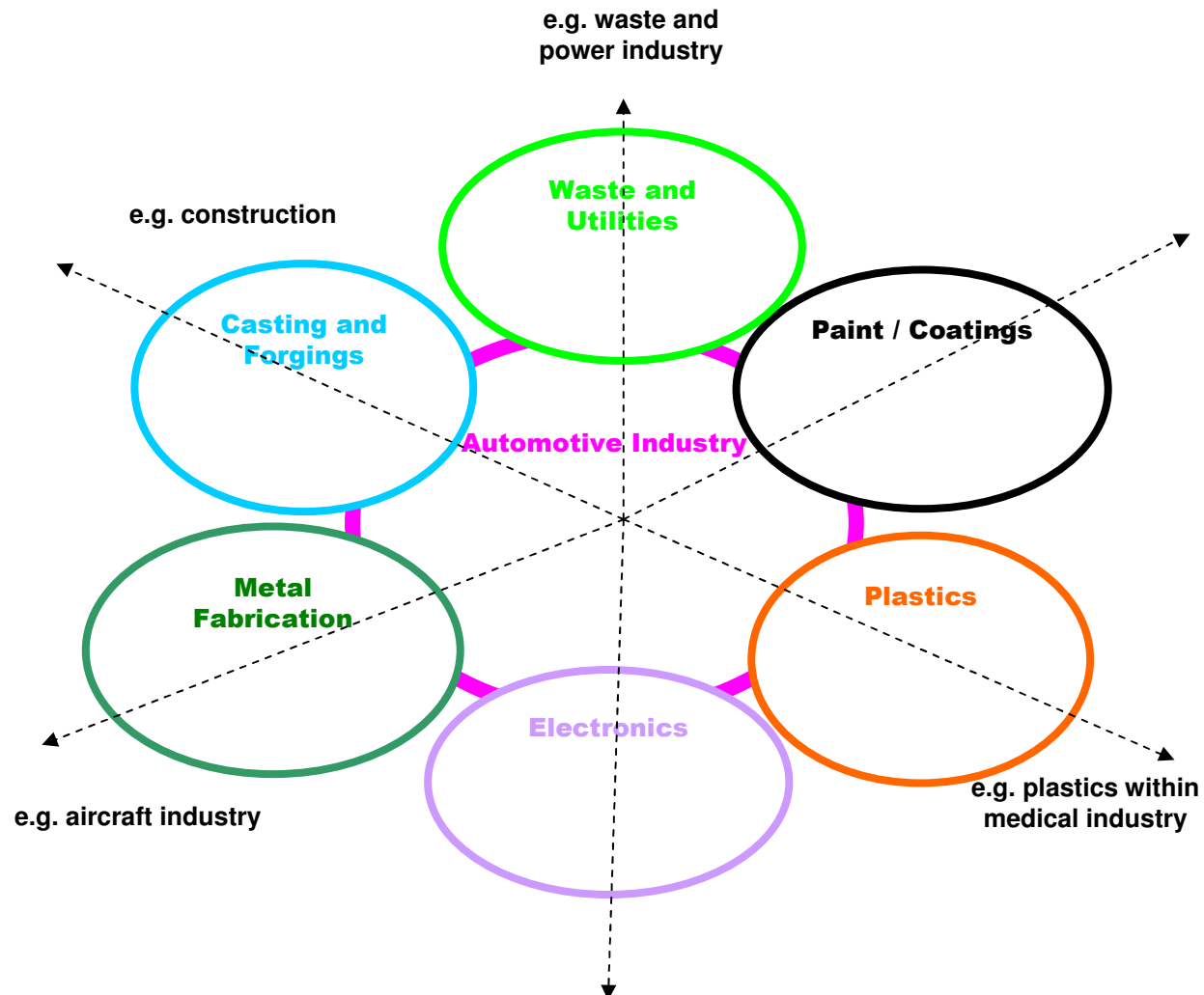
Some parts of the automotive market are still relatively immature

Market	Comments
Africa (particularly South Africa)	Sales increasing strongly in line with GDP. Limited diversification of the type market. Africa seen as a major future producer.
China	Significant growth in production. Only 5% of cars exported. Government looking to export more. Need for technical services for exports.
India	Increasing demand. Production mainly aimed at satisfying local demand with limited focus on exports.
Indonesia	Significant growth in income driving increased demand. Car firms looking at investing in Indonesia. Likely to be a significant producer in the future. Possibility of exports?
Brazil	Largest South American economy. Demand for cars increasing considerably, including foreign luxury cars. Few technical services and need support.

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Management Systems Certification Market



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Summary

- Changes to demand
- Technological change
- Changes in specific country production and demand
- The changing market for Management Systems Certification

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Financial & Commercial Overview of VCA

Simon Grint

VCA New Commercial Models Project Team

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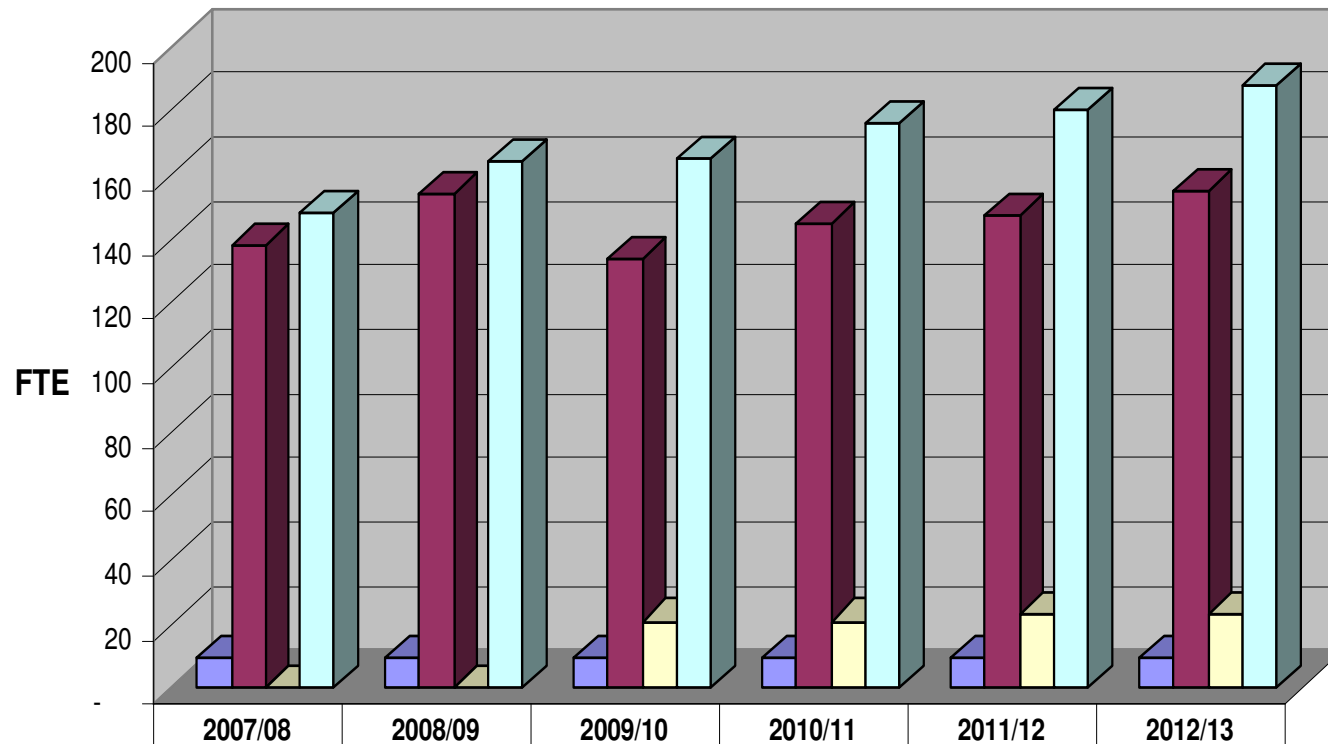


Contents

- Provide an overview of historical financial performance.
- Set out some of the opportunity envisaged for the New Commercial Model.
- Provide an overview of the joint venture commercial relationship envisaged.
- Set out what the Department hopes to achieve from the New Commercial Model.



Historical FTE



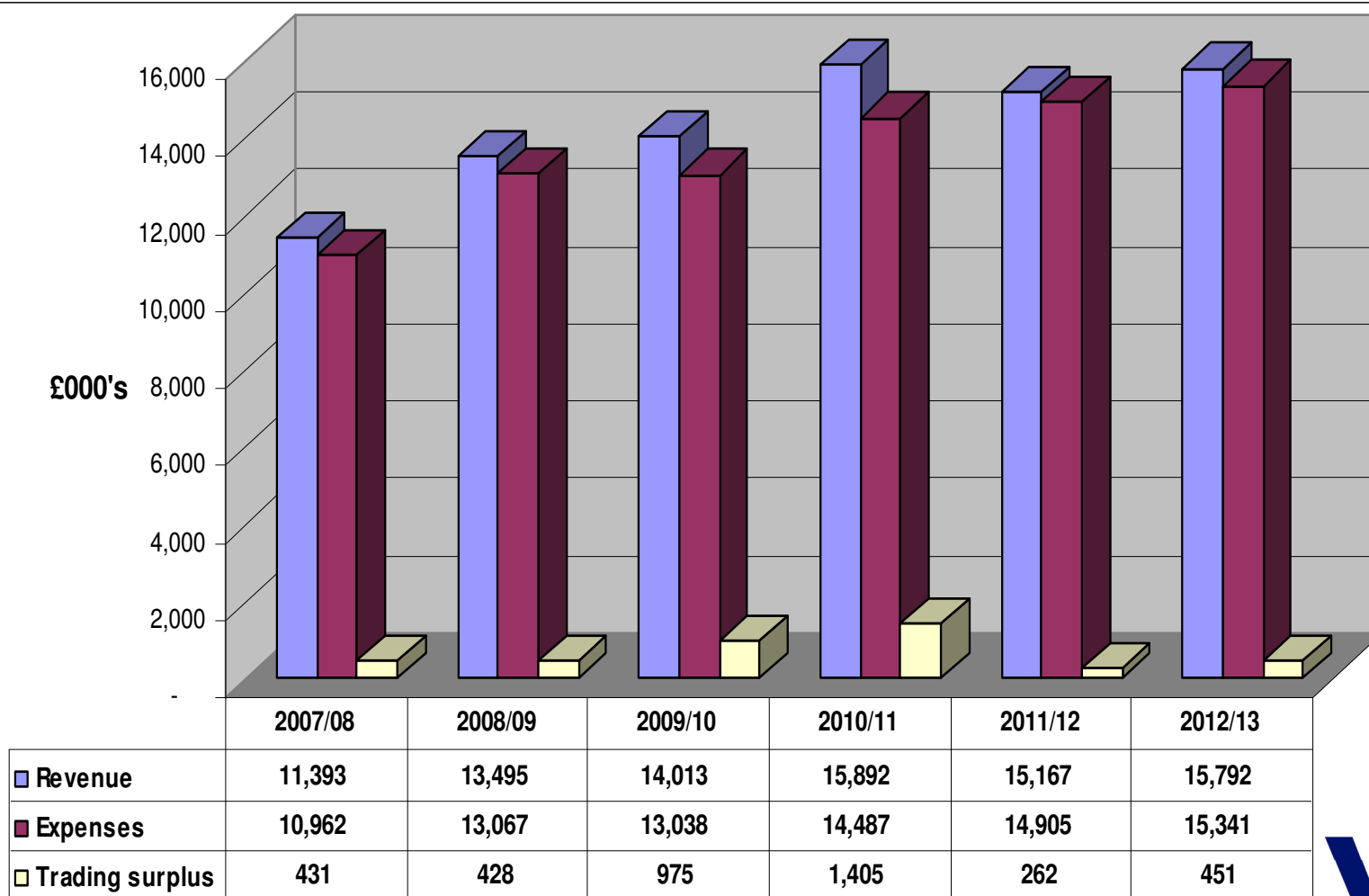
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Senior Management	10	10	10	10	10	10
Professional, technical	138	154	134	145	147	155
Admin support	-	-	21	21	23	23
Total	148	164	165	176	180	188

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Historical Financial Performance

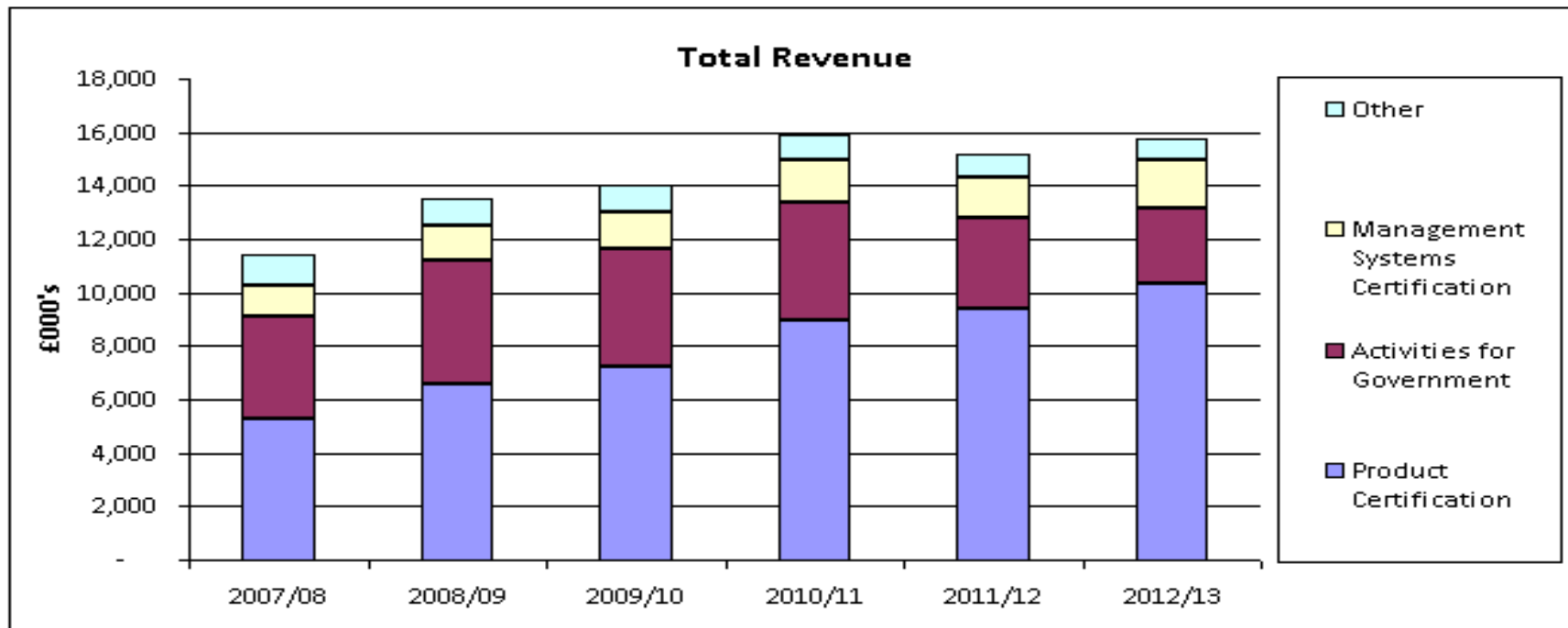


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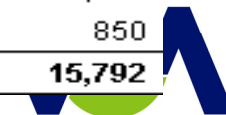


Total Revenue by Service Line



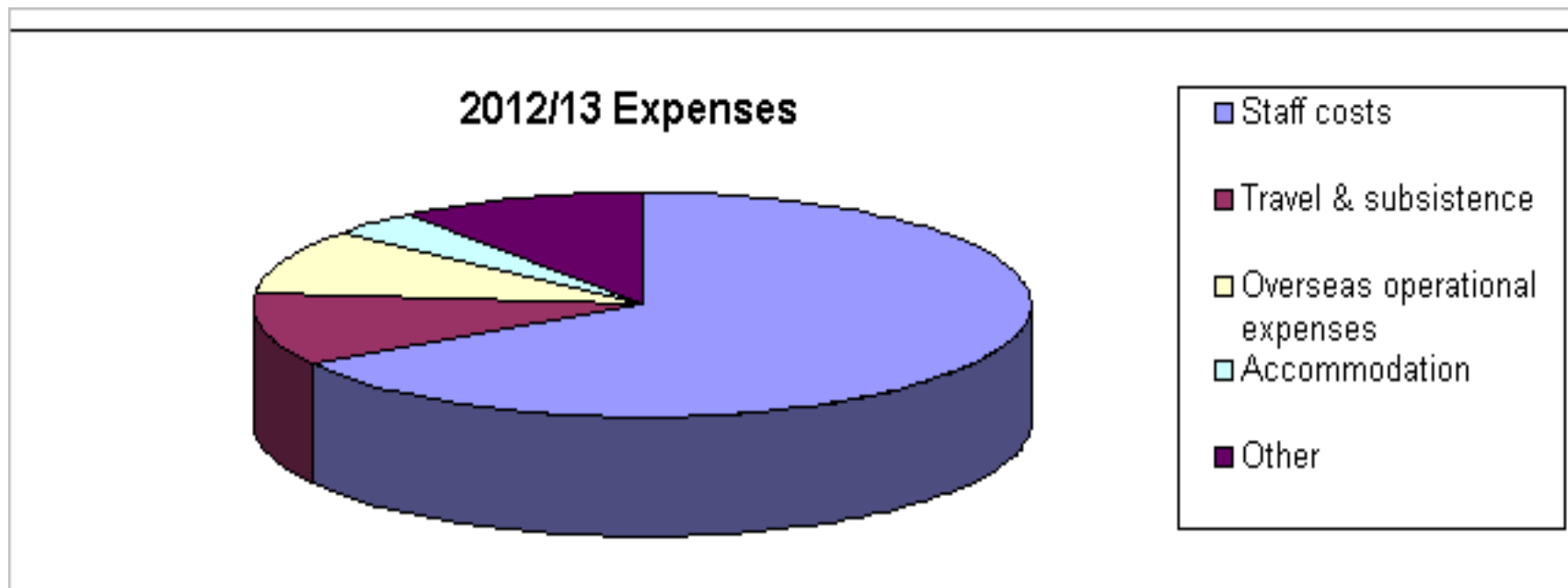
Total Revenue - £000's	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Product Certification	5,309	6,563	7,215	8,951	9,383	10,328
Activities for Government	3,769	4,629	4,405	4,434	3,436	2,853
Management Systems Certification	1,208	1,315	1,382	1,559	1,493	1,761
Other	1,107	988	1,011	948	855	850
Total Revenue	11,393	13,495	14,013	15,892	15,167	15,792

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2012/13 Expenses



Staff costs	10,158	66%
Travel & subsistence	1,586	10%
Overseas operational expenses	1,450	9%
Accommodation	583	4%
Other	1,564	10%
	15,341	100%

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Current Opportunities

- Revenue growth
 - Greater flexibility around staff recruitment & remuneration.
 - Grow market share of existing customers.
 - Investment in new product development.
 - Expansion of the international foot print.
- Efficiency – there is some scope for overhead reduction and efficiency improvement.
- Management capability development particularly in sales and marketing.





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Strengths of VCA Business

- Highly qualified, experienced and committed staff.
- Trusted brand.
- Strong customer base, including major vehicle manufacturers.
- Overseas operations that include emerging markets.
- Track record of revenue growth despite the economic challenges since 2007.

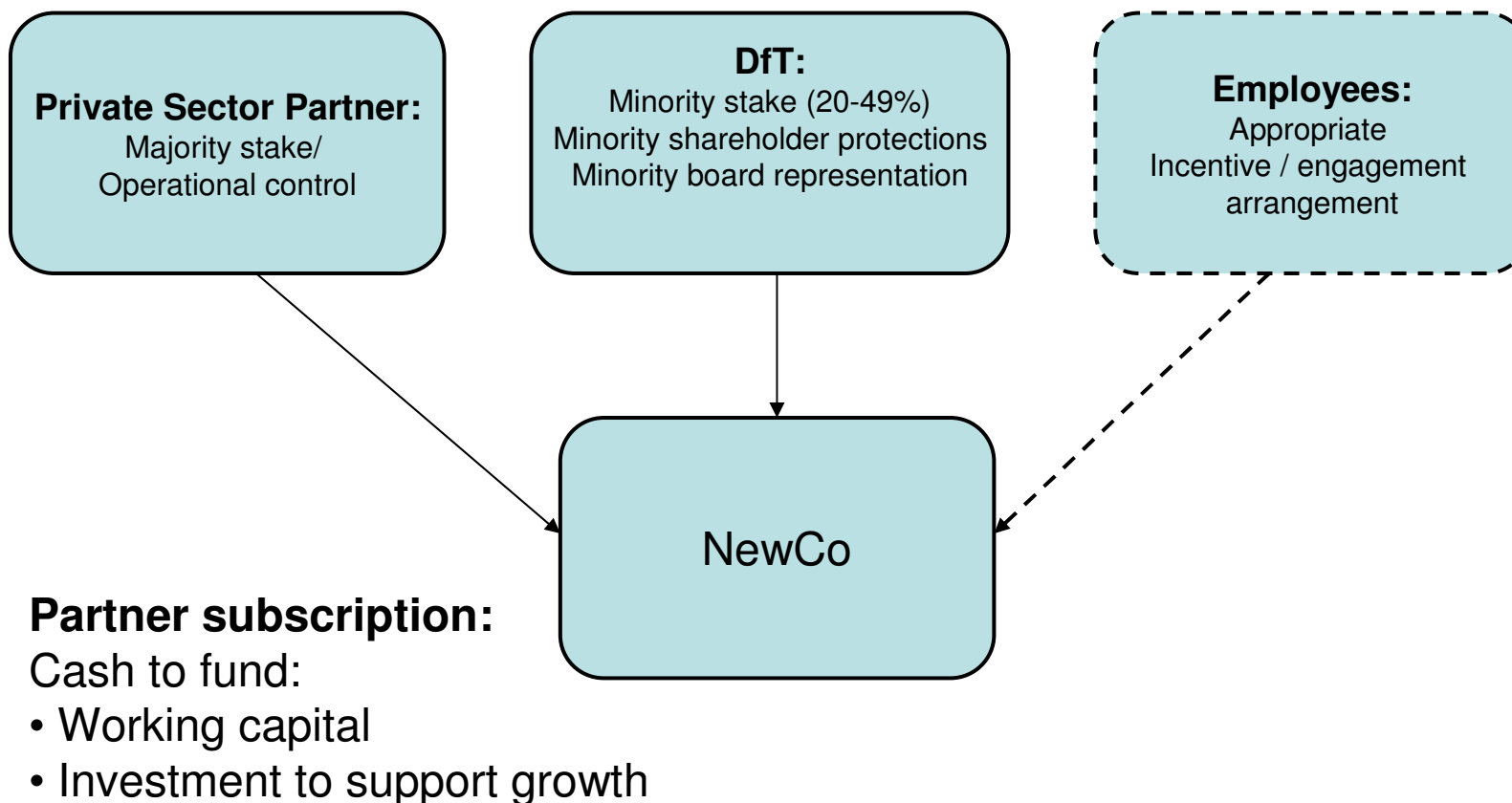
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Joint Venture Proposition

- Department for Transport (DfT) is looking for a joint venture partner to work with the Department and the VCA to reform and grow the business.
- Offers the joint venture partner an almost unique position in Europe as a type approval authority and technical service.
- Profit opportunity not reflected in historical trends due to strategic focus.

Proposed Joint Venture Structure



Partner Attributes

DfT is looking for a single partner / consortium that:

- Has experience of and is focused on delivering growth.
- Is committed to delivery of high quality services.
- Has access to funding for investment / growth.
- Can introduce management capability in areas like sales & marketing.
- Understands international operations.
- Is committed to employee incentivisation and engagement (acts as a good employer).

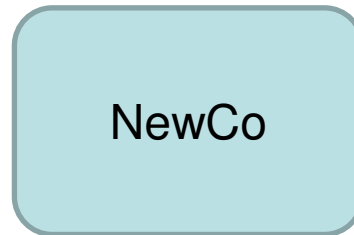
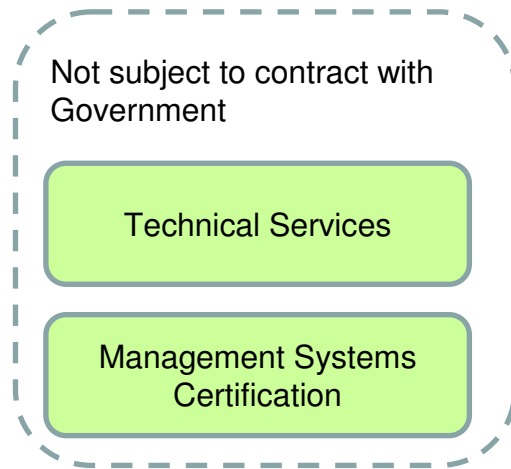
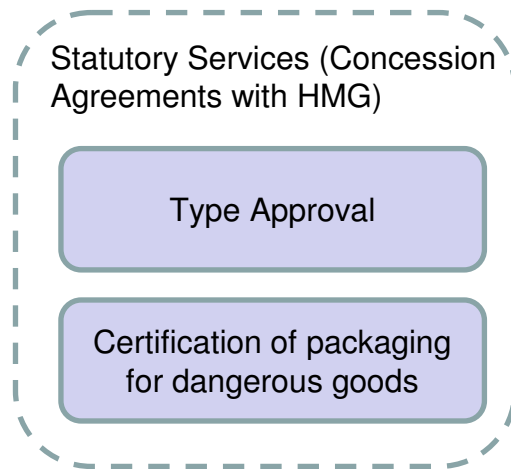
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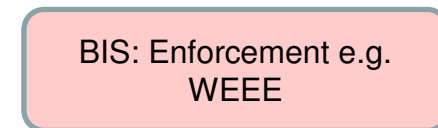
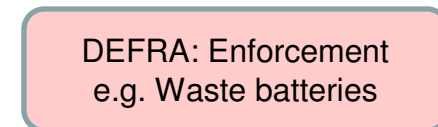
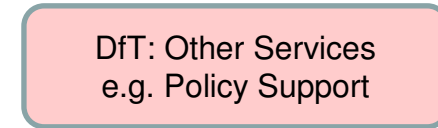
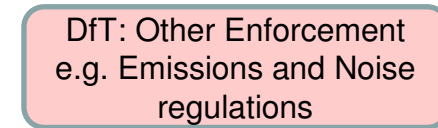
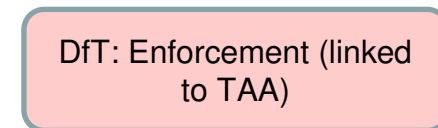


Joint Venture Services

Services to Commercial Customers:



Direct Services to Government



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What Does Good Look Like for the Joint Venture?

- All necessary protections in place for the SOS.
- JV offered the freedom and flexibility to grow.
- Ongoing delivery of high quality type approval and technical services that exceed customer expectations.
- Employees offered enhanced career opportunities.
- Financial returns to joint venture partners commensurate with investment & business risk.



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Questions and next steps

- During market engagement, questions should be sent to VCA.NCM@dft.gsi.gov.uk
- We will publish regular updates on our project website.
www.gov.uk/government/news/new-commercial-model-for-the-vehicle-certification-agency
- We will be arranging a further series of one-to-one meetings. Book today or by email.
- Rules of engagement during market engagement

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Q&A session

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Attendees

IM Group Ltd	Deloitte LLP	Serco UK & Europe	TRL	Infrastructure Advisory Network
IBM	Institution of Mechanical Engineers	IDIADA Automotive Technology, SA	BSI	SGS
MIRA	DEFRA	PA Consulting Group	ITS Testing Services (UK) Ltd	DLA PIPER
Capita Plc	Mott MacDonald	The Royal Bank of Scotland	Consulting Stream	Department for Transport
BIS	Millbrook Proving Ground Ltd	DEKRA	Applus	Vehicle Certification Agency





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