

## Re-regulation of the vehicle inspection market

### Summary and recommendations

The Swedish National Audit Office (Swedish NAO) has audited the re-regulation of the vehicle inspection market. The audit refers to passenger cars. The Riksdag expected that the re-regulation would lead to continued high standards of traffic safety and environmental control, lower prices, more freedom of choice for consumers and higher quality. Increased competition was also to lead to better development opportunities for the employees, for example as regards pay. In addition, the Riksdag believed that free competition would benefit entrepreneurship.

The requirements for high quality and reliability would be secured by an accreditation procedure for which the Swedish Board for Accreditation and Conformity Assessment (Swedac) would be responsible. Swedac was also given the responsibility to conduct 'suitability assessment' of the inspection companies' managements. Swedac refers to the suitability assessment as a background check, which is the term that will be used below. Accreditation should only be given to those who, taking into account financial circumstances and generally good reputation, are deemed suitable to conduct the business.

Furthermore, the Riksdag underlined that these business activities would be subject to central government supervision with detailed regulations and various forms of control of the inspection companies. The Swedish Transport Agency was given responsibility for these tasks.

The Swedish NAO's overall conclusion is that re-regulation has in some part led to the results expected by the Riksdag. Above all, it is the availability and freedom of choice that have increased significantly through more inspection stations and more inspection companies. However, there are parts of the country where the situation remains unchanged since re-regulation.

### **Audit findings**

#### The element of entrepreneurship is small

The inspection market is dominated by three major inspection companies. They all have their origins in Svensk Bilprovning which had a monopoly on vehicle inspections until 2010. In addition to these three, there are another five inspection

companies, three of which only have one inspection station. These three were started and are owned by former employees of Svensk Bilprovning. The last new establishment was in 2015. The Swedish NAO therefore considers that the element of entrepreneurship in the inspection industry is small.

### Availability and freedom of choice have increased throughout the country

The number of inspection stations and inspection technicians has increased and the number of passenger cars per inspection station has decreased across the country, thus improving the availability for consumers in general. However, improvements are not evenly distributed and do not apply to the whole country. Almost unchanged availability in sparsely populated regions may be due to the fact that numbers of potential inspection customers are not large and that the inspection stations' capacity may therefore be sufficient to meet the region's inspection needs.

Furthermore, the number of inspection companies has increased in large parts of the country, which has led to increased freedom of choice for consumers.

### Prices of inspections have risen more than the consumer price index

Until the re-regulation there was a fixed price for inspections throughout the country. The average market prices for safety inspection and re-inspection of passenger cars have increased steadily after the re-regulation. The price of a safety inspection has increased by 56 per cent since 2010 and the price of a follow-up inspection by 37 per cent. The consumer price index increased by 10 per cent in the same period.

### Decreasing percentage of failed vehicles but complaints are increasing

The proportion of vehicles failed at safety inspections increased after the re-regulation, but this percentage has been falling since 2011. The reduced percentage of failed vehicle inspections has led to fewer follow-up inspections. In 2018, a regulation on environmental controls at inspections was amended, which may have led to fewer adverse remarks for environmental measurements.

The number of complaints made by vehicle owners has increased. These are complaints to the inspection companies, the Swedish Consumer Agency, Swedac and the National Board for Consumer Complaints.

### The conditions for Swedac's supervision are deficient

Swedac has a separate unit for accreditation and supervision of inspection companies. The physical supervision is carried out on a rolling schedule and

Swedac has conducted just under 200 supervisory visits per year. Swedac seems to work appropriately with accreditation and supervision since the agency has adapted the process where necessary to actual changed circumstances.

Due to the wording of the Vehicles Act, Swedac does not need to conduct a full background check of the boards of the inspection companies – the company function with ultimate responsibility. Thus, there is a risk that a board member could be unsuitable without this being detected. Furthermore, it is a shortcoming that Swedac does not conduct renewed background checks in connection with the regular supervision every four years. In that case it would be to ensure that no information has been added to the registers kept by the Swedish Companies Registration Office, the Swedish Enforcement Authority, the Police Authority and the Swedish Tax Agency that indicates that persons in leading positions at the inspection companies cannot be considered to be of generally good reputation.

Swedac has not been able to obtain information concerning for example inspection results from the Swedish Transport Agency, which referred to confidentiality. This was reviewed by the Swedish Transport Agency in a case in 2018. This is a deficiency, since Swedac is the agency with the authority to impose sanctions on inspection companies and inspection stations through withdrawal of all or parts of the accreditation. The question, however, has not been raised to a higher level between the agencies.

### Supervision by the Swedish Transport Agency is virtually non-existent.

The Swedish Transport Agency has had a special supervisory group, which was started in connection with the re-regulation in 2010. In 2011 the group consisted of 5.5 annual full-time equivalents but has gradually been reduced to only one analyst now. As resources have declined, so has the number of spot checks. It is mainly the physical spot checks at the Inspection companies that have decreased, but also the administrative checks. Furthermore, the Swedish Transport Agency has ceased to charge a fee to the inspection companies for supervisory activities, as the surplus was too large. This means that the Swedish Transport Agency has not worked appropriately with its supervision and that the Government has not governed the Swedish Transport Agency to ensure that its supervision of the inspection market is appropriate.

## Recommendations

The Swedish NAO makes the following recommendations to the Government:

- The Government should make sure that the wording of the Vehicles Act is adjusted so that Swedac conducts background checks on all members of the boards of the inspection companies.

- The Government should ensure that the Swedish Transport Agency exercises supervision of the inspection market.

The Swedish NAO makes the following recommendations to Swedac:

- Swedac should regularly conduct background checks on the inspection companies' managements.

The Swedish NAO makes the following recommendation to the Swedish Transport Agency.

- The Swedish Transport Agency should fulfil its remit to exercise supervision of the inspection market by providing resources and personnel to the operations.

The Swedish NAO makes the following recommendation to the Swedish Transport Agency and Swedac.

- The Swedish Transport Agency and Swedac should clarify what possibilities there are for Swedac to access data on the inspection companies' statistics from the Swedish Transport Agency.