

National Car Testing Service

Annual Review
2006

Final report

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Contents

I	Introduction.....	4
II	Operational Audit	8
III	Observed Test Inspections	14
IV	Customer Satisfaction Survey.....	17
V	Complaints and Appeals	22
VI	Performance Management.....	24
VII	Financial Matters.....	27
VIII	Conclusions.....	30

I Introduction

General

- 1.1 Periodic roadworthiness testing of passenger cars and commercial vehicles is mandatory in all Member States of the European Community, in accordance with Directive 96/96/EC. National Car Testing Service Ltd (NCTS), a member of the SGS Group, is responsible for the operation of the car testing service in Ireland. It operates under a Project Agreement with the Minister for Transport by which it has been granted an exclusive licence to provide the service for 10 years until 2009.
- 1.2 The National Car Test (NCT) in Ireland has now been in place for 7 years and is compulsory for cars over 4 years old. It is aimed primarily at improving road safety and enhancing environmental protection by providing an independent assessment of the roadworthiness and emissions level of cars at regular intervals throughout their life.
- 1.3 The NCT is conducted at 43 purpose built test centres nationwide.
- 1.4 NCTS is required to provide very high standards of customer service, in line with acceptable performance standards set out in the Project Agreement. These are monitored regularly on behalf of the Minister, by the Supervision Services Contractor (SSC) (A consortium drawn from PricewaterhouseCoopers and the Automobile Association).
- 1.5 This report reviews the operation and performance of NCTS during 2006, against the performance standards set out in the Project Agreement.

Summary

- 1.6 The overall throughput of vehicles and pass/fail rates for the National Car Testing service in 2006 is summarised in the table below. This shows that 52.7% of vehicles obtained test certificates on first test. This was higher than the equivalent rate for 2005, which was 49.1%. 87.8% of re-tests requiring use of the test lane (brakes etc) obtained a test certificate compared with 86.8% in 2005. 98.9% of non-lane re-tests gained test certificates compared to 97.5% in 2005.

Year 2006 Total Tests 996,577 (2006)	Pass		Fail / Refusal		Fail / Dangerous		Total
	No. of Full Tests	%	No. of Lane Re-Tests	%	No. of Lane Re-Tests	%	
	359,291	52.7%	319,614	46.9%	2,875	0.4%	681,780
	188,101	87.8	25,936	12.1%	285	0.1%	214,322
	99,413	98.9%	1,061	1.1%	1	0	100,475

Table 1.0 Year 2006 Annual Throughput of vehicles

Source: NCTS management reports

1.7 The table 1.1 details the percentages of pass, fail and fail dangerous across all test centres.

Test Centre	Pass		Fail		Fail / Dangerous		Total
		%		%		%	
Abbeyfeale	4,762	56.7	3,613	43.0	23	0.3	8,398
Arklow	5,227	48.7	5,467	50.9	49	0.5	10,743
Athlone	5,496	51.1	5,232	48.6	30	0.3	10,758
Ballina	3,811	50.7	3,683	49.0	18	0.2	7,512
Blarney	8,859	50.8	8,427	48.4	143	0.8	17,429
Cahir	7,647	54.9	6,195	44.5	86	0.6	13,928
Cahirciveen	926	61.0	588	38.7	4	0.3	1,518
Carlow	6,929	52.6	6,199	47.0	55	0.4	13,183
Carrick on Shannon	4,118	58.1	2,947	41.6	26	0.4	7,091
Castlerea	3,456	49.9	3,421	49.4	52	0.8	6,929
Cavan	3,767	50.3	3,709	49.6	9	0.1	7,485
Charleville	4,307	52.0	3,928	47.5	44	0.5	8,279
Clifden	9,62	46.2	1,114	53.5	7	0.3	2,083
Cork	21,770	54.6	17,991	45.1	140	0.4	39,901
Deansgrange	32,045	55.1	26,036	44.8	74	0.1	58,155
Derrybeg	1,478	52.2	1,342	47.4	14	0.5	2,834
Donegal Town	3,848	59.6	2,583	40.0	28	0.4	6,459
Drogheda	7,953	57.5	5,807	42.0	73	0.5	13,833
Dundalk	5,032	52.3	4,564	47.4	33	0.3	9,629
Ennis	7,806	53.3	6,768	46.2	86	0.6	14,660
Enniscorthy	8,523	54.5	7,001	44.8	102	0.7	15,626

Test Centre	Pass		Fail		Fail / Dangerous		Total
Fonthill	30,966	50.2	30,465	49.4	219	0.4	61,650
Galway	17,635	52.9	15,593	46.7	138	0.4	33,366
Navan/Kells	8,780	56.8	6,600	42.7	84	0.5	15,464
Kilkenny	7,982	58.5	5,618	41.2	48	0.4	13,648
Killarney	4,791	55.2	3,868	44.5	26	0.3	8,685
Letterkenny	7,130	52.5	6,425	47.3	39	0.3	13,594
Limerick	14,589	52.4	13,175	47.3	105	0.4	27,869
Longford	4,019	51.9	3,696	47.7	30	0.4	7,745
Macroom	5,079	52.3	4,580	47.1	59	0.6	9,718
Monaghan	3,615	45.5	4,291	54.0	38	0.5	7,944
Mullingar	4,634	50.6	4,456	48.6	73	0.8	9,163
Newbridge/NAAS	11,502	53.6	9,861	45.9	105	0.5	21,468
Nenagh	7,315	56.3	5,597	43.1	72	0.6	12,984
Northpoint 1	18,803	48.8	19,521	50.7	185	0.5	38,509
Northpoint 2	15,246	48.4	16,190	51.4	61	0.2	31,497
Portlaoise	5,230	50.6	5,007	48.5	91	0.9	10,328
Skibbereen	4,907	55.5	3,900	44.1	34	0.4	8,841
Sligo	4,052	43.9	5,127	55.5	54	0.6	9,233
Tralee	7,119	55.7	5,612	43.9	45	0.4	12,776
Tullamore	4,774	51.0	4,537	48.5	50	0.5	9,361
Waterford	11,504	55.2	9,182	44.1	151	0.7	20,837
Westport	6,779	55.0	5,491	44.6	55	0.5	12,325
Youghal	4,115	49.3	4,208	50.5	17	0.2	8,340

Table 1.1 Year 2006 Test Centre Performance

Top Five Vehicle Failure Items

- 1.8 For 2006, the following are the top five failure items in descending order:-visual defect overall fails 38.9% (44.6% in 2005), beam results 7.1% (12.0% in 2005), brake test fails 4.8% (5.6% in 2005), dip beam left 4.7% (8.1% in 2005) and dip beam right 4.7% (7.7% in 2005). There has been a small decrease in the top five failure items in 2006.
- 1.9 The five most prevalent visual reasons for refusal of a test certificate for 2006 were, in descending order:- front suspension 6.8% (6.1% in 2005), tyre condition 6.2% (5.3% in 2005), rear lamps and registration plate lamps 5.6% (8.2% in 2005), head lamp condition 5.3% (5.7% in 2005) and stop lamps 5.3%.

Customer Satisfaction Results

- 1.10 Overall, the NCT achieved the agreed performance standards of customer satisfaction. Customer perception was captured through a survey of vehicle owners whose car had been tested from April through to August 2006
- 1.11 The overall level of satisfaction (87%) with the service provided remains high and has improved by a 2% margin on 2005, however it still falls short of the traditional standard of 90% (on average) achieved previously, nevertheless this remains a positive performance.
- 1.12 Similarly, the overall Customer Performance Index (CPI) score for 2006 (84.4), has improved on 2005 score (83) and whilst still falling below the figures obtained in the 3 years previous, continues to exceed the 80 index points as set out under the customer service charter. The results of the survey are discussed further under section 4 of this report.
- 1.13 Throughout the year 747 complaints were received representing less than 0.1% of people using the service.

Pricing Review

- 1.14 There was no pricing review requested or carried out in 2006. The last price review was requested by NCTS in 2003 in line with the provisions of the contract. The increased test fees and retest fees were implemented from 1 March 2005. The revised scale of fees was as follows: €49 for an initial test, €27.50 for a retest and €90 for a taxi suitability test.

Overall Performance

- 1.15 Overall, the performance of the NCTS in 2006 achieved the required standard. It met the required quality and performance targets and achieved a good customer satisfaction rating. The remainder of this report discusses, in more detail, the performance of NCTS in relation to the key performance measures.

II Operational Audit

Methodology

- 2.1 The operational audit consists of regular reviews of all aspects of test centre operations against a wide-ranging set of criteria. It also includes reviews of procedures, centralised documentation, call centre operations, staffing and training records, information systems and management information.
- 2.2 The following table sets out the operational audit criteria and their relative weightings.

Area	Weighting
Premises	189
Staff qualification, training and presentation	40
Test equipment & IT	158
Test arrangements & customer service	20
Supervised test	250
Section A Sub-Total	657
Call centre	101
Information systems & management Information	26
Centrally measured processes	128
Centralised Documentation	88
Section B Sub-Total	343
Total weighted score	1000

Table 2.0 Operational Audit Criteria and Weightings

Summary

- 2.3 All aspects of the service are scored in relation to the requirements of the Project Agreement, supported by individual test centre and headquarter audit reports. The weighted scores are consolidated on a monthly and quarterly basis. Areas of necessary improvement are communicated by the SSC to the Department by way of written reports and discussions as the situation requires and to NCTS at regular review meetings.
- 2.4 Table 2.1 below summarises the operational audit scores for 2006. The overall performance score was 94.7% which is only a marginal decrease on 2005 (95.8%) and an increase upon earlier years. Once again the company has exceeded the standard of 90% defined in the Project Agreement.
- 2.5 Table 2.1 highlights the operational audit scores at individual test centres (approximately 20 test centres chosen at random each month). These scores were consistently high throughout the year. The five areas within the test centre section A part of the operational audit framework, showed consistently high scores across all quarters of 2006.

Weighting	Area	2006 %	QTR 1	QTR 2	QTR 3	QTR 4
150	Premises	93.2	94.4	93.2	93.5	91.6
60	Staff	98.1	99.6	98.4	98.7	95.5
150	Test Equipment and IT	97.1	98.4	97.4	97.7	94.9
40	Test arrangements and customer service	100	100	100	100	100
250	Supervised test	97	97.0	95.0	97.0	99.0
	Section A (test centre) Sub-Total	96.1	96.8	95.4	96.4	95.7
110	Call centre	79.8	74.3	84.6	68.3	92.1
40	Information systems and management information	100	100	100	100	100
125	Centrally measured processes	99.4	100	100	97.7	100
75	Centralised documentation	93.1	93.2	92.3	89.5	97.5
	Section B (headquarters) Sub-Total	92.7	90.7	93.5	87.1	97.0
	Total Weighted Audit Score for 2006	94.7	94.7	94.8	93.2	96.2

Table 2.1 Operational Audit Scores for 2006

Test Centre Audit (Section A)

2.6 Overall, the NCTS test centres achieved the standard required as measured through the operational audits. During the test centre inspections, the condition of the premises, and the availability and quality of the test centre equipment is checked as well as the attitude and presentation of staff. Vehicle inspectors' performance is also monitored and graded. During the year some 1018 vehicle tests were observed as the vehicle Inspectors tested the cars. A further 214 vehicles were rechecked by SSC engineers following completion of their tests.

Premises

- 2.7 The National Car Testing Service is required to be delivered from premises that are accessible to customers and fit for the purpose.
- 2.8 During 2006 a general repair and maintenance programme was implemented throughout all test centres. Any items requiring repair or redecoration were brought to the attention of NCTS through the monthly test centre audits and were duly rectified. These checks ensure that the condition of the building fabric is maintained to provide a sound, weatherproof, secure and operational test facilities.
- 2.9 Generally, the company maintained the fabric of the premises to the expected standard during the year. However, as discussed further within section 4 there has been a further decline in respect of the comfort of the waiting area (65% satisfaction in 2006 compared with 67% in 2005). The company has been asked to consider options to improve satisfaction with this aspect of the service.
- 2.10 However, customer perception regarding the cleanliness of the waiting area has shown an improvement (84% in 2006 compared with 82% in 2005).

Staffing and HR

2.11 Overall staffing levels which include headquarters staff, test centre and call centre personnel increased from 439 in January to 468 in December. The number of vehicle inspectors and team leaders remained relatively constant throughout 2006, declining slightly from 288 in January to 285 in December. To help deal with multi calls (taxis) the call centre headcount continued to grow from 76 in January to 102 in December.

- 2.12 Recruitment programmes ran both locally and overseas, particularly in Germany and Poland. In October NCT attended a recruitment fair in Poland for the recruitment of Vehicle Inspectors. All foreign applicants are required to carry out an interview in English, prior to being considered for appointment.
- 2.13 Annual training of all vehicle inspectors took place in September. This covered elements of the test process and test equipment and an assessment of each inspector was conducted. Additional training throughout the year consisted of individual staff assessments conducted by the management team and senior inspectors. The first round of training for the Driver Testers took place in September. This consisted of a six week programme.
- 2.14 All employees interested in participating in external further education training courses relating to their current position within the company were encouraged to apply for the company's bursary scheme. During 2006, the company subsidised external training fees for 15 members of staff.
- 2.15 NCTS also rolled out training for the group's 'Code of Integrity'. All staff attended a seminar explaining this policy in 2006.
- 2.16 Human Resource audits which were introduced during July 2005 continued throughout the year until completion in 2006. This process required human resource personnel to visit test centres assessing staff morale and collating staff improvement suggestions. Based on these audits NCT Team leaders, Test Centre Managers and Regional Managers will undergo training courses in relation to understanding and managing staff needs and expectations. The Employee Handbook was reviewed in August and is to be reissued in early 2007.
- 2.17 The Labour Court made a definitive judgement in December that the union should accept the productivity scheme proposed by NCT.

Test Equipment & IT

- 2.18 During the regular inspections of all test centre premises, the availability and quality of the test centre equipment was checked. The scores for individual test centres against this criterion were gathered and reviewed and a number of minor aspects drawn to the attention of management. These were rectified accordingly. Some minor operational software updates were introduced in 2006.
- 2.19 A key aspect of ensuring the accuracy of testing is to carry out regular consistency checks on all test equipment. Four sets of consistency checks were carried out during the year, with SSC engineers accompanying NCT regional technical staff on the third round of tests, held in September 2006. Each set of test results was submitted by NCTS to the Department for consideration.
- 2.20 The PMAC asset maintenance system was substantially modified and upgraded to allow for better planning, scheduling and recording of all repair and maintenance to buildings and equipment. Some further modifications were made to assist with better management reporting of faults and downtime by individual test lane and centre. Further modifications are planned for 2007.

Test Arrangements and Customer Service

- 2.20 The quality of customer service is measured against a number of different criteria, by means of a telephone survey of 1000 people who have recently had their cars tested. A customer performance index (CPI) is used as an aggregate index of performance based on the aspects of service considered by customers to be most important. The overall CPI score for 2006 was 84.4, compared with a score of 83 in 2005. The overall CPI score for 2006, has improved on 2005 and whilst still falling below the figures obtained in the 3 years previous, continues to exceed the 80 index points as set out under the customer service charter. The results of the survey are discussed further under section 4 of this report.

Observed Tests

- 2.21 A key aspect of the operational audit process is an assessment of the quality of work carried out by vehicle inspectors. Throughout the year, the quality of inspection was maintained and this was reflected through the vehicle inspector (VI) scores, averaging 9.72 out of 10 for 2006 compared with 9.77 for 2005. Any areas of concern raised during the observations were pointed out to local management and reported regularly to the NCT for corrective action to be taken. This important criterion, directly impacting the quality of testing is discussed further in section 3.

Section B - Headquarters Review

- 2.22 Information that is held or managed centrally was reviewed during the headquarters reviews which were conducted on a Quarterly basis. Operational audit scores for this part of the framework ranged from 87.1% in Quarter 3 to 97% in Quarter 4.
- 2.23 Scores within the call centre section remained relatively low during quarters 1 to 3 with scores of 74.3%, 84.6% and 68.3% respectively, before showing a significant improvement during Quarter 4 (92.1%). This improvement was primarily due to each month within Quarter 4 achieving the SLA i.e. 90% of calls answered within 15 seconds. The operational audit scores for Information systems and management information, centrally managed processes and centralised documentation were reasonably consistent throughout 2006 as shown in Table 2.1.

Call Centre

- 2.24 Overall, the call centre met the required service level of 90% of calls answered within 15 seconds. The overall result for 2006 was 90%, compared with 93% for 2005. The call centre achieved the service level during every Quarter of 2006, with the exception of Quarter 1 with a result of 87%. This was attributed to the seasonal peak call volumes throughout January.
- 2.25 Call centre performance for January was in line with the previous year at 83%. During the remainder of the year call centre performance was above target as shown in chart 2.0 with the exceptions of March (89%), April (89%) and July (89%) which were slightly under target.

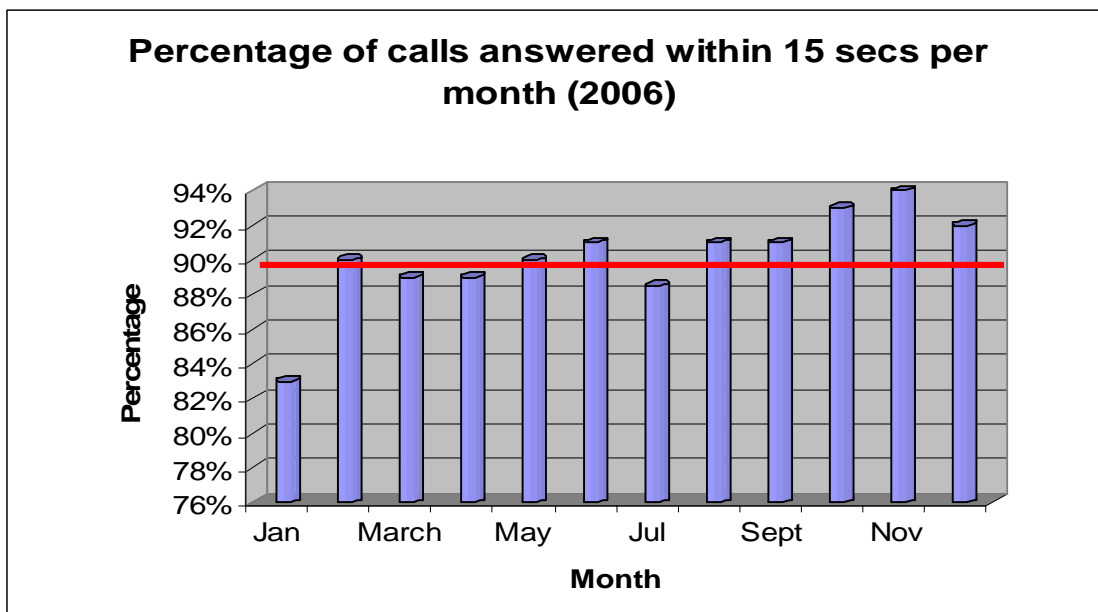


Chart 2.0 Percentage of calls answered within 15secs per month

- 2.26 Annual figures for call centre performance showed that the company received approximately 1.245 million calls, which is an increase of approximately 50,000 when compared with 2005.

Call volumes increased by 10% in the first six months relative to 2005 i.e. 697,038 compared to 632,524. The high volume of calls was mainly attributable to an increase in test volumes (9%), which, in turn, was impacted by unexpected demand arising from inaccuracies in data from the Vehicle Registration Unit (VRU) and by the testing service falling behind schedule in its booking arrangements.

- 2.27 Internet booking transactions accounted for approximately 11% of transactions during the year which is similar to 2005. The company has increased the profile of this service through its marketing operation to inform all customers of the availability of the service.
- 2.28 During 2006 NCT continued rolling out the SMS text messaging service to customers. Full tests confirmed by SMS (that were sent by NCT) were 42%. The use of SMS is linked to the agent's performance. A booking is sent by SMS following an agent's intervention i.e. when the customer calls for a booking. NCT encourage the use of SMS internally by offering incentives to the agent's, for example, a recent incentive was to offer 5 holiday vouchers worth €100 each for the best users of SMS.
- 2.29 One additional team was established within the call centre moving the total number of call centre teams from three to four. As a result of this a new team leader was added to the call centre team. The team leader is essentially responsible for the management of both quality and the efficiency of the newly established team's performance.
- 2.30 A new piece of software was introduced to the call centre i.e. 'Agent Greeting'. This allows the agent to record their opening greeting so they will not have to repeat the greeting for each call.

Information Systems and Management Information Processes

- 2.31 A number of systems were under development in 2006. These included upgrades to:
- Contract management reporting system i.e. beginning of the migration process from access to the web based application – QBase;
 - VIMS/ MAHA Euro System interface to allow improvements in the light test procedure; and
 - Call centre PBX/ switch system
- 2.32 The implementation of these systems/ upgrades represented a significant investment in and enhancement of the IT infrastructure. It was designed to improve efficiency of operation while also improving security and system resilience in the event of any system failure.
- 2.33 The operational audit scoring for this section was 100 in both 2006 and 2005.

Centrally Measured Processes

- 2.34 The overall performance score for centrally measured processes was 99.4 for 2006 and 2005. The main elements of centrally measured processes include measurement of lead-times for tests and retests, waiting times at test centres and evidence that procedures for handling complaints appeals and general correspondence are effective.
- 2.35 The booking lead-time for full tests achieved the required service level over the year. On average, test appointments could be booked within 11 days from the time of request, compared with the service level standard of 14 days required for the service. While meeting the standard this represented a worsening of the position from that achieved over the past few years as shown in Table 6.0 in Section VI. This was caused particularly by an unexpected high level of demand which only became apparent during the year, thus causing pressure on resources and available capacity.
- 2.36 Overall, the lead-time for retest appointments met the required service standard of 7 days. The average lead-time for booking retests was 5.4 days.

- 2.37 NCT is required to keep average waiting times at test centres below 30 minutes, when vehicles are presented for testing. The overall average waiting time was just over 2 minutes overall compared to just over 4 minutes in 2005.
- 2.38 105 vehicles were kept waiting longer than 1 hour compared with 701 vehicles in 2005. The larger number in 2005 was primarily due to implementation of the new Vehicle Inspection Management system (VIMS). However, NCT have revised the VIMS booking process to present a more accurate analysis in terms of queuing times which is shown in the 2006 results.

Centralised Documentation

2.39 This criterion covers a range of issues including:

- confirmation of qualification of vehicle inspection staff;
- maintenance of company records for test equipment calibration and safety compliance
- operation of the company's plant maintenance system (PMAC).

2.40 The operational audit scoring for this section was 93.1 in 2006 compared with 87.8 in 2005.

Summary

2.41 In its seventh year of operation, the company's performance, measured by the operational audit, was 94.7%, which was in line with the outcome achieved in 2005 (95.8%) and which comfortably exceeded the standard required. This represents a continued high standard of achievement across a wide range of individual criteria.

III Observed Test Inspections

Methodology

- 3.1 The methodology for observing test inspections independently is based on a random selection of test centres and vehicle inspectors for unannounced inspection visits. Vehicle inspectors are observed carrying out full tests, with SSC engineers observing their attention to the inspection sequence and their effectiveness in identifying faults. They also assess as to whether or not any anomalies found would have changed the outcome of the test result.
- 3.2 The SSC aims to observe the testing of approximately 1,000 vehicles throughout the year. During 2006 some 1018 vehicle tests were observed. These covered approximately 20 test centres each month.
- 3.3 The following table sets out a summary of the number of test centres, test lanes, vehicle inspectors and vehicle tests observed. On average, vehicle inspectors were observed carrying out 5 tests, on 3/4 different occasions throughout the year.

2006	Jan	Feb	Mar	April	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Total
No. of Test Centres	19	17	24	20	24	22	21	13	24	21	21	16	242
No. of Test Lanes	37	41	46	37	43	40	47	34	42	36	34	31	468
No. of Vehicle Inspectors observed	66	58	84	67	85	79	69	48	73	83	61	52	825
No. of Vehicles	81	69	112	86	101	101	95	59	93	89	75	57	1018

Table 3.0 Test Centres, Test Lanes, Vehicles Inspectors observed in 2006

- 3.4 The results of the observed tests are communicated to the local supervisor/team leader at the time of the review and to NCTS senior management on a monthly basis. The methodology is based on completing more than one observed test for each vehicle inspector, and reporting the lowest score.
- 3.5 For the year as a whole:
- 2.5% (20) of vehicle inspectors scored zero due to failing to identify a 'major' item or a least 6 'minor' items, compared with 2% (15) incidents in 2005 and 0.4% (4) in 2004;
 - No vehicle inspectors scored 3 (omitted 5 minor items), similar to 2005 and 0.5% in 2004;
 - 0.4% vehicle inspectors scored 6 (omitted up to 4 minor faults), compared with zero in 2005 and 3% 2004;
 - 2.5% omitted up to 2 faults (score 9), similar to in 2005 and 3.0% in 2004; and
 - 94.6% of vehicle inspectors audited scored maximum points, compared with 96% in 2005 and 93% in 2004.

Category	Score	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Very Good (0 faults omitted)	10	61	50	81	62	79	74	62	46	73	81	60	52	781
Good (<=2 faults omitted)	9	4	5	0	3	2	1	2	2	0	1	0	0	20
Adequate (<=4 faults omitted)	6	0	1	2	0	0	1	0	0	0	0	0	0	4
Poor (5 minor items omitted)	3	0	0	0	0	0	0	0	0	0	0	0	0	0
Unacceptable (any major item or 6 minor items omitted)	0	1	2	1	2	4	3	5	0	0	1	1	0	20
Check Test Totals		66	58	84	67	85	79	69	48	73	83	61	52	825

Table 3.1 Vehicle Inspector performance rating for 2006

- 3.6 Overall the quality of testing observed has been very good. The number scoring top marks (95%) was only marginally down upon the 2005 (96%) and was an increase upon the 2004 performance of 93%. An average score of 9.72 out of 10 was achieved overall, representing a good performance for the quality of work carried out by the vehicle inspectors.
- 3.7 However, 2.5% of vehicle inspectors were rated poor or unacceptable compared with only 1.6% in the prior year. In each case where the vehicle inspector was deemed to carry out the observed test inadequately, the matter was drawn to the attention of the team leader and to NCTS senior management. 20 Instances of poor performance were recorded during 2006 and usually related to matters of detail such as;
- failing to ensure that tyre pressures were checked in accordance with procedure,
 - corrosion not being noticed,
 - safety clothing not being worn,
 - power steering leaks not being noticed and;
 - Incorrect procedures being followed.
- 3.8 The 1,018 vehicles included in the supervised test inspections were analysed using the same reporting software as is used for the Car Testing Service results as a whole. The purpose was to assess whether the results for the sample were similar to those of the overall population of vehicles tested. Material differences, for individual test items, indicate a possible difference in standards of testing when testing is being observed independently.
- 3.9 For the automated test elements, the pass/fail rates for the sample showed consistency with the overall rates for the vehicle population. There was no material difference across the general elements of the test with the exception of the light beam test which showed a failure rate of 11.0% for supervised tests compared with a 7.1% failure rate for the general population of vehicles. Although there was no significant difference in particular elements, taken as a whole the level of failures due to visual defects was higher for the sample. This appears to indicate that when being observed, there is a slightly greater tendency to fail borderline cases. When 2005 results are compared to 2004 results there are again no appreciable difference in general comparable results
- (a) No pass/fail decisions were overturned as a result of failure items being omitted, or included in error, during the observed tests.

Independent check tests

- 3.10 214 vehicles were checked independently by the SSC during the year and achieved an average score of 9.83 out of 10. These were drawn, at random, from tests completed immediately prior

to unannounced visits. For the 214 vehicles checked independently, 3 instances of incorrect test results were identified compared with 4 in 2005. These did not affect the overall test outcomes.

IV Customer Satisfaction Survey

- 4.1 One of the key aspects of the National Car Testing service that is monitored regularly is the level of customer satisfaction. The overall objective of the study, carried out by PricewaterhouseCoopers International Survey Unit, is to measure levels of customer satisfaction with the main aspects of service provided by NCTS.

Methodology

- 4.2 The 2006 survey represents the 7th wave of measurement of levels of customer satisfaction with the main aspects of the NCTS service. This current survey was conducted with members of the general public who recently had their vehicle tested by the NCTS.
- 4.3 The 2006 survey was conducted in 2 tranches, the first tranche was conducted with members of the public who had their car tested between the months of April and May 2006, and the second was drawn from tests conducted between July and August 2006. The sample was randomly selected from NCTS' customer database for the corresponding periods and was representative in terms of the national first time pass rate for the year to date, which stood at 53% (period 1st January - 30th September 2006). Customers from all NCTS test centres were surveyed throughout the fieldwork period
- 4.4 The survey was administered using a structured questionnaire via PricewaterhouseCoopers' computer aided telephone interviewing (CATI) system. The questionnaire was consistent with that used for the NCTS annual customer satisfaction survey in previous years and contained a series of questions dealing with the level of importance and satisfaction with a range of issues that an NCTS customer would expect to encounter.

Analysis

- 4.5 The questionnaires were analysed using the SPSS computer statistical package, the standard statistical package designed for the purposes of market research.
- 4.6 A key feature of our analysis is the calculation of a Customer Performance Index (CPI). This index summarises the overall performance of NCTS in a single score which allows for each year's results to be interpreted at a glance and compared with the results of the benchmark study and those of the subsequent years' monitoring.

Key findings

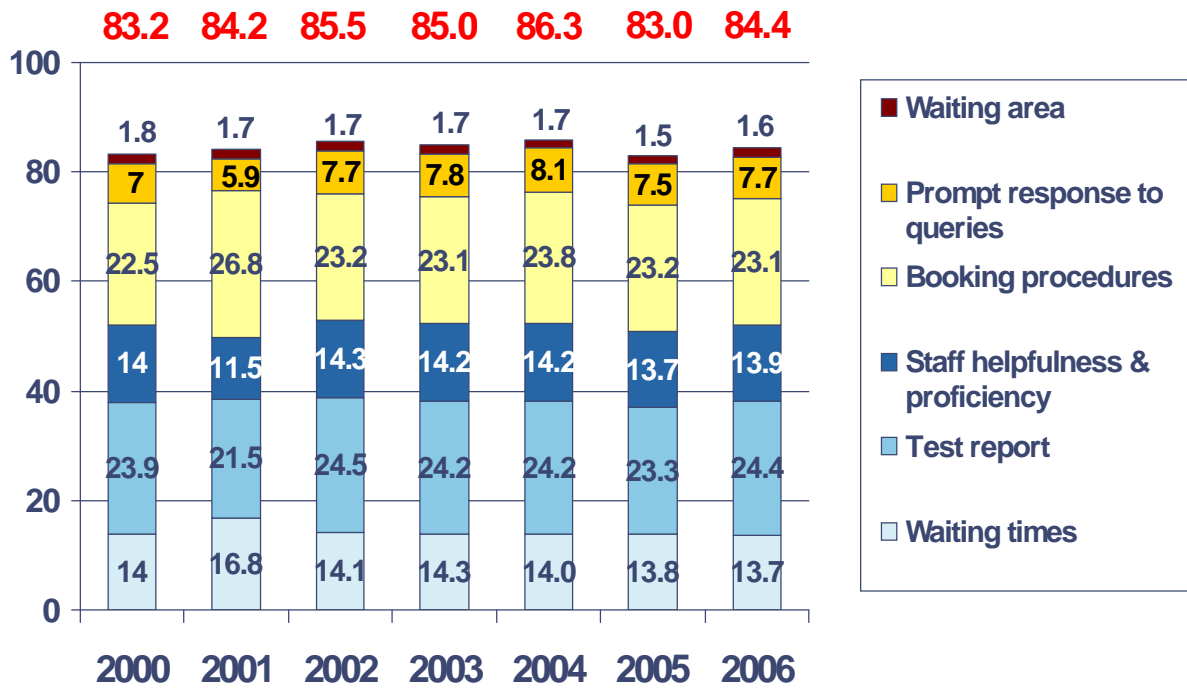
Respondent Profile

- 4.7 The profile of respondents exhibits the same broad pattern since monitoring began in 2000. As shown in the chart below, the majority (89%) of respondents presenting their car for testing are over the age of 35 years. Only 20% of respondents are aged 35 years or younger; whereas those aged 50 years or older represent 42% of the total. Those in the 26 – 49 years age bracket still represent over half (52%) of the total.

Customer Performance Index

- 4.8 The index remains higher than that achieved in the first two years of monitoring and remains above the service standard score of 80 as set out in the customer charter. It is also improved on the decline experienced in 2005. The CPI value is attributable across almost all aspects of service provided by NCTS.

Customer Performance Index



Overall Satisfaction

4.9 Respondents were asked to rate their satisfaction with various aspects of service on a five point scale, where one is 'very dissatisfied' and five is 'very satisfied'. Satisfaction with the main aspects of service was generally high, with the majority of respondents being very satisfied or quite satisfied with all of the service attributes under investigation.

Aspect of Service	Number to whom question was applicable	Quite satisfied (%)	Very satisfied (%)	Overall satisfaction 2006 (%)	Overall satisfaction 2005 (%)
Information on booking procedures	995	34	50	84	87
How straightforward it was to confirm test	997	27	66	93	93
Helpfulness of staff when confirming test	898	25	69	94	94
Length of time had to wait for test appointment	984	29	47	76	82
Length of time taken to respond to telephone queries	620	32	57	89	86
Length of time taken to respond to written queries	203	32	55	87	83
Registration and payment procedures at test centre	992	29	60	89	88
Helpfulness of reception staff	974	26	62	88	87
Length of time had to wait at test centre	981	31	55	86	80
Cleanliness of waiting area	975	30	54	84	82
Comfort of waiting area	971	29	36	65	67
Helpfulness of staff member who carried out test	961	27	62	89	86
Ability to carry out test professionally	906	28	64	92	89
Ability to answer questions on test result	748	27	59	86	84
Test report itself	988	28	58	86	81
Length of time had to wait for re-test	317	33	50	83	83

4.10 Consistent with 2005, aspects of service that received the highest levels of customer satisfaction were the helpfulness of staff when confirming the test, the ease of confirming the test and the professional conduct of the test itself, with approximately nine out of ten customers stating they were satisfied with each aspect of service.

4.11 Further, three of the areas that were identified as having 'room for improvement' in 2005 have increased their percentage of 'very satisfied' customers in 2006. These are; the length of time taken to respond to written queries; the length of time customers had to wait at the test centre and the length of time customers had to wait for a retest.

4.12 Overall satisfaction with the test report has increased (86% compared to 81% in 2005). This represents the greatest increase in 'very satisfied' customers during this period.

4.13 Ranking as the 2nd most important service attribute in 2006, waiting times however, require continued improvement. Specifically, of those who ranked length of waiting time most or second

most important only 70% were satisfied with the length of time they had to wait to get a test appointment.

- 4.14 Three aspects have lower overall satisfaction this period than in 2005; the length of time customers had to wait for a test appointment (76% vs. 82%); information on booking procedures (84% vs. 87%) and comfort of the waiting area (65% vs. 67%). Customers continue to be least satisfied with the 'comfort of the waiting area', though a quarter of respondents are indifferent to this service attribute.
- 4.15 Satisfaction with the test report is also the only element of service that achieves a higher score (+2%) than 2004 ratings.
- 4.16 Some eight out of ten of respondents (85%) stated that the location of the test centre was convenient. Only 6% consider the location to be inconvenient. The majority of respondents also continue to express satisfaction with opening hours and time slot. Eighty six percent of respondents stated that the opening hours of the test centre were convenient. Similarly, respondents were largely satisfied with the time slot they were allocated for their vehicle test with 87% stating that the time was either 'very' or 'quite' convenient.
- 4.17 Satisfaction with the overall service received from NCTS remains high with 87% stating that they were 'quite satisfied' or 'very satisfied' with the overall service. Although this represents a marginal (2%) improvement on 2005 it remains a 3% shortfall on the stated service standard requirement of 90% customer satisfaction and the ratings which has been achieved over the previous years. The percentage expressing dissatisfaction remains constantly low at only 3%.

Value for Money

- 4.18 Almost two thirds of respondents (65%) believe that NCTS offers good value for money. This represents an 11% increase on 2005 (54%). Fifteen percent expressed an opposing view, stating that the service offered poor value for money. This compares favourably with 2005 when 20% expressed this view.
- 4.19 Respondents who considered NCTS to offer poor value for money were asked why they held that view. The primary reasons centred on the cost of either the test or the retest.

Conclusion

- 4.20 Overall, customer perception of the service provided by NCTS has been very positive over the past seven years. The overall CPI score for 2006, has improved on 2005 and whilst still falling below the figures obtained in the 3 years prior to then, continues to exceed the 80 index points as set out under the customer service charter.
- 4.21 Customers continue to be most satisfied with the helpfulness of staff when confirming the test, the ease of confirming the test and the professional conduct of the test itself. Three of the areas that were identified with room for improvement in 2005 have increased their percentage of 'very satisfied' customers, the length of time taken to respond to written queries, the length of time customers had to wait at the test centre and the length of time they had to wait for a retest.
- 4.22 Overall satisfaction with the test report has also increased on 2005. As the most important aspect of service, this is a welcome improvement which requires continued monitoring.
- 4.23 Whilst certain aspects of wait times have improved, 'the length of time taken for a test appointment' needs to be addressed. As this is now rated as the second most important aspect of service, it is key to customer experience and must be improved in order to prevent a decline in customer satisfaction. Of all the attributes rated, length of time taken for a test appointment experienced the greatest fall in overall satisfaction on 2005.
- 4.24 Information on booking procedures has experienced a marginal decline on 2005 and customers continue to be least satisfied with the 'comfort of the waiting area'.

4.25 Given that all attributes except 'helpfulness of staff' experienced a decline in satisfaction between 2004 and 2005 and the only attribute to surpass 2004 ratings was the 'test report' it is important that all attributes are monitored carefully in the next period. In particular, a marked improvement in the three attributes that experienced a further decline in satisfaction on 2005; length of time customers had to wait for a test appointment; information on booking procedures and comfort of the waiting area could significantly improve satisfaction for the next monitoring period.

V Complaints and Appeals

Customer Complaints

- 5.1 Customer complaints are recorded under a number of categories set out in the summary table below. From the outset, NCTS have used a Lotus based software application to record initial customer complaints, document their progress and resolution and provide a document audit trail to retain information regarding promptness and quality of responses to customers.
- 5.2 During 2006 there were 747 customer complaints, which represented a decrease from 2002, 2003, 2004 and 2005 when complaints totalled 1107, 958,878 and 851 respectively.

Complaint category	Total
Test (conduct of test/results)	109
Damage (or loss to property)	138
Bookings (& call centre)	47
Attitude (of staff)	46
Queue (delays at test centre)	13
Outcome of the tests (appeals)	123
Rules/Regulations	212
Other	59
Total	747
As a % tests Conducted	0.07

Table 5.0 Year 2006 customer complaints (by category)

- 5.3 34% of the complaints related to the category of Rules and Regulations (31% in 2005). This category includes complaints relating to such issues as expiry date of test certificate, retest validity periods and test content. The total number of complaints as a percentage of total tests taken was 0.07%. This was a marginal decrease from 0.09% in 2005 and well below the maximum target set at 0.2%.

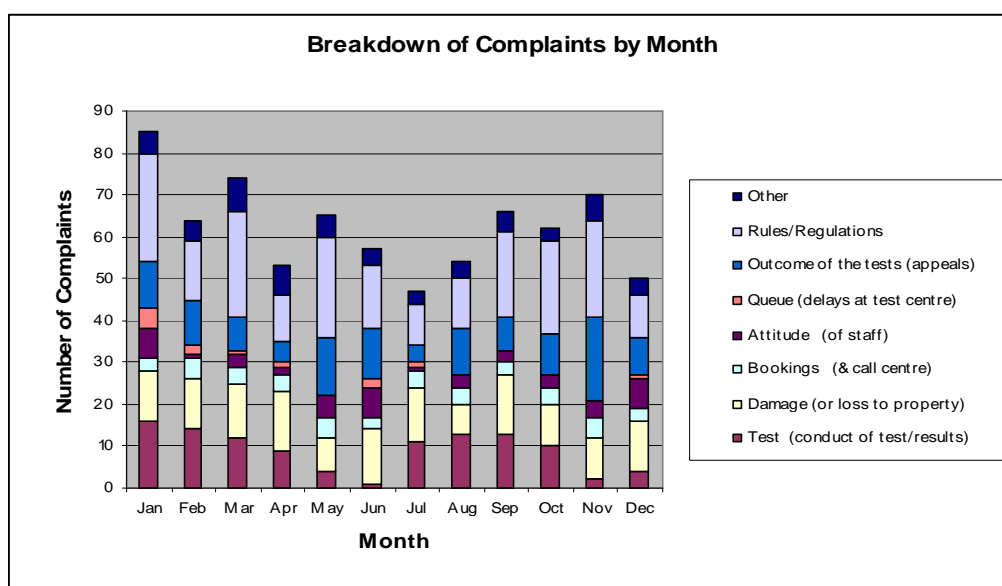


Chart 5.0 Year 2006 customer complaints (by category)

Appeals

- 5.4 Following a review of the appeals process it was decided in late 2004 to pilot the introduction of an Independent Appeals Board. This initiative was fully rolled out across the country early in 2005 and continued in 2006. Technical investigations were carried out by the SSC, who were assigned the responsibility of processing any appeal raised by a customer. This is to ensure a fully independent decision is provided, based on the outcome of the appeal investigation
- 5.5 The Independent Appeals Board received 24 appeals throughout 2006, 7 appeals were upheld after investigation, 13 were rejected and 4 did not come under the remit of the Independent Appeals Board as they referred to administrative errors and vehicle damage.
- 5.6 Six upheld appeals related specifically to the area of headlight alignment with the other relating to chassis leg damage.

Conclusion

- 5.7 The number of complaints received by NCTS has continued to fall and the company has adopted a consistent approach to dealing with them. The establishment of an Independent Appeals Board provides a more independent environment for the resolution of customer issues, for the small number of cases that require additional investigation.

VI Performance Management

Performance Standards Achieved

6.1 The following table sets out the company's achievement against the standards of performance required.

Performance Standard	Target	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Waiting times (full slots) for bookings – average less than 14 days	<14 days	6.1 days	13.5	9.7	9.1	7.8	10.7	11.4
Waiting times at individual National Car Test Centres – average less than 21 days	<21 days	✓	✓	✓	✓	✓	✓	✓
Test integrity	99.0%	99.7%	100.0%	99.9%	100.0%	99.9%	99.5%	99.0%
Customer satisfaction (Customer Performance Index)	80.0	83.2	84.2	85.5	85.0	86.3	83.0	84.4
Operational audit	90.0%	89%	90.1%	93.3%	95.1	96%	95.8%	94.7
Notification of results		✓	✓	✓	✓	✓	✓	✓
90% of calls answered within 15 secs.	90.0%	88.0%	65.0%	88.0%	93.0%	92.0%	93.0%	90%

Table 6.0 Year 2005 NCT achievement against Performance Standard

✓ - Denotes satisfactory result by reference to the performance standards

6.2 Waiting times for test bookings were all within contractual targets as shown in the above table.

6.3 The CPI (Customer Performance Index) for 2005 was 84.4, a slight increase on the 2005 survey (83) which is significantly higher than the CPI target of 80.

6.4 Operational audit performance for 2006 was 94.7%, a marginal decrease on the 2005 score of 95.8% and significantly higher than the target of 90%.

6.5 Call centre performance for 2006 was 90%, a decrease on 2005 scoring of 93%, and meeting the project agreement target of 90%.

6.6 Notification of test results continued to be forwarded to NVDF in line with the service level agreement.

6.7 The following table demonstrates the performance standards and the performance adjustment criteria, as detailed in the Project Agreement.

Performance area	Key performance standard	Performance points	Performance bands	Performance adjustment criteria	Actual adjustment
Waiting times	Average waiting time for test bookings less than 14 days	One point for each day (max. six points per week) greater than the standard	A : 0 points B : 1-4 points C : 5-8 points D : >8 points	0.0 0.5% of total turnover 1.0% of total turnover 1.5% of total turnover	0

Performance area	Key performance standard	Performance points	Performance bands	Performance adjustment criteria	Actual adjustment
Waiting times at individual National Car Test Centres	Average waiting time for test bookings less than 21 days	0.33 point for each day (max two points per week) greater than the standard	A : 0 points B : 0-1 points C : 1-2 points D : >2 points	0.0% 0.5% of centre turnover 1.0% of centre turnover 1.5% of centre turnover	0
Test integrity	99 per cent of test outcomes to be confirmed on check testing.	One point for each 0.5 per cent below the standard	A : 0 points B : 1-4 points C : 5-8 points D : >8 points	0.0% 0.5% of total turnover 1.0% of total turnover 1.5% of total turnover	0
Customer satisfaction	Level of customer satisfaction with the National Car Testing service as defined by Composite Customer Satisfaction Index must equal 90 per cent.(80%CPI)	Two points for each three per cent below the standard, taking into account sampling errors	A : 0 points B : 0-4 points C : 4-8 points D : >8 points	0.0% 0.5% of total turnover 1.0% of total turnover 1.5% of total turnover	0
Operational audit	Average composite index of performance resulting from operational audits of National Car Test Centres must equal 90 per cent.	One point for each one per cent below the standard	A : 0 points B : 1-4 points C : 5-8 points D : >8 points	0.0% 0.5% of total turnover 1.0% of total turnover 1.5% of total turnover	0
Notification of results	Transfer of test results to NVDF daily (or issue of test certificates and discs within two minutes of test completion) on 98 per cent of occasions.	One point for each one per cent below the standard	A : 0 points B : 1-4 points C : 5-8 points D : >8 points	0.0% 0.5% of total turnover 1.0% of total turnover 1.5% of total turnover	0

Table 6.1 Performance Standards and the Performance Adjustment Criteria

6.8 As a result of achieving the required standards, no performance adjustment is applicable to NCTS in respect of their overall performance during 2006.

Rectification & Default Notices

6.9 The company received no rectification or default notices during 2006.

Quality Accreditation

6.10 The company retained its ISO 9001 accreditation during the year.

Conclusion

6.11 All performance standards were met in 2006 and the NCTS retained its ISO 9001 accreditation.

VII Financial Matters

- 7.1 In this section of the report we comment on the overall financial results of the company. The purpose and scope of our work as SSC is not of the nature of a financial audit. We do not provide any assurance or comfort as to the validity of the figures presented in this report and we do not present an opinion as to the true and fair nature of the state of affairs of the company. We have not been required to assess or validate any of the financial figures made available to us and therefore any errors in the underlying figures will flow through to our report. We accept no responsibility or liability for any such errors. The company's appointed auditors are Deloitte & Touche.
- 7.2 We, as SSC, monitor the financial performance of the company on a monthly basis with reference to the management accounts and discuss the monthly performance and key variances against budget with the company accountant at monthly review meetings.
- 7.3 Each year, the company provides a revised forecast of its performance over the full term of the contract, incorporating projections of numbers of vehicles eligible for testing over the remainder of the contract, as well as other relevant information such as any agreed test fee changes or other cost changes. The financial model – covering the 10 years of the contract - is also updated for audited historic outturn information once the final financial statements are available.
- 7.4 We obtain the annual un-audited financial statements as soon as they become available and reconcile these to the year end management accounts, as well as confirming the consistency between the un-audited and audited financial statements, once available. Once the 10 year financial model has been updated for historic actual and revised forecast information, we consider both the inputs to the model and the resulting outputs and, in particular, the revised forecast project IRR. As well as revised performance indicators for the 10 year contract period, the outputs from the updated financial model include a budget for the following year.
- 7.5 Other aspects of our work include assisting in the evaluation of any applications for review of the test and/or retest fee and reviewing the documentation supporting the levy payments made by NCTS to the Department.
- 7.6 The profit and loss accounts for the company, as per the audited financial statements, for the financial years ending 31 December 2006 and 31 December 2005 are summarised below, showing the key financial results and the year on year changes.

	2006 €	2005 €	Difference €	Difference %
Turnover	33,829,048	30,922,933	2,906,115	9.39%
Administrative costs	(27,018,926)	(25,150,560)	(1,868,366)	(7.43%)
Operating profit	6,810,122	5,772,373	1,037,749	17.98%
Interest payable and similar charges	-	-	-	-
Interest receivable and similar income	85,144	63,506	21,638	34.07%
Profit on ordinary activities before taxation	6,895,266	5,835,879	1,059,387	18.15%
Tax on profit on ordinary activities	(895,211)	(734,000)	(161,211)	(21.96%)
Profit on ordinary activities after taxation	6,000,055	5,101,879	898,176	17.60%

Table 7.0 Financial comparison - Profit and Loss Accounts 2006 and 2005

- 7.7 In 2006, NCTS turnover increased by €2.9 million to €33.8 million. However, the administrative costs also increased over the year, but by a smaller amount amount, with the overall effect that the operating profit increased by €1.04 million. Overall the number of tests was higher in 2006 than 2005 for full tests, re-tests and for non-lane re-tests which has resulted in higher total income.
- 7.8 The testing income forms 97.4% of total income for 2006 and 98.7% for 2005 and therefore any changes in testing income, combined with the effect of the test fee increases would largely explain the overall change in turnover. All categories of testing income were higher in 2006 than in 2005 with the exception of retest income and NCT disc holders' income.
- 7.9 Within administrative costs, staff costs and numbers (439 in Jan 2006 to 465 in Dec 2006) were higher in 2006 than in 2005 and this is the main contributing factor to the higher overall operating costs in 2006. Interest receivable increased by 34% over the year.
- 7.10 Profit before tax was up €1.06 million (18.15%) from 2005 and profit after tax by €0.9 million (17.6%).
- 7.11 Likewise the balance sheets for the company for the financial years ending 31 December 2006 and 31 December 2005 as per the 2006 audited financial statements are summarised below, identifying the key balances and the year on year changes.

	2006 €	2005 €	Difference €	Difference %
Fixed assets	2,255,416	3,063,795	(808,379)	(0.26%)
Current assets	6,345,155	5,054,413	1,290,742	25.53%
Creditors (<1 yr)	(5,671,692)	(5,131,384)	(540,308)	11%
Net current assets/(liabilities)	673,463	(76,971)	750,434	(975%)
Total assets less current liabilities	2,928,879	2,986,824	(57,945)	(2%)
Creditors (>1 yr)	-	-	-	-
Net assets	2,928,879	2,986,824	(57,945)	(2%)
Called up share capital	2,748,753	2,748,753	-	0%
Capital conversion reserve fund	43,401	43,401	-	0%
Profit and loss account	136,725	194,670	(57,945)	(29.77)
Equity shareholders' funds	2,928,879	2,986,824	(57,945)	(1.94%)

Table 7.1 Financial comparison – Balance Sheets 2006 and 2005

- 7.12 The net book value of fixed assets decreased by approximately €0.8 million, and this incorporates additions with a cost of €0.3 million and a depreciation charge for the year of €1.1 million. No significant disposals have been noted during the year.
- 7.13 Current assets have increased by €1.3 million overall, and the main reason for this is two new loans of €2.7 million and €0.9 million to SGS Ireland Holdings Limited and SGS Ireland Limited respectively. There has also been a decrease in the cash balance held of €2.7m and an increase of €0.4 million in debtors. Creditor balances due within one year have increased by €0.5 million which is a combination of a decrease of third party creditors, an increase in accruals and an increase in VAT payable. While there has not been much movement overall in the tax and social welfare creditor balance, within this there was a decrease in the corporation tax

balance of €39k offset by an increase in VAT payable of €35k. There was also a decrease in PAYE/PRSI due of €20k.

- 7.14 The company has moved from net current liabilities in 2005 to net current assets in 2006. As in 2005, there are no long term creditors.
- 7.15 Overall there has been a 1.9% decrease in the net worth of the company from 2005 to 2006 and this change in the equity shareholders' funds is equal to the profit retained for the year after dividends.
- 7.16 A difference of £109k has been noted between the financial statements and the management accounts. This relates to a prepayment for annual calibration fees which was put through the management accounts but was not put through the financial statements.

Pricing Review

- 7.17 Arising from the price review exercise initiated in late 2003, increased test fees were charged to motorists from 1 March 2005. There were no additional increases to test fees in 2006.

Conclusion

Financial Performance

- 7.18 In summary, 2006 was a year that saw increased turnover of 9% from 2005 and an increase in administration costs of 7% over the same period resulting in increased operating profit of 18%. There was a profit before taxation in excess of €6 million but a dividend in excess of this amount was paid which resulted in a reduction in the net assets of the company.

VIII Conclusions

- 8.1 2006 was a year of good performance for the company, with the required standard achieved for all Key Performance Measures.
- 8.2 In its seventh year of operation, the company's performance, measured by the operational audit, was 94.7%, which was in line with the outcome achieved in 2005 (95.8%) and which comfortably exceeded the standard required. This represents a continued high standard of achievement across a wide range of individual criteria.
- 8.3 The overall level of satisfaction with the service provided remains high and the customer performance index has improved by a 1.4% margin on 2005, While this was a positive performance, there is a growing level of dissatisfaction with the time people have to wait for test appointments and with the quality of test waiting areas..
- 8.4 The number of complaints received by NCTS has continued to fall and the company has adopted a consistent approach to dealing with them. The establishment of an Independent Appeals Board provides a more independent environment for the resolution of customer issues, for the small number of cases that require additional investigation.
- 8.5 In summary, 2006 was a year that saw increased turnover of 9% from 2005 and an increase in administration costs of 7% over the same period resulting in increased operating profit of 18%. There was a profit before taxation in excess of €6 million but a dividend in excess of this amount was paid which resulted in a reduction in the net assets of the company.