

Applus

JOC – Transport – 1st February 2023

Opening Statement

Version 1.0

Issue Date: January 30th, 2023



I wish to begin by thanking the committee for the opportunity to discuss issues affecting the NCT.

I will address two themes, namely capacity management, and customer charter obligations, but firstly, I would like to apologise to our customers for the booking issues they have seen recently. We recognise that there are significant waiting lists, and we have worked hard to address the problem and the situation is improving.

Ireland is ranked in the top 5 safest roads in the EU, and I believe the NCT has made a significant contribution to maintaining the safety of vehicles here.

The roadworthiness testing of cars in Ireland began in 2000 and in the first year we carried out 309,000 tests, with a first-time pass rate of just under 4%. Last year, 1,395,000 cars were tested with a first-time pass rate of 54%, a stark contrast to the start of the NCT.

In addition, almost 87,000 vehicles received a “fail dangerous” result which constitutes an immediate risk to road safety, more evidence that the NCT is contributing to the reduction of trauma on our roads.

Surveys show over 74% of customers perceive the NCT as good value for money. The test fee has not changed since 2011 and 30% of retests are conducted free of charge.

The early months of every year are the busiest time for the NCT, as vehicles fall due on the anniversary of their registration. However, NCTS are pleased to report that 2021 and 2022 saw the two highest levels of annual full test throughput in the last 6 years with approximately 1.4m full tests completed in each year. We are on track for record levels of testing in January also. This

is despite the challenges that NCTS has seen since the COVID closure and staggered reopening in 2020.

I would like to take this opportunity to thank the entire NCTS team, both management and staff, in test centres, in the call centre and back-office, for their extraordinary efforts over the past 3 years, they have all worked long hours in very challenging circumstances.

In addition, I would like to thank An Garda Síochána and Insurance Ireland for their patience while we navigate our way through this challenge.

- Current throughput shows:
 - over 35,000 full tests per week (up from 28,000 in Quarter 4)
 - over 9,500 non-visual retests per week
 - over 4,200 visual retests per week (which do not require a booking)
 - a combined figure of almost 50,000 vehicles per week
- Overall, there are 375,000 vehicles overdue their NCT.
 - This is approx. 170,000 above the norm for this time of year.
 - However, 42,000 have already been tested.
 - 204,000 have a booking and all have been notified of their obligation to be tested.
- There are approx. 47,000 vehicles on our Priority List.
 - 14,000 are due in prior months. 10,000 are due in January. 23,000 are vehicles which are due in future months.
 - It is important to note that we had managed the Priority List down from 44,000 in October to 17,000 before Christmas, but in January we saw a surge to a peak of 62,000.
- The Booking lead time for an appointment for all bookings made in January is 25.8 days.

NCTS release approximately 1/3 of appointments well in advance to facilitate customers who wish to book early. We open the remaining capacity, 3 weeks in advance when we know exactly how many staff are working each day, in each centre. Therefore, ensuring that when a customer arrives at a centre, there is an Inspector available to test their vehicle.

While we are struggling to match capacity with demand currently, I am proud to say that all other aspects of service delivery have maintained the high levels of quality required. Customer surveys show over 93% satisfaction with the service. Over 7,000 Independent Technical audits were conducted by the AA last year, and the results show a consistent test result accuracy score above 99%.

It is important to understand that if a test is lost today, for whatever reason, then that vehicle must come back into the booking cycle and be given another appointment. Even though customers are receiving a reminder of their appointment date, we are seeing approx. 2,500 vehicles not show up for their appointment each week, a further 1,000 will cancel just before the test. That's a combined 3,500 vehicles each and every week foregoing their appointment and looking for a new one. I credit our staff for minimising the level of wastage of slots by accommodating members of the Motor Trade at short notice, but the level of no-shows is approximately double what it was in pre-COVID times.

Quarter 1 sees by far the largest demand, as vehicles tend to be registered in the first few months of each year. This is always challenging. NCTS saw great success in managing this demand surge from 2016 to 2020, by proactively getting ahead of the demand curve. Since COVID struck, we have been behind that curve and struggling to catch-up.

So, what are the challenges and what have NCT been doing about it?

When the service fully resumed in August 2020 after the COVID closure, a single COVID instance could result in entire shifts requiring to self-isolate for up to two weeks at a time. I'm glad to say that we saw very little transmission within centres due to our COVID protocols. However, self-isolation requirements had a detrimental impact on capacity.

Q1 2022 saw a significant surge in COVID cases nationally and unfortunately, it coincided with the quarter which had the highest demand in recent history, with over 100,000 more vehicles due in that quarter than the same quarter the year before. This confluence of events caused a rapid increase in waiting lists and booking lead times.

As mentioned previously, approximately 3,500 customers are foregoing their appointment each week. This results in customers cycling through the booking process repeatedly, increasing the booking lead time for all and inflating waiting lists. We ask customers to cancel early if they cannot attend. Also, our surveys show that 40% of customers do not have their vehicle serviced before their test. We ask customers to prepare their vehicle for the NCT and not to use the service as a diagnostic. Preparing your vehicle for the NCT increases your likelihood of passing the test.

The long term impacts of COVID must be acknowledged. There is a significant constraint in the availability of new vehicles across the world. This means that our national fleet is aging, which in turn means that there are more and more vehicles in scope for testing. Last year saw the highest volumes due ever with 1.53m vehicles. Putting this into context, there was an extra 1 months' worth of testing to be done last year.

In terms of staffing, we saw the impact of "the Great Resignation" where we saw 113 vehicle inspectors leave our employment, this is a staff churn rate of 19%. The biggest reasons for leaving were:

1. 26 inspectors left the trade entirely.

2. 24 left, citing higher pay within the industry.
3. 22 left due to involuntary reasons, i.e., they had health issues, or did not pass training or were subject to disciplinary procedures.

So, understanding the challenges, our efforts have focused on increasing efficiency and capacity.

Our staff worked long hours on a persistent basis. Mandatory overtime was in use throughout 2020 and for long periods in 2021, 2022 and so far in 2023. Again, my thanks to the staff for their commitment on this front. Additional voluntary overtime continues to be offered. NCTS has also improved efficiency by 3% since 2019.

While NCTS may have lost many Inspectors in 2022, we recruited 124 more. 59 were hired locally including 7 returnees. 21 were seconded from our sister companies in Spain and 44 were recruited in the Philippines.

At the start of 2020, we had 547 vehicle inspectors, we now have 610. This allowed us to recently launch night-time testing in our Northpoint Test centre. There is a chronic shortage of qualified mechanics in Ireland. Many are aging out of the trade and many more have taken advantage of opportunities to use their transferrable skills in non-automotive sectors, specifically the semi-conductor and pharmaceutical sectors.

On top of consistent recruitment campaigns within Ireland, we have attempted to recruit directly and through agencies across Europe, but without success. My colleagues across Europe have reported similar issues recruiting staff.

In July last year, we sent a recruitment team to the Philippines, within a week we had conducted over 120 interviews and determined our candidates. However, we needed a change in law to allow us to bring Roadworthiness

Inspectors into Ireland. This change in law happened in August 2022. After the requisite advertisements, work permits, and visas were processed, with the valued support of the Department of Enterprise, Trade and Employment and the Department of Justice, 44 qualified mechanics arrived in Ireland in November and commenced their training. 41 completed their training and were deployed into centres just before Christmas. These recruits are settling into their new life in Ireland. They are here on a 2 year work visa.

Overall, NCTS were extremely fortunate to find accommodation for these 65 staff from Spain and the Philippines, who have all been deployed in the Dublin and surrounding areas. We are very cautious about taking additional recruits from abroad for this very reason.

We have also strived to retain staff. According to CSO published figures, we pay well above the average and have improved VI compensation every year over the past decade. We offer a pension scheme and sickness benefits. There is a generous productivity scheme in place which rewards staff for consistent throughput, attendance, and quality. Staff are also rewarded for their longevity with the company with additional annual leave.

In an effort to further improve conditions for staff, we provided a pension amnesty to encourage staff to join the scheme, we engaged with staff to identify preferred working hours. We developed a management training course to demonstrate a commitment to upskilling our staff. We also introduced new health plans and a credit union.

Given the chronic lack of qualified mechanics in the country, NCT explored whether we could introduce a new resource type to assist with the test process. Significant efforts were made to develop the concept, which centred around new staff being trained to deliver the largely automated stages of the test process. A fully qualified mechanic would complete the underbody stage of the test where the critical skills of a mechanic are

required. This approach was first agreed with the Authority to confirm their buy-in and confirm compliance with legislation. Staff were kept informed on progress. Ultimately, the proposal was referred to the Labour Court who issued their recommendation that the approach be trialled. Staff were balloted on the recommendation, but it was rejected in recent weeks. While it is disappointing that this effort to increase capacity has not been successful, it demonstrates the commitment and efforts by NCT to explore all avenues to increase capacity.

So, what does the immediate future look like? We have the highest volumes of vehicle inspectors employed in the history of the NCTS. We are testing record volumes of vehicles. The next couple of months will be very challenging, but we can expect a significant improvement in service delivery in Q2 and we hope to be fully returned to normal for the start of Q3.

I will now move to the other topic for discussion, Customer Charter obligations regarding the provision of free tests. The NCTS Customer Charter is available on the NCTS website and is also sent to customers when they are notified that their NCT is due. The Charter clearly outlines the standards we aim to achieve in the delivery of the NCT service. These standards were relaxed during COVID given the challenges all businesses faced during the pandemic; however, they were reinstated in October 2022. Since its reinstatement, NCTS believe we have been compliant with the customer charter.

In 2015, NCTS provided approximately 80,000 free tests to customers under this charter obligation. It is important to understand what the Charter says, and what it does not say. Clause 5 of the charter states:

“We aim to ensure that the average lead time for an appointment at an individual NCT centre is less than or equal to 15 days. You will be provided

with a test, free of charge, where an appointment cannot be offered within a 28 day period, unless any of the following apply:

- the test is overdue by more than 7 days at the time of contacting us.
 - It would not be unusual for over 30% of customers to contact the NCT late
- an appointment was offered 7 days or more prior to the test due date
 - It would not be unusual for over 20% of customers to contact the NCT early
- you have made specific requests regarding suitable days, times or dates.
 - It would not be unusual for 40% of customers to make specific requests regarding their appointment time/date.
- you have declined or rearranged two or more appointments.
 - We would routinely see between 3,000 and 6,000 customer cancellations per week.
- you have failed to attend an appointment.
 - We would routinely see between 2,000 and 3,000 customer no-shows per week.
- you have previously accepted or requested an appointment outside of the 28-day period.”

NCTS have received many enquiries regarding free tests in the past few weeks, all will be responded to in detail, however a summary review of these enquiries suggests that we have complied with the terms of the charter. Compliance with charter obligations is routinely reviewed by the Authority’s Supervision Services Contractor.

In conclusion, COVID has knocked the NCTS back, from being ahead to being behind the curve. This happened as soon as the service re-commenced after the COVID shutdown. The problem has been increased by the sheer volume of vehicles due last year. Fixing the problem has been inhibited by a chronic shortage of mechanics.

However, we have had the highest volumes of full tests delivered in 2021 and 2022 in the last 6 years. We have record numbers of vehicle inspectors employed currently. We expect the next 3 months to be challenging, but the situation is expected to improve in Q2 and be back on track for the commencement of Q3. We thank our customers for their patience.

I am happy to take questions in relation to the NCT.