

# 1 Summary and conclusion

Since 2005, the Danish motor vehicle inspection market has been gradually liberalised. It became possible for private companies to be authorised to conduct motor vehicle inspections and the state-owned monopoly was privatised. In 2007, maximum prices for motor vehicle inspections were abolished, so pricing of motor vehicle inspection is now free.

On behalf of the Competition and Consumer Authority, Incentive has carried out an evaluation of the liberalisation of the motor vehicle inspection market from a consumer perspective. We have evaluated the impact during the period from 2004 to 2013.

Our evaluation indicates that, since the liberalisation, the developments in the market for motor vehicle inspections have been positive from a consumer perspective, and that there has been an improvement in the areas which are most important to consumers, see e.g. key indicators in Table 1. Consumer prices have fallen by approx. 12% (in 2013 prices). More inspection centres have become available to the consumer, which has cut the cost of transportation roughly in half. The liberalisation has resulted in lower prices and lower transportation costs across the country, including in sparsely populated areas, and consumers have seen improvements in significant parameters such as flexibility, service and waiting times.

We have not been able to assess, whether the liberalisation has had an effect on the quality of motor vehicle inspections, as a tool to check the vehicle's safety. This is because there are no consistent reports of motor vehicle inspection quality available for before and after the liberalisation.<sup>1</sup>

We have estimated and valued the part of the consumer gain related to the change in price and transportation costs for motor vehicle inspections. Based on our estimation the consumer gain in 2013 was DKK 133 million. The gain has been estimated based on the change in prices and transportation costs, each of which contributes around 50% of the total change in consumer gain.

The exact calculation of the consumer gain is subject to some uncertainty. Sensitivity analyses indicate that the consumer gain is in the range of DKK 114 to 153 million.

Going forward, it is to be expected that the liberalisation will also result in significant annual gains for consumers. Similarly, in the years between 2004 and 2013, there were also significant consumer gains from liberalisation. These gains are not included in the calculation of the consumer profit in 2013.

In our central estimate, we did not factor in the fact that mechanics and other industry professionals also take consumers' cars for inspection. This has become more common since the liberalisation. In most cases, they get lower prices than private consumers, but presumably this benefits consumers in the end in the form of lower workshop prices. We estimate that the mechanic's discount alone has increased the consumer gain of our main scenario by approx. DKK 9 million in 2013.

This indicates that our main scenario for the calculation of consumer gain represents a conservative estimate of the actual change in consumer gain.

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<sup>1</sup> The re-inspection ratio is the only indicator of the change in the quality of inspections which has been measured both before and after the liberalisation. However, the National Audit Office (2009) writes that "the National audit Office's opinion is that it is problematic to use reports of re-inspection rates as an indicator of the quality of motor vehicle inspections". In addition, the inspection rules for rust and corrosion were changed from 2004 to 2005, which may have affected re-inspection rates independently of liberalisation.

In addition, part of the consumer gain relates to e.g. flexibility, service and waiting times, for which there is no quantifiable data. Consumer responses show that lower prices are just one of several important parameters which matter to consumers. It is our assessment that the liberalisation has led to increased flexibility, shorter waiting times and better consumer experiences overall. Thus, a number of key consumer parameters have developed positively but cannot be included in the calculation of consumer gain. This contributes to our conclusion that the consumer gain is actually higher than estimated. If, for example, the liberalisation has resulted in a reduction of the waiting time by 5 minutes per inspection, it would contribute to an additional consumer gain of approx. DKK 10 million, while a reduction of 15 minutes per inspection would contribute to another DKK 29 million.

We believe there were no major factors other than liberalisation that have significantly affected the motor vehicle inspection market in the observed period. On the other hand, there are elements of liberalisation which have affected the state treasury, including the abolition of the VAT exemption on motor vehicle inspections in connection with the liberalisation in 2005, as well as the sale of the National Motor Vehicle Inspectorate (Statens Bilinspektion). We cannot determine how liberalisation has impacted the state treasury overall. However, it is worth noting that the consumer gain would have been greater if the VAT exemption had not been abolished alongside the liberalisation.

Overall, it is our assessment that the conclusion that liberalisation has been beneficial for consumers is a robust one.

	2004	2013	Change
Price of periodic inspection (2013 prices)	DKK 480	DKK 424	DKK 56 less
Price of re-inspection (2013 prices)	DKK 300	DKK 264	DKK 36 less
Number of inspection centres for light vehicles	117	400	283 new centres
Average transport distance	6.0 km	3.3 km	2.7 km less
Change in consumer gain	-	-	DKK 133 million increase in consumer gain in 2013