

Strategic Assessment

Title: **PSI-27** *Explore Options to Improve the Efficiency and Effectiveness of Vehicle Safety Inspections*

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This Strategic Assessment has been developed using the template for the Project Future “Conceptualisation Phase”.

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Title: PSI-27 Explore Options to Improve the Efficiency and Effectiveness of Vehicle Safety Inspections

PART 1: OVERVIEW

1.1 Introduction

As part of the services provided by the Department of Vehicle and Drivers' Licensing, the Cayman Islands Government manages the inspection process for all vehicles, in collaboration with approved private garages, and in compliance with the requirements of the Cayman Islands Traffic Law 2011 for the licensing of vehicles. The Cabinet wishes to explore options to improve the efficiency and effectiveness of the vehicle inspections service in Grand Cayman, inclusive of the contributions made by the approved private garages.

Cabinet has established the following as priority areas for exploration:

1. Review the efficiency and effectiveness of current in house inspection activity.
2. Evaluate the current activity of private sector providers.
3. Consider the scope to increase the use private providers and reduce the size of the Government operation.
4. Propose any necessarily market development matters including changes to the payment mechanism.
5. Ensure effective licencing and oversight arrangements for private operators.
6. Consider how impacted staff will be treated through any change including potential transfer to the private sector.

This proposal flows from the following recommendation from the EY report:

- 13.1.15- Outsourcing and employee mutual, vehicles safety inspections and examiners.

The District Administration in Cayman Brac & Little Cayman is responsible for administrating the vehicle drivers' licensing functions in the Sister Islands. Therefore, the scope of this project and the analysis of this SA do not include the vehicle inspections functions in Cayman Brac and Little Cayman.

1.2 Purpose

The Strategic Assessment defines and confirms the need to invest in change. However, following an analysis, it concludes that the two short-listed options, in addition to the Do

Nothing option, could best be taken forward as “business as usual” improvements, and not as a separate project.

Therefore, this Strategic Assessment seeks Cabinet approval to remove this project from the Project Future programme, and to direct that the two short-listed options be taken forward by the DVDL as key deliverables for operational improvements for the upcoming budget year.

Specifically, the following ongoing projects are to be enhanced:

- Refine partnership arrangements with Private Garages (PGRs)
- Enhancing collection of outstanding revenue
- Addressing shortcomings in resources, facilities, and training

There is also a potential for investment in the future related to the following:

- A proper road testing arena estimated to be a \$1.5m investment, and an emission control system which will require legislative amendments and further research.
- A funded operation between RCIPS and DVDL Inspectors to carve out a scheme to increase timely renewal of registrations and compliance to licensing and registration requirements. This can increase revenue and reduce uncollected registration fees (\$4.8m in 2014).

Appropriate proposals will be brought back to Cabinet for future consideration.

PART 2: STRATEGIC CONTEXT

2.1 Organisational Overview

Vehicle inspections are managed by the Vehicles Inspections Unit, which is part of the Department of Vehicles and Drivers' Licensing. The main aim of this Department is to promote road safety by licensing qualified drivers and roadworthy vehicles in accordance with the Traffic Law and associated regulations.

The Department seeks to achieve its aim by:

- Providing efficient and effective customer service through friendly and professional staff.
- Improving driving quality and road safety through compliance with licensing and registration requirements.
- Maintain a consistent fair and open policy when handling complaints, queries and public concerns.

The DVDL was established under the Traffic Law with overall responsibility to:

- Inspect and test vehicles;
- Register motor vehicles and maintain the register;
- Issue licences in respect of motor vehicles and drivers;
- Conduct driving test (practical and theory); and
- Perform such other functions as may from time to time be prescribed.

It is a department with the Ministry of PLAHI.

There are (2) locations in Grand Cayman. The DVDL Headquarters is located at 990 Crewe Road, George Town and our branch is located at Banks Plaza on Rev. Blackman Road, West Bay.

The department remains committed to its "Road safety Initiatives" through vigorous vehicle inspections for roadworthiness; as well as being robust in conducting practical and theory driving tests to guarantee newly qualified drivers are competent.

The Department includes the following business units:

- Drivers' License Examinations Unit (practical and theory)
- Revenue and Collections Unit
- Vehicle Inspections Unit

The DVDL consists of 36 full-time equivalent staff, with an annual budget of \$2.29 million. On an annual basis, the department earns \$13.68 Million in revenue. Of the Executive revenue earned by this department in the last financial year, 80% was allocated to the NRA in accordance with the Roads Law. This amount equated to \$10,052,980.51. The Department manages assets with a total value of CI\$2,553, 434.67.

The key aims of the Vehicles Inspection Unit are as follows:

- Promote Road Safety / Education for all drivers using the roads of the Cayman Islands.
- Deliver Drivers' Education in the Public Schools, in partnership with the Department Ministries of PLAHI and Education, Saxon Motor and General Insurance, Prestige Motors, CICO Avis Rent A Car Ltd and Street Skill.
- Assist RCIPS (Royal Cayman Islands Police Service) with Traffic Management.

The core activities of the organisation are:

- The inspection of vehicles in collaboration with approved private garages (PGRs), and in compliance with the requirements of the Cayman Islands Traffic Law 2011 and associated regulations for the licensing of vehicles, to ensure that they are roadworthy.
- Manage road safety campaigns via electronic media, tv and radio
- Provide theory and practical Drivers' Ed classes for students at public schools (6 one- hr classes per week at John Gray High School and up to 2 one- hour classes at Clifton Hunter High School, classes per week, for up to 25-30 students)
- Conduct safety spot checks for vehicle roadworthiness at the request of RCIPS.

The Inspection Unit consists of 4 full time staff and an annual expenditure of \$190,949.00 and manages the following assets: 1 motorcycle and 4 cars (2 assigned for Drivers' Ed and 2 for Departmental purposes). On an annual basis this Unit earns revenue of \$1,200,845.00.

2.2 Key Drivers

A key driver for this project is Project Future programme and the need for improved effectiveness and efficiencies in the operations of government agencies, within a context of fiscal constraint for the Cayman Islands Government.

2.3 Relationship to Government's Policy Priorities

The Cabinet has established the following high-level investment objectives for the project, which have been explored and further refined in the preparation of this SA:

- Improve the efficiency and effectiveness of Government operations
- Reduce the size of Government
- Increase customer satisfaction

This project is also consistent with the following strategic goals/objectives of Department of DVDL's Strategic Plan (2009):

- Improving the efficiency and effectiveness of the department operations
- Utilizing **PGR (Private Garages)** to assist with the inspection of vehicles for roadworthiness, in keeping with government policy and the department strategic plan.

PART 3: THE CASE FOR CHANGE

3.1 Investment Objectives

Investment Objectives	<ol style="list-style-type: none"> 1. To create staffing capacity for new vehicles inspections service at new sub-station in Eastern Districts with no net new staffing costs to CIG. 2. To improve public safety by creating capacity to increase staff time allocated to regulatory functions by 20% and reducing the number of unlicensed vehicles on the road.
Existing Arrangements	<p><u>Operations</u></p> <p>Vehicle Inspections are governed by the Traffic Law 2011 / Traffic Regulations 2012 and DVDL Vehicle Inspection Policy, the Traffic Regulations, The Traffic (Seat Belts) Regulations The Traffic (Categorization and Grouping) Regulations, The Customs (Prohibited Goods) Order, The Traffic Public Passenger Vehicles Regulations and The Traffic (International Circulation) Regulations.</p> <p>The Department of Vehicle and Drivers’ Licensing has full responsibility for the inspections of the vehicles in the Cayman Islands. DVES operates a full inspection station in George Town and caters to all Government vehicles in Grand Cayman. Twelve certified garages currently assist DVDL with inspections of light vehicles only (up to 10,000 lbs.); however, they are not paid for their services. (Note: In Cayman Brac there is one Government run inspection station under District Administration which also caters for Little Cayman, and one vehicle inspector. Vehicles inspections services in Cayman Brac and Little Cayman are out of the scope of this project).</p> <p>In Grand Cayman DVDL is open for inspection Monday to Friday 8:00am to 4:00pm. The private Garages operate the same hours, by appointment, also on Saturdays. (The same hours apply to the Brac. The Cayman Brac vehicle inspector visits Little Cayman every two weeks.)</p> <p>DVDL offers offsite inspections to large companies after 4 pm, who have the necessary in-house facilities for the inspections, for example a bus operator who has a fleet of buses. No extra fees are charged for this service, because the service is offered after 4pm these results in comp time for staff providing this service.</p> <p>DVDL also offers offsite inspections to agencies such as the Fire Department, which has numerous vehicles and has a pit where the undercarriage can be inspected. This service is also extended to private companies that have a large heavy equipment fleet, who have pits. Special vehicles are also inspected off site, such as cranes (which only required a onetime inspection).</p>

Staffing

There are 4 FTE currently employed at DVDL for vehicle inspections. This is supplemented by one supervisor. The supervisor is responsible for all operations of the Inspection Unit and the drivers' license theory and practical tests. He is assisted by one senior vehicle inspector. The vehicle inspector also conducts drivers' license theory and practical exams whenever the current examiner is on vacation, sick, etc.

Their primary duties are inspections of vehicles, and secondary are driving examinations theory and practical in keeping with the Traffic Law 2011, and Traffic Regulations 2012. Other duties also include assisting at the office with various projects. It is estimated that 90% is spent on inspections and the other 10% on other duties, inclusive of theory and practical examinations.

One officer from administration does assist inspections whenever there is a shortage of inspectors due to unforeseen circumstances. This officer will assist in inputting of data into the computer.

One supervisor, others of staff, senior driving examiner and members on a rotation basis assists the Driver's Education Program in the two government high schools. Because Drivers' Ed has been made mandatory in Government schools by government policy, lessons are formally and regularly scheduled and could not be left to volunteers. It is the Vehicles Inspections Unit perspective that there is no capacity within the private sector to provide these lessons for schools. Because these lessons are provided free to students, the use of any private sector provider would require additional expenditure by CIG at a time when costs reductions are being looked for.

The supervisor is also responsible for the random checks on all PGR, and all off site inspections.

Strategic support is also provided to Cayman Brac and Little Cayman, also RCIPS at Road blocks.

Proposed New Sub-Station

A new facility is due to come on line shortly in the Eastern Districts. While it is expected to be manned by existing staff, additional annual operational costs of \$86,940.60 for the DVDL are estimated. The Vehicles Inspection Unit is expected to provide at least one full-inspector post from its current complement of 4 staff to provide vehicles inspections services.

Health and Safety

The current process provides for public safety through stringent inspections of vehicles

for identification of mechanical, electrical, and body defects. This process does work well with DVDL , the PGR and RCIPS.

Annual training for vehicle inspectors of CIG and PGR in vehicle safety and Laws and Regulations is of paramount importance, as heavy equipment training is only done normally every two to three years for DVDL vehicle inspectors.

The department remains committed to its “Road Safety Initiatives” through vigorous vehicle inspections for roadworthiness; as well as being robust in conducting practical and theory driving tests to guarantee newly qualified drivers are competent.

Quarterly / random checks on all PGRs are done to ensure that they are complying with the laws that govern them. A supervisor is responsible for the random checks on all PGRs, and all off site inspections. Currently the percentage of time spent on this activity is not formally tracked, but appears to be minimal in relation to and with consideration for the other duties performed.

The Inspections Unit maintains that inspectors do not have sufficient electronic resources. Currently inspection officers have to do the inspection of a vehicle, then on completion they have to return to the office and have it inputted into the computer. The above process can take as long as fifteen minutes.

Other resources that are needed include, for example: 1. Heat sensor tool (Estimated cost: \$200) 2. Head light aiming tool (Estimated cost: \$3,000) 3. A proper road testing arena (Estimated cost \$1.5m) 4. An emission control system (note: no costing can be stated as it will involve change in legislation and further research). 5. Proper ventilation in inspection area (note: this will require further investigation to identify potential costs). 6. No proper first aid training (notes: services to be obtained from Red Cross. Costs not yet available). 7. Emergency Training (Note: provided free of charge by Hazard Management).

Vehicles Inspected

In 2015, a total of 36, 169 vehicles were inspected in the various categories. Private garages inspected 2,958 vehicles (60.71%). DVDL inspected 14,100 vehicles (38.98%) DVES (Department of Vehicle and Equipment Services) inspected 111 (.31%).

It must be noted that DVES (Department of Vehicle and Equipment Services) are now certified to do inspection, and handles all of the government fleet inspections, and came on stream at the middle of 2015.

Private Sector Garages

Numbers

The DVDL does not have statistics on the total number of private sector garages

operating on island. However, the DVDL does maintain contact information for all of the “recognized” PGR garages who are in partnership with CIG, for which there is a total of 12.

Currently the twelve independent vehicle inspection garages are staffed by thirty two persons throughout Grand Cayman.

Currently these 12 garages provide inspections on behalf of DVDL: 1 in North Side, 1 in West Bay, and 10 in GT. The rationale/policy for using private garages was initiated in 2007 by the Ministry to further enhance the delivery of service, as the department could not cope with the volume of inspections. Garages were invited to apply for consideration, and their applications were vetted against established criteria. In order to participate, the garages must meet these established standards. See attached Appendix.

Some of the current garages have been providing service since the inception of the programme; 2 additional garages have been added in the last two years. There are 5 other garages who have contacted the Department to indicate an interest in participating without the Department actively requesting submissions for consideration.

Approved Vehicle Inspection DVES (Department of Vehicle and Equipment Services)

DVES was certified as a vehicle inspection station in June of 2015, specifically to deal with the entire fleet of government vehicles and conducted 111 vehicles out of their fleet of 1004.

This represents a percentage of .31% inspections. They currently have four vehicle inspectors certified for inspections in all categories.

The Department’s view is that within GT there are sufficient garages to cope with demand. They are all within a one-mile radius of each other.

Arrangements and Benefits to CIG and Customers

No fees are paid to private garages for inspections. Generally the private garages earn revenue by providing services to customers to remedy any defects identified from the inspections.

The garages conduct the inspections and enter the results into a database connected to DVDL. The only time paperwork is involved is when the computers are not operational at a particular garage for a time, or if a vehicle being registered for the first time.

When the service was first introduced, no appointments were required (as is the current arrangement with DVDL inspections). However, now all of the private garages require appointments for this service, except for West Bay which does it between 8:00am and 10:00am. An advantage to the customer of having the private garage do the inspection is that if there is an issue, the customer can have this addressed by the private garage before the inspection is finalized and be issued a pass. At the CIG

facility, if an issue is identified during the inspection, the vehicle fails the inspection. The customer will have to pay the inspection fee, go to a garage to get the problem rectified, and then return for a new inspection, which they will be charged for.

Currently the main incentives to customers for using private garages are:

- choice of provider, based on the type of vehicle owned and geographical location
- to have vehicle inspected at the PGR and then licensed through on-line services.
- opportunity to also have vehicle licensed and returned without having to wait in line at the DVDL facility
- opportunity to have any issues relative to the roadworthiness of the vehicle to be remedied there and then (and to avoid paying two sets of inspection fees, as would be the case if a problem was identified at a DVDL facility).

Tony's Cars is the most popular with inspection of sports cars, as this is one of their specialty areas in high-performance vehicles.

A few private garages have recently begun offering a service to pick up and transport customers' vehicles to an authorized inspection station and to get them licensed for a fee. Private sector car dealers are also now providing a new service to customers who orders vehicles from overseas. The company will have it inspected and licensed for their customers.

Some issues Arising

The Department was advised that some of the garages are stating that these inspections take up a lot of their mechanics' time and that they are incurring costs for the maintenance of equipment used in the inspections for which they are now seeking compensation to continue to provide this valuable service.

A survey of PGRs as part of the preparations for this SA (see Section 5.5 and Appendix for more details). In summary, of the 9 PGRs completing the survey, almost half reported that the current arrangement with CIG is good, while the others reported that the PGR's should be financially remunerated. However, all participants confirmed they would continue under the current arrangements. Where an actual fee was recommended, the amount averaged was \$33.00.

As a rough indication of the potential impact on CIG revenue of changing the current arrangements to provide compensation, if CIG had paid PGRs \$15, (50% of the lowest inspection fee) for each of the 20,366 vehicles inspected by PGRs in 2014, this would represent a loss of CI\$305,490. If CIG were to pay \$33 per car this would total \$672,078 in loss revenue.

In WB there is only 1 participating private garage. Although there is potential demand

	<p>for 1 additional garage in WB, the garage is limited by the DVDL requirements and would need to invest in equipment- e.g. lifts/pit, insurance, computers, safety equipment, fire extinguishers (at least \$5,000). There is only 1 participating private garage in the Eastern districts (in NS). There is 1 DVDL branch that is planned to come on stream in the very near future. There are currently over 10,000 registered vehicles in the Eastern districts.</p> <p>The main implications to DVDL of increasing this number would be the ability to monitor and regulate more sites. At the same time, it would reduce the number of inspections carried out by DVDL.</p> <p>Currently private sector garages inspect only vehicles up to 10,000 lbs. This does not include public passenger vehicles. This is an in-house policy, in collaboration with the PTB Unit (Public Transport Board). The inspection of these vehicles does not require any additional expertise or equipment. Private garages do not inspect heavy equipment. Inspections of these vehicles <u>do</u> require additional expertise and equipment like a larger pit and land space (for an adequate turning space) that no private garage possesses currently. Private garages do not inspect special vehicles like firetrucks, backhoes, cranes (backhoes and cranes only require a one-time inspection).</p> <p>Some customers still choose DVDL services over the private garages. Some light vehicles come to DVDL because the private garages do not have the facility to accommodate their vehicles, e.g. Ferraris, Lamborghinis and Corvettes, which have a very low ground clearance.</p> <p><u>Number of users of Private Garages</u></p> <p>Statistics for the calendar year 2014 have shown that a total of 33,473 vehicles in all categories were inspected:</p> <ul style="list-style-type: none"> • Private garages inspected 20,366 vehicles. (61%) (light vehicles up to 10,000 lbs. only) • DVDL inspected 12,940 vehicles (39%) in all categories: DVDL has capacity to handle more inspections than it currently does. When the anticipated new facility comes on line in Breakers this will increase. • DVES inspected 111 vehicles which is (.31%). The current government fleet is 1004 vehicles. Note the weight limit of 10,000lb does not apply to them as they are authorized to do all categories.
<p>Investment Objectives</p>	<p>3. Improve the net revenue raised by DVDL by \$170k within one year of project implementation, through further reductions in the outstanding revenue due to CIG for unlicensed and unregistered vehicles.</p>
<p>Existing Arrangements</p>	<p><u>Budget</u></p> <p>The Inspection Unit consists of 4 full time staff and an annual expenditure of</p>

	<p>\$190,949.00 and manages the following assets: 1 motorcycle and 4 cars (2 assigned for Drivers' Ed and 2 for Departmental purposes).</p> <p><u>Revenue</u></p> <p>The annual revenue generated from vehicle inspections in 14/15 was \$1,200,845.00. The revenue was \$67,238 in 2011.</p> <p>This revenue come from fees paid for the inspection of vehicles. All vehicles are categorized and the fees payable vary according to the category. All fees collected are paid to CIG. Where an inspection takes place at a CIG approved garage, the fee is paid at one of the two government-operated DVDL offices, either at GT or West Bay. No fees are paid to private garages by CIG for inspections.</p> <p>DVDL does not maintain forecasts for anticipated growth in imports/inspections. However, it is projected that we will earn \$1,305,000.00 from inspections in the next financial year.</p> <p><u>Outstanding Revenue due to Uninspected and Unlicensed Vehicles</u></p> <p>It is important to note that DVDL records as at October 2014 reflected that \$4.8 million was outstanding in vehicle registration fees, which is equivalent to 13,600 unlicensed vehicles. This represents both money lost to CIG and potentially unsafe vehicles on the road.</p> <p>Monitoring for compliance is the responsibility of RCIPS, working in conjunction with DVDL (to provide information on the number of vehicles outstanding and provide assistance to RCIPS to carry out timely vehicle safety inspections).</p> <p>Under the new Traffic Law 2011, registered owners with unpaid registration for more than 3 years, will now only pay for 3 years, have the opportunity to do so through the DVDL payment plan, and be able to relicense the vehicle during that time. This new policy has brought in a fair amount of outstanding revenue. To date we have collected \$163,641.42. Outstanding balance on payment plans is \$72,503:58</p>
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3.2 Key Business Problem(s)

Problem 1: CIG is losing millions of dollars in revenue every year because of unregistered vehicles. This also means that a large number of potentially unsafe vehicles are on the road.

The DVDL estimates that as at 2014, \$4.8m in revenue was lost because of individuals who did not brought their vehicles in to be inspected and licensed as required. Therefore, they do not

pay fees that would otherwise come into CIG. The \$4.8m in uncollected revenue does not just represent a loss of revenue for CIG, but it means that there are vehicles being operated that have not been inspected to ensure that they are in a roadworthy condition, and that the safety of the motoring public is not compromised.

A policy introduced by the DVDL to limit the back pay due for unlicensed vehicles to 3 years and to create payment plans has had some limited success. However, a significant amount of unpaid revenue is still outstanding.

The department relies on the RCIPS to conduct roadworthiness checks to catch these vehicles. Staff from the Vehicle Inspections Unit participates in road blocks.

Problem 2: DVDL needs more staff time to man the proposed new Eastern District sub-station and to improve the effectiveness with which PGRs are regulated. However, the unit cannot increase its staffing complement or staffing costs.

DVDL has identified that a new District Sub-station is planned, which will cater to at least some of the approximately 10,000+ registered vehicles in the Eastern Districts. The Unit is required to provide one full time staff member from its existing staffing complement to provide vehicle inspections services.

Currently the amount of time spent on the regulation of PGRs is not formally tracked, but appears to be minimal, with the majority of the supervisor's time devoted to overseeing inspections at the CIG facility. At the same time, the Unit is aware that there is a need to strengthen this aspect of its operations.

It is anticipated that the Electronic Vehicle Registration System that is due to come on line in the fall of 2016 will provide the following benefits to the inspection regime:

- (a) Allow for the proper categorization of vehicles in weight class.
- (b) Bar Code scanning of registration plates.
- (c) Capability to interface with PC tablet allowing faster customer flow with inspections.

Problem 3: Some upgrades and additional resources are required for efficiency and safety at the CIG facilities, which cannot be met within the current budget allocations, and for which no net new funding is available.

DVDL has identified that inspectors do not have sufficient electronic resources. Currently inspection officers have to do the inspection of a vehicle, on completion they have to return to the office and have it inputted into the computer. The above process can take as long as fifteen

minutes. Other resources that are needed include, for example: 1. Heat sensor tool 2. Head light aiming tool 3. A proper road testing arena 4. An emission control system. 5. Proper ventilation in inspection area. 6. No proper first aid training. 7. Emergency Training. DVDL has not estimated the costs of all items. However, for those estimated, costs range from a low of \$300 for one item (a heat sensor tool), to \$1.5m for the most expensive (a road testing arena).

3.3 Key Considerations

It appears that the “market assessment and comments” in the EY Report contains some critical inaccurate information, where they state that there were only four companies doing vehicle inspections. The fact is that at the time of the report being done there were actually 11 establishments doing vehicle inspections. Now there are 12. It must also be noted that the department was never contacted relative to the EY Report.

It is imperative that the areas identified are addressed now, as the number of vehicles in the Cayman Islands is constantly growing, and we need to be able to meet the demands of the customers and key stakeholders. The government depends on the participation of PGRs to meet the demand for inspections. There is a risk that private garages may not be sufficiently incentivised to continue to extend their share of the vehicle inspections market or to adhere to the strict standards. Any issues with the PGRs need to be resolved as soon as possible. If the project goes forward, this will be treated as a key risk, and mitigation strategies will be established.

The PGRs are not being paid, this opens the door for safety standards to be dropped because garages may be tempted to try to minimise the amount of time spent on inspections, and this puts the motoring public at risk. For example, this is supported by incidents coming to the department where vehicles were supposed to have been thoroughly examined, and on occasions it was proven to have not been done in accordance to the PGR Policy. The lack of remuneration can open the door for corruption as well.

However, if the PGRs were to say that they are not going to continue with inspection of vehicles, the Department of Vehicle and Drivers’ Licensing would not be in a position to deal with the number of vehicles adequately. In 2014, the PGRs conducted over **61%** of vehicle inspections. In addition, the new Eastern District DVDL sub-station will need to be staffed from within current resources from the central facility. This means that unless demand for services from DVDL at the central facility is reduced (either because of persons from the Eastern Districts using the new facility or with PGRs doing more inspections), the central facility may not be able to cope with service demands.

If not monitored carefully, customers may also not necessarily get the best deal from private garages. For example, some customers have said that they prefer the government service because the private garages charge very high prices for parts if an inspection points out that part is needed, or that the garages seem to find things wrong for customers to pay. The DVDL should survey customers of both the PGRs and CIG services in the near future to get some reliable information on customer experiences.

However, it should be noted that other private garages are interested to become licensed PGRs. The survey of the current PGRs indicates that they are all interested in remaining part of the scheme. This suggests that there is an opportunity to review and optimise the mix of services provided by CIG and the private garages, to increase the number of PGRs (which would reduce demand on CIG) and the current arrangements. Any fees paid to PGRs would reduce CIGs revenue. The survey appears to indicate that CIG does not necessarily have to pay fees for the PGRs to continue to participate.

It should also be noted that there are limitations to how much of the market the private garages can actually participate in. Currently PGRs do not have the facilities to inspect vehicles over 10,000 lbs. and specialist vehicles like fire trucks.

3.4 Key Constraints and External Dependencies

Table 1: Key Constraints and External Dependencies

CONSTRAINTS	NOTES
<ul style="list-style-type: none"> • PGRs are currently only able to inspect vehicle up to 10,000 pounds • CIG depends heavily on the PGR to do inspections as DVDL cannot handle all of the inspection alone 	<ul style="list-style-type: none"> • PGRs lack the necessary space, equipment and/or facilities to inspect categories other than light vehicles. Additional training and investment would have to be done at significant cost to the PGRs or through an investment by CIG. • PGRs carried out 61% of all inspections in 2014.
<p>DEPENDENCIES</p> <ul style="list-style-type: none"> • Potential legislative changes to Traffic Law • DVDL depends on the RCIPS to conduct the roadblocks to check that vehicles are licensed and 	<ul style="list-style-type: none"> • Changes to the Traffic Law will be required if PGRs have to be paid or if they become responsible for all inspections. • Under the Traffic Law, roadblocks and roadworthiness checks of vehicles are the remit of the RCIPS. They determine how frequently they are held. These roadblocks are the key way uninspected/unlicensed vehicles are identified and, therefore for uncollected revenue to be collected.

have been inspected.	
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3.5 Conclusions

The current arrangements for vehicle inspections provide good value for money for CIG. Four staff members costs CIG \$\$190,949.00 each year, and fees from vehicle inspections earn **CI\$1,200,845.00** in revenue. This is only made possible by a policy decision to create a market for private garages to participate and conduct inspections at no cost to CIG. In addition, the Vehicles Inspection Unit staffs provide a range of other important services and support to the wider DVDL.

The Unit is aware, and the survey of the participating garages confirms, that there is a need to revisit the arrangements with the PGRs, as some but not all are asking for some form of compensation to be provided. Given that almost all have indicated that they would continue under the current arrangement and the fact that there are other garages interested in participating, it should not be assumed that the payment of fees must happen.

However these requests by the PGRs come at a time when an increase in the PGRs' share of the market could create additional staffing capacity for the Unit to meet other pressing needs.

The analysis has also identified that there is significant outstanding revenue due to CIG that is not being collected because individuals are not having their vehicles inspected and licensed at the times required by the law. There is public safety as well as revenue implications. Some work to tackle this has begun, and is having some success, which needs to be continued and strengthened. This will require the involvement of the RCIPS as they are responsible for implementing road blocks where vehicles can be checked, and offenders prosecuted.

Therefore, it appears that there is a clear rationale for investing in change to build on some of the ongoing work of the DVDL to address the key problems identified.

The next section of this report will examine options for addressing these key problems and to deliver the investment objectives identified for the project.

PART 4: IDENTIFICATION AND SCREENING OF POTENTIAL SOLUTIONS

4.1 Evaluation Criteria

Table 2: Critical Success Factors

Critical Success Factor Categories	Broad Description	Critical Success Factors Specific to Your Proposal
Strategic Fit and business needs	<p>How well the option:</p> <ul style="list-style-type: none"> meets agreed upon investment objectives, the related business needs and service requirements Is aligned with the organisation, provides synergy and supports other strategies, programmes and projects. 	<ul style="list-style-type: none"> Responsive to customer needs for increased choice of providers and improved safety arrangements Aligns with policy to partner with private sector for the delivery of vehicle inspections
Potential value for money	<p>How well the option optimises value for money (i.e. the optimal mix of potential benefits, costs and risks).</p>	<ul style="list-style-type: none"> Improves effectiveness (e.g. reduces safety risk) Improves net revenue position of DVDL.
Supplier capacity and capability	<p>How well the option:</p> <ul style="list-style-type: none"> matches the ability of potential suppliers to deliver the required services is likely to result in a sustainable arrangement that optimises value for money. 	<ul style="list-style-type: none"> There is market capacity to deliver the change
Potential affordability	<p>How well the option:</p> <ul style="list-style-type: none"> Meets the sourcing policy of the organisation and likely availability of funding Matches other funding constraints 	<ul style="list-style-type: none"> Limited additional investment required for implementation.
Potential achievability	<p>How well the option is likely to be delivered, given:</p> <ul style="list-style-type: none"> In view of the organisation's ability to assimilate, adapt, and respond to the required level of change 	<ul style="list-style-type: none"> Achievable within 18 months Ability of DVDL/Vehicles Inspections Unit to implement required changes

	<ul style="list-style-type: none"> • How well it matches the level of available skills a required for successful delivery. 	
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4.2 Long List of Options

Stakeholders have identified the following long list of potential options as follows:

Table 3a: Option Description

OPTION NUMBER AND NAME	DESCRIPTION
Option 1 : Do Nothing	Maintain current operation with no changes.
Option 2: All inspections by PGRs	<ul style="list-style-type: none"> • Wind up government operations and pass all vehicle inspections work to PGRs
Option 3: Bring all work in house	<ul style="list-style-type: none"> • Partnership between CIG/ approved PGRs to conduct inspections discontinued. Inspections only by CIG.
Option 4: Create a staff mutual	<ul style="list-style-type: none"> • Create a new, mutualized, staff-led business to carry out inspections.
Option 5: Refine partnership arrangements with PGRs	<ul style="list-style-type: none"> • Review and optimize the mix between government and private sector work in relation to the work of the Vehicles Inspection Unit, and arrangements to improve the regulation of PGRs. It will also focus on increasing the number of PGRs, to reduce the demand of CIG facilities and extend choice to customers.
Option 6: Build on current actions to improve net revenue and effectiveness	<ul style="list-style-type: none"> • Implement a package of ongoing initiatives, including enhancing collection of outstanding revenue, improving road safety and addressing shortcomings in resources, facilities and training.

4.3 Screening of Options

The long list of options is appraised against the identified CSFs.

- A **Green** assessment indicates fully meets
- A **Yellow** assessment indicates partly meets; and
- A **Red** assessment indicates does not meet

Table 4: Screening of Options

Option	CSF1: Strategic Fit and business needs	CSF2: Potential value for money	CSF3: Supplier capacity and capability	CSF4: Potential affordability	CSF5: Potential achievability
1. Do Nothing	-Would maintain current partnership approach but not improve or be responsive to partnership issues raised by PGRs or to customer needs	- Does not improve road safety -no improvement to net revenue but value for money retained as PGRs are not paid for inspections (which would otherwise require additional CIG staff and resources).	-Market capacity exists for current arrangement, but does not take advantage of opportunity to increase number of private sector participants (PGRs)	-Without change, demand in central service would not allow for staff member to be reassigned to E District sub-station, thereby requiring additional hiring	Meets: no change to status quo
2. All inspections by PGRs	- Extends partnership approach but would limit customer choice to use Govt service.	-Would not improve net revenue or address road safety issues -Could increase costs as CIG would have no in-house capacity as alternative to PGRs, some of whom are demanding payment	-There is market capacity for more PGRs, but not clear if sufficient for all inspections -PGRs do not have capacity (space, equipment) to handle larger/specialist vehicles	-CIG may need to invest or subsidies significantly any upgrades to facilities by PGRs, where the facility could accommodate this -CIG would need to retain most/all of current staff in order to provide an adequate regulatory service and to maintain some in-house capacity in order as a back- up for market failure	-Inspectors would need to be trained as regulators -New regulations, policies and training would be required
3: Bring all work in house	-Would not meet current partnership approach -would limit customer choice to use private provider	- net revenue position would deteriorate with impact of additional staffing/expanded facilities to meet demand and no increase in revenue and loss	-current CIG staffing/other resources would be insufficient for demand	- additional staff/expanded facilities would be needed to cope with increase at a time when pressure is on CIG to reduce headcount	-skillsets already available, but not otherwise realistic

		<p>of PGRs who are not paid for inspections</p> <ul style="list-style-type: none"> -road safety issues relating to PGR performance issues could be addressed 			
4: Create a staff mutual	<ul style="list-style-type: none"> -creative extension of government/business relationships, with opportunities extended to staff to operate as a business -private sector may perceive unfair advantage being given to the mutual at a time when they participate free of charge 	<ul style="list-style-type: none"> -no improvements in net revenue-CIG would likely have to subsidies/invest in training, resources (use of facilities?) and guarantees to make mutual feasible, especially in early years. -current road safety issues relating to PGR performance may be replicated 	<ul style="list-style-type: none"> - Capacity/interest not currently available and current numbers of staff too small for effective organization, especially when most or all would be needed for regulation and to maintain in-house capacity. 	<ul style="list-style-type: none"> -Significant investment would be required. -No savings could be realistically expected for short-medium term (see CSF #2), or over the life of the project, as CIG would need to retain most/all of current staffing for regulatory service/in-house capacity. 	<ul style="list-style-type: none"> -Significant timeframe required to develop new model, prepare staff, as well as to provide ongoing support -Huge learning curve for DVDL and unit
5: Refine partnership arrangements with PGRs	<ul style="list-style-type: none"> - Aligns with current policy and improves the effectiveness with which it is implemented, as will lead to more PGRs and re-negotiated arrangements in relation to PGR concerns -customer needs for more private sector providers while offering CIG access will be retained 	<ul style="list-style-type: none"> -negotiations may result in some increased costs if some payments to PGRs agreed-however, not all PGRs are challenging current value proposition and it may very well be maintained -provides opportunity to tackle regulation of PGRs/related road safety issues arising 	<ul style="list-style-type: none"> -there is capacity/interest to increase the number of PGRs -resulting reductions in demand on CIG facilities could create capacity to man new E District sub-station from existing staff and for additional focus on regulatory functions 	<ul style="list-style-type: none"> -limited investment required-vetting of new PGRs, enhancing regulations 	<ul style="list-style-type: none"> -within current skillsets to deliver, with some additional training on regulation/monitoring
6: Improve net revenue and effectiveness	<ul style="list-style-type: none"> -aligns with strategic aims on cost savings 	<ul style="list-style-type: none"> -would improve net revenue position if outstanding revenue collected -would reduce road safety if the 	<ul style="list-style-type: none"> -would need to be a cross-agency approach with the Police, as they are currently responsible for 	<ul style="list-style-type: none"> -Some investment would be required e.g. for safety improvements, and it could be 	<ul style="list-style-type: none"> -within current skillsets of agencies affected to deliver

		number of vehicles on road not checked for roadworthiness or licensed is reduced	roadblocks and compliance checks	significant, depending on items selected and timing of implementation. However it could be offset to some extent by increases in outstanding revenue collected.	
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Table 5: Option Findings

Options	Overall Assessment	Rationale (reasons for exclusion)
Option 1: Do Nothing leave as is	Retained as baseline	
Option 2	discounted	<p>-There is market capacity for more PGRs but little to no capacity of PGRs to handle larger and specialist vehicles which are now only inspected by CIG.</p> <p>-This would limit customer options</p> <p>-Given the small number of staff employed for inspections, and the fact that the majority would have to be retained to maintain some in-house capability and to regulate a greater number of PGRs, there would be no significant savings to CIG.</p>
Option 3	discounted	-Would be a retrograde and expensive step, going against the policy of partnership with the private sector, and an arrangement that currently enables CIG to cope with demand without any payment to the PGRs or additional staffing.
Option 4	discounted	-Current low levels of interest by staff, the small number of staff involved, and the significant investment that would be required to set this up and maintain it, and the low level of return expected (even in headcount reductions).
Option 5	viable	<p>-Other PGRs are interested in joining the pool and there is an established process; CIG would benefit from decreased demand in some areas (but not inspections of specialist or larger vehicles), to allow for reassignment of one staff member to E District facility.</p> <p>-Current revenue position may be eroded to some extent if CIG agrees some payment is needed, but survey of PGRs does not indicate</p>

		<p>that this is a requirement.</p> <p>-There is a strong case to be made that these matters are operational and best dealt with as “business as usual”, and not as a separate project.</p>
Option 6	viable	<p>-The outstanding revenue represents a significant amount of loss for CIG and also represents significant health and safety risks as vehicles that are not inspected or licensed may not be safe. However, this is not within the sole control of the Vehicle Inspections Unit or DVDL and relies largely on the RCIPS for the implementation of roadblocks. DVDL has already contributed through the implementation of a policy and this work is ongoing.</p> <p>-Therefore, there is a strong case to be made that this work is ongoing and operational and best dealt with in combination with option 5 and as “business as usual” for RCIPS and DVDL, and not as a separate project.</p>

4.4 Short-Listed Options

On the basis of this analysis, the recommended short-list would be as follows:

- Option 1: Do Nothing (retained as a baseline comparator)
- Option 5/6: Implement a programme of changes to refine partnership arrangements with PGRs and improve net revenue and effectiveness.

Table 6: Estimated costs of short-listed Options

Option (all figures in \$ m)	Option 1:Do Nothing	Option 5/6
Capital Costs		Approximately \$300-\$2m for resource/safety improvements, depending on options pursued
Running costs		
Revenue	\$1.2m	\$1.2m + Target for uncollected revenue: \$ \$0-\$300+K potential revenue loss to CIG if payments were to be made to PGRs Efficiency gains
Savings against Do nothing baseline	(costs of 1 additional inspector)	+Target for uncollected revenue Efficiency gains

*This represents the cost of one additional inspector. If no changes are made additional staff would be required to meet growing demand for services by CIG.

4.5 Stakeholder Management

The key stakeholders that have an interest in the expected outcomes or can influence the investment proposal have been identified as indicated in the table below.

Table 7: Key Stakeholders

Stakeholder	Interest
Internal	
Staff	They would be impacted by (e.g. redeployment, process improvements) and have to implement any proposed changes.
External	
PGRs	Potential for business growth, financial gain.
Customers	Any changes to the arrangements for general inspection services could impact their choice of provider. Any improvements to road safety would be considered a benefit. Any moves to collect outstanding fees could have legal as well as financial implications.
RCIPS	They are responsible for roadworthiness checks under the Traffic Law.
Car Dealers who provide a licensing/inspection service	They use the current vehicle inspection services. Any changes to inspection arrangements would affect them.
Insurance Companies	They rely on CIG to ensure vehicles are roadworthy through the inspections process, and their revenue is affected negatively if vehicles are not being inspected/licensed/and insured.

Private Garages (PGRs)

A survey was developed and distributed to all current PGRs. The summary results are as follows (see Appendix I for detailed analysis):

Most PGR's have been in registered for 3-5 years. Half of the companies that chose to become PGR's reported doing so in order to provide a service to customers and the other half reported that they became a PGR because they have the capacity to do so.

The majority of PGRs report that they benefit from registration as a PGR. The majority of responses received indicate that the greatest benefit is the fact that this service acts as a gateway for customers to access other services. Most typically, services related to vehicle maintenance and repairs.

The majority of PGRs report that they are able to cope with doing inspections and their routine services to customers without undue delay. PGRs report that the time they take to complete inspections varies between 5 and 40 minutes.

PGR's are divided, almost in half, regarding whether or not they are satisfied with the current government arrangement. Half reporting that the arrangement is good and the other half reporting that the PGR's should be financial remunerated. While all participants confirmed they will continue under the current arrangement the majority of PGR's report that they should be financially remunerated for the delivery of the service with an average fee of \$33 reported.

Customers

A survey has been developed to gather feedback from customers who use the government's inspection services on Grand Cayman. It was piloted with a small number of customers and revised. Given the small number of participants the findings are not statistically relevant, so no conclusions can be drawn from the responses.

Staff views

The four staff members from the Vehicles Inspections Unit were interviewed to seek their views on the possibility of forming a staff mutual. It was clear from all that they were reluctant to change.

Part 5: INVESTMENT REQUIRED TO DEVELOP AN OUTLINE BUSINESS CASE

The comments in Table 5 above explains that the two short-listed options other than the Do Nothing options could best be considered **ongoing** and **operational** work, or "**business as usual**" **improvements**. This means that, although they represent important work that is worth doing, they would not necessarily be considered appropriate as a separate project.

It is therefore recommended that the work on this project **not** proceed to the OBC stage, and that it be removed from the Project Future programme. It is further recommended that, instead, Cabinet direct that the issues identified in Options 5 and 6 form part of the strategic objectives for the work of the DVDL for the current and next budget year to be addressed as operational matters in partnership with the RCIPS and other agencies, as appropriate.

Specifically, the following ongoing projects are to be enhanced:

- Refine partnership arrangements with Private Garages (PGRs)
- Enhance collection of outstanding revenue
- Address shortcomings in resources, facilities, and training

There is also a potential for investment in the future related to the following:

- A proper road testing arena estimated to be a \$1.5m investment, and an emission control system which will require legislative amendments and further research.
- A funded operation between RCIPS and DVDL Inspectors to carve out a scheme to increase timely renewal of registrations and compliance to licensing and registration requirements. This can increase revenue and reduce uncollected registration fees (\$4.8m in 2014).

Appropriate proposals will be brought back to Cabinet for future consideration.

5.1 Methodology

N/A

5.2 Financial Implications

N/A

5.3 Public Service Implications

N/A

5.4 Legal Implications

N/A

Appendix I- Data Analysis of Private Garages Survey

Below you will find data drawn from the surveys as conducted and presented to the SRIU. This data should assist you in answering the questions you were seeking to have answered through the development of the instrument.

PGR Survey

Nine individuals participated.

Due to the small population size it is best to have 100% participation. With a sample size of 9 the margin of error is +/-10.

Question	Data	Notes									
How long has your establishment been registered as a PGR?	<table border="1"> <tr><td>3 years</td></tr> <tr><td>3 years</td></tr> <tr><td>4 years</td></tr> <tr><td>4 years</td></tr> <tr><td>5 years</td></tr> <tr><td>8 years</td></tr> <tr><td>16 years</td></tr> <tr><td>24 years</td></tr> <tr><td>Since Inception</td></tr> </table>	3 years	3 years	4 years	4 years	5 years	8 years	16 years	24 years	Since Inception	Mean (average of the numbers) is 8 years. Median is 4-5 years.
3 years											
3 years											
4 years											
4 years											
5 years											
8 years											
16 years											
24 years											
Since Inception											
What caused your establishment to become a PGR?	<table border="1"> <tr><td>The desire to offer a service that meets the needs of our customers as well as other motorists</td></tr> <tr><td>Convenience for our customers and the licensing of new vehicles</td></tr> <tr><td>Reputation and qualified staff</td></tr> <tr><td>We were requested by the Licensing Authority by us having the only inspection facility in West Bay</td></tr> <tr><td>Convenience for the customer pool</td></tr> <tr><td>We are a car dealership with service and repair</td></tr> <tr><td>Management decision to make it a part of our business operation.</td></tr> </table>	The desire to offer a service that meets the needs of our customers as well as other motorists	Convenience for our customers and the licensing of new vehicles	Reputation and qualified staff	We were requested by the Licensing Authority by us having the only inspection facility in West Bay	Convenience for the customer pool	We are a car dealership with service and repair	Management decision to make it a part of our business operation.	<p>Meeting needs of customers = 57% or 4 participants reported answers related to meeting the needs of customers who require this specific service.</p> <p>Conducting business = 43% or 3 participants reported answers related to their business (expanding operations, have the ability to deliver the service).</p>		
The desire to offer a service that meets the needs of our customers as well as other motorists											
Convenience for our customers and the licensing of new vehicles											
Reputation and qualified staff											
We were requested by the Licensing Authority by us having the only inspection facility in West Bay											
Convenience for the customer pool											
We are a car dealership with service and repair											
Management decision to make it a part of our business operation.											
Has your establishment benefited from becoming a vehicle inspection garage? If yes, state how. If no,	<p>11% or 1 participant did not confirm if they have or have not benefited. They provided the following answer:</p> <p>Being a garage in the eastern district.</p>	The majority of PGR's benefit from registration.									

state why.	<p>89% or 8 participants confirmed that they benefited from being a PGR. Of those:</p> <p>88% or 7 participants reported that this service was a gateway to customers accessing other services. Most typically, services related to vehicle maintenance and repairs.</p> <p>12% or 1 participant reported that it is more convenient for customers.</p>		
Is your garage able to cope with doing inspections and your routine services to your customers without undue delay?	<p>89% or 8 participants report that they are able to cope with doing inspections and their routine services to customers without undue delay. One of the participants noted that they limit the times when this service is delivered in order to manage their resources.</p> <p>11% or 1 participants report that they are NOT able to cope with doing inspections and their routine services to customers without undue delay. They note that additional staff would be required.</p>		
What time frame do your examiners take to complete an inspection?	<p>11% or 1 participant</p> <p>44% or 4 participants</p> <p>11% or 1 participant</p> <p>22% or 2 participants</p> <p>11% or 1 participant</p>	<p>5 mins</p> <p>10-15 mins</p> <p>15-20 mins</p> <p>20-30 mins</p> <p>40 mins</p>	
How many vehicle inspectors does your establishment have?	<p>1</p> <p>2</p> <p>2</p> <p>2</p> <p>3</p> <p>3</p> <p>3</p> <p>3</p> <p>4</p>		<p>Mean = 3</p> <p>Median = 3</p>
How do you view the current arrangement with government, and	<p>At the time it is good but as we get busier we see more passes than fails</p>		<p>44% or 4 participants are satisfied with the arrangement.</p>

<p>whether your services for inspection are free?</p>	<p>The current arrangement is good. We do not charge for inspection</p> <p>We have no problem with it as long as we can choose the times in which we do inspections.</p> <p>The current agreement is excellent and fits well with the operation. All inspections are free.</p> <p>Given that we are using our equipment and our human resources to provide this service we believe we deserve a percentage of the inspection fee being paid to govt.</p> <p>It works but should be changed for a more personal service.</p> <p>A fee should be paid to company. Service is free.</p> <p>The service is free on our site.</p> <p>Don't think of giving 'free' adds in the value or importance to the inspection</p>	<p>33% or 3 participants believe that the PGR should be financial remunerated.</p> <p>22% or 2 participants provided answers that are not congruent with the question asked.</p>
<p>Do you intend to continue inspections for the Government with the current arrangements? If no, state why.</p>	<p>100% or 9 participants confirmed that they were willing to continue conducting inspections under the current arrangements.</p>	
<p>Do you think that your establishment needs to be paid for the service that it provides? If yes, please state why and how much should be paid.</p>	<p>Yes CI\$50 per vehicle</p> <p>Yes \$25 per vehicle</p> <p>Yes \$20 - \$25 per vehicle</p> <p>Yes \$35 per inspection</p> <p>Yes. It would be nice to be compensated 40% of the current price.</p> <p>It is a service we provide and our staff needs to get paid.</p> <p>It would be nice but not mandatory as we gain some benefit from the arrangement.</p> <p>It would be nice to be paid but we consider it a community service.</p>	<p>33% or 3 participants report either no or it would be nice but not required.</p> <p>66% or 6 participants report that the PGR's should be paid for their service.</p> <p>Of those who reported that PGR's should get paid they identified range of rates between \$20 - \$50 per inspection. With an average rate of \$33.</p>

	<p>No. The current deal is working out nicely because it brings in business and increases sales. Customers are happy to hear the inspection is free and can be paid when renewing the vehicle license.</p>	
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Most PGR's have been registered for 3-5 years. Half the companies that chose to become PGR's reported doing so in order to provide a service to customers the other half reported that they became a PGR because they have the capacity to do so.

The majority of PGR's, report that they benefit from registration as a PGR. The majority of responses received indicate that the greatest benefit is the fact that this service acts as a gateway for customers to access other services. Most typically, services related to vehicle maintenance and repairs.

The majority of PGR's, report that they are able to cope with doing inspections and their routine services to customers without undue delay. PGR's, report completing inspections from between 5 and 40 minutes.

PGR's are divided, almost in half, regarding whether or not they are satisfied with the current government arrangement. Half reporting that the arrangement is good and half reporting that the PGR's should be financial remunerated. While all participants confirmed they will continue under the current arrangement the majority of PGR's report that they should be financially remunerated for the delivery of the service with an average fee of \$33 reported.