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OPERATIONAL REVIEW

OF

MOTOR VEHICLE

INSPECTION PROGRAM

December 21, 1990



STATE OF NEW JERSEY OFFICE OF THE GOVERNOR

GOVERNOR'S MANAGEMENT REVIEW COMMISSION

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FOR IMMEDIATE RELEASE

January 9, 1991

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Governor Jim Florio announced in his State of the State address Tuesday that New Jersey will end State-operated air quality emissions testing and safety inspections, turning the job over to a more efficient and cost-effective private contractor.

"We are emphatically not getting out of the safety business," Florio said. "But we are convinced that a high-tech firm specializing in vehicle testing can do the job better and at greater convenience and less cost to taxpayers."

Without the help of the private sector, the Governor said, compliance with the new federal Clean Air Act that goes into effect this year could cost New Jerseyans as much as \$45 million more than they're paying now. The transfer to private service can save taxpayers \$22 million in direct operating costs and between \$15 million and \$45 million in avoided costs necessary to comply with the new federal mandates. "The estimated savings make clear that this is the right decision," Florio said.

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The Governor's decision followed the recommendations of the Governor's Management Review Commission, a group of business and labor leaders, academicians and former government officials.

The Commission based its conclusions on the work of its Motor Vehicle Services Task Force headed by First Assistant Attorney General Douglas S. Eakeley.

Stanley C. Van Ness, Chairman of the Commission said, "In light of the stringent new demands of the Clean Air Act, we were convinced that the State should terminate its auto-emission testing and vehicle-safety inspection operations, eliminating both State-operated inspection lanes and mandatory inspections at the 3,900 private-sector inspection centers known as PIC's."

Michael J. Scheiring, Executive Director of the Commission, called the Task Force report "a model of consensus achieved by experts in traffic safety, law enforcement and management from government, the academic world and the private sector. The recommendations of the Task Force take an extra measure of authority from this carefully achieved consensus."

In place of State-run inspections, the Task Force said, a franchised system operated by a private contractor should be used to test exhaust emissions every other year in the first five year's of an automobile's life and every year thereafter. The franchiser would in many cases lease existing State facilities and may employ present State inspectors. The Task Force located vendors whose firms have established their expertise as testers. Options to include safety inspections will be explored with these vendors.

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The Task Force found that DMVS emissions testing had failed several performance audits by the federal Environmental Protection Agency. The National Highway Traffic Safety Administration found most State-mandated, State-run safety testing programs under-funded and imprecise.

In addition, the Task Force said, the Clean Air Act Amendments would require the purchase of costly high-tech equipment and a budget for inspection services at least double the current outlay.

With the advent of new federal air-quality regulations in 1991, it is doubtful, the Task Force found, that the DMVS can afford the necessary technological upgrade in emissions-testing equipment. Additionally, DMVS lacks the resources necessary to properly inspect the most crucial vehicle safety items.

Budget projections show that the cost per driver could be reduced from \$20 - \$22 now charged by the PIC's for vehicle testing to a range of \$6 - \$15 by the franchised operation. Several states now use private vehicle-testing firms with good success.

Attorney General Robert J. Del Tufo, whose department operates the Division of Motor Vehicle Services, applauded the recommendations. Del Tufo said, "In addition to the potential savings for drivers and taxpayers, we believe that Motor Vehicle Services can make better use of its resources. The division has major new responsibilities, including the testing and licensing of truck and bus drivers under the federal Commercial Drivers License program and the insurance verification requirements of the Fair Auto Insurance Reform Act".

"Those programs will pay significant dividends in safety and compliance. That's where the division's skills and technological capabilities should be concentrated".

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In place of the current safety inspections, the Task Force said, New Jersey should enhance its public education programs on the critical elements of vehicle maintenance, as well as beefing up enforcement with random roadside tests, stiffer penalties for operating unsafe vehicles and mandatory inspection for used cars brought into the State.

Safety inspections, the Task Force said, are costly and their value in improving road safety has never been proven. Many experts are skeptical of the value of such inspections, advising instead constant safety surveillance by educated owners and their regular mechanics.

The Task Force recommended that the State explore with the private vendor the possibility of including safety inspections as part of the emissions test. Options include visual safety inspections, voluntary inspections or mandatory inspections of randomly selected vehicles. Every effort will be made to minimize the effects of the proposed changes on the inspection work force in Motor Vehicle Services including having the franchise consider the hiring of DMVS inspectors.

The Task Force was created in October to study remedies for chronic organizational breakdowns in the MVS inspection services, a government-operated system unlike any other in the nation.

The Governor's Management Review Commission Task Force included high-ranking officials from affected State agencies, and academic experts. Its members are listed in Appendix A of the attached report.

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Attachment

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GOVERNOR'S MOTOR VEHICLE SERVICES TASK FORCE

REPORT ON SAFETY INSPECTIONS AND AIR EMISSION TESTING

December 19, 1990

GOVERNOR'S MOTOR VEHICLE SERVICES TASK FORCE

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INTRODUCTION

Long lines of drivers outside State inspection lanes; widespread public skepticism concerning the efficacy of vehicle safety inspections; failing grades by the U.S. Environmental Protection Agency on mandatory air emission testing; an operating budget that has more than doubled in the past eight years; new federal requirements for air emission testing that will multiply those costs by a factor of two or three in the future -- these are some of the principal reasons why Governor Jim Florio asked the Attorney General and the Governor's Management Review Commission to examine the safety inspection and air emissions testing services rendered by the Division of Motor Vehicles (now known as Motor Vehicle Services, or "MVS") in the Department of Law and Public Safety. The Task Force that was formed in response to this request is comprised of representatives from those agencies of State government that have a regulatory concern for automobile use, plus the Governor's Management Review Commission, the Office of Management and Budget, the Office of Telecommunications and Information Systems, and outside experts from the New Jersey Institute of Technology.1

1. The members of the Task Force are listed in Appendix A to this report.

The Task Force focused on a cluster of related issues: Should the State of New Jersey continue to provide centralized safety inspections for automobiles? Should it continue to provide air emission testing in order to meet federal mandates? Are there other, more cost-effective means of assuring the operational safety of automobiles? Are there private sector alternatives to State air emission testing?

The Task Force met in full for its first meeting on October 16, 1990. At the suggestion of the Task Force chairman, members divided into two subcommittees, one responsible for studying auto emissions testing and the other responsible for studying safety inspection. A third subcommittee provided budgetary analysis. The subcommittees submitted reports to the full committee, which met regularly into December to discuss their findings. Questions raised in the course of the subcommittees' research were investigated by Task Force members between meetings of the full committee. Task Force members studied the voluminous file of past reports concerning New Jersey's inspection system and state inspection generally, interviewed MVS employees, collected data from New Jersey and other state agencies, and met with public officials and private vendors to canvass the full array of options for safety inspection and auto emission testing programs. Throughout, the Task Force members were encouraged to explore all approaches without predisposition or bias and to think both creatively and carefully about the most appropriate system of

motor vehicle services for the State of New Jersey. This report is the product of the Task Force's research and deliberations.

PART ONE: A BRIEF HISTORY OF OPERATIONAL STRESS

The Volume of Consumer Contacts

Within New Jersey state government, no agency rivals Motor Vehicle Services for the wide variety and overwhelming volume of service contacts with the public. During the past fiscal year, MVS's 35 state-run inspection stations and more than 3,900 privately-operated inspection stations (known as "PICs") handled nearly 6 million separate inspections of vehicles. The analyses conducted at these facilities range from a multiple point safety inspection to an emissions test that is strictly regulated by the N.J. Department of Environmental Protection and the U.S. Environmental Protection Agency.

In addition to these tests and inspections, MVS is responsible for ensuring that all of the State's drivers operate their vehicles with proper credentials. These administrative duties, which are sometimes referred to as "core regulatory functions," include driver testing, licensing and renewals, titling and insurance verification. Core functions are an enormous responsibility in any state, but in New Jersey, which has the highest density of motor vehicles in the nation, these administrative duties create a staggering number of tasks. Each year, MVS must handle the routine processing of new drivers, transfers from other states and the perpetual cycle of renewals

for the State's 5.6 million licensed drivers. These tasks add up to 24 million transactions each year.

Organizational Fragility and Operational Breakdown

Because it has more contacts with New Jersey citizens over the age of sixteen than any other governmental agency, MVS has a profound impact on the public and the public's confidence in state government. At the same time, the division's uniquely broad and periodic contact with citizens has encouraged the Legislature to turn to MVS for the implementation of statewide regulatory initiatives.

The attendant growth in MVS functions has been matched by a rapid rise in the number of private and commercial vehicles on state roads. While Motor Vehicle Services has struggled to keep up with the demands placed upon its staff, moving from crisis to crisis, it has generally lacked the resources necessary to address the underlying causes of operational stress.

The cycle of excessive demands, crises and reorganizations places special strains on the public's relationship to the MVS workforce. MVS employees who operate in its field locations are expected to perform their jobs effectively and courteously even when the organization's priorities are shifting and their own resources are being cut. Constant shifts in the organization's goals inevitably impose strains on the State inspection centers.

These strains lead to customer delays, car lines and other inconveniences that have become all too common at the MVS facilities.

Most Recent Breakdowns

This environment of program build-up, budget cuts and operational stress has led predictably to recent breakdowns at the MVS agencies. In 1989, MVS failed a comprehensive audit of its auto emissions testing program. The audit, which was performed by inspectors from the U.S. Environmental Protection Agency, was based on the less comprehensive standards in effect before the passage of the Clean Air Act Amendments of 1990. In response to this audit failure, MVS instituted a program of performance improvements, but in a series of subsequent covert audits conducted this past summer at both state-run and private inspection centers, the agency again failed to meet current standards.

In addition to the agency's failure to provide the level of service required by law, customers, perhaps more than ever, have been subjected to intolerable inconvenience and delay at the state-run inspection facilities. This summer, as the Governor implemented state-wide emergency budget cuts, customers visiting the State inspection centers were regularly subjected to one and two-hour waits. The driving public expressed its frustration in letters to the Governor, MVS and newspapers throughout the State.

As one editorial argued, "[i]nspection lines are mostly an inconvenience . . . it's time to review motor vehicle inspections to see whether safety and environmental concerns are really being satisfied by the current system."²

Latest Responsibilities

In the face of these existing pressures, both the state and federal governments are asking more, not less, of MVS. In November, the Congress adopted amendments to the Clean Air Act that will impose much higher standards for the equipment and procedures used in testing auto emissions. The amendments require New Jersey to prepare and adopt a new State Implementation Plan, to be approved by the U.S. Environmental Protection Agency, that will require advanced testing equipment and a thorough redesign of the State's testing system. While guidelines for the new tests are not expected to be issued by EPA for another six months, it is clear from the Amendments that New Jersey will have to develop a centralized system that can test auto emissions under different engine modes and then collect results from those tests in a central computer bank. Under the most conservative estimates, the new standards will more than double the cost of auto emissions testing in the State of New Jersey. But no federal funding is provided to assist States like New Jersey in complying with these new federal requirements.

2. Annoying Costly Lines, Asbury Park Press, Oct. 24, 1990, at A14.

Instead, New Jersey must find the means to finance and operate the new emissions testing program on its own. If it does not meet EPA's standards, significant sanctions will be applied -including the loss of New Jersey's share of valuable federal highway funds, a risk we cannot afford to take.

Another federal mandate which threatens the loss of federal highway funds in the event of non-compliance is the commercial drivers license program. In response to the growing incidence of major accidents involving large trucks and buses, Congress passed the Commercial Motor Vehicle Safety Act of 1986. The law requires the State to ensure that all commercial drivers are tested and qualified to operate their vehicles. This initiative, which has been matched by implementing legislation on the state level, will require new testing and licensing procedures for approximately 350,000 drivers of commercial vehicles. In order to protect against the loss of federal highway funds, all commercial drivers within the State will have to be tested and licensed by April 1, 1992, which is less than fifteen months away.

At the same time that it confronts new federal mandates, Motor Vehicle Services must also manage new priorities within state government. The automobile insurance crisis, which led to the passage of the Fair Automobile Insurance Reform Act of 1990, envisions a central role for MVS in addressing the residual uninsured motorist problem. The agency is required under the new

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law to record auto insurance data and then serve as a communications center for other state agencies and insurers in the private sector. As the critical link in the information chain of this new program, MVS's data processing capabilities have never been more essential to the successful functioning of state government.

Cleaner air, safer commercial drivers and insurance data collection impose new burdens that will require special attention and additional resources in the near future. The complexity of this resource reallocation will be compounded by the acute fiscal crisis confronting virtually all state governments in a recessionary economy.

PART TWO: THE APPROPRIATE RESPONSE

With the fiscal constraints facing State government, the need to ensure that government provides services in the most cost-effective manner as possible -- a need that is always present -- is particularly acute. Because Motor Vehicle Services provides more services to more citizens more frequently than any other agency of State government, a critical evaluation of how best to deliver those services is especially timely.

In conducting this evaluation, the Task Force had an ample base on which to start its investigation. Motor Vehicle Services, and in particular the State's safety inspection program, have been the subject of frequent study and debate over the last twenty years. Many of these studies are noted in the bibliography appended to this report.

Unlike core regulatory functions, which are essential services that a centralized State agency is ideally suited to perform in a cost-effective manner, auto emissions testing and safety inspection are two functions which entail substantial public cost and which also raise the question of whether the State is in fact the most effective service provider. There are really two questions concerning each of these vehicle control functions. The first is whether we need them; the second is who is in the best position to perform them.

Auto emission testing is the dominant concern under this analysis because it is both mandated by federal law and will absorb disproportionate State resources as a result of the new testing requirements imposed by that law. At the same time, there are serious doubts about the State's capacity to perform this enhanced function as effectively as other service providers. Because of the complexity of the new equipment and testing procedures that are likely to be required, EPA has strongly recommended that the states move to a centralized, private contractor-operated system. The Task Force carefully reviewed the requirements of the Clean Air Act Amendments, met with representatives of the EPA, surveyed the states which have already employed such private contractors for air emission testing, and interviewed the representatives of three of the four principal contractors which provide such services. The Task Force studied this clearly identified alternative and compared it with our current system. Our recommendations for the most effective and efficient service provider are based on this comparative analysis.

Safety inspection, unlike emissions testing, is not required by federal law. This affords the State even more flexibility in deciding how to promote the safe operation of automobiles in New Jersey. The Task Force analyzed the current safety inspection program, reviewed the extensive literature on the subject, surveyed the states and federal government, and met with a number of private vendors in the course of its deliberations. As with

our evaluation of emissions testing, our recommendations for the most effective and efficient automobile safety program are based on this comparative analysis.

Auto Emissions Testing

Unlike core regulatory functions, which involve routine administrative tasks, auto emissions testing is an evolving science subject to the increasingly strict discipline of federal environmental regulators. As previously noted, the Clean Air Act Amendments will require a technologically enhanced vehicle inspection and maintenance program. The new law requires the State of New Jersey to provide for computerized emission analyzers; operation of a centralized testing program with electronically connected data processing capabilities; elimination of private inspection centers, unless the State is able to show that PICs will be as effective as a centralized system; and the inspection and maintenance of on-board emission control diagnostic systems. It should also be noted, however, that the Amendments permit shifting from an annual to a biennial air emissions testing program for vehicles less than 5 years old.

At present, the auto emissions testing performed by the State inspection stations and PICs possesses none of these capabilities. In the last eighteen months, this system has failed two audits based upon the much less comprehensive standards of current law. The present system costs approximately \$15 million; the enhanced system, at a minimum, would cost the State more than twice the amount currently spent just to operate -- exclusive of the capital costs for new equipment. The PICs would be required to purchase replacement analyzers for as much as \$40,000, more than five times the cost of their current equipment.

The current system of state-owned testing facilities and private inspection centers is simply unable to keep pace with the dramatic leaps in technological advancement, capital investment and managerial expertise required to control auto pollution. But there is a private sector solution to this program: contract with a private vendor to conduct air emissions testing at State-owned lanes. 3

Private vendors offer special advantages over State agencies in the field of auto emissions. At present there are four principal companies providing auto emissions testing services in a number of states as well as locations outside the United States.⁴ These companies are able to offer the latest technology

3. It should be noted that the New Jersey Clean Air Council has also recently recommended that New Jersey adopt a system of "centralized private inspection centers." See Clean Air Council, "Trucks, Buses & Cars: Emissions & Inspections," April 2, 1990 at 3.

4. The companies are Hamilton Test Systems, Inc., a division of United Technologies, which operates programs in Arizona, Connecticut, Wisconsin and New York City; Systems Control, which provides services in Florida, Minnesota, Washington, Maryland, Illinois, California and Alaska; MARTA Technologies, a division of the Allen Group, which serves customers in Tennessee, Florida and most advanced management because auto emissions testing is virtually their sole business. Because these companies entered the auto emissions testing business within the last decade, they have been able to invest in the latest generation of modern equipment while avoiding the cost and inconvenience of replacing obsolete systems. Each company has a proven record of meeting both EPA standards and the customer service requirements of their client states. Each company deals regularly with equipment suppliers for all of its branches and is able to respond to maintenance, repairs and other service needs by drawing on the staff at its multiple branches.

The operational efficiencies created by a focused business should translate into a lower service cost for the public. Normally, the private vendor assumes all capital investment needed for equipment and new lanes, as well as operational costs, plus a profit margin necessary to ensure improved service. Motorists are then charged a user fee for the test. The State may subsidize the service through provision of land and test lanes, but is otherwise removed from the operation's finances. In this way, any fees collected are used directly and exclusively for the inspection system. Private vendors, moreover, contribute to the State's tax base through the corporate income tax and, if

(Footnote 4 continued from previous page) and West Germany; and Gordon Darby, which provides services in Arizona, Florida, Kentucky and Ohio. the State sells the land under its facilities, through local property taxes as well.

But private vending is not without adverse consequences, the primary of which is the transitional impact on the State MVS labor force. At present, there are approximately 550 State (non-supervisory) workers employed in auto emissions and safety testing functions. The private vendor can be expected to absorb a number of these workers -- especially if the State makes this a condition for contracting. The State will also need to retain a number of its workers to conduct driver licensing road tests, monitor vendor operated inspection centers, operate mobile inspection teams, conduct salvage vehicle operations, and provide technical/administrative support functions.

It should be noted, however, that there is likely to be a direct correlation between contract conditions imposed by the State and the operational costs of private vendors. Those operational costs will ultimately translate into higher fees for the public. Because the public will pay for inspection through the vendor's user fee, the State must make every effort to ensure that franchising fulfills its primary goal to the public of providing better service at the lowest possible cost.

Safety Inspection

Unlike auto emissions testing, which is required by federal law, safety inspection is conducted at the discretion of the State of New Jersey according to standards and procedures determined by the State Legislature. While the U.S. Department of Transportation's National Highway Traffic Safety Administration (NHTSA) has issued guidelines for safety inspection since 1967 and experimented since that time with various enforcement measures, periodic motor vehicle inspection is no longer a required component of a highway safety program. Thus, since the enactment of the Highway Traffic Safety Act of 1976, eleven states repealed their periodic vehicle inspection programs and several others modified their inspection procedures. The fact that emissions testing and maintenance have been shown to reduce air pollution and are now mandated by the U.S. Government, while safety inspection is not, reflects in large part the federal authorities' relative inability to show a measurable reduction in accidents as a result of periodic state safety inspection.

Although periodic safety inspection has been studied extensively by governmental authorities and private experts, there is little consensus in the field concerning its overall value. As NHTSA concluded after a comprehensive review of these studies in 1989: "there was no conclusive evidence in the literature that periodic motor vehicle inspection programs are, or are not, effective in reducing crashes."⁵ This past year, the U.S. General Accounting Office criticized NHTSA's report for conveying "undue skepticism" and failing to represent the safety benefits of vehicle inspection.⁶ While the GAO was itself unable to quantify a reduction in accident rates resulting from state inspection programs, it did pinpoint certain elements of safety inspection, notably the focus on brakes, tires and older cars, which can be shown to contribute to accident reduction.⁷

At the present time, twenty-one states and the District of Columbia offer periodic State vehicle inspection programs, with only New Jersey, Delaware and the District of Columbia operating government-provided annual, mandatory programs. According to NHTSA's 1989 report, most of these programs inadequately serve their customers because they are either underfunded, imprecisely focused or improperly administered.⁸ In New Jersey, the State administers the program through a network of 35 State-operated facilities and over 3,900 PICs. There is evidence of growing

5. Department of Transportation, National Highway Traffic Safety Administration, <u>Study of the Effectiveness of State Motor Vehicle</u> Inspection Programs (Interim Report 1989) at 60.

6. United States General Accounting Office, <u>Motor Vehicle</u> <u>Safety: NHTSA Should Resume Its Support of State Periodic</u> <u>Inspection Programs</u>, Report to the Chairman of, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce (July 1990) at 13.

7. Id. at 15

8. NHTSA Report, supra note 12 at 58.

inefficiency and ineffectiveness in the program, which has been consolidated and reduced in scope because of budgetary pressures. Many of the items checked are less than crucial to vehicle safety. At the same time, MVS simply lacks the resources necessary to inspect the most crucial safety items, tires and brakes, as carefully or as thoroughly as they might be.⁹

The costs of the present safety inspection system are viewed by many motorists as greater than the safety benefits provided. And while there have been frequent public outcries against the inconvenience and long waits associated with State inspection, there has never been a comparable demand for the government service of vehicle safety inspection.

Ultimately, the responsibility for operating and maintaining a safe vehicle belongs to the motorist. Like driving with proper insurance, or while sober, the operation of a safe car is a personal obligation that accompanies the privilege of driving on public roads. Likewise, the strongest incentives for the highest quality auto safety inspection are found in the self-interest of drivers themselves. This reality is reflected in the fact that

9. <u>See NHTSA Report, supra note 12 at Appendix C (New Jersey</u> does not meet the recommended uniform inspection guidelines for tires and brakes); Motor Vehicle Manufacturers Association of United States, <u>Vehicle Inspection Handbook</u> (1987) (New Jersey does not follow the association's recommended method for dynamometer brake testing or wheel-removal tire testing); New Jersey Institute of Technology, <u>Components of a Model Periodic</u> <u>Motor Vehicle Safety Inspection Program</u> (Draft on File with Task Force) (current brake inspection is considered inadequate). private manufacturer and dealer warranties include a much more thorough and effective inspection and maintenance plan than the State's program. A public inspection that falls short of this standard risks creating a false illusion of security.

The Task Force believes that the public is not well served by the current safety inspection program. Too few resources are available to conduct a comprehensive safety inspection under prevailing conditions.

This does not mean, however, that New Jersey should abandon the field. Safely maintained vehicles are an important factor in preventing accidents. But safety inspection is only one component -- and a discretionary one at that -- of what should be a comprehensive safety program for the State. We envision a program that would combine better public education concerning the critical elements and effective means of vehicle maintenance; greater incentives for self-maintenance, which would include dealer warranty check-ups and local garage inspections; spot checks through road-side police stops; visual inspection in the course of emissions tests; and increased penalties, such as points and fines, for operating unsafe vehicles.¹⁰

10. This program could be funded out of the small portion of automobile registration fees currently allocated to safety inspection.

In addition to the foregoing, the State must give careful consideration to whether a new voluntary or mandatory safety inspection program can be adopted in conjunction with the recommended franchised emissions testing program. There is preliminary evidence from the Task Force's meetings with private vendors that safety inspections can be performed as an efficient complement to the emissions test because of technological and managerial synergies common to both functions. However, the outcome of that decision is dependent upon the service and cost information provided by the vendor and the State's analysis of the incremental costs and benefits of a vendor-supplied safety inspection. This information and further analysis are largely dependent upon the requirements for air emission testing that EPA is in the process of developing.

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PART THREE: SPECIFIC RECOMMENDATIONS

 New Jersey should discontinue direct operation of the auto emission testing and vehicle safety inspection programs, eliminating both State-operated lanes and mandatory inspections by PICs.

2. New Jersey should implement a centralized, private-contractor operated franchise system at State-owned lanes for air emission testing on a user fee basis, on a biennial basis for the first five years of the life of an automobile, and annually thereafter. Certified private reinspection centers would be retained as part of this system for automobiles failing the first test. The State should continue to audit contract compliance and program performance.

3. New Jersey should implement an enhanced automobile safety program that adopts a multi-faceted approach to vehicle inspection and maintenance and includes increased public education, incentives for self-inspection and enforcement for the operating of unsafe vehicles, random roadside testing, visual safety checks in the course of air emission testing, and mandatory safety inspection for used cars brought into the State for the first time by residents.

4. Further consideration should be given to voluntary and/or mandatory safety inspections in conjunction with mandatory air

emissions testing, once it becomes possible to quantify the incremental costs of such inspections.

5. New Jersey should actively and creatively find the means to minimize the adverse consequences to the MVS workforce that may result from privatizing the current safety inspection and air emission testing programs.

PART FOUR: FISCAL IMPACT

The current (FY '90) MVS budget for vehicular control functions, which includes air emission testing and safety inspection, is \$26.8 million. Of this amount, approximately \$4 million to \$5 million would be needed to continue to perform such functions as road tests for drivers licenses, roadside inspections, and monitoring of private contractors if MVS were no longer required to conduct emissions testing and safety inspections. Although it is not possible to fix with any precision the additional annual costs of compliance with the Clean Air Act Amendments of 1990 until the U.S. Environmental Protection Agency has established the requisite testing standards, these additional costs are estimated to be in the order of \$15 million to \$45 million. Thus, annual budgetary savings to the State can be expected to be at least \$35 million, exclusive of the capital costs of acquiring the new equipment.

In comparison, and again with the caveat (for the same reasons) that it is not possible to predict with any accuracy at this point, the private vendors with whom we have discussed this issue estimate that the user fee for a centralized private contractor-operated emission testing system could be roughly in the range of \$6 to \$15. This should be compared with the \$20 to

\$22 per vehicle average currently charged by PICs for emission testing and safety inspection.

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APPENDIX A

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