

# WILLIAM SCHWARTZ

Public Comment of William Schwartz, Owner of Sticker Express LLC

I am a CPA and for over 10 years I have owned a small chain of three inspection only shops in Austin. I am also a Texas State Inspection Association board member. Because of my background, I have a lot of insight into the economics of the inspection business.

It has become very hard to get an inspection in Austin because there is an ever growing supply and demand imbalance caused by the inspection price of \$18.50 being too low to make inspections a worthwhile business, especially for repair or lube shops. This causes drivers to waste hours calling and visiting multiple places in order to find an inspection. The current rulemaking proposes to set the inspection price at the same inadequate \$18.50 statewide. Not only will you perpetuate the growing problem in Austin but you will create a bigger problem in Dallas and Houston where rent is more expensive.

You don't have to believe me though. In preparing this, I discovered several website threads discussing the problem. One is titled "Why are car inspections so impossible to get in Austin?". On these sites and in reviews my customers have posted, drivers are talking about needing 2 days and 5 to 7 stops to find an inspection. Every one of these drivers would gladly pay an extra \$7-\$10 to avoid this hassle. Also your own surveys done for the last 6 years have called for an inspection price in excess of \$22 with the most recent one specifying \$28.50.

Still don't believe prices need to increase? Since I am an accountant, let's look at the numbers in the Austin market. Between 2019 and 2023 population growth in Austin was 19%. The number of inspection places doing at least one inspection dropped 12%. The market share of inspection only places like mine rose from 19% to 24% or 382,000 inspections. The numbers make it clear that fewer repair and lube shops are doing inspections and those that remain are cutting back. Auto repair and lube shops are using their space and labor for more profitable services.

The only mitigating factor that will make the business of doing inspections more economical is that in 2025 we will no longer be doing most of what is now considered the safety part of the inspection. Some tasks of the safety inspections are being transferred to the emissions inspection. Unfortunately these economies are very minimal. A portion of the emissions inspection process is time spent waiting for the analyzer (inspection computer) to extract the emissions data from the vehicle and transmit it to the state database. As a result, most of the safety inspection is done while waiting for the analyzer to complete its processes. As we will still have to wait on this process we will be gaining very little time from not doing the safety inspection. I have performed time motion studies in my shops and the reduction in inspection time is about 10%.

At \$18.50, I will not be renewing any of my leases. Myself and I suspect all other inspection only

places will go out of business in a couple of years. Do you think the repair and lube guys in Austin will be able to absorb 382,000 more inspections when they have already been cutting back? It will be essentially impossible for everyone to get an inspection at that point. The problem will not just be in Austin but also in Dallas, Houston and San Antonio.

Millions of people not being able to get their car inspected or registrations renewed will cause a myriad of other problems. No inspections mean no or delayed vehicle registration fees for the counties/state. It means increased hassle for the police in ticketing cars with expired registrations. It means bad press as the problem grows more acute and drivers grow more frustrated. I could go on but will spare you.

If I learned anything from Econ 101 in college, it is that any price that is not set by the free market will cause some kind of supply and demand imbalance because no regulator is as efficient as the market. Luckily, inspection prices can be set by the market since the rules specify for you to set a maximum price. If you set the price at a maximum of \$28.50 you will create a market economy where the supply and demand will naturally be in sync. More inspectors will enter the market and competition will create discounting so the true price for an inspection will be set by the market and the cost of doing business in a particular area. It also gives you about 10 years before inflation necessitates the need to address the fee again.

Please listen to your own survey results and your economics instructors. Set the maximum price at \$28.50.