
ANTI-CAR THEFT ACT OF 1992

HEARINGS
BEFORE THE
SUBCOMMITTEE ON
CRIME AND CRIMINAL JUSTICE
OF THE
COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES
ONE HUNDRED SECOND CONGRESS
FIRST AND SECOND SESSIONS

ON

H.R. 4542

ANTI-CAR THEFT ACT OF 1992

DECEMBER 9, 1991 AND MARCH 31, 1992

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ANTI-CAR THEFT ACT OF 1992

MONDAY, DECEMBER 9, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CRIME AND CRIMINAL JUSTICE,
COMMITTEE ON THE JUDICIARY,
New York, NY.

The subcommittee met, pursuant to notice, at 10:45 a.m., in the Police Auditorium, 1 Police Plaza, New York, NY, Hon. Charles E. Schumer (chairman of the subcommittee) presiding.

Also present: David Yassky, assistant counsel; Teresa Faunce, clerk; and Lyle Nirenberg, minority counsel.

OPENING STATEMENT OF CHAIRMAN SCHUMER

Mr. SCHUMER. The hearing will come to order, hearing of the Crime and Criminal Justice Subcommittee, oversight field hearing on the auto theft crisis.

The Chair has received a request to cover this hearing in whole or in part by television broadcast, radio broadcast, still photography or by other similar methods.

In accordance with committee rule 5 permission will be granted unless there is objection. Without objection.

Good morning. What epidemic is costing Americans billions of dollars in increased insurance premiums and lost time from work, and claims a new victim every 20 seconds? It's not a communicable disease, it isn't cancer but it's spreading like one. It's auto kleptomaniacs and it's sweeping the Nation.

What the police used to call grand theft auto has increased 34 percent since 1986 and now touches incredibly 1 in every 50 American households. Thoreau once said upon the invention of a car, that man has built himself a coach and lost the use of legs. Now man is losing his coach as well to auto thieves.

A myth that we'll attempt to shatter here today is that auto theft is a so-called victimless crime. Auto thieves are robbing all of us blind whether you've ever had a car stolen or not. Stolen cars account for more than 50 percent of the value lost to property crime, near \$9 billion.

For people whose cars have been stolen their insurance coverage rarely reimbursed them for the value of their car. Their premiums usually increase after the theft and no one pays them back for the headache of renting a new car, buying a new car, and all the lost work and leisure time.

The rest of us are victimized every time we pay for automobile insurance. Here in New York, for example, on leading carrier estimates that 88 percent of its comprehensive auto insurance pre-

mium is attributable to theft claims. And who knows how much money is spent every year on sophisticated alarm systems, J-bars, ignition locks and other antitheft gadgets.

Auto theft is a serious business. The teenage kids who rip off a car for an afternoon joyride have graduated and become technothieves who run chop-shops. They skillfully strip a car to its bare bones and sell the parts for twice the original price of the whole car.

Another sector of the auto theft industry forges new, clean titles for the cars, and sells them whole. A third sector is reducing our trade imbalance, shipping stolen cars overseas or driving them across the borders to sell to foreigners.

If car theft were a legitimate enterprise, as Leslie said downstairs, it would rank in the top 50 on the Fortune 500 list. In fact, if New York could tax the billions of dollars made on auto theft, Governor Cuomo would be in New Hampshire right now campaigning for President because his budget headaches would disappear.

The cops are losing the battle to auto robbers. Fewer than one theft in 50 leads to a conviction. The courts aren't helping. Seventy-five percent of sentences handed down to car thieves are probation or jail time of less than 1 year.

Take New York as an example. As of October only 194 inmates in the entire New York State prison system are doing time for auto theft, despite the fact that there have been more than 15,000 arrests last year. The problem isn't here with the police, the problem is the system later on is so overloaded that these crimes which are regarded as less serious than others against a person are virtually ignored.

This hearing will examine the scope of the auto crime problem, the different sectors of the auto theft industry and why it's so hard to catch and convict auto thieves. It is my hope that this hearing will provide the information necessary to write legislation to address this problem.

I've already begun to develop such legislation and I plan to make it the subject of another hearing before the subcommittee in Washington early next year.

We will now hear from our first panel of witnesses. We're fortunate to have as our first witness this morning, and host, he was kind enough to let us use this lovely auditorium, Commissioner Lee Brown of the New York Police Department.

Commissioner Brown is nationally recognized as a leader in innovative policing. His distinguished background includes his years as a patrolman in San Jose, CA, academic expertise as a professor of criminology, and most recently a term as chief law enforcement officer of the Houston Police Department.

Commissioner Brown has been extraordinarily helpful to the subcommittee on this issue and on many others, and I'm delighted that he is testifying today.

With him are Chief Jack Holmes, someone I knew back in my days as an assemblyman, he's head of the organized crime control bureau, and Deputy Inspector Ron Thrash, he is the commanding officer of the auto crime division.

Chief Brown, the floor is yours.

**STATEMENT OF LEE P. BROWN, COMMISSIONER, NEW YORK
CITY POLICE DEPARTMENT**

Mr. BROWN. Good morning and thank you, Mr. Chairman. Let me first of all welcome you to police headquarters and thank you for inviting me to testify on this very important subject.

Over the last several years automobile theft has assumed epidemic proportions in cities across America. In New York City last year there were over 147,000 auto thefts resulting in financial losses of an estimated \$740 million. That works out to the theft of 383 cars a day or 1 car every 3½ minutes. The average loss more than \$5,000 per vehicle.

In 1990, New York City ranked 9th for auto thefts per 100,000 residents among the Nation's 25 largest cities. By contrast, our Nation's Capital, Washington, DC, ranked first, New Orleans second, Detroit third, San Jose, CA, was 25th on the list.

While law enforcement priorities include robberies and homicides fueled by the twin evils of drugs and guns, vehicle theft flourishes as a lucrative criminal industry in New York. Furthermore, with court processing and prison capability at their saturation points, it has become less likely for car thieves to be tried, convicted and incarcerated.

In 1960, 30 percent of the Federal prison population was doing time for grand larceny auto. But by 1990 car thieves represented just 1 percent of all the Federal inmates. In the New York State prison system they don't even make up 1 percent. With an inmate population of over 57,000, only 194 persons are serving time for auto theft.

But that's not for the lack of arrests. Last year in New York we arrested over 15,000 people on charges of grand larceny auto, and we arrested 16,600 people on the same charges the year before, that is 1989. In fact, arrests for grand larceny auto in New York City increased by 129 percent since 1985, far outpacing the auto theft rate. We're making the arrests but as a rule auto thieves don't go to prison.

Clearly, the overloaded criminal justice system does not effectively deter auto crime. The lack of an effective deterrent has fostered a climate in which auto theft is rampant and the number of victims is unprecedented.

Twenty-five years ago the typical auto thief stole cars for a lark or for transportation to commit another crime such as robbery. Today organized crime dominates the vehicle theft industry and reaps huge cash profits amounting to hundreds of millions of dollars annually in the New York area.

Examining the reasons automobiles are stolen daily, we estimate that 55 percent are stolen for parts by organized theft rings operating illegal chop-shops. The parts are then sold to unscrupulous collision shops and auto junkyards.

It is estimated that automobile insurance fraud accounts for the next 25 percent. It is usually committed by a person who is out to beat the system and who somehow thinks that he is entitled to get something back from his insurance company for all the years he has paid premiums.

Organized crime middlemen serve as a conduit for disposing of automobiles which are falsely reported stolen. This is done through

the organized crime network of chop-shops, auto junkyards, vehicle shredders, and collision shops, many of whose owners have ties to New York area organized crime families.

We believe another 15 percent of the stolen autos are destined for resale domestically and overseas. Organized theft and export organizations engage in tagging, whereby the vehicle identification numbers of stolen automobiles are altered or replaced and the cars are sold to local buyers or shipped overseas in modern oceangoing shipping containers.

The final 5 percent accounts for automobiles stolen by joyriders and criminals using automobiles in the commission of crimes.

It is self-evident that today's auto theft problem stands in stark contrast to that of 25 years ago. Auto theft today is one of the major moneymakers for organized crime. It has taken over two decades for organized crime to firmly entrench itself in every aspect of the vehicle theft industry. But in the process, organized crime has transformed auto theft into an extraordinarily profitable financial enterprise. Uprooting it from so lucrative source of ready cash will require innovative efforts designed to take the profit out of auto theft.

To accomplish this mission, in November 1990, we implemented a comprehensive auto larceny prevention program. The underpinnings of this effort are community policing and problem solving by law enforcement in collaboration with prosecutors, legislators and the public.

The program itself is made up of 30 individual components, pooling the resources of uniformed police officers, auto theft division investigators, community police officers, local and Federal prosecutors, block watchers, auxiliary police, automobile insurers, legislators and other law enforcement agencies.

We have made progress on a number of fronts. One was by encouraging motorists to register their cars in the police department's combat auto theft program. That's where car owners display a special police department decal that gives us permission to stop their cars after 1 o'clock in the morning. If the owner is driving, fine. If not, we may have just recovered a stolen car. This is certainly a deterrent factor. The odds of a car being stolen in New York City is about 1 for every 18 vehicles. For the 54,000 autos registered in the decal program, the odds are one in 975.

We are also insisting that uniformed police officers take face-to-face complaints of auto theft. No more complaints over the phone or cursory filling out forms at the precinct. We're asking more questions and discouraging fraudulently inspired complaints.

So we've seen some progress. In the 12 months since the implementation of the program in November 1990, we have witnessed a modest but encouraging decline in the vehicle theft rate in New York City. As evidence that we are striving to put the brakes on runaway auto theft, statistics for the first 10 months of 1991, that's January through October, indicate that vehicle theft actually decreased by 4.26 percent in New York City as compared to the same period in 1990.

This decline gives us hope that auto theft is on the decline, for we have to look back nearly 5 years to October 1986 to pinpoint

the last time a decline was recorded in the New York vehicle theft rate.

Let us further contrast vehicle thefts for the first 10 months of 1991 with the same period of 1990. While auto thefts decreased by 4.2 percent during the first 10 months of 1991, they had increased 12.6 percent during the same period the year before.

When measured against the steep rise in vehicle thefts we have witnessed in recent years, this decline points to the increased attention we're focusing on the auto crime problem in New York City.

While acknowledging that from 1985 to 1990 auto thefts increased 85 percent in New York City, let us not lose sight of several important facts. First, as I mentioned earlier, arrests made by New York City police officers for auto theft during the period increased by 129 percent, far outpacing the auto theft rate.

Second, arrests in major cases were not in vain. Many cases involved auto crime offenders with organized crime ties were successfully tried by local and Federal prosecutor over the same 5 years and substantial prison sentences were given by the judiciary to those convicted.

Third, the automobile insurance industry and major automobile manufacturers are now taking proactive measures to reduce insurance fraud and improve the theft resistance of automobiles. Still, we can use more help.

At the State level we want the legislature to enact a law to correspond with Federal penalties for removing identifying numbers from key automobile parts. Without State sanctions, dealers in stolen parts can remove such identifiers with impunity.

On the Federal level there are three things you can do to help. One, amend the Federal Motor Vehicle Theft Law Enforcement Act of 1984 to require auto manufacturers to place identifying numbers on all 14 major auto parts of all motor vehicle. Right now these ID numbers are placed on the parts of only those cars that are deemed most likely to be stolen. Make it simple and comprehensive; require it on all cars.

Two, the Federal Government already identifies vehicles with high theft rates. In an effort to educate the public and encourage the introduction by auto manufacturers of antitheft features that make cars harder to steal, I recommend that you consider requiring the manufacturers to publish the theft rate of the cars they make.

Three, just as the Federal Government required seat belts to improve auto safety, or auto emission equipment to improve air quality, you should consider requiring manufacturers to factory install certain antitheft devices on all new automobiles. The equipment could include everything from better door locks to tracking equipment that permits the electronic detection of a stolen car's whereabouts.

The International Association of Chiefs of Police was able to convince General Motors to reintroduce a metal shroud near the ignition area of the steering column after plastic ones became easy targets for car thieves. But voluntary efforts may not always be as fruitful or widely applied, and that is why I believe you should give serious consideration to the development and application of mandatory, antitheft standards for all new automobiles.

Fourth, you should consider tightening the inspection requirements of the Customs Service as they pertain to automobile exported from the United States. About 200,000 stolen cars are shipped from American ports annually, Miami and New York being two of the largest transshipment points.

Obviously, the closer the cars are to the point to begin with, the easier it is for the thieves. That's of particular concern in New York City. As it stands, Customs inspectors are required only to inspect the manifests for goods identified as personal property including cars. I recommend that Customs be required to inspect the actual automobile for tampering with identification numbers or inconsistencies with documentation may be uncovered.

And certainly all of these measures would help. And they would help the police department's efforts to improve the quality of life in the city.

Again, let me thank you for holding the hearing and the interest you've taken not only in the auto theft problem but in other crimes committed throughout America.

Now we'll be happy, Mr. Chairman, to take any questions you may have.

Mr. SCHUMER. Thank you very much, Commissioner, and we very much appreciate your efforts here, and as I said, you've always been extremely cooperative with the subcommittee.

[The prepared statement of Mr. Brown follows:]

PREPARED STATEMENT OF LEE P. BROWN, COMMISSIONER, NEW YORK CITY POLICE
DEPARTMENT

Good morning, Mr. Chairman, Congressman Fish. Welcome to Police Headquarters. Thank you for inviting me to testify on this important subject. Over the last several years, automobile theft has assumed epidemic proportions in cities across America. In New York City last year, there were over 147,000 auto thefts, resulting in financial losses of an estimated \$740 million. That works out to the theft of 383 cars a day, or one car every three and a half minutes. The average loss? More than \$5,000 per vehicle.

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But that's not for lack of arrests. Last year in New York City, we arrested over 15,000 people on charges of grand larceny auto, and we arrested 16,600 people on the same charges the year before that, in 1989. In fact, arrests for grand larceny auto in New York City increased by 129 percent since 1985, far out pacing the auto theft rate. We're making the arrests, but as a rule, auto thieves don't do prison time.

Clearly, the overloaded criminal justice system does not effectively deter auto crime. The lack of an effective deterrent has fostered a climate in which vehicle theft is rampant and the number of victims is unprecedented.

Twenty-five years ago, the typical auto thief stole cars for a lark, or for transportation to commit another crime, such as robbery. Today, organized crime dominates the vehicle theft industry and reaps huge cash profits amounting to hundreds of millions of dollars annually in the New York area.

Examining the reasons automobiles are stolen today, we estimate that 55% are stolen for parts by organized theft rings operating illegal chop shops. The parts are then sold to unscrupulous collision shops and auto junkyards.

It is estimated that automobile insurance fraud accounts for the next 25%. It is usually committed by a person who is out to beat the system, and who somehow thinks that he is entitled to get something back from his insurance company for all the years he has paid premiums. Organized crime "middlemen" serve as the conduit for disposing of automobiles which are falsely reported stolen. This is done through the organized crime network of chop shops, auto junkyards, vehicle shredders and collision shops, many of whose owners have ties to New York area organized crime families.

We believe another 15% of stolen autos are destined for resale domestically and overseas. Organized theft and export operations engage in "tagging," whereby the vehicles identification numbers (VIN) of stolen autos are altered or replaced, and the cars are sold to local buyers or shipped overseas in modern oceangoing shipping containers.

The final 5% accounts for automobiles stolen by "joyriders" and criminals using automobiles in the commission of crimes.

It is self-evident that today's auto theft problem stands in stark contrast to that of 25 years ago. Auto theft today is one of the major money-makers for organized crime. It has taken over two decades for organized crime to firmly entrench itself in every aspect of the vehicle theft industry. But in the process, organized crime has transformed auto theft into an extraordinarily profitable financial enterprise. Uprooting it from so lucrative a source of ready cash will require innovative efforts designed to take the profit out of auto theft.

To accomplish this mission, in November 1990, we implemented a comprehensive auto larceny prevention program. The underpinnings of this effort are community policing and problem solving by law enforcement in collaboration with prosecutors, legislators and the public. The program itself is made up of 30 individual components, pooling the resources of uniformed police officers, Auto Crime Division investigators, Community Police Officers, local and federal prosecutors, Blockwatchers, Auxiliary Police, automobile insurers, legislators and other law enforcement agencies.

We have made progress on a number of fronts. One was by encouraging motorists to register their cars in the Police Department's Combat Auto Theft program. That's where car owners display a special Police Department decal that gives us permission to stop their cars after one o'clock in the morning. If the owner is driving, fine. If not, we may have just recovered a stolen car. This is certainly a deterrent factor. The odds of a car being stolen in New York City is about one for every 18 vehicles. For the 54,000 autos registered in the decal program, the odds are one in 975.

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While acknowledging that from 1985 to 1990 auto thefts increased 85% in New York, we must not lose sight of several important facts. First - as I mentioned earlier - arrests made by New York City police officers for auto theft during the period increased by 129%, far outpacing the auto theft rate. Secondly, arrests in major cases were not in vain. Many cases involving auto crime offenders with organized crime ties were successfully tried by local and federal prosecutors over the same five years, and substantial prison sentences were given by the judiciary to those convicted. Thirdly, the automobile insurance industry and major automobile manufacturers are now taking proactive measures to reduce insurance fraud and improve the theft resistance of automobiles.

Still, we can use more help.

At the state level, we want the Legislature to enact a law to correspond with Federal penalties for removing identifying numbers from key automobile parts. Without state sanctions, dealers in stolen parts can remove such identifiers with impunity. On the federal level, there are four things you can do to help:

- One: Amend the Federal Motor Vehicle Theft Law Enforcement Act of 1984 to require auto manufacturers to place identifying numbers on the 14 major auto parts of all motor vehicles. Right now, these i.d. numbers are placed on the parts of only those cars that are deemed most likely to be stolen. Make it simple and comprehensive. Require it on all cars.

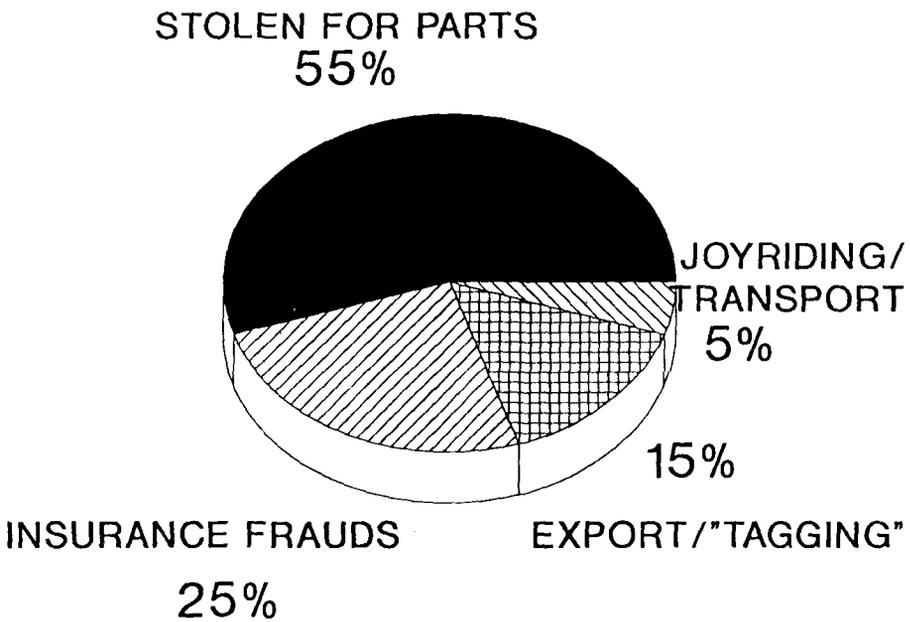
- Two: The Federal government already identifies vehicles with high theft rates. In an effort to educate the public and encourage the preservation or introduction by auto manufacturers of anti-theft features that make cars harder to steal, I recommend that you consider requiring the manufacturers to publish the theft rate of the cars they make.

- Three: Just as the Federal government required seat belts to improve auto safety, or auto emission equipment to improve air quality, you should consider requiring manufacturers to factory install certain anti-theft devices on all new automobiles. The equipment could include everything from better door locks to tracking equipment that permits the electronic detection of a stolen car's whereabouts. The International Association of Chiefs of Police was able to convince General Motors to re-introduce a metal shroud near the ignition key area of the steering column, after plastic shrouds became easy targets for car thieves. But voluntary efforts may not always be as fruitful or widely-applied, and that is why I believe you should give serious consideration the development and application of mandatory, anti-theft standards for new automobiles.

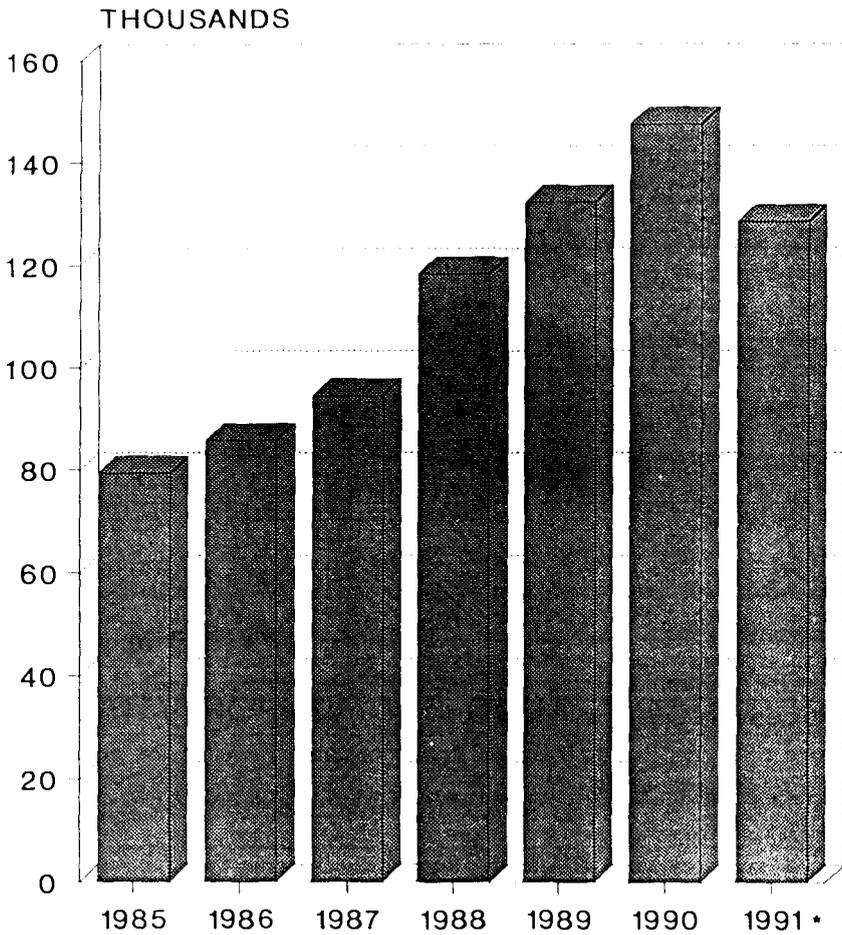
- Four: You should also consider tightening the inspection requirements of the Customs Service as they pertain to automobiles exported from the U.S. About 200,000 stolen cars are shipped from American ports annually: Miami and New York being two of the largest transshipments points. Obviously, the closer the cars are to the port to begin with, the easier it is for the thieves. That's of particular concern in New York City. As it stands, Customs inspectors are required only to inspect the manifest for goods identified as personal property, including cars. I recommend that Customs be required to inspect the actual automobile, where tampering with identification numbers or inconsistencies with documentation may be uncovered.

Any, and certainly all of these measures would help. And they would help the Police Department's efforts to improve the quality of life in the city. Thank you. Now, I will be happy to take any questions you may have.

"MOTIVATION" FOR AUTO THEFTS

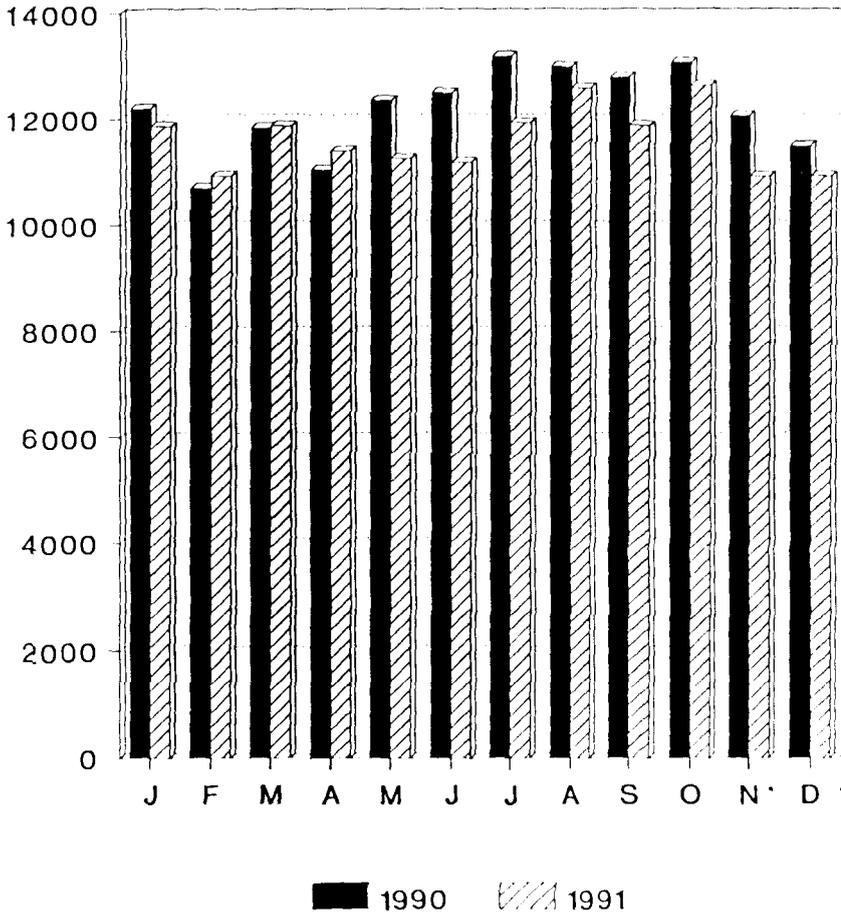


NUMBER OF STOLEN VEHICLES 1985 - 1991



* 1991 INCLUDES NOV. & DEC. PROJECTIONS

NUMBER OF STOLEN VEHICLES 1990 - 1991



* NOV. & DEC. OF 1991 ARE PROJECTIONS

RECOMMENDATIONS

STATE LEVEL:

- **ENACT LAW TO CORRESPOND WITH FEDERAL PENALTIES FOR REMOVING IDENTIFYING NUMBERS FROM KEY AUTOMOBILE PARTS.**

FEDERAL LEVEL:

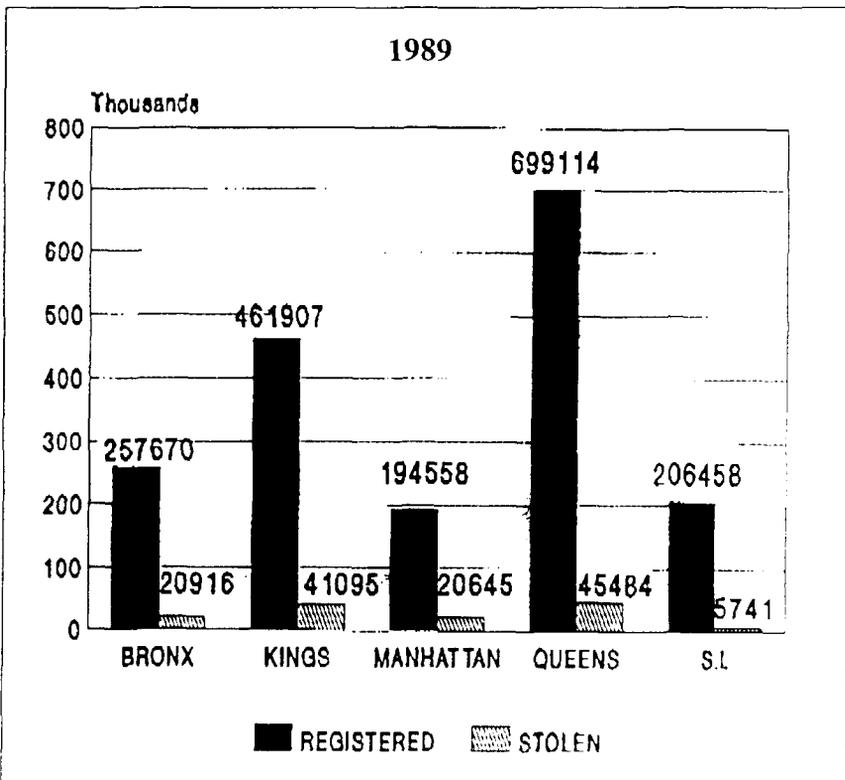
- **AMEND FEDERAL MOTOR VEHICLE THEFT LAW ENFORCEMENT ACT OF 1984 TO REQUIRE AUTO MANUFACTURERS TO PLACE IDENTIFYING NUMBERS ON ALL 14 MAJOR AUTO PARTS OF ALL MOTOR VEHICLES.**
- **REQUIRE AUTO MANUFACTURERS TO PUBLISH THE THEFT RATE OF THE CARS THEY MAKE.**
- **CONSIDER THE APPLICATION OF FEDERAL ANTI-THEFT STANDARDS FOR ALL CAR MANUFACTURED IN OR IMPORTED INTO THE U.S.**
- **TIGHTEN U.S. CUSTOM INSPECTION PROCEDURES REGARDING AUTO EXPORTS.**

**COMPREHENSIVE
AUTO LARCENY
PREVENTION EFFORTS**



AUTO LARCENY PREVENTION EFFORTS

During the year 1989, vehicle theft reached a new high in the City of New York, directly affecting over 130,000 victims and resulting in multi-million dollar financial loss. The key to making the following initiatives succeed is to make it known that auto crime is a serious felony. The problem warrants increased attention by the Criminal Justice System as a whole, and appropriate punishment should be sought for those convicted of auto crime offenses. The mindset of law enforcement officers, prosecutors, judges and legislators should reflect an appreciation of the serious impact that auto theft has on both the individual victim and society as a whole.



1. INCREASE CAR STOPS: The New York City Police Department will implement a revised program to increase the number of car stops performed by uniformed members on patrol. These vehicle stops will be performed in conformance with legal guidelines established by various court decisions. The purpose of these increased car stops is twofold: to enhance the visibility of police officers throughout the five boroughs, and to deter vehicle thefts and other crimes, such as robbery, in which stolen vehicle often play a part.

2. MODIFY AND REACTIVATE THE VEHICLE CHECK POINT PROGRAM: Each patrol borough and Highway District should initiate a vehicle check point program. Police officers in marked and unmarked vehicles equipped with mobile digital terminals would be deployed at locations which would potentially maximize the detection of vehicles reported stolen and minimize the potential for high-speed chases. Highway (access and exit) ramps, bridge and tunnel sites and other strategic locations and times to be determined by recent Grand Larceny - Auto reports and intelligence data.

3. UNDERCOVER : "STING" OPERATIONS: The use of these long term, high publicity investigative/enforcement efforts should be expanded and promoted. These operations have significant deterrent effect, and expand the Auto Crime Division's intelligence resources.

4. INCREASE INSPECTION OF SALVAGE YARDS: This very visible enforcement tactic will be conducted on a more frequent basis. Prominent organized crime families use these salvage yards to sell stolen auto parts. An increase in the number of administrative inspections will have an impact upon the illegal activity of dishonest dismantlers. In both "Sting Operation" and inspection efforts, uniformed presence should be maximized when arrests are effected.

5. ENHANCE RELATIONSHIPS WITH OTHER LAW ENFORCEMENT

AGENCIES: In order to combat the expansion of organized crime involvement in auto crime, increased contact and cooperative efforts with the FBI, U.S. Customs and other agencies will be undertaken.

6. ENLISTING THE SUPPORT OF THE AUTOMOBILE INSURANCE

INDUSTRY: A major portion of reported auto thefts may be attributable to the fact that repairs frequently make it "expedient" for some vehicle owners (perhaps 25%) to fraudulently report their automobiles as stolen, for economic reasons. The major auto insurers will be encouraged by the Auto Crime Division to enclose pamphlets/leaflets (in their regular premium billings/mailings). These mailings would advise the policy holders of the negative impacts of fraudulent claims on the industry, on premium rates, and also the criminal sanctions that will be imposed on those who file fraudulent insurance claims.

7. LIAISON WITH NITRO UNITS: Prisoners arrested by the Narcotics Division and

debriefed by NITRO units will be questioned thoroughly as to their knowledge of activities related to auto crime.

8. REPORT TAKING: Complaint reports for "Grand Larceny - Auto" are often

improperly prepared, misclassified, or are falsely reported by persons attempting to perpetrate insurance fraud. Pilot projects conducted by the Auto Crime Division cite three simple procedural changes which will: demonstrate police concern, improve police/community relations and reduce the number of fraudulent reports, estimated to be over 25% of all GLA's reported.

1. Reports for GLA should not be taken by telephone.
2. In order to emphasize the seriousness of the crime reports will be received by a uniformed police officer.
3. GLA reports will be investigated by community based police officers.

9. FOLLOW-UP INVESTIGATIONS: The Auto Crime Division utilizes a Vehicle Theft Form which has proven valuable in several pilot projects(sample attached), that will be adopted as a tool for conducting follow-up investigation of GLA reports at the precinct level. Specially trained patrol officers, such as CPOP personnel will personally interview complainants and have them fill out the Vehicle Theft Form. The value of this procedure is two-fold: it tends to deter dishonest citizens from committing insurance fraud, and it demonstrates that the police are taking an active interest in their loss.

10. PRISONER DEBRIEFING FORM: The Auto Crime Division currently utilizes a prisoner debriefing form designed to gather valuable intelligence from prisoners arrested for vehicle crimes. All prisoners will be routinely debriefed by arresting officers with this form used when a prisoner reveals a willingness to offer information concerning auto related crimes.

11. COMPUTER DATABASE PROGRAM: The Auto Crime Division has designed a computer database program for use in patrol precincts to enable precinct commanders to obtain a more precise picture of the vehicle theft and recovery patterns within the command and guide the commander in directing resources in response. This computer database program will be made available to all precincts with significant auto crime problems.

12. STOLEN VEHICLE RECOVERY SYSTEMS: There are several companies marketing stolen vehicle recovery systems. The industry is in its infancy and as yet there is no "state of the art system" on the market. The two systems that the New York City Police Department are examining are LOJACK and METS. LOJACK equips cars with a hidden transmitter and starts broadcasting when the owner notifies the authorities that the vehicle has been stolen. Police Officers call in for the vehicle description while a tracking terminal screen in their radio car displays the direction of the vehicle. The METS system equips cars with a hidden transmitter and digital key-pad that activates or de-activates the system. The alarm starts broadcasting if not de-activated after the vehicle is unlocked and moved. The vehicle is then tracked by the METS computer and the police are notified and dispatched to recover the stolen vehicle.

13. UTILIZING FEDERAL PROSECUTION OF LOCAL SALVAGE YARD OPERATORS: The Auto Crime Division's Joint Auto Larceny Task Force will attempt to increase pressure on salvage yard operators by employing more advantageous federal laws such as the RICO statutes.

14. SPECIALIZATION OF GRAND LARCENY - AUTO PROSECUTOR: Vehicle crime charges should not be routinely dropped or downgraded in court. County District Attorneys will be encouraged to assign Grand Larceny Auto and other auto crime cases to Assistants with expertise in auto crime offenses. The fact that only 152 persons are currently serving time in New York State prisons for auto crime related offenses, especially when compared with the number of reported crimes, is indicative of the level of concern attributed to this problem. The District Attorney should be encouraged to prosecute selected recidivist offenders to the full extent of the law.

15. LEGISLATION: The Police Department will publicly support changing legislation to include mylar stickers as a means of vehicle identification. These mylar stickers are placed on 14 major parts of high theft car lines. The New York State Penal Law and Vehicle and Traffic Law should be amended to include these stickers. The changes will, in effect, make it illegal to remove any vehicle identification number which is affixed by a manufacturer to a motor vehicle.

16. COMMUNITY MEETINGS: Increased participation of informed speakers from the Auto Crime Division at community meetings will heighten the public awareness and garner public support. Auto theft is a crime in which the community can have a real impact in terms of reducing not only grand larceny of autos, but the theft of property from the vehicle. Last year alone over 116,000 thefts occurred from motor vehicles. These types of crime usually occur on the street. By enlisting the help of the public, there is an increased vigilance, and in times of diminishing random patrol, this help is essential in reducing thefts of and from vehicles.

17. BLOCKWATCHERS AND AUXILIARY POLICE PARTICIPATION: Participants in Police/Community programs should be instructed as to the aspects of auto related crime. The Blockwatcher Program involves concerned public spirited individuals who observe criminal activities in his or her neighborhood and reports that information to the Police Department. A Blockwatcher's objective is to watch their adopted block and if observing criminal activities to report same, no further action is necessary. The Auxiliary Police Force, begun in 1951, recruits, equips and trains volunteers to be auxiliary police officers who will act as an adjunct to the regular Police Department in the event of a civil defense emergency or natural disaster. Auxiliaries function to assist the police in deterring crime by having auxiliary police perform uniformed patrol. Currently, the Auxiliary Police Force consists of 4,400 uniformed men and women throughout the City's 75 patrol precincts. Both the Blockwatcher and the Auxiliary Police Program can assist by being alert to the presence of abandoned stripped out vehicles which are often an indication of a

chopshop in the area. The groups can report intelligence information to the local precinct and have them do an Intelligence Report which will be forwarded to the Auto Crime Division who will investigate the situation.

18. IMPROVE THEFT RESISTANCE OF VEHICLES: The Auto Crime Division is involved in a national police effort to improve the theft resistance of autos. The Police Commissioner, as President of the International Chiefs of Police, has personally taken an active role in pressuring the major auto manufacturers to make such improvements. The public should also be aware of this effort and actively participate in the lobbying so automobile manufacturers are aware of public concern in this area.

19. INCREASED INVOLVEMENT OF DEPUTY COMMISSIONERS PUBLIC INFORMATION AND COMMUNITY AFFAIRS: The considerable resources of DCPI and DCCA will be utilized to make the public aware of what this Department is doing and what the citizens themselves can do.

20. COMMUNITY BASED EFFORTS: Units such as CPOP and Precinct Crime Prevention Officers will be enlisted in efforts to combat auto crime. Police Officers assigned to CPOP, as well as Crime Prevention Officers, will be available to speak at community meetings on the topic of vehicle theft and ways to prevent one's auto from being stolen. These officers will also distribute anti-theft literature to educate the public about the role they can play in reducing auto theft. In precincts with significant vehicle theft problems, CPOP officers specially trained by the Auto Crime Division will visit victims of auto theft and conduct a follow-up interview utilizing the Auto Crime Division Vehicle Theft Report Form. At these interviews, CPOP officers will also be

able to offer GLA victims information on how to prevent future vehicle theft from happening to them again.

21. ENTRY-LEVEL TRAINING: Comprehensive course to train recruit in recognizing the telltale signs of stolen vehicles, insurance fraud, chopshops and the importance of proper report taking techniques for vehicle theft.

22. IN-SERVICE TRAINING: Precinct and borough level training to instruct patrol personnel in the latest tactics designed to insure the safety of patrol officers in performing car stops. Training to also reemphasize the importance of proper report taking procedures.

23. SPECIALIZED TRAINING: Increase the number of patrol personnel who receive the highly specialized four (4) day course in advanced techniques in vehicle crime detection. (Training at all levels should include sensitizing our officers to the fact that all crime victims should be treated empathetically and on an individual basis and not as a "routine" call for service.)

PROGRAMS CURRENTLY IN OPERATION:

COMBAT AUTO THEFT (CAT) PROGRAM: The "CAT" Program, was instituted in March, 1986 and is currently in operation in all 75 precincts. Community residents display stickers in the rear side window of their vehicle identifying that the vehicle is participating in the "CAT" Program. Between the hours of 1 a.m. and 5 a.m., members on patrol may stop the vehicle to request proper identification. In 1989, there was a one in eighteen chance that a car would be stolen in New York City; the 54,000 vehicles participating in the "CAT" Program had only a one in 975 chance of being stolen. Precinct Community Council meetings will provide an appropriate

forum for encouraging participation in this program. In order to control the growth of the program, it is important to begin on a smaller scale. Eventually, if the program continues to be successful, it may be possible to include flyers in Con Edison, phone bills or again, insurance mailings.

"SAFEGUARD YOUR AUTO" PAMPHLET: The Department's Crime Prevention Division has published a public service pamphlet entitled "Safeguard Your Auto" to educate members of the Department and the community in prevention of auto larceny. It discusses different steps citizens can take to prevent auto larceny, and describes various auto theft security devices and car alarms. This pamphlet is distributed by Crime Prevention Division personnel at lectures, seminars, and community leaders.

AUTO THEFT INTELLIGENCE: Gathering intelligence to identify locations where auto larceny and related incidents occur is a necessary component of a successful program to address this problem. Precincts containing sites attracting large crowds and numbers of vehicles (stadiums, tourists spots, commuter and shopping center parking lots) are particularly subject to the problem of auto larceny. Perpetrators operating "chop shops" often select locations in precincts with busy industrial areas to conceal their activities. Other precincts include areas which due to their isolated nature, are ideal for dumping cars which have been stripped of parts or destroyed for insurance purposes. The Auto Crime Division maintains and analyzes a list of such locations, compiled with the assistance of the local precincts. In addition to listing the locations involved, attempts are made to identify the specific dates and times of greatest activity. This information is utilized to determine the efficient direction of efforts for enforcement and investigation.

STREET LEVEL AUTO THEFT ENFORCEMENT: *The function of street level enforcement of auto larceny and related offenses, including the arrest of offenders and recovery of the property, is performed primarily through the use of Radio Motor Patrol Units equipped with Mobile Digital Terminals. Such vehicles are deployed by each Patrol Borough's Auto Larceny Unit, for whom this function is their primary task, and also within each precinct, where they are often referred to as the "GLA Car," which may or may not have other priorities or functions. Recently, an additional 239 computers were ordered and installation should be completed by mid October 1990. We will have 450 police vehicles equipped with Mobile Digital Terminals. The Patrol Borough Task Forces provide certain enforcement, deterrent, and education functions through the implementation of traffic checkpoints. While some positive ancillary benefit to auto larceny enforcement is realized in this manner, the training and focus of these personnel is necessarily concentrated on DWI issues. An additional precinct level component is the assignment of police officers in the Community Patrol Officer Program and on foot patrol to identify locations to prevent theft.*

PATROL BOROUGH BRONX GRAND LARCENY AUTO UNIT PROGRAM: *This program is operational in all precincts within Patrol Borough Bronx since April 1989. Between the hours of 2100 and 0500 daily, designated radio motor patrol cars in predetermined locations conduct car stops of suspicious vehicles. From January through April 1990, approximately 2,300 "car stops" were made, resulting in 59 Grand Larceny Auto arrests.*

PATROL BOROUGH AUTO LARCENY UNITS: *This program is operational in all precincts within Patrol Borough Bronx since April 1989. Between the hours of 2100 and 0500 daily, designated radio motor patrol cars in predetermined locations conduct car stops or suspicious vehicles.*

MAJOR AUTO THEFT INVESTIGATIONS: The Department's Auto Crime Division is responsible for conducting major investigations of auto larceny and related offenses. It also provides technical and intelligence information and support to field units. An arm of this division is the Joint Federal/City Auto Larceny Task Force, which has jurisdiction and conducts investigations primarily for federal offenses, generally in the Eastern and Southern Federal Districts.

Mr. SCHUMER. I just have a couple of questions, first about enforcement efforts you've described. And if Chief Holmes or Inspector Thrash wants to elaborate, that's fine.

First, do you have a sense of what portion of those arrested were pursuant to proactive sting type operations and what portion resulted by police investigation of stolen car reports or police stops of suspicious automobiles?

Mr. Thrash.

STATEMENT OF RON THRASH, COMMANDING OFFICER, AUTO CRIME DIVISION, NEW YORK CITY POLICE DEPARTMENT

Mr. THRASH. Mr. Chairman—

Mr. SCHUMER. If you could just pull the microphone a little closer to you.

Mr. THRASH. Since the beginning of the year we have within the auto crime division effected 194 arrests. Those arrests were all the result of proactive investigations. It's approximately 3 percent of the total number of auto theft arrests that are made within the city. The major portion of arrests that are made are the result of car stops or investigations that are conducted on the street at the scene by uniformed personnel.

Mr. SCHUMER. Right. And second, of those apprehended, do they tend to be the thieves themselves or are they the chop-shop operators and other criminals who are sort of higher up in the stolen car distribution chain?

Mr. THRASH. The major portion again is primarily the steal men, the car thieves themselves. The investigations that we conduct at our level are primarily chop-shop operators, salvage yard operators, the higher ups within the auto theft organization.

Mr. SCHUMER. OK. What I'd like to understand is what happens after the chop-shop? In other words, the car, such as the car we saw downstairs, is brought over to a chop-shop, they quickly strip it. How does the part then make its way into normal circulation? I'm sure there are 25 different ways, but if you can just give us a few of the more common.

Mr. THRASH. In the majority of cases automobiles are being stolen now on order. The chop-shop operator receives an order from an unscrupulous repair shop at some location for a particular type of part from a particular make or model of automobile.

The chop-shop operator now who usually has a few steal men or car thieves working directly for him, will give a description of that vehicle right down to the color. The steal men will then go out to various locations of the city and steal that particular make and model and color, if possible, of vehicle. The vehicle is driven to the chop-shop location.

Now, the car is cut up just as we saw in the demonstration downstairs. Now, there may only be one portion of the automobile that was ordered up, it might be the nose end, the front end of the automobile. That particular part is now delivered to the repair shop.

We now, however, have a number of other parts that are left there that are of certain value to people, they're not going to get rid of them. The chop-shop operator generally then will have those

parts delivered to various salvage yards within the city. Again, people who do not ask questions as to where parts are coming from.

Basically, they're being stockpiled so that in the future if a repair shop needs perhaps the doors of that vehicle, same make and model, the doors are already available because they're being stockpiled somewhere within the city. The salvage yard location may be even a warehouse location within the city.

Mr. SCHUMER. OK. I go into my repair shop because my door has been smashed in in an accident and I ask the fellow for an estimate. And he says, well here's your estimate. If you want a new part it takes 4 weeks to order it from the factory, but I can try to look around and get you a part. Is he going to those same people and just buying them no questions asked, is that a real possibility?

Mr. THRASH. Yes, strong possibility.

Mr. SCHUMER. Is this done just by the repair shop? Some people use sort of guys who sell a few cars and just have a little garage there. Other people use their dealers, you know, actually use the car dealer they went to. Would some of the dealers still buy those kind of parts as well?

Mr. THRASH. Yes, it has happened on a number of occasions in the past in cases that we have done where we have seen parts being delivered to specific dealerships.

Mr. SCHUMER. So the idea is hear no evil, see no evil, do no evil. They go to somebody, buy the part, and don't ask questions and so they're not culpable because they're not under any affirmative obligation, I take it, to ask such a question at this point.

Mr. THRASH. That's basically it. As long as there's no parts marking on those particular parts, they have no culpability.

Mr. SCHUMER. And right now, as I understand it, while there are some parts that are marked, they're sort of a sticker like and it can be taken off very easily. Is that correct?

Mr. THRASH. It's a mylar type of sticker that is supposed to be destructible when you attempt to move it. We have seen a number of incidents lately, however, that these mylar stickers are being removed intact and actually being transferred to similar vehicles.

Mr. SCHUMER. Wow. It's unbelievable. OK. So the bottom line is that if the legitimate repair shop were put under, whether it be a little guy or a big one, were put under some obligation to figure out if the part was stolen, this could greatly cut back on the orders that go out to steal the cars; right?

Mr. THRASH. Yes, that's correct.

Mr. SCHUMER. OK. Let me ask you that about the orders. You said a lot of the chop-shops actually have a few car thieves working for them who go out and steal a specific car. Who's giving them the order?

Mr. THRASH. The order to the chop-shop is coming from the unscrupulous auto repair shops, maybe even from particular salvage yards that are looking for a particular part because they have received an order and they don't have it warehoused at their salvage yard.

Mr. SCHUMER. So sometimes there would be two or three or four particular middlemen here.

Mr. THRASH. Yes.

Mr. SCHUMER. OK. Maybe this is a question for the Federal people, for the FBI folks, but what percentage of the parts that are replaced on cars, do you have any idea, come from stolen cars as opposed to legitimate?

Mr. THRASH. No.

Mr. SCHUMER. That's a tough one.

Mr. THRASH. I don't have any idea.

Mr. SCHUMER. OK. I will make sure we ask that of the Federal Bureau. But it is amazing. So what you're saying is now typically the thief doesn't pick out the car on his own, he's rather given an order from somebody to go steal that particular type of car.

Mr. THRASH. In a large number of incidents, yes. It is almost difficult, Congressman, for a legitimate repair shop to stay in business. If he is going to be ordering new parts from dealerships and having to wait for the 4, 5 weeks, and then charge top dollar for them, and he's competing with someone who's offering to get those same parts in a matter of days, the owner of the automobile will have his vehicle back in a relatively short period of time, it's human nature, I think, for the automobile owner to go to the individual who's going to get his car fixed faster and he can get his car back out on the road again.

Mr. SCHUMER. So what you're saying is even the people who want to be legitimate are under pressure to buy the illegitimate and it's not illegal for them at this point in time.

Mr. THRASH. That's correct.

Mr. SCHUMER. OK. That's very helpful. Now, one of the things the commissioner testified about also got me thinking. We were intending to deal with repair dealers but probably it's a good idea to deal with the scrap yard people as well, the people who junk the cars and the people who then take orders from the shops in the same way. Does that sound reasonable?

Mr. THRASH. Yes.

Mr. SCHUMER. Except they don't deal with the public as much, they maybe are more underworld controlled.

Mr. THRASH. The salvage yards are, more or less, they become the warehouse location for the parts that are not ordered up or there's no demand for immediately. They almost become like a central clearing house for parts. And unscrupulous repair shops may reach out to any number of salvage yards for a particular part over the course of a day.

Mr. SCHUMER. OK. So it probably makes some sense to include them in our system so that they'd have to report parts and get it to the central computer as well.

Mr. THRASH. They're an integral part of the network, yes.

Mr. SCHUMER. Although they're probably harder to police because there are fewer legitimate ones of them. Is that fair to say?

Mr. THRASH. Harder to police because it usually requires some sort of an undercover operation in order to get into that particular level.

Mr. SCHUMER. Right. But it would be a lot easier if we had them required to report every part that came in, every part that came out, et cetera, you could nail much more quickly I presume.

Mr. THRASH. Yes, to say the least. And they are required now under city law and the department of motor vehicles requires that

salvage yards do in fact record the articles coming in and a description of that particular article and who sold the article, who brought it into the salvage yard.

They're required to maintain what we refer to as a police book and record that information. When we do investigations, however, we find that quite often the stolen items are never recorded in the book, and that's how we uncover some of our cases. We will watch stolen articles that we know are stolen going into the repair shops. The items will not be recorded at all in our police books, and that is a charge that we place against them in addition to others.

Mr. SCHUMER. Now, if we dealt with this at the Federal level would it still be possible for the New York City and other local police departments to do some policing of these?

Mr. THRASH. Yes. We have a number of backup task force in place now. Within my division we have a team that works with the FBI, the joint auto larceny task force, and we work in conjunction with them.

Mr. SCHUMER. And we could allow State enforcement or State assistance in dealing with these kinds of crimes—

Mr. THRASH. Yes.

Mr. SCHUMER [continuing]. Even if it's Federal prosecution. OK. The chop-shops, I presume, are rather small operations, they're not these big citywide or nationwide ones, they tend to be little ones. Is that fair to say?

Mr. THRASH. They tend to be small because they want to remain hidden. If it becomes too large an operation they might be detected too easily. When they're large in size they have numerous people working within them with all types of equipment, cutting gear, and things of that nature, quite large operations.

And then the opposite end is an individual who has an operation going in his private garage in the back of his house somewhere. They seem to run the full gamut from very small to large type of operations.

Mr. SCHUMER. Right. Have you ever been able to go after a repair shop, because it's the repair shops that are the easier ones to police because they're legitimate, rather than the chop-shops and even the scrap yards which aren't, have you ever gone after one of them for knowingly buying stolen parts or that's hard to do at this point in time?

Mr. THRASH. That is difficult. Again, it requires an undercover type of operation, perhaps using video surveillance and audio surveillance in order to get statements from the repair shop owner to the extent that he's aware of the fact that these parts are actually stolen. It's a little more difficult but it can be done.

Mr. SCHUMER. Right. One other, another question, two others. One, I was asked by someone before, said, well if you're not going to give higher penalties, criminal penalties for the people stealing the cars, will any of this do any good? What's your view of that?

Mr. THRASH. If giving stiffer penalties is something that cannot be handled or afforded right now because of the volume that the criminal justice system is handling, something like parts marking would work well, I think, to take the profit. Our goal would be to take the profit out of the auto theft industry.

Things like parts marking would enable us, in addition to making arrest, to seize that property, to actually forfeiture that particular property. Again, we're taking money out of their hands and away from them, and that's the goal that we should be aiming at, I feel, is——

Mr. SCHUMER. I saw that was the commissioner's first——

Mr. THRASH [continuing]. Hitting them in the pocketbook, making it less profitable.

Mr. SCHUMER. OK. Can you give us some explanation as to why there were so many, I mean I know this isn't your end of the criminal justice system, but you're familiar with it why there were so many arrests and so few people in prison, just so we can establish that as part of the record.

Mr. THRASH. It's basically an overloaded criminal justice system that we're dealing with. With the increase over the last 5 or so years of violent crimes that have taken place, probably the result of an increase in drug activity, auto theft, which is a property crime, is being relegated to a lower priority at this time.

The district attorneys are hardworking units, they're overloaded, and I think it's only natural for them to put property theft aside and deal with the more serious crimes. Unfortunately, property theft is a large problem within the Nation itself not only within the city, and something should be done to maybe increase the attention in this area.

Mr. SCHUMER. Right. I will ask this of the Federal folks as well, but do you find, anyone can answer this one, is the situation in New York City much different than it is in other large cities throughout the country?

I know that in Texas and California they do a lot of exporting over the Mexican border as opposed to putting them on ships the way they would in New York or Miami, but is it quite the same?

Mr. THRASH. From our contacts with other large cities in the Nation and with the U.S. Customs and other law enforcement agencies that are trying to deal with this problem, the basics seem to be the same. The profit involved in it, organized groups, and organized networking to attain this profit within the industry itself.

Mr. SCHUMER. OK. One final question because I know, Commissioner, you have to leave, and I'm sure you'll be available for—I mean without objection, maybe we'll keep the record open for 1 week if we have further questions.

A few other cities, Los Angeles and Detroit have experienced a new trend which is related to auto thievery but even more alarming, which is called carjacking, somebody comes over to a driver at a red light with a gun and says, get out of your car, and steals the car.

Have we experienced any of that in New York at this point?

Mr. BROWN. We have.

Mr. THRASH. Yes. Last year we had a little over 1,200 reported incidents of carjacking where a vehicle is taken at gunpoint. So far this year, for the first 10 months, we have just a little over 900 incidents. We're running about even with last year.

It's something that wasn't occurring 5 or 6 years ago, but it doesn't seem to be a sharp increasing type of crime that's occurring here. We have a number of it, it doesn't seem to be a serious prob-

lem in the way of numbers. It's serious because it could—it has the potential for violence.

There are problems, I understand, in other portions of the country where they're having an increase in that particular type of crime. Ours seems to be remaining at a level which is just about less than 1 percent of the total problem here.

Mr. SCHUMER. I don't have further questions. We have our minority counsel. He says I've asked most of his. We intend to make this, and hopefully it will be a nonpartisan or a bipartisan issue, nonpartisan, bipartisan, I don't see this as a democratic or—we've had a lot of fights on the crime bill but not on most of the things that we've worked on together. So he says that I've asked most of his questions. Do you have any questions, Lyle?

Mr. NIRENBERG. No, thank you.

Mr. SCHUMER. OK. Well I want to thank you again, Commissioner, and your able staff. Your testimony was right on the mark. Deputy Inspector Thrash has been enormously helpful to us in formulating this. And I hope next time we talk about—we come back and have a hearing on auto theft we'll have some laws on the books.

Mr. BROWN. Thank you, Mr. Chairman.

Mr. SCHUMER. Thank you, Commissioner. Thank you, Chief.

Let's call panel 2, which includes both victim and perpetrator of the crime problem. Our next panel is here to give us some street level insight into the reality of auto theft. Perhaps people don't need it because everyone experiences this.

The first witness is Mr. Terry Price. Mr. Price is currently incarcerated in the New York State Department of Correctional Services Facility at Arthur Kill. I've invited Mr. Price here to testify because he knows the business of auto theft firsthand.

Mr. Price acknowledges that he has stolen cars repeatedly in the past, but as is characteristic of auto thieves, the system never caught up with Mr. Price for stealing cars. Instead, he was convicted of stealing someone's pocketbook. Mr. Price personifies the problem we're talking about today, that the tools now available to law enforcement are not enough to stop the army of thieves.

And after Mr. Price, we'll hear from Mr. Barry King, he's a television producer and a resident of Brooklyn, NY. He's had two cars stolen in the space of 8 months and he will describe for us the impact of auto theft on its victims.

With Mr. Price, as we've worked it out, he doesn't have prepared remarks, and so I'm just going to ask him a series of questions. My counsel can whisper to me what I've left out, and counsel for the minority is off on his own.

I want to thank you for coming, Mr. Price. I understand that sometimes it's difficult to come before the public and say that you've done some things wrong, but I think that helps, at least it's going to help us deal with this kind of problem, and I very much appreciate your being here, and the corrections department for coming and making Mr. Price available to us.

First, Mr. Price, as I understand it today you'll not be making an opening statement, instead, I'll simply ask you a series of questions. Is that right?

Mr. PRICE. Yes.

Mr. SCHUMER. OK. First, for the record, could you please state your name.

STATEMENT OF TERRY PRICE, ARTHUR KILL CORRECTIONAL FACILITY

Mr. PRICE. Terry Price.

Mr. SCHUMER. How old are you?

Mr. PRICE. 30.

Mr. SCHUMER. 30 years old. Now you're currently incarcerated for grand larceny; is that right?

Mr. PRICE. Yes, sir.

Mr. SCHUMER. OK. Now, is it true that before you went to jail stealing cars was your primary way of making money?

Mr. PRICE. Yes.

Mr. SCHUMER. OK. For how long a period was that the case?

Mr. PRICE. About 2 years.

Mr. SCHUMER. Two years. How many cars would you steal in say 1 month?

Mr. PRICE. About five, maybe seven or eight.

Mr. SCHUMER. Five or seven cars a month. And what did you need the money for, what did—was this a drug problem that you had?

Mr. PRICE. Yes, sir.

Mr. SCHUMER. Can you tell us what kind of drug?

Mr. PRICE. I was on heroin and—

Mr. SCHUMER. Heroin.

Mr. PRICE [continuing]. Cocaine.

Mr. SCHUMER. Heroin and cocaine. OK. Now, what I'd like to do in this hearing is get a clearer idea of how people make money from stealing cars, that's the purpose here.

And so what did you do with a car after you stole it? I'm not asking for specific names but I'm asking for generally what happened.

Mr. PRICE. I took it to a mechanic shop and auto repair shop.

Mr. SCHUMER. You took it directly to a mechanic in an auto repair shop.

Mr. PRICE. Yes, sir.

Mr. SCHUMER. Did you steal the car, did you pick out which cars you stole yourself or did they tell you?

Inspector Thrash, I guess you—I don't know if you were in the room for that part of the hearing, but he said these days chop-shops and repair shops tell people go steal a blue Chevy, you know, 1984 Camaro. Did you pick out which ones you wanted on your own?

Mr. PRICE. No.

Mr. SCHUMER. You were told by the repair shop.

Mr. PRICE. Yes.

Mr. SCHUMER. And they would say—give me an example.

Mr. PRICE. A Mercedes or a BMW.

Mr. SCHUMER. He'd say go steal a Mercedes or a BMW. Did he tell you the color?

Mr. PRICE. No.

Mr. SCHUMER. No. Just go steal one. OK. What would you do with the car after you stole it?

Mr. PRICE. I would take it to the mechanic shop. Sometimes I'd be there with them when they strip them and sell the parts to a customer, and sometime I'd be there when they try to sell the whole car.

Mr. SCHUMER. Oh. Sometimes he would try to do those things.

Mr. PRICE. Yes.

Mr. SCHUMER. You weren't doing these things yourself.

Mr. PRICE. No, sir.

Mr. SCHUMER. OK. Did you ever sell to a used car dealer?

Mr. PRICE. Yes, I have.

Mr. SCHUMER. OK. So you sold to a used car dealer and then an auto repair shop. How did you find these people?

Mr. PRICE. I had a connection with some friends of mine.

Mr. SCHUMER. And they just said go to so and so.

OK. How much did they pay you on the average for each car you stole?

Mr. PRICE. From \$600 to \$1,000.

Mr. SCHUMER. And these cars were probably worth what, about \$20,000, \$30,000?

Mr. PRICE. Yes.

Mr. SCHUMER. Were they mostly new?

Mr. PRICE. Yes, sir.

Mr. SCHUMER. OK. What's the most you ever got for a car?

Mr. PRICE. Well the most I ever got for it about \$1,000 or \$2,500.

Mr. SCHUMER. \$2,500.

Mr. PRICE. Yes.

Mr. SCHUMER. And did you only deal with these two people or did you ever sell to others as well?

Mr. PRICE. No, them the only two peoples I dealt with.

Mr. SCHUMER. OK. Were you ever apprehended by the police?

Mr. PRICE. No, sir.

Mr. SCHUMER. Never. Can you tell us how you went about stealing these cars and where?

Mr. PRICE. I used a crowbar and—

Mr. SCHUMER. What would you do, you'd take the subway to a particular location?

Mr. PRICE. I used subways—

Mr. SCHUMER. And you'd get out—

Mr. PRICE [continuing]. To a particular location.

Mr. SCHUMER. Did someone tell you the location, did you figure it out for yourself?

Mr. PRICE. Someone told me.

Mr. SCHUMER. Oh, they'd say, go to—where were most of these cars stolen, what neighborhoods did you—

Mr. PRICE. Brooklyn, Queens, and Manhattan.

Mr. SCHUMER. OK. And they would say, go to this, go to Bayside, Queens, there are good cars over there or—

Mr. PRICE. Yes, sir.

Mr. SCHUMER. OK. Thanks. What did the car dealer do with the cars you sold to him?

Mr. PRICE. He sold them to a customer.

Mr. SCHUMER. He sold them directly to customers.

Mr. PRICE. Yes, sir.

Mr. SCHUMER. And that's why he was giving you orders. One week he'd say he needs two BMW's, another week he'd say I need a Mercedes and a BMW?

Mr. PRICE. Yes, sir.

Mr. SCHUMER. OK. And the second person mostly you say stripped the car and sold the parts.

Mr. PRICE. Yes, sir.

Mr. SCHUMER. All right. Do you know did he sell the parts to other repair shops or did he sell them directly to people who brought cars in to be repaired?

Mr. PRICE. I don't know.

Mr. SCHUMER. Don't know that. OK. Do you know how much money he sold the parts for?

Mr. PRICE. No, sir.

Mr. SCHUMER. Do you know if he sold them for a lot, sold either the cars or the parts for a lot more money than he paid to you for the car?

Mr. PRICE. I think so.

Mr. SCHUMER. OK. Now, this repair shop owner, do you know if he had other people stealing cars from him?

Mr. PRICE. I don't know.

Mr. SCHUMER. Don't know. OK. How many stolen cars did he get in 1 week? Were yours the only cars that were at this shop?

Mr. PRICE. He used to get about seven or eight a month.

Mr. SCHUMER. Seven or eight a month.

Mr. PRICE. Yes.

Mr. SCHUMER. OK. Did he do a legitimate business too or not really?

Mr. PRICE. Yes, he did a legitimate business.

Mr. SCHUMER. He did both. And do you think he was much different than other—I mean did you have any familiarity out there on the streets with other people who did the same thing?

Mr. PRICE. I think so.

Mr. SCHUMER. Was he similar to many of them?

Mr. PRICE. I'm not sure.

Mr. SCHUMER. Not sure. OK. Now, about the stealing of the cars, were there ever devices in the cars that you'd say, oh, I better not steal this one?

Mr. PRICE. If there was an alarm in the car and—worry about the alarm going off.

Mr. SCHUMER. Why is that?

Mr. PRICE. I was working round the clock—by the time—

Mr. SCHUMER. I couldn't understand you.

Mr. PRICE. I was working—I was aware—

Mr. SCHUMER. Maybe we'll move the microphone. You've got to hold the microphone just at about the right distance from your—I heard something about round the clock but I didn't—

Mr. PRICE. I was working round the clock. I never worried about the alarm because I'd usually get in the car when the alarm go off and just drive it off.

Mr. SCHUMER. And it would shut off right away after that.

Mr. PRICE. Yes.

Mr. SCHUMER. I read you. How about any of these club devices that they attach to the wheels, did that ever stop you?

Mr. PRICE. No, sir.

Mr. SCHUMER. How did you deal with them?

Mr. PRICE. With a screwdriver.

Mr. SCHUMER. You could just pop them right off.

Mr. PRICE. Yes, sir.

Mr. SCHUMER. Doesn't make me feel very good. Let's see. Let me ask you something about yourself. Did you ever worry about getting caught stealing a car?

Mr. PRICE. No, sir. I only worried about an accident.

Mr. SCHUMER. Only worried about an accident.

Mr. PRICE. Yes.

Mr. SCHUMER. Why? Because then you'd have to—what did you worry—

Mr. PRICE. I was worried about getting hurt or getting killed.

Mr. SCHUMER. I see. But never worried about getting caught.

Mr. PRICE. No, sir.

Mr. SCHUMER. Why was that? Go ahead. You can say just—it's best if you tell this subcommittee the truth.

Mr. PRICE. Being good, being professional.

Mr. SCHUMER. Because you're good at it you didn't worry about being caught.

Mr. PRICE. I didn't worry about it.

Mr. SCHUMER. Were most of your fellow car thieves as good as you, they're pretty professional? You never got caught for it and you stole dozens of cars.

Mr. PRICE. People that I worked with never got caught neither.

Mr. SCHUMER. Never got caught either. OK. So it never crossed your mind you might go to prison for stealing a car.

Mr. PRICE. No, sir.

Mr. SCHUMER. OK. All right. I don't have any further questions. I just want to make one thing clear to you before you go, which we made clear privately, and that's because we asked corrections. Are you getting any consideration in terms of reduced sentence or benefit at all because you're testifying here today?

Mr. PRICE. No, sir.

Mr. SCHUMER. OK. Thank you very much. Do you have some questions, Lyle? Mr. King, we're just going to finish some questions with Mr. Price. Go ahead.

Mr. NIRENBERG. Mr. Price, I just have one question. Some cars, especially foreign makes, have a fuel-cutoff switch sometimes located in another part of the car so that when the driver leaves the car he or she can enable a device so that if someone were to come up and steal the car, the car would run out of fuel within a few hundred yards and would then be unstartable.

Did you ever come across such cars, and would it make a difference to you if more cars had such a preventive device?

Mr. PRICE. No, sir, I never came across one. But if I did, I would have a partner that—

Mr. NIRENBERG. I didn't hear the last part.

Mr. PRICE. It's always someone that I was working with that was professional that—too.

Mr. NIRENBERG. Thank you.

Mr. SCHUMER. Now, were there any cars when you came up to them you wouldn't steal?

Mr. PRICE. No.

Mr. SCHUMER. None. In other words, there was nothing that could stop you from doing it.

Mr. PRICE. No.

Mr. SCHUMER. OK. Let me ask you a question. I mean I know that this is not your end of the business, but let's say that this repair shop to stay in business would have to record where the part came from, that the part had a number on it, and that if the part was reported as a stolen part, he couldn't sell it, he couldn't use it. Would that put him out of business?

Mr. PRICE. No.

Mr. SCHUMER. Why not? Tell me why.

Mr. PRICE. Would you repeat that again?

Mr. SCHUMER. Yes. Let's say this repair shop you dealt with, and give me an honest answer, just what you think, let's say when you brought the car into him, every part—let's say he needed a fender and there was a number on there that couldn't be wiped out no matter what, it was stamped into the metal, and before he could put that on a new car he'd have to report it in or sell it to somebody else, well he's an illegitimate guy, he's not really who we're trying to get after—

Mr. PRICE. I think he'd sell it to someone else.

Mr. SCHUMER. He'd sell it to somebody else.

Mr. PRICE. Yes.

Mr. SCHUMER. I agree with you. Where we have to stop this is where the legitimate guys get it not where the illegitimate guys have it, because the illegitimate guys will just—and that's we intend to do.

Mr. PRICE. The one he send it to that would be his problem to deal with—

Mr. SCHUMER. Right. But somewhere if we stopped it so the legitimate guy couldn't use the part, well that's what we're trying to do here. Do you have any other comments you'd like to make, Mr. Price?

Mr. PRICE. No, sir.

Mr. SCHUMER. OK. I want to thank you. What are you going to do when you get out of prison?

Mr. PRICE. I'm going to return back down South.

Mr. SCHUMER. Go return back South?

Mr. PRICE. Yes, sir.

Mr. SCHUMER. OK. You're not going to steal cars any more?

Mr. PRICE. No, sir.

Mr. SCHUMER. Why not?

Mr. PRICE. Because I'm not getting any younger. I'm 30 years old now.

Mr. SCHUMER. You fit the description as to why people stop being thieves, they get older is the main reason, the literature tells us. OK. Thank you, Mr. Price, we appreciate your being here. And it's up to you folks in the corrections if you want to let Mr. Price stay while Mr. King testifies, that's fine with our committee.

Thank you, Mr. Price.

Our second witness is Mr. Barry King. He's a television producer and a resident of Brooklyn, NY, and he—I said this already, he's had two cars stolen in the space of 8 months, and he's going to de-

scribe for us the impact of auto theft on its victims. He just represents thousands and thousands of people who have had this problem.

Mr. King, the floor is yours.

STATEMENT OF BARRY KING, TELEVISION PRODUCER, NEW YORK, NY

Mr. KING. Thank you. I would first like to thank Mr. Schumer, my representative from my district, and I would like to thank the House Judiciary Committee for providing this forum. And I am glad that Police Commissioner Lee Brown was here to give his statements and to interact in this forum.

I do wish, however, that he could remain to hear my comments, because as has been pointed out, I represent hundreds of thousands of citizens in this city and elsewhere who have had their cars stolen. And I think that one of the problems that people have after a crime has been committed, is that they feel that they don't have the direct interaction with the city and with the law enforcement agencies that they feel they need to serve them and protect them.

This is a problem, a pervasive problem, it's a crime that occurs with incredible frequency and yet has so far, as far as has been my experience, offered victims little recourse than the shrug of the collective shoulders of the police, the legislature, the city itself.

In my brownstone Brooklyn neighborhood of Park Slope, car owners leave their autos parked on the street every night knowing that their expensive hunks of metal are sitting ducks for the prowlers of the night.

Car windows with signs saying, no radio, are common and used as talismans to keep their cars safe because there is no effective real protection. Many friends of mine have had their cars at least vandalized, and I personally know of one or two that have had their cars stolen, at least they've told me that, and maybe there are others who just haven't—we haven't gotten into those discussions.

Car sirens also wail through the night and they're ignored by most everyone. It's impossible to know who's car is blaring loudly, there are so many car alarms. It's become an expensive annoyance that does not keep one's car from being stolen.

Now, a few years ago I owned a 1969 Dodge Dart. It was an old car with 80,000 miles on it but that doesn't mean it wasn't ripe to be stolen. I had parked the car one night between Carroll and Garfield Streets on 8th Avenue in Park Slope, the area is well lit and well traveled. One morning I went out to where my car was parked and found an empty space instead. My car had been stolen. I felt lost, I felt betrayed.

I called the police and they told me that since the car was already stolen it wasn't a high priority complaint and they'd be out as soon as they could. It took about half an hour. When they arrived they didn't seem very interested or surprised. They filed my report and told me that sometimes the cars show up. It was little consolation.

When the police seemed not to offer much hope, I thought that if there was any chance at all for me to recover my car, it would have to be through my own efforts.

I had one form of transportation left, a bicycle. I pedaled all over Park Slope and adjacent neighborhoods where I thought my car might be. I pasted reward signs all over, on poles, on buildings, anywhere I could. I also took out an ad in the Village Voice on the newspaper's back page offering a reward for my car's return.

Mr. SCHUMER. Did you think the criminals read the Village Voice more than other newspapers?

Mr. KING. No. But I think that there's a possibility that someone who has spotted my car—

Mr. SCHUMER. I understand.

Mr. KING [continuing]. Might call. I went to subway stations and I put up signs as well. Still my car was never found. Two weeks after my car had been stolen I called the police precinct to see if there had been any progress on finding my car. They acted a bit annoyed and they told me that they'd call if they had anything to tell me.

Well, you know, I felt that my car was stolen, this was a problem that should have been looked into. Well they never called and I never did get my car back. Now, although as I said, car vandalism in my neighborhood is commonplace and several people I know have had their cars broken into at least, I thought having my car stolen was bad luck, and probably not going to happen more than once, like an effect of lightening, right.

Well I was wrong, suffice it to say. Within a few months of having my car stolen, I bought another car. This one was a 1976 Toyota Corolla, a generic gray color, the kind of car that you'll find all over. Once again I parked it overnight in an area I considered relatively safe, although everyone I know would agree that safe is a relative term. No car is really safe in New York.

I walked out to my car ready to move it to the other side of the street for alternate side parking that day except that there was no car to move. I couldn't believe it. I have now had two cars stolen within a period of 8 months.

Neither car was ever found and now it's almost certain I'll never see them again. At this point I'm not sure I'd want to.

Apparently, the police who ride in the squad cars who go around the streets know what the situation is and they offer someone who has had his car stolen little hope for getting his car back. They've seen the problem many times before, they know what the reality is, they're out there.

They know also that the incentive for the criminal is much higher than the risk that he undertakes when stealing a car as we've just heard in the testimony.

My experience also proves that it's not just new cars that are stolen. It can happen to anyone. I didn't think my car had a big chance of being stolen, yet it was. It's a widespread problem that can and does affect anyone who owns a car in New York.

The view that I've been left with is this. As long as I live anywhere that is called New York, I will never own another car. It's just not worth it.

Mr. SCHUMER. Thank you, Mr. King. We didn't want to choose someone who's had 40 cars stolen. You're a typical victim of a car thief. Let me just ask you a few quick questions.

What were the monetary costs of the thefts to you? Did you receive an insurance reimbursement?

Mr. KING. No, I received no insurance from the cars because being that one car was a 1969 and the other a 1976, the book value was such that either way I'd lose.

Mr. SCHUMER. You pay more for insurance than the value of the car—

Mr. KING. Exactly.

Mr. SCHUMER [continuing]. If it was stolen. OK. Did you have an alternative, did you have to pay for alternative transportation?

Mr. KING. Well sure. I mean on the day that my first car was stolen, the Dodge Dart, I was on my way to New Jersey. Instead of the normal hour and a half that it would have taken me to drive to my destination, I had to—I had to first deal with my loss, OK, and as I was dealing with that still keep in mind that I had a place to be and I had to—I traveled to Penn Station, I went to Penn Station, took mass transportation.

Then I had to take New Jersey Transit from there to get into New Jersey. So it wound up costing me additional time, additional money plus I was not in the state of mind that I was when I initially went out to go into my car.

Mr. SCHUMER. OK. In addition to the two thefts you've described, have you had any other experiences with someone stealing or trying to steal your car?

Mr. KING. Well—

Mr. SCHUMER. I mean did they try to break into these two cars before they were stolen?

Mr. KING. Oh, sure. One starts to regard that as just another day because it happens so much. My car had been vandalized several times. One night I had a premonition that my car was going to be broken into and I waited 45 minutes and sure enough two people came walking up the street, I said this could be them, and one guy waited at the corner, the other guy went five spaces down to where my car was parked. I thought, well it's locked, no problem.

Within about 10 seconds he was inside my car trying to start it. And at that time he didn't know that he wasn't going anywhere because I had put the battery into the trunk because that's how much of a problem there was and there had been.

But, you know, I mean obviously that's not the solution and you're not going to find thousands of people every night going out to put their car battery into their trunk.

Mr. SCHUMER. I understand.

Mr. KING. And may I say one other thing—

Mr. SCHUMER. Please.

Mr. KING [continuing]. Dealing with that question. On the same question, my first experience with having a problem owning a car in New York came just 2 weeks after moving into Park Slope.

I had parked it one night, it was not in front of my house, it's rare when you can get a parking space in front of the house, and I came out the next morning and I got a sick feeling as I walked down the street and I saw that my window had been rolled down.

And I looked inside and the Sony AM/FM tape player that I had once owned was now gone. So it didn't take long. But friends of

mine had all said, oh, sure, my car's been vandalized, I've had problems.

One couple I knew even left their car doors unlocked every night because they would rather just let the vandals and thieves inside the car than—

Mr. SCHUMER. Having the windows broken.

Mr. KING [continuing]. Than having the windows or door broken. And the general assumption was that if they want the car, they're going to take it.

Mr. SCHUMER. OK. I don't really have further questions. Lyle.

Mr. NIRENBERG. Mr. King, Commissioner Brown testified about a decal program that the police department put into action called Combat Auto Theft, where if the decal were on the car the New York City Police Department could stop the car after 1 a.m. to inquire whether the car was being driven lawfully or in fact was stolen. Were you aware of that program? What are your thoughts on the system?

Mr. KING. I don't know every detail of the program. I have heard something of it. My general feeling is still skeptical. I believe that there is so much problems with so many cars being stolen and so many other problems in this city, as the police have acknowledged.

The only thing is that—I think it's a step in the right direction. I think more probably needs to be done. But when I see cars going through red lights, when I see people doing blatant driving, driving in error, driving against the law in one form or another and they're not stopped for it, let's face it, at 1 a.m., 6 a.m., how much can you see. Are you going to be able to see the decal driving along? I mean where are you going to see it?

Mr. NIRENBERG. Thank you.

Mr. SCHUMER. OK, Mr. King, thank you. Maybe your suffering about this will help something better, that's what we're trying to do because there are millions of people literally like you.

Mr. KING. Well again I want to thank you. And I think that this is a positive step and I hope it continues. I think that it—the problem is looked at and moves forward, then a solution will result.

Mr. SCHUMER. Well we're going to try our damndest in this coming session of Congress.

Mr. KING. Thank you very much.

Mr. SCHUMER. Thank you, Mr. King. OK.

Panel 3, which includes two aspects of law enforcement, one from the Federal Bureau of Investigation and one from Rockland County. And originally we had scheduled to have the FBI first. Usually when we have hearings in Washington the Federal Bureau goes first, there are these rigid rules that I am constrained to obey.

But first because Commissioner Brown was the host here and we let him go first, and now the FBI is being very kind. District Attorney Gribetz has another—he has to be on trial, I think, at 1:30, he has a case to try, so they have been nice enough to say that he may go first. And in order to expedite your return to Rockland County, Mr. Gribetz, we'll hear your testimony, ask you some questions, and then go on to the FBI because I have extensive questions for them.

First, let me introduce the Honorable Kenneth Gribetz, he's the district attorney for Rockland County, well-known, a real innovator

and somebody who works very, very hard. I know since I've become chairman of the Crime Subcommittee I've seen him involved in many different innovative aspects of law enforcement.

Mr. Gribetz was elected district attorney in 1974. He's serving his fifth term in that position. That in itself is an accomplishment. Executive office usually they say these days after two terms it's very hard to keep it going.

He's the past president of the New York State District Attorneys' Association and now sits on that body as executive committee. Your entire statement, District Attorney Gribetz, will be read into the record.

You may proceed as you wish.

STATEMENT OF KENNETH GRIBETZ, ROCKLAND COUNTY DISTRICT ATTORNEY

Mr. GRIBETZ. Thank you very much. Thank you, Mr. Chairman, for inviting me to address you this morning. At the outset I'd like to echo and commend the recommendations of Commissioner Brown, I think they are really on the point, and if some of these recommendations bear fruition, I think we'll see a lot of accomplishments in the area of trying to tackle this terrible problem.

And also I'd like to commiserate also with Mr. King. As an anecdote, my brother had his car stolen in New York City, and maybe Mr. King was more fortunate. Two days later my brother did find—and he did see the individuals who stole his car driving it down 96th Street in Manhattan, and he ran after the car and he proceeded to knock on the door, explain to them that they had stolen his car, it's his car.

They got out of the car, beat him up, stole his wallet and his watch, and proceeded to drive off in his car. So maybe there was some little glimmer of good that happened to Mr. King that he didn't result the way my brother did.

But on a serious note, I'm pleased to address the dire problems of auto crime which devastate the American consumer. I join with you in exploring solutions to this great criminal reality which directly and dramatically impacts on every citizen's personal safety, financial stability and piece of mind.

The statistics prepared by law enforcement and insurance industry experts demonstrate the dimension of auto crime to be awesome. More than 1½ million vehicles are stolen annually in the United States. These thefts cost Americans an estimated \$10 to \$15 billion every year.

There were 165,000 cars stolen in New York State in 1990, and more than 40 percent of auto insurance premiums pay for comprehensive or auto theft coverage. Payment of theft claims requires 75 percent of each comprehensive premium dollar. Auto theft is indeed big business.

In New York City one car is stolen every 4 minutes, statewide every 3 minutes, nationally every 20 seconds. The human suffering attached to auto crimes is just as shocking, just as startling as the crime statistics themselves and not nearly as measurable.

For those who have one safely parked in the garage, a family car is little more than an abstract necessity. But for those who have one stolen, a family car is an economic and social imperative. With

sickening force the victim of an auto theft suddenly recognizes the full extent of the loss, the ability to get to work, the capacity to deal with an emergency, independence to shop for food and clothing, all have been snatched away.

And before today is over another 465 New Yorkers will report their car stolen, and nearly 5,000 of their fellow Americans throughout our Nation will suffer the same situation. The hardship that accompanies a theft will be devastating for virtually everyone of them. Lost wages, unrecoverable personal property, unpaid lease or finance payments, higher insurance premiums and the trauma of having to cope with the transportation needs of everyday life.

Auto theft in America is a highly profitable industry controlled by professional thieves, constituting an underground economy of staggering proportions, domestic resales, exports, sales of parts and insurance fraud all are part of this thriving business.

In an era when violent crimes are crowding both the courts and the national consciousness, auto theft has become a disturbing low priority as it must compete on the overburdened law enforcement agenda.

This need not be so, however. A coalition of interest between the public, prosecutors, police and insurance companies exist now and this coalition can effectively attempt to respond to stem this tide.

Accordingly, with approximately 170,000 vehicles snatched annually in New York State, 90 percent of which come from New York City, just 15 to 20 miles from Rockland County, our county became the site of a major sting operation.

In an unusual arrangement the insurance industry funded an investigation that included a team of undercover officers from the district attorney's office of Rockland County.

For 8 months the storefront sting yielded 26 professional car thieves and nearly \$1 million in stolen vehicles. The total cost of the operation to the insurance company was \$40,000, the same amount that an insurance company would have had to pay on a single claim for a Mercedes Benz.

The insurance industries best interest was to capitalize the operation. Nonetheless, the private sector cannot be expected to be a funding source for over a long term. Instead, the State and Federal Government must adopt innovative ways to fund crime prevention and prosecution.

We determined a number of ways of doing this, and taken together will provide a strong deterrent against auto thefts and a vigorous enforcement of the law. The initiative should one, establish a motor vehicle law enforcement fund by earmarking \$1 of the New York State's registration fee to directly fund vehicular theft law enforcement and prosecution or the Federal Government equally can impose a Federal fee of \$1 to \$2 on each new car that is manufactured and sold in the United States. And this \$1 to \$2 should be utilized to fund local law and Federal law enforcement projects to try to assist law enforcement in better tackling this problem.

I would strongly urge your consideration of a \$1 to \$2 fee by the Federal Government on each of these vehicles to assist law enforcement somehow on the local level, on the national level, particularly if these funds would be earmarked solely, and I stress solely, for

such sting operations that State, Federal and local law enforcement authorities deem appropriate. And that was not in my initial remarks, and I'd ask you to note them.

Create national standards for vehicular inspection of registration. By doing so a car stolen in one State cannot be reregistered elsewhere without the risk of detection. And regrettably in the Northeast this is happening more and more particularly in the New York, Pennsylvania area.

Require more stringent proof of ownership in exportation of vehicles. At present the Customs Service exempts such proof from anyone claiming the vehicle is for personal use. Give Customs agents wider latitude to inspect the shipping containers commonly used to spirit cars and parts out of the country.

As the Rockland County sting operation demonstrated, the battle is not a hopeless one. But a single operation no matter how successful, is little more than a blip on a car thief's radar. He knows that when the sting is over the danger has passed.

So unless we implement some or all of the initiatives outlined, the speedy detection and prosecution of car thieves and the creation of significant barriers to the stolen car market, will remain illusive hopes.

Mr. SCHUMER. Thank you, Mr. Gribetz.

[The prepared statement of Mr. Gribetz follows:]

PREPARED STATEMENT OF KENNETH GRIBETZ, ROCKLAND COUNTY DISTRICT
ATTORNEY

Mr. Chairman, distinguished members of the Judiciary Committee, ladies and gentlemen. I am pleased to address the dire problems of auto crimes which devastate the American consumer. I join with you in exploring solutions to this grave criminal reality, which directly and dramatically impacts on every citizen's personal safety, financial stability and peace of mind.

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—Payment of theft claims require 75 percent of each comprehensive premium dollar.

—Auto theft is big business.

In New York City, one car is stolen every 4 minutes; in New York State, 1 every 3 minutes. Nationally, 1 every 20 seconds. The human suffering attached to auto crimes is just as shocking—just as startling, as the crime statistics themselves, and not nearly as measurable. For those who have one safely parked in the garage, a family car is little more than an abstract necessity. But for those who have one stolen, a family car is an economic and social imperative. With sickening force, the victim of an auto theft suddenly recognizes the full extent of the loss—the ability to get to work, the capacity to deal with an emergency, the independence to shop for food and clothing—all have been snatched away. Before today is over, another 465 New Yorkers will report their cars stolen, as will nearly 5,000 of their fellow Americans throughout our Nation. The hardship that accompanies the theft will be devastating for virtually every one of them. Lost wages, unrecoverable personal property, unpaid lease or finance payments, higher insurance premiums and the trauma of having to cope with the transportation needs of everyday life. Auto theft in America is a highly profitable industry, controlled by professional thieves constituting an underground economy of staggering proportions.

Domestic resales, exports, sale of parts and insurance fraud are all part of this thriving business. Funds generated from the business are commonly channeled into the drug trade, creating still further degradation of a lawful society. In an era when violent crimes are crowding both the courts and the national consciousness, auto theft has become a disturbingly low priority, as it must compete on the overburdened law enforcement agenda. This need not be so, however. A coalition of interests between the public, prosecutors, police and insurance companies exists now and this coalition can effectively respond to stem the tide. Accordingly, with approximately 170,000 vehicles snatched annually in New York State, 90 percent of which come from New York City—just 15 miles from Rockland County—our county became the site of a major sting operation. In an unusual arrangement, the insurance industry funded an investigation that included a team of undercover detectives operating a "chop-shop" in Nanuet. For 8 months, the storefront "sting" yielded 26 professional car thieves and nearly \$1 million in stolen vehicles. The total cost of the operation: \$40,000—the same amount that an insurance company would have had to pay on a single claim for a stolen Mercedes Benz.

The insurance industry's best interest was to capitalize the operation. Nonetheless, the private sector cannot be expected to be a funding source over the long-term. Instead, New York State and the Federal Government must adopt innovative ways to fund crime prevention and prosecution.

We determined a number of ways of doing this, and taken together, would provide a strong deterrent against auto thefts and a vigorous enforcement of the law.

The initiatives should: (1) Establish a motor vehicle law enforcement fund by earmarking \$1 of the State's registration fee to directly fund vehicular theft law enforcement and prosecution. The \$1 investment would be returned hundredsfold to consumers in reduced annual insurance premiums; (2) create national standards for vehicular inspection and registration. By doing so, a car stolen in one State cannot be reregistered elsewhere without the risk of detention; (3) require more stringent proof of ownership in the exportation of vehicles. At present, the Customs Service exempts such proof from anyone claiming the vehicle is for "personal use;" (4) give customs agent wider latitude to inspect the shipping containers commonly used to spirit cars and parts out of the country.

As the Rockland County "sting" operation demonstrated, the battle is not a hopeless one. But a single operation—no matter how successful—is little more than a

"blip" on a car thief's radar. He knows that when the "sting" is over, the danger is past. So unless we implement some, or all, of the initiatives outlined, the speedy detection and prosecution of car thieves and the creation of significant barriers to the stolen car market will remain elusive hopes.

Mr. SCHUMER. And I'll be brief, I have a couple of questions for you. And I am intrigued by the \$1 to \$2 proposal, it's a little different. But we're trying to do a whole comprehensive approach on this and so we will certainly explore it. I suppose some of my colleagues who represent the Detroit area would oppose that, but we'll see what happens.

The first and most important question, and you mentioned the problem in your jurisdiction as well, Commissioner Brown told us there were 15,000 arrests for auto theft in 1 year but only a handful of people in jail. I think the statistics like that sort of create the perception auto cases are difficult to prosecute and difficult to prove. Is that true or is it just a lack of resources? That's question one.

Question two is: Is New York City or are major cities different than suburban areas like Rockland, are you able to give a greater percentage of attention to prosecuting the average auto thief?

Mr. GRIBETZ. My background in law enforcement is both New York City and Rockland County. I was an assistant district attorney in Manhattan from 1968 to 1972, and then subsequently I've been in Rockland County as district attorney.

The problem in New York State or throughout the Nation is not the amount of sentence. There is enough discretion on a stolen car case to send somebody to State prison. It's a question of what the priorities are and what competing crime exists in that jurisdiction.

I would say north of New York City the sentences for stolen cars, because of the lack of violent type crimes you may have there, are a lot stiffer. In our sting operation I would say everybody has gone to county jail or State prison. Several people received State prison terms.

All of them received at least 6 months in the Rockland County jail. And again, a good percentage did receive State prison terms which are in excess of 1 year.

The problem is that the system can just cope with so much crime and so much imposition of sentence. In New York State we have over 50,000 people in State prison at the present time. But there is a difference in penalties that are imposed in smaller communities than there would be in larger, urban areas where there's much more violent crime and much more competing interest.

Mr. SCHUMER. It's not the difficulty though of prosecuting such a case—

Mr. GRIBETZ. Well there—

Mr. SCHUMER [continuing]. It's rather the lack of resources. It's not that these cases are hard to prove or—

Mr. GRIBETZ. Well we have a lack of resources, for instance, financially. We stopped our operation not because we couldn't buy more cars from thieves and—as it was pointed out, a car thief can steal a car in around 5 to 10 seconds despite all the protection measures which are basically meaningless.

The problem is that we don't have the resources to engage in more sting operations because there's no money. A law enforcement

assistance administration federally does not exist. If there was money funneled to local jurisdictions from the Federal Government for this purpose or narcotics, we could do a lot more. What we're missing is the Federal resources to fund these operations.

This particular sting was portrayed on "20/20," and the car thieves themselves explained how easy it was for them to steal a car. And frankly, we could have gotten another hundred car thieves off the streets if the funds were available for that purpose.

Mr. SCHUMER. OK. I think you've answered all the questions that I have. Lyle.

Mr. NIRENBERG. No questions.

Mr. SCHUMER. Thank you. I appreciate your coming down from Rockland County. And we want to thank the Bureau people for allowing you to meet your trial schedule.

Mr. GRIBETZ. Thank you.

Mr. SCHUMER. OK. We now have the rest of panel 3. It includes representatives from the Federal Bureau of Investigation. The first witness will be Robin Montgomery. He is the Chief of the Violent Crimes and Major Offenders Section of the FBI.

Mr. Montgomery served as an officer in the U.S. Marine Corp after which he joined the FBI. He's been with the Bureau for more than 20 years in a variety of capacities that have involved him in virtually all aspects of investigatory work.

He's accompanied by Mr. Howard Apple, he's the Unit Chief of the Interstate Theft Unit of the FBI, and someone who piqued my interest in this particular area. And Mr. Donald Clark, he's the assistant special agent in charge of the FBI office in New York.

I take it that Mr. Montgomery will testify and then we may ask questions of the entire panel sitting here. So I want to thank you for your courtesy to Mr. Gribetz, for coming up here and for your work in this important area.

You may proceed as you wish, Mr. Montgomery.

STATEMENT OF ROBIN L. MONTGOMERY, CHIEF, VIOLENT CRIMES AND MAJOR OFFENDERS SECTION, CRIMINAL INVESTIGATIVE DIVISION, FEDERAL BUREAU OF INVESTIGATION, ACCOMPANIED BY HOWARD APPLE, UNIT CHIEF, INTERSTATE THEFT UNIT; DONALD CLARK, ASSISTANT SPECIAL AGENT IN CHARGE, NEW YORK OFFICE

Mr. MONTGOMERY. Thank you. I'd like to also introduce Bill Dorn, the special agent in charge of the New York office for the Criminal Division of the FBI.

Mr. Chairman, and members of the subcommittee, thank you for this opportunity to appear and testify about vehicle theft in the United States.

The theft of motor vehicles continues to be one of the most complex, costly and widespread problems confronting law enforcement and the American public today with a record high of 1,635,907 vehicle thefts reported in 1990.

According to the FBI's Uniform Crime Report, vehicle theft has consistently risen for the past 7 years, and between 1984 and 1991 increased by 58 percent. Losses traceable to vehicle theft in 1990 exceeded \$8 billion, which represented approximately one-half of all losses attributable to property crimes in the United States.

Furthermore, these losses do not include the economic costs of lost days from work, as was previously described in detail by Mr. King, nor do they take into account the personal trauma, inconvenience and subsequent increases in insurance rates which have an inflationary affect on the consumer.

The following facts further illustrate the problem. In 1990, 1 out of every 24 registered vehicles was stolen or had its contents or accessories stolen. Currently a vehicle is stolen every 19 seconds, every minute, every hour, every day. Approximately 4,500 cars will be stolen today.

Unmistakably, vehicle theft is a serious problem in the United States. But it would be wrong to believe the problem is limited to the loss of property. As we read today all too often in the newspapers, some of the perpetrators of these crimes, either because of their lack of driving skills or efforts to elude law enforcement, are involved in accidents which kill or maim innocent bystanders and/or themselves.

An example of this last week was a tragic accident in Washington, DC, where two sisters were killed by a speeding vehicle that was reported stolen.

Stolen vehicles also generate ready cash for drugs and other criminal activities. For these reasons the FBI considers the enforcement of vehicle theft laws an integral part of its investigative mission.

Limited resources, higher priority work and budgetary constraints require the FBI to limit vehicle theft investigations to significant organized commercial theft rings having an impact on interstate commerce.

This has resulted in much of the burden of investigating these types of cases being shifted to State and local authorities. I must emphasize that notwithstanding this shift in responsibility, the FBI still continues to provide vigorous investigative emphasis to those individuals who are deemed to be major players in the world of commercial motor vehicle theft. To that end, nearly all of the FBI's vehicle theft investigations are in a category of organized or major operations.

A great deal of our success in this area can be attributed to our participation in joint task forces with local, State and Federal agencies, as well as the National Automobile Theft Bureau, and to the utilization of the undercover technique.

Undercover operations enable FBI special agents to identify and penetrate theft rings, obtain intelligence information, and gather direct evidence against thieves, many of whom have previously been able to insulate themselves against direct lines of complicity in their illegal activities.

The following are some examples of the outstanding successes realized using the undercover technique. Operation Winged Foot took place in New York City during 1984 and addressed insurance fraud.

Two undercover agents set up a storage business with the word going out on the street that this was a front for their chop-shop. They were introduced to middlemen who were two truck operators, repair and body shop owners, used car dealers and others that

have been previously mentioned in testimony you've heard this morning.

Many often suggested that the car owner could commit the fraud and make money at it. The undercover agents usually purchased the vehicles for a nominal price and required the keys and registration until it could dispose of the vehicle properly. When the registration was sent back to the owner, this was the agreed signal that the owner would report the vehicle stolen.

The undercover agents dealt with approximately 25 middlemen, and by recording their conversations, obtained evidence proving their guilty knowledge of the fraudulent scheme. There were 96 victim owners, including 2 police officers, a banker, a doctor and an accountant were charged with mail fraud. This investigation resulted in 71 convictions and recovery in excess of \$1 million in stolen vehicles.

In Operation Pittings, which took place in Pittsburgh during 1985-86, this operation targeted distributors of motor vehicles. The thieves had a craftsman in Ohio who professionally altered vehicle identification number plates and at one time supplied them with legitimate Ohio titles. When their source of legitimate titles dried up, the FBI, on a very limited and controlled basis, provided the thieves with legitimate Pennsylvania titles.

Through innovative controls the FBI was able to avert those vehicles utilizing the supplied titles for being used for fraudulent purposes such as insurance claims on phantom vehicles, and subsequently recovered all the vehicles.

The undercover operation resulted in 40 convictions and the recovery of in excess of \$1 million in stolen vehicles. It is important to note that there were no innocent purchasers of the stolen vehicles and no liability on the part of the FBI.

In our most recent undercover operation, Quttin Time, took place in Columbia, SC, between 1989 and 1991. This undercover operation targeted significant motor vehicle thieves by setting up a phony undercover business which was portrayed to the criminal element as a front for a chop-shop.

Within 18 months the undercover operation recovered over 200 stolen motor vehicles valued at approximately \$3.5 million and identified in excess of 150 subjects who have or will be charged federally or locally with vehicle theft violations.

In closing, Mr. Chairman, I want to emphasize that the FBI considers vehicle theft to be a serious national crime problem which also represents a major economic concern to related businesses and to citizens of this country.

If we're to halt this spiraling increase in criminal activity and bring to justice those professional thieves who often operate in a multistate area, eluding the grasp of local authorities who are normally restricted by jurisdictional boundaries, the FBI must and will continue its investigative efforts through undercover operations, joint task forces, and other sophisticated investigative efforts.

Obviously, such expanded efforts require additional manpower resources, but that will be an issued addressed in another forum.

Mr. SCHUMER. Thank you, Mr. Montgomery. Let me thank you again for your active leadership in this.

[The prepared statement of Mr. Montgomery follows:]

PREPARED STATEMENT OF ROBIN L. MONTGOMERY, SECTION CHIEF, VIOLENT CRIMES AND MAJOR OFFENDERS SECTION, CRIMINAL INVESTIGATIVE DIVISION, FEDERAL BUREAU OF INVESTIGATION

BACKGROUND

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, THANK YOU FOR THIS OPPORTUNITY TO APPEAR AND TESTIFY ABOUT VEHICLE THEFT IN THE UNITED STATES. THE THEFT OF MOTOR VEHICLES CONTINUES TO BE ONE OF THE MOST COMPLEX, COSTLY AND WIDESPREAD PROBLEMS CONFRONTING LAW ENFORCEMENT AND THE AMERICAN PUBLIC TODAY. 1,635,907 VEHICLE THEFTS WERE REPORTED IN 1990. ACCORDING TO THE FBI'S UNIFORM CRIME REPORT, VEHICLE THEFT HAS RISEN STEADILY FOR EACH OF THE PAST SEVEN YEARS. SINCE 1984 THESE THEFTS HAVE INCREASED BY 58 PERCENT. LOSSES TRACEABLE TO VEHICLE THEFT IN 1990 EXCEEDED \$8 BILLION. THIS FIGURE REPRESENTS APPROXIMATELY 1/2 OF ALL LOSSES ATTRIBUTED TO PROPERTY CRIMES IN THE UNITED STATES. THESE LOSSES DO NOT INCLUDE THE COSTS OF LOST DAYS FROM WORK, PERSONAL TRAUMA, INCONVENIENCE OR INCREASES IN INSURANCE RATES FOR THE CONSUMER.

THE FOLLOWING FACTS FURTHER ILLUSTRATE THE PROBLEM:

- IN 1990, ONE OUT OF EVERY 42 REGISTERED VEHICLES WAS STOLEN OR VANDALIZED.
- A VEHICLE IS CURRENTLY STOLEN EVERY 19 SECONDS.
- APPROXIMATELY 4,500 CARS WILL BE STOLEN TODAY.

UNMISTAKABLY, VEHICLE THEFT IS A SERIOUS PROBLEM IN THE UNITED STATES, BUT THE PROBLEM IS MUCH GREATER THAN THE ACTUAL LOSS OF PROPERTY. WHILE TRYING TO EVADE LAW ENFORCEMENT THESE CRIMINALS ARE MANY TIMES RESPONSIBLE FOR ACCIDENTS WHICH KILL OR MAIM INNOCENT BYSTANDERS. STOLEN VEHICLES ALSO GENERATE READY CASH FOR DRUGS AND OTHER CRIMINAL ACTIVITIES. FOR THESE REASONS,

THE FBI CONSIDERS THE ENFORCEMENT OF VEHICLE THEFT LAWS AN INTEGRAL PART OF ITS INVESTIGATIVE MISSION

ROLE OF THE FBI

THE FBI INVESTIGATES SIGNIFICANT ORGANIZED COMMERCIAL THEFT RINGS HAVING AN IMPACT ON INTERSTATE COMMERCE. MOST INVESTIGATIONS OF OTHER AUTO THEFT INCIDENTS ARE CONDUCTED BY STATE AND LOCAL AUTHORITIES. THE FBI PROVIDES VIGOROUS INVESTIGATIVE EMPHASIS TO THOSE INDIVIDUALS WHO ARE DEEMED MAJOR PLAYERS IN COMMERCIAL MOTOR VEHICLE THEFT. NEARLY ALL OF THE FBI'S VEHICLE THEFT INVESTIGATIONS ARE IN THE CATEGORY OF LARGE-SCALE, ORGANIZED OPERATIONS.

A GREAT DEAL OF OUR SUCCESS IN THIS AREA CAN BE ATTRIBUTED TO OUR PARTICIPATION IN JOINT TASK FORCES WITH LOCAL, STATE AND FEDERAL AGENCIES AS WELL AS THE NATIONAL AUTOMOBILE THEFT BUREAU, AND TO UNDERCOVER INVESTIGATIVE TECHNIQUES. UNDERCOVER OPERATIONS ENABLE FBI SPECIAL AGENTS TO IDENTIFY AND PENETRATE THEFT RINGS, OBTAIN INTELLIGENCE INFORMATION, AND GATHER DIRECT EVIDENCE AGAINST THIEVES.

THE FOLLOWING ARE SOME EXAMPLES OF FBI SUCCESSES USING UNDERCOVER TECHNIQUES:

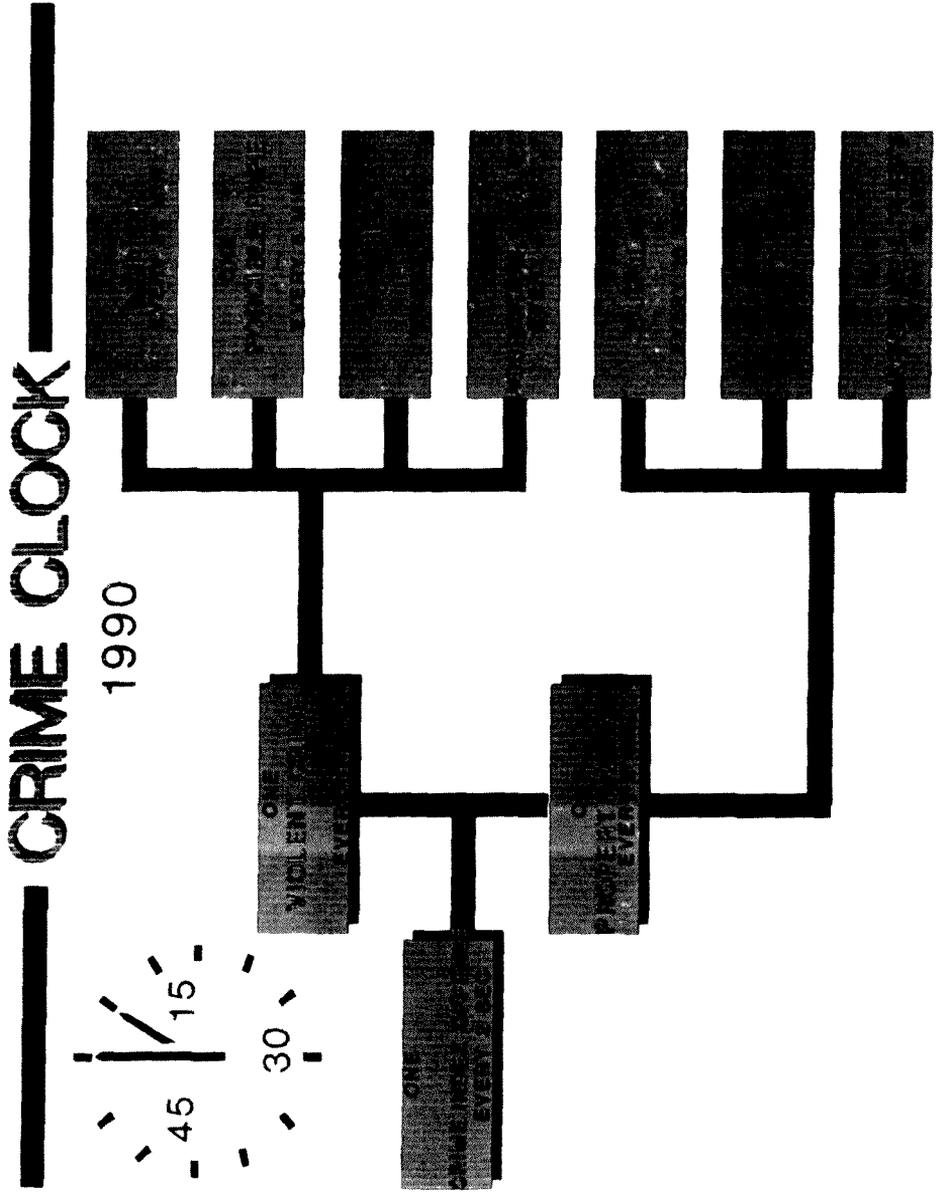
"WINGED FOOT" TOOK PLACE IN NEW YORK, NEW YORK, AND ADDRESSED INSURANCE FRAUD. TWO UNDERCOVER AGENTS SET UP A STORAGE BUSINESS AS A FRONT FOR A "CHOP SHOP". THEY WERE INTRODUCED TO MIDDLEMEN WHO OPERATED TOW TRUCKS, REPAIR AND BODY SHOPS, AND USED CAR DEALERSHIPS, WHO OFTEN SUGGESTED THAT CAR OWNERS COULD COMMIT FRAUD AND MAKE MONEY AT IT. THE UNDERCOVER AGENTS USUALLY PURCHASED THE VEHICLES FOR A NOMINAL PRICE AND REQUIRED THE KEYS AND REGISTRATION UNTIL THEY COULD DISPOSE OF

THE VEHICLE PROPERLY. WHEN THE REGISTRATION WAS SENT BACK TO THE OWNER, THIS WAS THE AGREED-UPON SIGNAL THAT THE OWNER COULD REPORT THE VEHICLE STOLEN. THE UNDERCOVER AGENTS DEALT WITH APPROXIMATELY 25 MIDDLEMEN, RECORDING THEIR CONVERSATIONS AND OBTAINING EVIDENCE TO PROVE THEIR INVOLVEMENT IN THE FRAUDULENT SCHEME. NINETY-SIX VICTIM OWNERS, INCLUDING TWO POLICE OFFICERS, A BANKER, A DOCTOR, AND AN ACCOUNTANT, WERE CHARGED WITH MAIL FRAUD. THIS INVESTIGATION RESULTED IN 71 CONVICTIONS AND THE RECOVERY OF OVER ONE MILLION DOLLARS IN STOLEN VEHICLES.

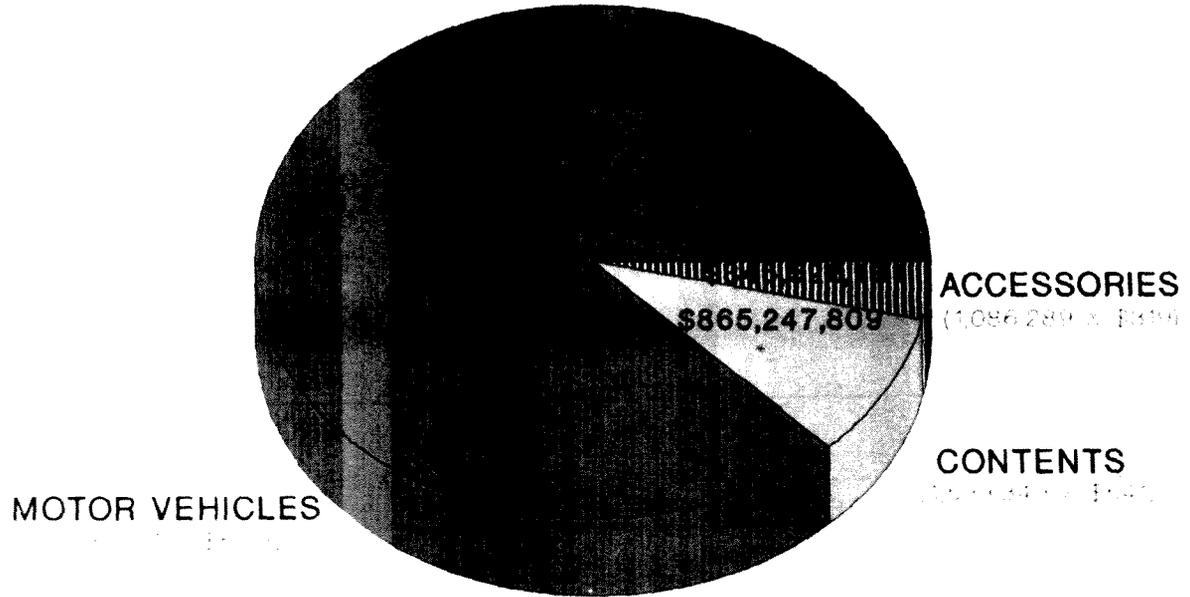
OPERATION "PITTRINGS" TOOK PLACE IN THE PITTSBURGH, PENNSYLVANIA, AREA. THIS UNDERCOVER OPERATION TARGETED DISTRIBUTORS OF MOTOR VEHICLES. THE THIEVES HAD A CRAFTSMAN IN OHIO WHO PROFESSIONALLY ALTERED VEHICLE IDENTIFICATION NUMBER PLATES AND, AT ONE TIME, SUPPLIED THEM WITH LEGITIMATE OHIO AND PENNSYLVANIA TITLES. THROUGH INNOVATIVE CONTROLS, THE FBI WAS ABLE TO AVERT THOSE VEHICLES UTILIZING THE SUPPLIED TITLES BEING USED FOR FRAUDULENT PURPOSES, SUCH AS INSURANCE CLAIMS ON PHANTOM VEHICLES, AND SUBSEQUENTLY RECOVERED THEM ALL. THE UNDERCOVER OPERATION RESULTED IN 40 CONVICTIONS AND THE RECOVERY OF OVER ONE MILLION DOLLARS IN STOLEN VEHICLES. AND MOST RECENTLY, "QUITTING TIME," TOOK PLACE IN THE COLUMBIA, SOUTH CAROLINA AREA. THIS UNDERCOVER OPERATION TARGETED SIGNIFICANT MOTOR VEHICLE THIEVES BY SETTING UP AN UNDERCOVER "CHOP SHOP". WITHIN 18 MONTHS, THE OPERATION RECOVERED OVER 200 STOLEN MOTOR VEHICLES VALUED AT APPROXIMATELY THREE AND ONE HALF MILLION DOLLARS AND IDENTIFIED IN EXCESS OF 150 SUBJECTS WHO HAVE OR WILL BE CHARGED FEDERALLY OR LOCALLY WITH VEHICLE THEFT RELATED VIOLATIONS.

CLOSING

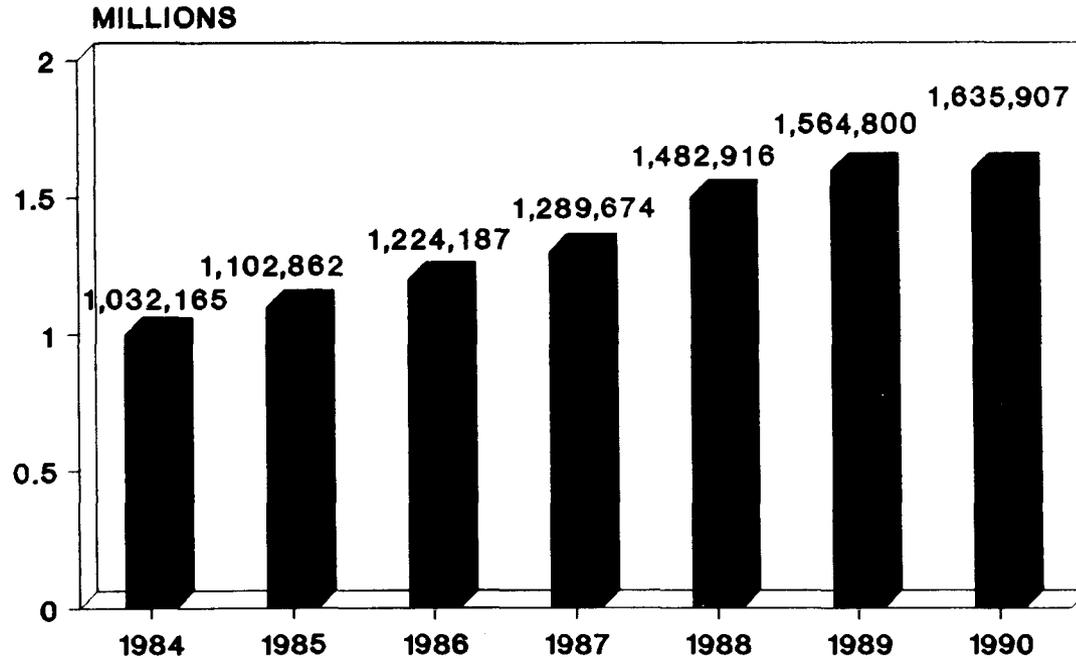
IN CLOSING, I WANT TO EMPHASIZE THAT THE FBI CONSIDERS VEHICLE THEFT TO BE A SERIOUS NATIONAL CRIME PROBLEM, WHICH REPRESENTS A MAJOR ECONOMIC CONCERN TO RELATED BUSINESSES AND TO CITIZENS OF THIS COUNTRY. IF WE ARE TO HALT THIS SPIRALING INCREASE IN CRIMINAL ACTIVITY AND BRING TO JUSTICE THOSE PROFESSIONAL THIEVES OPERATING IN MULTI-STATE AREAS, WHO OFTEN ELUDE THE GRASP OF LOCAL AUTHORITIES RESTRICTED BY JURISDICTIONAL BOUNDARIES, THE FBI MUST CONTINUE ITS INVESTIGATIVE EFFORTS THROUGH UNDERCOVER OPERATIONS, JOINT TASK FORCES AND OTHER SOPHISTICATED INVESTIGATIVE EFFORTS. THE FBI WILL CONTINUE TO INVESTIGATE PRIORITY CASES AND LEND SUPPORT AND COORDINATION AS NEEDED TO THE EFFORT BY STATE AND LOCAL AGENCIES WITHIN OUR CURRENT RESOURCES. MR. CHAIRMAN, THIS CONCLUDES MY PREPARED REMARKS. I WOULD BE HAPPY TO RESPOND TO YOUR QUESTIONS.



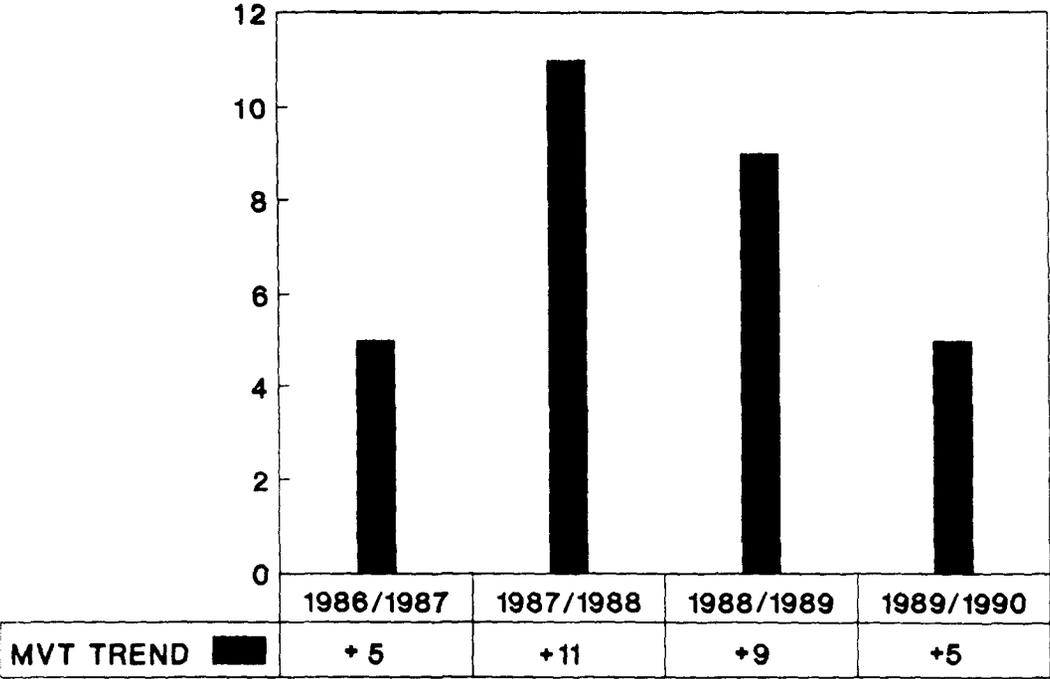
VALUE OF PROPERTY STOLEN DURING MOTOR VEHICLE RELATED THEFT 1990



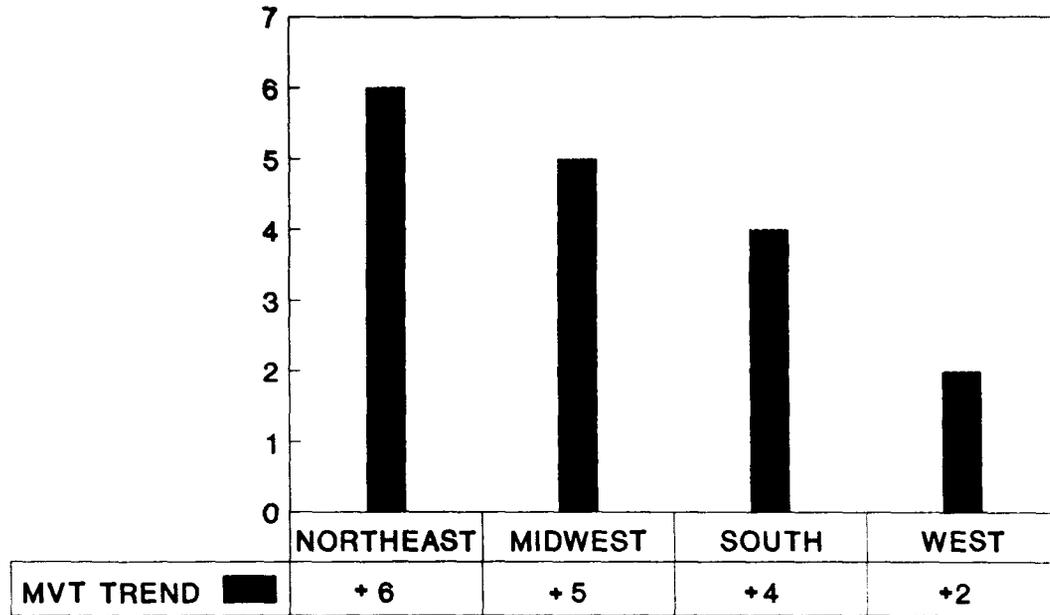
VEHICLE THEFT TREND 1984-1990



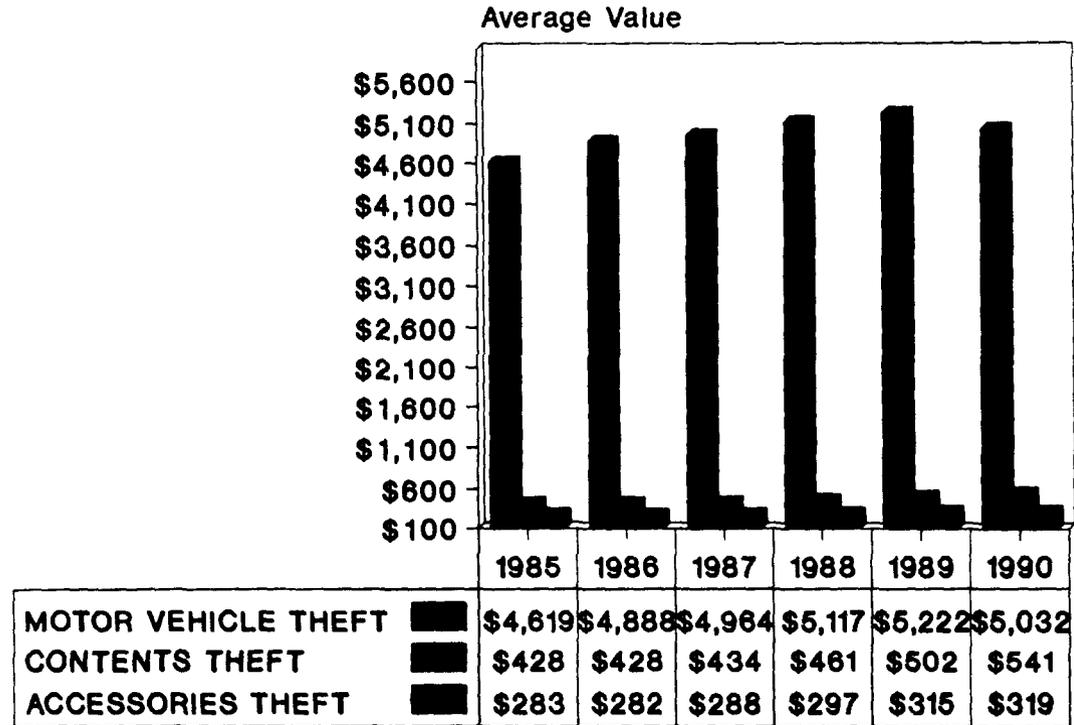
MOTOR VEHICLE THEFT TREND BY YEARS



MOTOR VEHICLE THEFT TREND BY REGION 1990



AVERAGE VALUE OF MOTOR VEHICLE THEFT



SOURCE: Federal Bureau of Investigation's uniform Crime Reports extracted 1986-1989 National Automobile Theft Bureau 1990



U.S. Department of Justice

Federal Bureau of Investigation

Washington, D.C. 20535

ROBIN L. MONTGOMERY

Mr. Montgomery was born July 9, 1945, in Augusta, Georgia. He attended the University of Maryland in Munich, Germany, and received a Bachelor of Science degree in Political Science in 1968 from Washington State University, Pullman, Washington. Mr. Montgomery entered the U.S. Marine Corps shortly after graduation, where he was commissioned an officer. He served in Vietnam, where he was twice wounded, and was awarded the Navy Cross, the nation's second highest medal for valor.

Mr. Montgomery entered on duty with the FBI as a Special Agent in February, 1971, and, upon completion of training, was assigned to the Baltimore, Maryland, FBI Office. He subsequently served in the Omaha, Nebraska, Office from July, 1972, where he was involved in the investigation of the Wounded Knee Occupation and the murders of the FBI Special Agents on the Pine Ridge Indian Reservation. He was then transferred to the Washington Metropolitan Field Office in April, 1979. After only a year at this location, he was promoted to supervisor, responsible for directing investigations regarding public corruption.

In November, 1982, Mr. Montgomery was assigned to the Inspection Division where he served prior to being designated as Executive Secretary to the FBI Headquarters Career Board, Office of the Executive Assistant Director - Law Enforcement Services, in June, 1984. In March, 1986, Mr. Montgomery was designated Assistant Special Agent in Charge of the Philadelphia, Pennsylvania, FBI Office until he returned back to FBI Headquarters in December, 1988. Mr. Montgomery was then promoted to Section Chief, Violent Crimes and Major Offenders Section. In this capacity, he was responsible for the direction and support of all the FBI's reactive criminal investigations. This program accounts for a significant percentage of the FBI's investigative resources.

On September 30, 1991, Director Sessions designated Mr. Montgomery to be the new Special Agent in Charge of the Portland, Oregon Field Office.

Mr. SCHUMER. Let me ask you this. You mentioned the joint task forces which have been successful. Do they operate regionally or only in a single State or jurisdiction? How do you deal with that kind of issue?

Mr. MONTGOMERY. We've got both, Mr. Chairman. Right now we've got a southern border task force of several of our field offices to address the spiraling problem of vehicles going south into Mexico, and we also have the task forces geared toward particular States or our field offices. So both would be the answer, sir.

Mr. SCHUMER. OK. Let's talk a little about the export problem which you touched on and others have. How do criminals export stolen cars and what methods do they use? Particularly, do the exporters have to forge titles to make their cars salable? Mr. Apple, do you want to take that?

Mr. APPLE. Yes. Mr. Chairman, there are a variety of methods—

Mr. SCHUMER. You can pull the mike a little closer to you.

Mr. APPLE. Mr. Chairman, there are a variety of methods by which vehicles can be illegally exported. One method is simply to drive the vehicle over the border, such as to Mexico, because cars leaving the country are not checked. Cars coming into the country are checked.

Second, a vehicle can be placed in a sealed container and under a false manifest can be shipped out of the country. And we have several cases on record where this has happened and the vehicles were recovered in different parts of the world.

Mr. SCHUMER. OK. What do you think can be done to stop criminals from exporting stolen cars or at least to make it more difficult for them to do so?

Mr. APPLE. Well I think there are sufficient laws on the record. It's a matter of manpower. For example—

Mr. SCHUMER. This is mainly Customs purview rather than your own I presume.

Mr. APPLE. That's right. Let me give you some statistics to show you the magnitude of the problem. The Mexican border, for example, is one problem. And in one border area 55 million cars pass each year. Additionally, 9 million containers are shipped out of the country each year. The problem is enormous.

Mr. SCHUMER. OK. What I'm trying to figure out here is how the titles are—I mean as I understand it right now, if you're going to export a car out of the country you have to fill out something that verifies its title unless you say it's for personal use.

Let me ask two questions. One, if you stopped, whoever wishes to answer this question, if you stopped the personal use loophole, would that make any difference at all? Do you want to try that one, Mr. Clark?

Mr. CLARK. Mr. Chairman, I think what we've determined through our investigations that most of the cars that are containerized and shipped out of the country are not identified as cars—

Mr. SCHUMER. At all.

Mr. CLARK [continuing]. At all. So if we can do something to ensure that those products that's on the manifest that's in the container are in fact the products, then we have some of the problem—

Mr. SCHUMER. And when they arrive overseas no—

Mr. CLARK. There's no checking going out obviously.

Mr. SCHUMER. Right. So it really involves not just changing what has to be reported around here but really having somebody check in these containers which I understand is a pretty difficult job.

Mr. CLARK. Our greater success in these type of operations have been a cooperative effort between the local police and FBI along with Customs agencies and some of the private companies who, within their rules and guidelines are not violating any particular rights, will cooperate with us.

Mr. SCHUMER. I guess there aren't too many reasons to check things going out of the country. We check lots of things coming in but not going out.

Mr. CLARK. That's correct.

Mr. SCHUMER. Any of you have any other thoughts on this—this export problem is more befuddling—

Mr. MONTGOMERY. Yes, sir, it is.

Mr. SCHUMER [continuing]. Than the other two parts of the problem that we're talking about which are chopping the cars up as well as selling false titles and other things about the car. But unless you're going to get into those containers, you're not going to do much.

Mr. MONTGOMERY. That's correct. And I think as we heard earlier when Commissioner Brown spoke, the networking between the repair people, between the salvage yards, it comparable in the container business as well.

Honesty would be the best policy but I'd be a little naive to say that at this point.

Mr. SCHUMER. You guys could retire if that were the case.

Mr. MONTGOMERY. That's right.

Mr. SCHUMER. Somewhere in the chain there though it does pass from an illegitimate to a legitimate use and that's before it gets into the container and on the ship, I presume. Is that right?

Mr. CLARK. Yes, it does go through—

Mr. SCHUMER. OK. Let's start it out how it would normally work. Mr. Price goes and steals a car but somehow the guy who's asked him to steal it has this intention of exporting it because someone's going to give him \$2,000 to export a Mercedes. What happens next?

Mr. CLARK. There may very well be a number of middle people in between with one person orchestrating this activity, and there may be several of those sales being orchestrated throughout that are unknown to each other. So Mr. Price may be stealing cars, taking them to a particular place to be prepared for shipment out of the country.

Essentially there's nothing done to the car. It goes to a containerized company and it's loaded onto a container.

Mr. SCHUMER. OK. But someone has to put it in the container I guess is—

Mr. CLARK. Yes.

Mr. SCHUMER [continuing]. What I'm trying to get at. Are those container people generally legitimate operators—

Mr. CLARK. Yes—

Mr. SCHUMER [continuing]. Analogous to the repair shop on the chopping scene? In other words, do they just not ask any questions?

Mr. CLARK. I don't think that we find in most cases that the container people are involved in this, that they may be an unwitting victim, a coconspirator so to speak.

Mr. SCHUMER. So if we wanted to stop it we'd somehow have to get them to report the VIN number of the car if we had some master VIN list.

Mr. CLARK. Yes. And a lot of times the container companies don't see what actually goes into the container at all, the actual people who sign the manifest.

Mr. SCHUMER. Well that's what I'm trying to figure out. Excuse me for this detail but I think it's important. Who puts it in the container? Whoever can answer that is fine.

Mr. APPLE. I was going to just answer that. Sometimes the people themselves will put the cars in the container themselves and seal it when it arrives.

Mr. SCHUMER. OK.

Mr. APPLE. But second, we have had cases where we've had fraudulent European titles on the cars, so they don't look like European cars they've already been titled in Venezuela, for example, but those are fraudulent titles.

Mr. SCHUMER. OK. Most of the time does the—I guess most of the time the chop-shop or whoever, the illegal seller puts it in the container themselves—

Mr. APPLE. Yes.

Mr. CLARK. Yes.

Mr. SCHUMER [continuing]. They don't ask someone else. That's not a hard process to do.

Mr. CLARK. Oh, no, these are just drive-ons, just drive it right on to the container.

Mr. SCHUMER. And then they just load them on a truck and say, hey, we have this box of metal plates—

Mr. CLARK. Or whatever.

Mr. SCHUMER [continuing]. Or whatever, ship it out to Caracas or something like that. OK. So that's harder to—I mean if we want to impose a duty on all these container people to look in each thing and see that that's there, but that's going to be a pretty—

I would ask you gentlemen, all three of you, because you've given a great deal of thought to this, certainly more than I have, to think of what other ways we could deal with this export issue.

Somehow there's got to be an analog, there's got to be a place to stop it. Because it's a container, it's hard to open these containers, I presume.

Mr. MONTGOMERY. It involves visual inspection and I guess—I don't know how you get around that, just as it does when you're titling a vehicle the best method for determining what is actually on that title is to visually observe what is being titled. You have pretty much the same situation here I'm afraid.

Mr. CLARK. Well you have, especially in this area out of the port, just a tremendous number, and the resources that would be required for Customs to inspect these—

Mr. SCHUMER. We'll never get Customs—

Mr. CLARK [continuing]. Never get to that. We must go to some type of device perhaps, maybe some type of x-ray device, some type of portholes in the container, just so that someone could get a vis-

ual inspection of the product as it's going out to identify or verify that it may very well be what it's reported to be.

Mr. SCHUMER. That's something to think about, a porthole or some little plexiglass thing so they can look in and see. Then they'd put the car in a big box, I suppose. You said some type of x-ray device would work pretty well.

Mr. CLARK. Right.

Mr. SCHUMER. Is that technologically feasible?

Mr. CLARK. I suppose it is. Expense may be another issue but I suppose it is—

Mr. SCHUMER. Well it's not going to be close to the cost of the billions of dollars lost in these stolen cars. OK. Well that's for export. Let's go on to title fraud.

The car thieves are often able to obtain titles from stolen cars and then sell it with an apparently valid title. Could someone explain how that works? Mr. Apple.

Mr. APPLE. With titling there's again a variety of problems and the problems are the fact—

Mr. SCHUMER. If you could just pull the microphone a little bit closer, Mr. Apple.

Mr. APPLE. There is an inconsistency in State by State laws which deal with titling. Salvage laws, for example, not every State requires a car that's salvaged to be branded as a salvaged car. Right now seven States do not even issue salvage titles. They are Alaska, Arkansas, Montana, New Mexico, South Dakota and Wyoming, and the District of Columbia does not issue a salvage title.

For this reason, you can take a car which is salvaged and wash the titles—

Mr. SCHUMER. Right. And then you can get a—OK. So let's say we're in Wyoming and they have a big operation, they salvage the car. Then they can send the title to New York?

Mr. APPLE. Yes. And what they would do normally is a salvage VIN switch. They would take a car that's salvaged, let's say it's completely destroyed—

Mr. SCHUMER. Right.

Mr. APPLE [continuing]. And you would buy the car for \$100. You're buying it for the vehicle identification number. You would then steal a similar car, switch the numbers and you would have a ready made title and vehicle identification number placed on a stolen car.

Mr. SCHUMER. OK. How close would the car have to be? It would be the same make, it would be the same color. Do they still record sedan versus four-door?

Mr. APPLE. Yes. It's not the color, you don't do color, but the same type of car like a four-door Escort.

Mr. SCHUMER. But broad enough that it's easy to find another car for.

Mr. APPLE. Yes.

Mr. SCHUMER. And they can always paint it over too. Is it fairly frequent that these seven States export the titles quite a lot?

Mr. CLARK. Yes.

Mr. APPLE. Yes. Car thieves shop which States have the most lucrative salvage laws for themselves and they will do that, they will

wash the titles to take the branded title off the title so then they can sell it.

Mr. SCHUMER. Now, what about States that do have laws? Are some of these laws quite inadequate to do the same type of thing?

Mr. APPLE. There's a discrepancy. Some States have salvage laws but they don't have junk laws. The difference is this. Some vehicles are salvaged and they can be rebuilt. You can legitimately rebuild a car. You can build it with stolen parts or you can build it with legitimate parts.

Cars that are junked are just that. They are junked and are only worth the scrap of metal on the car. States such as New York have a junk title. So you couldn't take a junked car and then rebuild it miraculously.

Mr. SCHUMER. Got it.

Mr. APPLE. So some States have salvage laws but not the junk laws.

Mr. SCHUMER. Why do they use, for instance, in the examples I've heard they always use Arkansas, Arkansas to New York. What kind of law does—is Arkansas—

Mr. MONTGOMERY. Arkansas is one of the ones we mentioned—

Mr. SCHUMER. Oh, that doesn't have the salvage—

Mr. MONTGOMERY [continuing]. That does not have—

Mr. SCHUMER. OK. I didn't hear Arkansas there. I got lost between Alaska and—

Mr. MONTGOMERY. Wyoming.

Mr. SCHUMER. So it's the closest one actually because the others were all in the West. OK. Well I understand that and I think there are things we can do about that, that's not too difficult.

Particularly, as I understand it, the drivers license after—which accident was it, was it the one in Kentucky? Somebody got a washed drivers license using a similar type of operation and now there's a whole Federal system which deals with drivers licenses so you can't really do that.

How difficult would it be to add the VIN system to that; have you given that any thought?

Mr. MONTGOMERY. No.

Mr. SCHUMER. We'll ask you about that at some subsequent—before our next hearing when we can ask you about it publicly.

OK. Another question. Would it help to require—I asked you this I think. Do you agree it would help to require salvage yards to report the VIN's of the cars that they receive?

Mr. MONTGOMERY. That's correct. That would be beneficial law enforcement for sure.

Mr. SCHUMER. OK. You described some undercover operations in your statement. I understand a recent operation resulted in one of the first RICO indictments ever returned in this type of enterprise. I know you're limited about what you can say because this is still pending going to trial.

Is there anything you can tell us about this investigation, about the use of RICO in general in this area?

Mr. MONTGOMERY. I would have—Mr. Clark had oversight directly for that operation.

Mr. SCHUMER. Mr. Clark.

Mr. CLARK. Mr. Chairman, that operation was a code name Operation Fleet Wheels, and this operation focused on a group of individuals who were stealing vehicle and retagging, reidentifying those vehicles and selling them.

This operation also pointed out that automobile thefts is not just a regular property crime—

Mr. SCHUMER. Right.

Mr. CLARK. There was a significant amount of violent crimes in this particular operation to include locking garage attendants in the trunk of some cars and riding them around for a couple of days or so while they stole a certain number of luxury cars out of particular garages right here in Manhattan.

We sought to proceed toward a RICO type of an indictment, No. 1, to try and get stiffer penalties of which we hope the RICO indictment would achieve. Also, it would give us some opportunity to attempt for some forfeiture of assets if we could identify any.

Unfortunately, in this case we were not able to identify any sizable assets because as we found with the sophisticated car thieves that they insulate their properties and their valuables as well in places that makes it extremely difficult, if not almost impossible, for us to get our hands on.

However, we were able to identify several criminal counts against each one of these defendants, a sum total of about 436 counts which had a significant economic impact. About 1-year, 1½-year operation we were able to garnish about \$1.3 million in recoveries from that, and we prosecuted and are pending sentencing right now of 11 very key players that were involved in this operation.

So we departed from the bottom level criminals, like the Price's of the world, and we got to some of the people who were really having a tremendous criminal effect on this crime problem.

Mr. SCHUMER. Do you think in the future RICO might be able to be used against some of the chop-shop people?

Mr. CLARK. I certainly think that it can. And with the cooperation that we've had with our districts here, that we would like to pursue that a little further.

Mr. SCHUMER. OK. One final question. I know that the three of you were in the audience when Commissioner Brown testified. What do you think of the idea of increasing the—of using the vehicle identification, not the vehicle, but parts identification in the way that we have outlined? I understand the Justice Department will not be taking any official position by anything you say here.

Mr. MONTGOMERY. I think the more that we're able to mark parts, the better capabilities law enforcement will have to identify. What's of most importance to what we do in the undercover operations is for sure have the automobile manufacturers emboss transmissions and engines with dye stamping.

We have continuously maintained contact with the automobile manufacturers in this country to encourage that to continue. There was a time when that, perhaps given the expense involved, was not going to continue but for sure we need to maintain that. And parts marking, without a doubt, would be invaluable. How practical, that's another question.

Mr. SCHUMER. OK.

Mr. CLARK. Mr. Chairman, if I could just add to that. I agree with Mr. Montgomery and also with the New York City Police Department because we are one of the offices that have a joint task force that's been in operation for about 10 years and they play a very big part in all of these undercover operations.

And from where my troops sit out there any added advantage, be it part marking, any type of other added advantage to assist them in identifying stolen vehicles and rings of people who are engaged in this, would certainly be helpful for us to accomplish our mission.

Mr. SCHUMER. OK. Thank you, Mr. Clark. Just one other question, and this a hard one and I don't know if you have the answer, what percentage of the parts that a legitimate person buys as a replacement part for their car because they've had an accident, some part went bad, et cetera, end up being stolen, their origins start out as a stolen part? Does anyone have any idea of this?

Mr. APPLE. I don't think we can give that estimate but let me give you a picture of what did happen in a recent undercover operation in this country. At a salvage yard we executed a search warrant, the search warrant last 1 week. We drew agents from throughout the country and we recovered 700 stolen parts worth \$700,000.

Mr. SCHUMER. OK. So it's a lot. That's all we can say.

Mr. APPLE. Yes.

Mr. SCHUMER. Too high. Lyle, do you have any questions?

Mr. NIRENBERG. No questions.

Mr. SCHUMER. OK. Well I want to thank all of you. We're going to be relying on you, not only in these public hearings, but privately as we try to craft legislation to try and deal with this problem in as best a way as we can. So I want to thank you—

Mr. MONTGOMERY. Thank you for your support.

Mr. SCHUMER [continuing]. Mr. Montgomery, Mr. Apple, and Mr. Clark, thank all of you. We appreciate it.

And now we come to our final panel, and I appreciate their waiting so patiently here. They are folks from the insurance industry or the insurance end of things. We have Mr. Richard Jeffares, he's chairman of the anti-car theft committee and we have Paul Altruda, he's New York State Department of Insurance.

Oh, Mr. Altruda is not here yet. Well we hope that he can, OK. And sitting in with Mr. Jeffares is Fred Mastriacova, he's the theft manager of—OK. And we'll hope that Mr. Altruda gets here. If not, we will allow his statement, his written statement to be read into the record.

Our fourth and final panel will examine the impact of auto theft beyond its effect on individual victims. We'll hear first from Richard Jeffares, he's the assistant vice president for claims at GEICO, but he also serves as chairman of the New York-New Jersey Anti-Car Theft Committee, a group representing law enforcement, insurers and concerned citizens.

The second member of the panel, who hopefully will be here, is Mr. Altruda, Paul Altruda, he's the assistant deputy superintendent and counsel to the New York State Insurance Department. That agency has been very active in working with insurance com-

panies and police departments to combat owner fraud. And Mr. Altruda has been instrumental in those efforts.

Mr. Jeffares, your entire statement will be read into the record. You may proceed as you wish.

**STATEMENT OF RICHARD JEFFARES, CHAIRMAN, NEW YORK-
NEW JERSEY ANTI-CAR THEFT COMMITTEE**

Mr. JEFFARES. Thank you. I'd also like to add to my introduction that I am also a victim. I have a son who attended St. John's last year, about this time last year he had his 1985 Toyota, red Toyota pickup truck broken into and had his stereo stolen. About 3 weeks later the entire truck was stolen, and is probably somewhere in Nicaragua right now. I see the problem from both sides, victim and insurer.

I'm pleased to be here today to share our views on the auto theft problems in this area, and welcome the opportunity to present some possible solutions.

To put the theft problem into perspective, we need to consider the fact that New York and New Jersey are ranked second and sixth in the amount of national thefts. That amounts to over 260,000 thefts or 16 percent of the Nation's total.

When we look at the vehicle theft rate per 100,000 in population, New York ranks first and New Jersey ranks fourth. This equates to a cost in excess of \$1.25 billion in these two States alone. And those costs exclude the cost of law enforcement and insurance carriers.

And bear in mind that these numbers represent the 1990 statistics, and from the information that we have, our opinion is that the numbers will be decidedly worse.

I think we also need to recognize that vehicle theft and theft fraud, even though they are included together in the aforementioned statistics, are two distinctly different problems.

To a great extent, the motives for theft are unknown or unknowable. There are no statistics or exact measures available that will define this, but I'll give you our committee's best guess on the motives for theft.

About 50 percent of the cars that are stolen are stolen for parts or retagging, that is that the vehicle identification number of the stolen car is switched with a car that has been previously declared a total loss or severely damaged.

Approximately 20 percent of the vehicles stolen are stolen for export. I think it's safe to assume that most of the four-wheel drive vehicles stolen nowadays are heading for Central America or North Africa.

The third category which we feel could run as high as 30 percent is auto theft fraud. Auto theft fraud is chiefly give-ups where the vehicle owner contracts with a third party and turns the car over to them and later reports it stolen.

It also includes owner dumps where the vehicle owner abandons the vehicle in the hopes that it will be stolen or cannibalized. These are also reported to their insurance companies as stolen at a later time.

Another common scheme in the auto theft fraud occurs when a car is legitimately stolen and then recovered intact or with minor

damage. Theft of the parts or damage occurs after the car has been towed to a yard or a body shop.

The insurance adjuster and the consumer see the car after the parts have been removed with the end result of the insurance company paying for the replacement parts when in reality the original parts are simply put back on the car.

It is extremely disturbing and frustrating to us and the legitimate consumers that this estimate of auto theft fraud is as high as it is especially when compared to the national average estimate of 10 to 15 percent. However, that is what we believe it to be based on the information that we've obtained from Insurance Company Special Investigation Units, Law Enforcement Sting Operation, and the National Automobile Theft Bureau.

We don't include joyriding in our percentages because pure joyriding occurs infrequently. Most joyrides end with a stereo, computer or other easily removable parts stolen. We do see an increase in carjacking and cars stolen for drug transactions due to the confiscation laws but we do not have statistics available on this.

The theft problem today is complex and pervasive and requires an equally complex program that attempts to solve the problem on all fronts. I think the first thing we need to do is to change the public's thinking on auto theft and theft fraud the same way that we did with smoking and seat belts.

We have to dispel some myths about it being a victimless crime and it's OK to inflate your claim. We also have to prove that people do get caught and do get punished. We also have to make the public play a more active role in protecting their vehicles.

It's hard to believe that people still leave their keys in their cars many times when it's hot or cold weather and they run into a convenience store or the like. We have to change peoples attitudes and make them realize that it's costing all of us in insurance premiums and taxes for our law enforcement efforts.

We need to convince the auto manufacturers to come up with a vehicle that's harder to steal. I'm not an engineer but I find it hard to believe that we can't develop a car that can't be stolen by a 12-year-old car thief in under 1 minute. I think we need to develop minimum standards for theft deterrents to new automobiles.

The section of the Motor Vehicle Theft Law Enforcement Act dealing with parts marking is confusing to law enforcement and I believe the law should be simplified and expanded to all vehicles including light trucks, pickups, vans, and multipurpose vehicles.

In addition the ACT Committee supports VIN stamping or embossing rather than the utilization of the removable stickers. It is suggested that a model Federal bill regarding removal of the manufacturer's VIN be enacted and possession of these parts with altered or obliterated VIN's be subject to higher penalties than simply confiscation of the illegal part.

The ACT Committee supports the standardization of titling procedures across the country with mandatory inspections by law enforcement or government agency of vehicles previously declared total losses or salvage.

Several States have sound titling laws but they become ineffective when neighboring States with weaker laws allow criminals to

wash titles through their system. A standardization of titling and title branding would help to prevent this.

On a State level much needs to be done. We have followed the success of the Auto Theft Prevention Authority in Michigan as well as the passage of the Illinois plan. We think it can work in New York and New Jersey and we have offered our support and opinions on bills proposed in both States.

One thing I would like to point out is that the Michigan group was actually an outgrowth of the Michigan ACT Committee, and we feel we can play a useful role when one is instituted in our States.

A number of other bills have been proposed that would help deter or take the profit out of theft. These include a reinspection law which would allow insurers to reinspect the vehicle either during repairs or after they have been completed, and a law requiring invoices for any parts replaced with a value in excess of \$50.

Insurance companies are increasing their efforts to prevent theft and detect frauds. Our committee is supported entirely by voluntary donations of auto insurance carriers, and rental companies. In addition, our membership, consisting of insurance people, law enforcement, rental company personnel, State frauds bureaus, the department of motor vehicles, and the NATB, all donate their time to this cause.

Insurance companies fund the National Automobile Theft Bureau, soon to be known as the National Insurance Crime Bureau. This agency maintains a computer system which interfaces with law enforcement and contains extensive records on the manufacture, shipping, theft, salvage and recovery of motor vehicles. They also provide expert witness assistance to law enforcement, and educational programs for the industry, law enforcement and the general public.

The NATB has also undertaken a national impound project, which when completed, will record at one central location all police impounds thereby improving stolen vehicle recoveries and reducing potential fraudulent claims.

Insurance companies also provide discounts for various antitheft devices and help fund various sticker programs, reward programs and glass etch programs.

The ACT Committee and the NATB have several video tapes dealing with the problem and solutions of auto theft which will be made available to members of the subcommittee if you so desire.

In conclusion, I would like to state that as industry people and law enforcement officials, we are dealing with this problem on a daily basis and clearly we are as frustrated as the customers we serve and the citizens we protect with the escalating theft problem.

We thank the committee for this opportunity to express our views on this subject, and I hope interest in this problem will lead to solutions and reduction.

Thank you.

Mr. SCHUMER. Thank you, Mr. Jeffares.

[The prepared statement of Mr. Jeffares follows:]

STATEMENT BEFORE COMMITTEE ON THE JUDICIARY

BY RICHARD JEFFARES

CHAIRMAN OF THE NEW YORK ANTI-CAR THEFT COMMITTEE

DECEMBER 9, 1991

My name is Richard Jeffares, and I am Chairman of the New York-New Jersey, Anti-Car Theft Committee. I am also a former governing board member of the National Automobile Theft Bureau and a current member of the Eastern Division Advisory Board of the N.A.T.B.. I am employed as an Assistant Vice President with GEICO in Woodbury, New York. The 4th largest private auto insurer in New York.

I am pleased to be here today to share our views on the auto theft problems in this area and welcome the opportunity to present some possible solutions.

To put this theft problem into perspective we need to consider the fact that New York and New Jersey are ranked 2nd and 6th in terms of the amount of national vehicle thefts. That amounts to over 260 thousand thefts or 16 percent of the nations total. When we look at vehicle theft

on a per 100,000 population New York ranks first and New Jersey ranks fourth. This equates to a cost in excess of 1 and one quarter billion dollars in these two states alone. And, these costs exclude the cost of law enforcement and insurance carriers. Bear in mind that these numbers represent 1990 statistics and in our opinion the '91 numbers will be decidedly worse.

I think we also need to recognize that vehicle theft and theft fraud even though they are included together in the aforementioned statistics are two distinctly different problems. To a great extent the motives for theft are unknown or unknowable. There are no statistics or exact measures that will define this but I will give you our committee's best guess on the motives for theft. About fifty percent of the cars that are stolen are stolen for parts or "retagging", that is the vehicle identification number of the stolen car is switched with a car that has been previously declared a total loss or is severely damaged. Approximately twenty percent of the vehicles stolen are stolen for export. I think its safe to assume that most of the four wheel drive vehicles stolen nowadays are heading for Central America or North Africa.

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On a state level much needs to be done. We have followed the success of the Automobile Theft Prevention Authority in Michigan as well as the passage of the Illinois plan. We think it can work in New York and New Jersey and we have offered our support and opinions on bills proposed in both states. One thing I would like to point out is that the Michigan group was actually an outgrowth of the Michigan ACT Committee and we feel we can play a useful role when one is instituted in our states.

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daily basis and clearly we are as frustrated as the customers we serve and the citizens we protect with the escalating theft problem.

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Thank you.

I would be happy to try and answer any questions.

Mr. SCHUMER. Again, we appreciate the insurance industry's interest in this. We know that it's coming out of good old capitalism in part, reduce your cost, but it has a good and positive effect on the consumer as well and so I welcome it and hope to work closely with the insurance industry on this.

First, let me ask you how you've tried to work with manufacturers on enhancing vehicle security. I know some States require carriers to provide discounts to customers who install various security devices.

What's been the result of those programs and has the industry experimented on its own with providing incentives for security devices? In the airbag area they resisted, resisted, resisted. Now this year they're advertising, it's not an option. Is there any hope that that might happen in the auto theft area?

Mr. JEFFARES. Well companies are now giving discounts for both active and passive devices, depending on the type of device, though it's not mandated.

As far as working with the manufacturers go, we and the National Automobile Theft Bureau, which is an industry group has been working with the manufacturers to try to develop standards for antitheft devices.

Just recently in the last year we've held two national theft symposiums where we brought together all the anti—

Mr. SCHUMER. Move the microphone a little more close to you.

Mr. JEFFARES [continuing]. All the anti-car theft committees, members of law enforcement, the FBI, as well as two of the big three manufacturers, and we're at least talking about developing minimum standards. I know Ford has a very high level of interest. I think for the first time the Ford Mustang was in the top 10 on the stolen car lists. But we have worked with them individually as well through our trade organizations.

Mr. SCHUMER. OK. Let me ask you about that. You mentioned Mustang was in the top 10. These lists are published all the time and yet it seems the average consumer doesn't know much about them. Why is that?

Mr. JEFFARES. I think buying a car is an emotional experience—

Mr. SCHUMER. We don't want to think about—

Mr. JEFFARES [continuing]. And people—

Mr. SCHUMER [continuing]. It being stolen.

Mr. JEFFARES [continuing]. People don't buy a car, well I shouldn't say they don't, because I think that those attitudes are changing.

We have that information available when our consumers call up. Generally they ask about the rates, but we have the information available to tell them which cars are stolen more frequently.

Mr. SCHUMER. Could you go over the top 10 for us, just for curiosity? Do you have a list? You rate them all, I guess—

Mr. JEFFARES. I can provide you with a list at a later date but I can tell you that the Pontiac Firebird, the Camaro, the Honda Civic CRX, and the Ford Mustang, all have a high theft rate—

Mr. SCHUMER. And why do you think that is?

Mr. JEFFARES. Well there's a couple of things. One of the them is the large amount of the cars and the fact that the parts are valu-

able. And that they're hot cars, they have a resale in the underground market.

Mr. SCHUMER. Do foreign made cars have any more or less chance of being stolen than domestic cars in general?

Mr. JEFFARES. I can't answer—

Mr. SCHUMER. It seems in my neighborhood—

Mr. JEFFARES [continuing]. I think that there's—

Mr. SCHUMER [continuing]. People steal foreign cars more than the American cars.

Mr. JEFFARES. No, there's about 3 or 4 of the top 10 that are foreign cars.

Mr. SCHUMER. Same as probably—

Mr. JEFFARES. Right. It's really based on the number of cars that are stolen, their exposure out in the field.

Mr. SCHUMER. Right. OK. Let me ask you this. Is it the practice, is it generally happening in the industry that policyholder's premium is increased if their car is stolen?

Mr. JEFFARES. No. Many States were precluded from increasing the rates because of the stolen cars.

Mr. SCHUMER. Is that true in New York?

Mr. JEFFARES. It's true in New York, yes.

Mr. SCHUMER. OK. I think that really does it. What do you think of the parts solution that we're exploring here?

Mr. JEFFARES. We have advocated the parts solution, as the previous witnesses have testified, the mylar sticker, it's probably a common knowledge now as to how to defeat it, and you're talking about people that are in the business. There are ways chemically that you can remove it but you can also grind it off.

From what we have seen and heard, the parts marking law in itself is so confusing. You may have a 1990 vehicle and that part is on the list, but the 1989 is not even though the fender may fit and it's not required to have the mylar label.

So I think it has to be simplified so that everyone can understand it and—

Mr. SCHUMER. What kind of resistance do you think we'll get from the repair shops lobby for making them be part of the problem—part of the solution?

Mr. JEFFARES. I think that the legitimate people in the repair shop as well as the salvage people are in favor of the parts marking.

Mr. SCHUMER. They are. Good. That's good to hear. Lyle, do you have any questions?

Mr. NIRENBERG. No.

Mr. SCHUMER. OK. Well I want to thank you for coming and for all your work. Again, we'll be calling on you regularly.

Mr. JEFFARES. Thank you. Glad to help.

Mr. SCHUMER. Mr. Altruda, who is not here, his statement will be read into the record without objection.

[The prepared statement of Mr. Altruda follows:]

PREPARED STATEMENT OF PAUL F. ALTRUDA, ASSISTANT DEPUTY SUPERINTENDENT
AND COUNSEL, NEW YORK STATE INSURANCE DEPARTMENT

On behalf of the New York State Insurance Department, I welcome this opportunity to explore causes and cures in regard to the escalating auto theft problem in New York. We appreciate the Subcommittee's concerns regarding auto theft and fraud, signified by today's public hearing.

Auto insurance is essential to our society and economy. It is vital that we do all we can to attack auto theft and to root out auto insurance fraud. We pledge to work with you to develop and implement programs to reduce auto theft and fraud. As key examples, the Insurance Department's Frauds Bureau, our Photo Inspection requirements, and Department Regulation No. 64's (Unfair Claims Settlement Practices) required auto insurer reporting (of all thefts and any property damage liability or physical damage claims payments over \$2,500) to the National Automobile Theft Bureau (NATB) data bank, demonstrate how New York has had the courage and foresight to undertake bold programs to attack auto insurance theft and fraud problems on a state regulatory level.

The 1990's present another challenge and opportunity for the states and federal governments to work together to confront difficult problems that contribute to rising auto insurance costs. We have made progress in moderating auto insurance rates, as our overall premium ranking has declined relative to other major states. Unfortunately, New York retains top ranking country-wide in terms of average comprehensive premiums - reflecting high auto thefts.

The reality is that auto theft and fraud are perpetual plagues. That is why we continue to insist upon photo inspection, which literally saves millions of dollars annually and virtually eliminates phatom vehicle fraud. That is why our Frauds Bureau has established a liaison role between local law enforcement agencies and auto insurers to facilitate the sharing of intelligence on professional auto theft operations and staged accident rings; and to assist in the allocation of financial support made available by the insurance industry for various sting-type operations conducted by local law enforcement agencies throughout this state.

A. The Costs.

Many forces drive auto thefts upward. Foremost is the Profit. Whether vehicles are stolen for export or their separate parts, auto theft is big business, involves organized crime, and keeps too many chop shops open around the clock. In 1990, according to NATB statistics, 165,564 vehicles were stolen in New York State, with 146,309 in New York City alone:

<u>CITY</u>	<u>THEFTS</u>	<u>RECOVERIES</u>
New York City	146,309	90,711
Albany	435	416
Syracuse	677	607
Rochester	3,034	2,679
Buffalo	3,539	2,754
All Other Areas	11,570	10,340

These most recent figures compare with 1989 totals of 151,732 and 131,537, respectively. Spiraling auto theft is also no doubt connected to the onslaught of drugs and, in particular, crack. In 1989, about \$650 million was paid out in private passenger auto insurance comprehensive claims in New York State. The comprehensive component consumes around 20 percent of the average consumer's auto insurance premium, although this proportion varies widely throughout the State. Comprehensive coverage can run 15% or less in Dutchess, yet 35% or more in Brooklyn. (These percentages are based upon insureds who actually buy comprehensive coverage; many do not.)

B. The Causes.

The willingness of unscrupulous auto body repair shops to use stolen parts, given their inexpensive cost, is a major factor driving the auto theft market. We further suspect that stolen parts are used to rebuild vehicles declared total losses by insurers. Total-loss salvaged vehicles should not be rebuilt, and legally salvaged parts obtained from total loss vehicles should be identified, so that honest repair shops can be assured that the used parts that they purchase have not been removed from stolen vehicles. Once legally salvaged parts have been identified, penalties should be substantially increased for those who sell, and for repairers who use, stolen parts.

Department Regulation 64 (governing fair claims settlement practices) contains total loss settlement provisions that, some argue, contribute to the vehicle theft problem, by providing claims settlements that may exceed vehicle values in some cases. We require insurers to settle auto total loss claims on a retail basis, using the average of two widely recognized vehicle valuation manuals.

Dishonest policyholders have an economic incentive to utilize these settlement provisions by "giving up" their depreciated vehicles to an insurance company that will be required to pay more than trade-in value. Some experts, such as the New York City Police Department Auto Crime Division, contend that "give-up" abuses represent a significant portion (perhaps one-quarter) of all vehicle thefts.

In our view, Regulation 64 claim settlement provisions are fair to honest policyholders who, in the event of a loss, understandably want to be made whole. We have been reluctant to change these provisions to accommodate those primarily concerned with fraud. However, we are exploring the efficacy of other total loss valuation procedures in an effort to balance the need to be fair to honest consumers while, at the same time, to reduce incentives to engage in insurance fraud.

C. The Cures

Much can be done without changing the law. An aggressive Special Investigative Unit (SIU), established within the insurance company itself, is among the most effective ways to detect fraudulent theft claims. In economic hard times, when insurance fraud predictably grows, insurers tend to cut back on SIU and claims staff, myopically letting their guard down and making it easier for insurance fraud to succeed.

Insurers must work harder on insurance fraud, in order to fulfill fiduciary responsibilities to their policyholders and stockholders. Too often, despite confidentiality and immunity, insurers fail to even report suspect claims to our Frauds Bureau. Because they do not see immediate results, claims staff may tend to believe that such reporting is fruitless. It must be appreciated that accumulated data on suspect claims enables the Frauds Bureau to track patterns and, in the process, focus its resources in the most effective manner. The Frauds Bureau also shares data with other law enforcement agencies, and puts insurers on notice that they may be dealing with fraudulent claims.

Local Legislation may well be beneficial and, indeed, crucial. ^{New York} Senate Bill 259-B recognizes that a meaningful civil penalty, coupled with speedy and simple administrative procedures, could deter fraud. We have seen too many examples of otherwise honest citizens caught in "give-up" theft stings. We wonder whether the civil penalty should be a fixed amount. It might prove more effective, if the penalty ranged between a minimum and a multiple of the amount fraudulently (or attempted to be) obtained.

Senate Bill 259-B would also mandate auto insurance premium discounts for vehicles equipped with electronic homing devices and or whose windows have been etched. We do not believe that the Insurance Law needs to be amended in this regard since, under existing § 2337, we consider both programs to be anti-theft devices qualified for appropriate discounts. The Department is currently engaged in a joint investigation with the Attorney General's Office to make sure that auto insurers properly credit policyholders with all applicable discounts for vehicles equipped with passive restraints, anti-lock braking systems, and anti-theft devices.

Serious consideration is being given to removing premium discounts in the future for auto burglar alarms, if only for the sake of reducing urban noise pollution. The emerging consensus is that these devices do not work to stop car thieves but, instead, are highly effective in disturbing neighbors trying to think or sleep.

Homing devices represent the newest anti-theft technology. As we did in supporting what is now the Combat Auto Theft law, which other states are looking to as a model, the focus should be on securing local law enforcement cooperation, particularly in the New York City area. The police need to participate in this kind of program, and must be willing and able to track vehicles duly equipped with homing devices. It would not make sense for auto insurers to provide a discount for these devices, unless a law enforcement agency agrees to track stolen vehicles.

Auto insurers ought to take a more active role in encouraging window etching. It is relatively inexpensive and reported to be an effective anti-theft tool. Auto manufacturers or dealers could be required to etch the windows of all vehicles sold. As a technical observation to this bill, the definition of "window glass" should be expanded to include door glass.

Insurers should not simply be permitted, but rather required, to offer limited collision coverage. At present, insurers may offer stated value policies, but few have elected to do so. Stated value policies can afford consumers an opportunity to save money on auto insurance. Perhaps the time has come to require insurers to offer such coverage.

Both Senate Bill 259-B and Assembly Bill 3710 would establish a Fund or Bureau designed to specifically address and attack vehicle theft, utilizing a dedicated revenue stream from auto insurance premiums. Resources so marshalled would then be systematically applied to worthy anti-theft and anti-fraud law enforcement and educational programs. For example, in this way, a Help Eliminate Auto Theft (HEAT) type program could be funded, as New Jersey has recently launched, where a bounty is paid for HEAT hotline tips that prove out. A similar dedicated resource approach instituted in Michigan seems successful thus far, reportedly reducing auto theft there (-13%), at the same time that auto theft elsewhere (e.g., Florida (+71%), California (+68%), New York (+61%), Texas (+51%)) has been rapidly rising, according to FBI Uniform Crime Reports over the period 1985-1989.

Each bill proposes assessments upon insurers that can be passed on to policyholders. Under the Senate bill, every auto policy would be subject to a \$1 per year charge. The Assembly bill assesses 25¢ per earned car year for every motor vehicle physical damage policy. We estimate that, on an annual basis, the Senate proposal would generate about \$5 million while the Assembly approach would produce \$1.5 million. In terms of fairness as well as feasibility, we believe that any assessment for this purpose should be based upon insured vehicles, arguably confined to the comprehensive component of the total premium. A number of insurers provide a separate policy for each insured vehicle, which would yield multiple assessments under the Senate bill.

We think that this basic approach of concentrating resources on auto theft and fraud, which is working in Michigan, could also work in New York. Unlike Michigan where the Automobile Theft Prevention Authority (ATPA) was organized, there probably is no need to create a new entity or additional bureaucracy. Therefore, in New York, the key question may be the most appropriate existing agency to administer the funds and grants -- from among the State Police, Department of Motor Vehicles, or Insurance Department.

As the agency with ultimate responsibility for dealing with the consequences of auto fraud and with an acclaimed Insurance Frauds Bureau that serves as a model for other states, the Insurance Department is capable and stands ready.

Created in 1981, our Frauds Bureau is a law enforcement agency within the Insurance Department, and acts as a liaison between the insurance industry and the various federal, state and local law enforcement agencies at work in the New York State. In its liaison role, the Frauds Bureau makes information collected from the insurance fraud reports submitted by insurers and other licensees available to law enforcement agencies, as an aid in investigations of suspected criminal activities related to insurance transactions.

Law enforcement agencies rely upon the Frauds Bureau as a facilitator and clearinghouse for information and support in connection with undercover sting operations aimed at professional car theft rings. How does this important function work? Because of increasing auto thefts within its jurisdiction, a local law enforcement agency contacts the Frauds Bureau with a proposed undercover sting operation. Frauds Bureau experts evaluate the proposal in terms of personnel costs and other expenses, the anticipated impact the sting is expected to have on the area, and the potential benefit to insurers assuming the suspected criminals are caught.

If the proposed sting operation is endorsed by the Frauds Bureau, resources are allocated in the form of Bureau staff to monitor the operation and, in some cases, to participate in the operation with the local law enforcement agency. The Frauds Bureau then contacts insurers doing business in the area in which the operation will be conducted to request voluntary contributions to defray the costs associated with undercover operations.

Insurer officials have advised us that they prefer dealing with a single agency that screens proposals and insulates the industry from direct contact with the local law enforcement agencies involved in the various operations. Several insurers are contacted in order to spread the cost of the undercover operation over a broad base. Once commitments are made, the local law enforcement agency is advised to begin its operation. Often undercover sting operations last several months, and additional funding must sometimes be obtained in order to achieve a successful operation. All funds collected by the Frauds Bureau are disbursed to the local law enforcement agency by check, and detailed records are maintained by the Frauds Bureau on all collections and disbursements.

When the time comes to close down the operation, mass arrests are made and the perpetrators are put into the criminal justice system. In the vast majority of cases, those arrested plead guilty before trial and stolen property which has been recovered is returned to the rightful owners. Since 1987, despite limited resources, the Frauds Bureau has been a part of six major undercover sting operations involving auto theft. A total of \$150,500 was raised from insurers that volunteered to help finance these undercover operations. As a result, 236 persons were arrested and 206 of them received terms of imprisonment following convictions for conspiracy, insurance fraud, grand larceny and other crimes. Over 250 stolen motor vehicles were recovered with a value exceeding \$2 million, justifying the \$150,000 investment on the part of insurers.

Assembly Bill 3709 addresses another area of auto insurance fraud. Insurers today have little or no control of the repair process once a repair estimate is written. Unfortunately, there is evidence to suggest collusion between some insurance adjusters and repairers to inflate repair estimates. This bill would provide a means for insurer supervisory personnel to monitor the repair work product, by allowing insurers to reinspect a damaged vehicle during the repair process.

Another area of fraud is the reporting of the "theft" of auto parts, usually seats or T-tops, that have not, in fact, been stolen. The practice has become known as a "surgical strip job." Assembly Bill 3709 would enable insurers to receive a copy of the parts invoice for the replacement parts prior to paying the claim. Insurers would then have an effective tool to combat this problem, by eliminating the profit to repair shops in reinstalling surgically removed parts (or in using stolen rather than legitimate body parts) and then fraudulently billing auto insurers for full replacement cost.

As today's joint legislative hearing demonstrates, auto insurance constantly demands the attention and energies of public policymakers in New York State. We welcome the opportunity to work with you to strengthen New York's leadership, in developing innovative programs in auto insurance, to protect consumers and the public interest.

Adopted from testimony before a joint hearing of the New York State Senate and Assembly Insurance Committee; May 23, 1991

SALVATORE R. CURIALE
SUPERINTENDENT OF INSURANCE

Mr. SCHUMER. And finally, I want to thank everyone who is here. Dave Yassky, who's the counsel to this subcommittee, who did great work. Lyle, who's our worthy minority counsel on this issue. I'm sure we'll be working together with his boss, the ranking member of the committee. And finally, Teresa on my staff who came up and set up all the work.

Commissioner Brown for the police department's help, all the witnesses. And finally, the person who usually gets neglected but may have worked harder than anybody else, Mr. Tankoos, our stenographer for his work today as well.

The hearing is adjourned.

[Whereupon, at 12:45 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

ANTI-CAR THEFT ACT OF 1992

TUESDAY, MARCH 31, 1992

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CRIME AND CRIMINAL JUSTICE,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:15 p.m., in room 2237, Rayburn House Office Building, Hon. Charles E. Schumer (chairman of the subcommittee) presiding.

Present: Representatives Charles E. Schumer and F. James Sensenbrenner, Jr.

Also present: David Yassky, assistant counsel; Bruce Morgan, clerk; and Lyle Nirenberg, minority counsel.

Mr. SCHUMER. The hearing will come to order.

The Chair has received a request to cover this hearing in whole or in part by television broadcast, radio broadcast, still photography, or by other similar methods, in accordance with committee rule 5. Permission will be granted unless there is objection, without objection.

Good afternoon. The subcommittee meets today for a hearing on H.R. 4542, the Anti-Car Theft Act of 1992, which I've introduced along with my colleague from Wisconsin, Mr. Sensenbrenner. I'm very excited about this bill because I believe it brings some real solutions to an area of crime policy that desperately needs attention. Motor vehicle theft has become the Nation's No. 1 property crime, and it's only getting worse. Thieves used to be content to steal a car for its parts. Now in armed carjackings they take the whole car part and parcel and throw away the driver. Meanwhile, violence and drugs have kept law enforcement's attention focused elsewhere.

[The bill, H.R. 4542, follows:]

102^D CONGRESS
2^D SESSION

H. R. 4542

To prevent and deter auto theft.

IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1992

Mr. SCHUMER (for himself and Mr. SENSENBRENNER) introduced the following bill; which was referred jointly to the Committees on the Judiciary and Ways and Means

MAY 20, 1992

Additional sponsors: Mr. ATKINS, Mr. BEILENSON, Mr. BERMAN, Mr. DEFAZIO, Mr. GREEN of New York, Mr. HORTON, Mr. LaFALCE, Mr. MARTINEZ, Mr. MAZZOLI, Mr. MOORHEAD, Mr. ROE, Mr. SCHIFF, Mr. TOWNS, Mr. HYDE, Mr. PERKINS, Mr. WASHINGTON, Mr. BRYANT, Mr. FASCELL, Mr. SOLARZ, Mr. NOWAK, Mr. RAMSTAD, Mr. LEVINE of California, Mr. OWENS of New York, Mrs. BOXER, Mr. McNULTY, Mr. LOWERY of California, Mr. GEKAS, Ms. MOLINARI, Mr. HOAGLAND, Mr. SERRANO, Mr. JOHNSON of South Dakota, and Mr. FEIGHAN

A BILL

To prevent and deter auto theft.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Anti-Car Theft Act
5 of 1992".

1 **TITLE I—TOUGHER LAW EN-**
 2 **FORCEMENT AGAINST AUTO**
 3 **THEFT**

4 **Subtitle A—Enhanced Penalties for**
 5 **Auto Theft**

6 **SEC. 101. FEDERAL PENALTIES FOR ROBBERIES OF AUTOS.**

7 (a) **IN GENERAL.**—Chapter 103 of title 18, United
 8 States Code, is amended by adding at the end the fol-
 9 lowing:

10 **“§ 2119. Motor Vehicles**

11 “Whoever, by force and violence, or by intimidation,
 12 takes a motor vehicle from the person or presence of an-
 13 other, or attempts to do so, shall be fined under this title
 14 or imprisoned not more than 20 years, or both.”.

15 (b) **CLERICAL AMENDMENT.**—The table of sections
 16 at the beginning of chapter 103 of title 18, United States
 17 Code, is amended by adding at the end the following new
 18 item:

“2119. Motor Vehicles.”.

19 **SEC. 102. IMPORTATION AND EXPORTATION.**

20 Section 553(a) of title 18, United States Code, is
 21 amended by striking “fined not more than \$15,000 or im-
 22 prisoned not more than five years” and inserting “fined
 23 under this title or imprisoned not more than 20 years”.

1 **SEC. 103. TRAFFICKING IN STOLEN VEHICLES.**

2 Each of sections 2312 and 2313(a) of title 18, United
3 States Code, are amended by striking “fined not more
4 than \$5,000 or imprisoned not more than five years” and
5 inserting “fined under this title or imprisoned not more
6 than 10 years”.

7 **SEC. 104. RICO PREDICATES.**

8 Section 1961(1)(B) of title 18, United States Code,
9 is amended by inserting “section 511 (relating to altering
10 or removing motor vehicle identification numbers), section
11 553 (relating to the export or import of stolen motor vehi-
12 cles)” after “473 (relating to counterfeiting)”.

13 **Subtitle B—Targeted Law**
14 **Enforcement**

15 **SEC. 111. GRANT AUTHORIZATION.**

16 The Director of the Bureau of Justice Assistance
17 shall make grants to Anti-Car Theft Committees submit-
18 ting applications in compliance with the requirements of
19 this subtitle.

20 **SEC. 112. APPLICATION.**

21 (a) **SUBMISSION.**—To be eligible to receive a grant
22 under this subtitle, a chief executive of an Anti-Car Theft
23 Committee shall submit an application to the Director.

24 (b) **CONTENT.**—Such application shall include the
25 following:

1 (1) A statement that the applicant Anti-Car
2 Theft Committee is either a State agency, an agency
3 of a unit of local government, or a nonprofit entity
4 organized pursuant to specific authorizing legislation
5 by a State or a unit of local government;

6 (2) A statement that the applicant Anti-Car
7 Theft Committee is or will be financed in part by a
8 tax or fee on motor vehicles registered by the State
9 or possessed within the State, and that such tax or
10 fee is not less than \$1 per vehicle.

11 (3) A statement that the resources of the appli-
12 cant Anti-Car Theft Committee will be devoted en-
13 tirely to combating motor vehicle theft, including
14 any or all of the following:

15 (A) Financing law enforcement officers or
16 investigators whose duties are entirely or pri-
17 marily related to investigating cases of motor
18 vehicle theft or of trafficking in stolen motor
19 vehicles or motor vehicle parts.

20 (B) Financing prosecutors whose duties
21 are entirely or primarily related to prosecuting
22 cases of motor vehicle theft or of trafficking in
23 stolen motor vehicles or motor vehicle parts.

24 (C) Motor vehicle theft prevention pro-
25 grams.

1 (4) A description of the budget for the appli-
2 cant Anti-Car Theft Committee for the fiscal year
3 for which a grant is sought.

4 **SEC. 113. AWARD OF GRANTS.**

5 (a) **IN GENERAL.**—The Director shall allocate to
6 each State a proportion of the total funds available under
7 this subtitle that is equal to the proportion of the number
8 of motor vehicles registered in such State to the total num-
9 ber of motor vehicles registered in the United States.

10 (b) **GRANT AMOUNTS.**—If one Anti-Car Theft Com-
11 mittee within a State submits an application in compliance
12 with section 112, the Director shall award to such Anti-
13 Car Theft Committee a grant equal to the total amount
14 of funds allocated to such State under this section. In no
15 case shall the Anti-Car Theft Committee receive a grant
16 that is more than 50 percent of the preaward budget for
17 such Anti-Car Theft Committee.

18 (c) **MULTIPLE COMMITTEES.**—If two or more Anti-
19 Car Theft Committees within a State submit applications
20 in compliance with section 112, the Director shall award
21 to such Anti-Car Theft Committees grants that in sum
22 are equal to the total amount of funds allocated to such
23 State under this section. In no case shall an Anti-Car
24 Theft Committee receive a grant that is more than 50 per-
25 cent of the preaward budget for such Anti-Car Theft Com-

1 “(1) The term ‘certificate of title’ means a doc-
2 ument issued by a State evidencing ownership of a
3 motor vehicle.

4 “(2) The term ‘insurance carrier’ means an in-
5 dividual, corporation, or other entity which is en-
6 gaged in the business of underwriting motor vehicle
7 theft insurance.

8 “(3) The term ‘junk vehicle’ means any vehicle
9 which is incapable of operation on roads or highways
10 and which has no value except as a source of parts
11 or scrap. The term ‘junk vehicle’ includes any vehi-
12 cle component part which bears a vehicle identifica-
13 tion number.

14 “(4) The term ‘junk yard’ means any individ-
15 ual, corporation, or other entity which is engaged in
16 the business of acquiring junk vehicles for resale, ei-
17 ther in their entirety or as spare parts, or for re-
18 building or restoration, or for crushing.

19 “(5) The term ‘operator’ means the person or
20 entity designated as the operator in any contract or
21 agreement executed pursuant to section 121(b)(2) or
22 if no such contract or agreement is executed, the At-
23 torney General.

1 “(6) The term ‘participating State’ means a
2 State which elects to participate in the information
3 system pursuant to section 122.

4 “(7) The term ‘salvage vehicle’ means any vehi-
5 cle which is damaged by collision, fire, flood, acci-
6 dent, trespass, or other occurrence to the extent that
7 the cost of repairing the vehicle for legal operation
8 on roads or highways exceeds the fair market value
9 of the vehicle immediately prior to the occurrence
10 causing its damage.

11 “(8) The term ‘salvage yard’ means any indi-
12 vidual, corporation, or other entity which is engaged
13 in the business of acquiring salvage vehicles for re-
14 sale, either in their entirety or as spare parts, or for
15 rebuilding or restoration, or for crushing.

16 **“§ 121. National motor vehicle information system**

17 (a) REGULATIONS AND REVIEW.—Not later than
18 March 1, 1993, the Attorney General, in cooperation with
19 the States shall—

20 “(1) conduct a review of information systems
21 pertaining to the titling of motor vehicles and uti-
22 lized by 1 or more States or by a third party which
23 represents the interests of States for the purpose of
24 determining whether any of such systems could be
25 used to carry out this section, and

1 “(2) promulgate regulations for the establish-
2 ment under subsection (b) of an information system
3 which will serve as a clearinghouse for information
4 pertaining to the titling of motor vehicles if the At-
5 torney General deems such regulations appropriate
6 or necessary to the establishment of such system.

7 “(b) INFORMATION SYSTEM.—

8 “(1) ESTABLISHMENT.—Not later than 6
9 months following the promulgation of regulations
10 under subsection (a)(2), and in no case later than
11 September 1, 1993, the Attorney General, in co-
12 operation with the States, shall establish an informa-
13 tion system which will serve as an information sys-
14 tem for information pertaining to the titling of
15 motor vehicles.

16 “(2) OPERATION.—The Attorney General may
17 authorize the operation of the information system
18 established under paragraph (1) through an agree-
19 ment with a State or States or by designating, after
20 consultation with the States, a third party which
21 represents the interests of the States to operate the
22 information system.

23 “(3) FEES.—Operation of the information sys-
24 tem shall be paid for by a system of user fees. The
25 amount of fees collected and retained by the opera-

1 tor pursuant to this paragraph in any fiscal year,
2 not including fees collected by the operator and
3 passed on to a State or other entity providing infor-
4 mation to the operator, shall not exceed the costs of
5 operating the information system in such fiscal year.

6 “(c) **MINIMUM FUNCTIONAL CAPABILITIES.**—The in-
7 formation system established under subsection (b)(1)
8 shall, at a minimum, enable a user of the system to
9 determine—

10 “(1) the validity and status of a document pur-
11 porting to be a certification of title,

12 “(2) whether a motor vehicle bearing a known
13 vehicle identification number is titled in a particular
14 State,

15 “(3) whether a motor vehicle known to be titled
16 in a particular State is a junk vehicle or a salvage
17 vehicle,

18 “(4) for a motor vehicle known to be titled in
19 a particular State, the odometer reading of such ve-
20 hicle on the date its certificate of title was issued,
21 and

22 “(5) whether a motor vehicle bearing a known
23 vehicle identification number has been reported as a
24 junk vehicle or a salvage vehicle pursuant to section
25 123.

1 “(d) AVAILABILITY OF INFORMATION.—

2 “(1) TO STATE.—Upon request of a participat-
3 ing State, the operator shall provide to such State
4 information available through the information sys-
5 tem pertaining to any motor vehicle.

6 “(2) TO LAW ENFORCEMENT.—Upon request of
7 a Federal, State, or local law enforcement official,
8 the operator shall provide to such official informa-
9 tion available through the information system per-
10 taining to a particular motor vehicle, salvage yard,
11 or junk yard.

12 “(3) TO PROSPECTIVE PURCHASERS.—Upon re-
13 quest of a prospective purchaser of a motor vehicle,
14 including an entity that is in the business of pur-
15 chasing used motor vehicles, the operator shall pro-
16 vide to such prospective purchaser information avail-
17 able through the information system pertaining to
18 such motor vehicle.

19 “(4) TO INSURANCE CARRIERS.—Upon request
20 of a prospective insurer of a motor vehicle, the oper-
21 ator shall provide to such prospective insurer infor-
22 mation available through the information system
23 pertaining to such motor vehicle.

24 “(5) PRIVACY.—Notwithstanding any provision
25 of paragraphs (1) through (4), the operator shall not

1 release an individual's address or social security
2 number to users of the information system.

3 "(e) FUNDING.—There are authorized to be appro-
4 priated \$2,000,000 for each of fiscal years 1992, 1993,
5 and 1994 to carry out this section.

6 **"§ 122. State participation in the national motor vehi-**
7 **cle information system**

8 "(a) ELECTION.—

9 "(1) STATE PARTICIPATION.—A State may, by
10 written notice to the operator, elect to participate in
11 the information system established pursuant to sec-
12 tion 121.

13 "(2) DENIAL OF ACCESS.—The Director of the
14 Federal Bureau of Investigation shall have the au-
15 thority to deny access to the National Crime Infor-
16 mation Center system to any State failing to partici-
17 pate in the information system pursuant to para-
18 graph (1).

19 "(b) TITLE VERIFICATION REQUIREMENTS.—Each
20 participating State must agree to perform an instant title
21 verification check before issuing a certificate of title to an
22 individual or entity claiming to have purchased a motor
23 vehicle from an individual or entity in another State. Such
24 instant title verification check shall consist of—

1 “(1) communicating to the operator the vehicle
2 identification number of the vehicle for which the
3 certificate of title is sought, the name of the State
4 which issued the most recent certificate of title per-
5 taining to the vehicle, and the name of the individual
6 or entity to whom such certificate was issued; and

7 “(2) affording the operator an opportunity to
8 communicate to the participating State the results of
9 a search of the information.

10 **“§ 123. Reporting**

11 “(a) OPERATORS OF JUNK OR SALVAGE YARD.—

12 “(1) MONTHLY REPORT.—Any person or entity
13 in the business of operating an automobile junk yard
14 or automobile salvage yard shall file a monthly re-
15 port with the operator. Such report shall contain an
16 inventory of all junk vehicles or salvage vehicles ob-
17 tained by the junk yard or salvage yard during the
18 preceding month. Such inventory shall contain the
19 vehicle identification number of each vehicle ob-
20 tained, the date on which it was obtained, the name
21 of the person or entity from whom the reporter ob-
22 tained the vehicle, and a statement of whether the
23 vehicle was crushed.

24 “(2) CONSTRUCTION.—Paragraph (1) shall not
25 apply to persons or entities that are required by

1 State law to report the acquisition of junk vehicles
2 or salvage vehicles to State or local authorities.

3 “(b) INSURANCE CARRIERS.—Any person or entity
4 engaged in business as an insurance carrier shall file a
5 monthly report with the operator. Such report shall con-
6 tain an inventory of all vehicles which such carrier has,
7 during the preceding month, obtained possession of and
8 determined to be junk vehicles. Such inventory shall con-
9 tain the vehicle identification number of each vehicle ob-
10 tained, the date on which it was obtained, the name of
11 the person or entity from whom the reporter obtained the
12 vehicle, and the owner of the vehicle at the time of the
13 filing of the report.

14 **“§ 124. Enforcement provisions**

15 “(a) CIVIL PENALTY.—Whoever violates section 123
16 may be assessed a civil penalty of not to exceed \$1,000
17 for each violation.

18 “(b) ASSESSMENT AND COLLECTION.—Any such
19 penalty shall be assessed by the Attorney General and col-
20 lected in a civil action brought by the Attorney General
21 of the United States. Any such penalty may be com-
22 promised by the Attorney General. In determining the
23 amount of such penalty, or the amount agreed upon in
24 compromise, the appropriateness of such penalty to the

1 size of the business of the person charged and the gravity
2 of the violation shall be considered.

3 “(c) DEDUCTION OF PENALTY FROM AMOUNTS
4 OWED BY UNITED STATES.—The amount of such penalty,
5 when finally determined, or the amount agreed upon in
6 compromise, may be deducted from any sums owed by the
7 United States to the person charged.”.

8 (b) CLERICAL AMENDMENT.—The table of chapters
9 for part I of such title is amended by inserting after the
10 item relating to chapter 7 the following:

“7A. Automobile title fraud 120.”.

11 **TITLE III—ILLICIT TRAFFICKING**
12 **IN STOLEN AUTO PARTS**

13 **SEC. 301. STOLEN AUTO PARTS.**

14 (a) IN GENERAL.—Part I of title 18, United States
15 Code, as amended by title II, is further amended by insert-
16 ing after chapter 7A the following:

17 **“CHAPTER 7B—ILLICIT TRAFFICKING IN**
18 **STOLEN AUTO PARTS**

“Sec.

“130. Definitions.

“131. Theft prevention standard.

“132. Cost limitation.

“133. Determination of compliance of manufacturer.

“134. National stolen auto part information system.

“135. Prohibited acts.

“136. Enforcement provisions.

“137. Confidentiality of information.

“138. Judicial review.

“139. Coordination with State and local law.

“140. 3-year and 5-year studies regarding motor vehicle theft.

1 **“§ 130. Definitions**

2 “For purposes of this chapter—

3 “(1) The term ‘first purchaser’ means first pur-
4 chaser for purposes other than resale.

5 “(2) The term ‘major part’ of an automobile
6 means—

7 “(A) the engine;

8 “(B) the transmission;

9 “(C) each door allowing entrance or egress
10 to the passenger compartment;

11 “(D) the hood;

12 “(E) the grille;

13 “(F) each bumper;

14 “(G) each front fender;

15 “(H) the deck lid, tailgate, or hatchback
16 (whichever is present);

17 “(I) rear quarter panels;

18 “(J) the trunk floor pan;

19 “(K) the frame or, in the case of a unit-
20 ized body, the supporting structure which serves
21 as the frame;

22 “(L) each window; and

23 “(M) any other part of an automobile
24 which the Attorney General, by rule, determines
25 is comparable in design or function to any of

1 the parts listed in subparagraphs (A) through
2 (L).

3 “(3) The term ‘major replacement part’ of an
4 automobile means any major part—

5 “(A) which is not installed in or on an
6 automobile at the time of its delivery to the
7 first purchaser, and

8 “(B) the equitable or legal title to which
9 has not been transferred to any first purchaser.

10 “(4) The term ‘automobile’ has the meaning
11 given such term in section 501(1) of the Motor Vehi-
12 cle Information and Cost Savings Act (15 U.S.C.
13 2001(1)).

14 “(5) The term ‘vehicle theft prevention stand-
15 ard’ means a minimum performance standard for
16 the identification of—

17 “(A) major parts of new motor vehicles,
18 and

19 “(B) major replacement parts,
20 by inscribing or affixing numbers or symbols to such
21 parts.

22 **“§ 131. Theft prevention standard**

23 “(a) **IN GENERAL.**—The Attorney General shall by
24 rule promulgate, in accordance with this section, a vehicle
25 theft prevention standard which conforms to the require-

1 ments of this chapter and which applies with respect to
2 major parts and major replacement parts for automobiles.
3 The standard under this subsection shall be practicable
4 and shall provide relevant objective criteria.

5 “(b) TIMING.—

6 “(1) PROPOSED STANDARD.—Not later than 3
7 months after the date of the enactment of this chap-
8 ter, the Attorney General shall prescribe and publish
9 a proposed vehicle theft prevention standard.

10 “(2) FINAL STANDARD.—As soon as practicable
11 after the 30th day following the publication of the
12 proposed standard under paragraph (1), but not
13 later than 6 months after such date of enactment,
14 the Attorney General shall promulgate a final rule
15 establishing such a standard.

16 “(3) EXTENSION.—The Attorney General may,
17 for good cause, extend the 3-month and 6-month pe-
18 riods under paragraphs (1) and (2) if the Attorney
19 General publishes the reasons therefor. Either such
20 period may not, in the aggregate, be extended by
21 more than 5 months.

22 “(4) EFFECTIVE DATE.—Such standard shall
23 take effect not earlier than 6 months after the date
24 such final rule is prescribed, except that the Attor-

1 ney General may prescribe an earlier effective date
2 if the Attorney General—

3 “(A) finds, for good cause shown, that the
4 earlier date is in the public interest, and

5 “(B) publishes the reasons for such find-
6 ing.

7 “(5) APPLICATION.—The standard may apply
8 only with respect to—

9 “(A) major parts which are installed by
10 the motor vehicle manufacturer in any auto-
11 mobile which has a model year designation later
12 than the calendar year in which such standard
13 takes effect, and

14 “(B) major replacement parts manufac-
15 tured after such standard takes effect.

16 “(c) REQUIREMENTS.—

17 “(1) ENGINES AND TRANSMISSIONS.—In the
18 case of engines and transmissions installed by the
19 motor vehicle manufacturer, the standard under sub-
20 section (a) shall require that each such engine or
21 transmission be permanently stamped with the vehi-
22 cle identification number of the vehicle of which the
23 engine or transmission is a part.

24 “(2) MAJOR PARTS.—In the case of major parts
25 other than engines and transmissions, the standard

1 under subsection (a) shall require that each such
2 major part has affixed to it a label that—

3 “(A) bears the vehicle identification num-
4 ber of the automobile in characters at least 2.5
5 millimeters tall;

6 “(B) is highly resistant to counterfeiting,
7 either through the use of retroreflective tech-
8 nology or through the use of a technology pro-
9 viding a level of security equivalent to that pro-
10 vided by retroreflective technology;

11 “(C) cannot be removed in one piece from
12 the part to which it is affixed;

13 “(D) if removed from the part to which it
14 is affixed, leaves on that part a permanent
15 mark; and

16 “(E) is not commercially available.

17 “(3) REPLACEMENT PARTS.—In the case of
18 major replacement parts, the standard under this
19 section may not require—

20 “(A) identification of any part which is not
21 designed as a replacement for a major part re-
22 quired to be identified under such standard,
23 and

24 “(B) the inscribing or affixing of any iden-
25 tification other than a symbol identifying the

1 manufacturer and a common symbol identifying
2 the part as a major replacement part.

3 “(d) CONSTRUCTION.—Nothing in this chapter shall
4 be construed to grant authority to require any person to
5 keep records or make reports, except as expressly provided
6 in sections 133(a) and 140.

7 **“§ 132. Cost limitation**

8 “(a) COST LIMITATION.—The standard under section
9 131(a) may not—

10 “(1) impose costs upon any manufacturer of
11 motor vehicles to comply with such standard in ex-
12 cess of \$15 per motor vehicle, or

13 “(2) impose costs upon any manufacturer of
14 major replacement parts to comply with such stand-
15 ard in excess of such reasonable lesser amount per
16 major replacement part as the Attorney General
17 specifies in such standard.

18 “(b) COSTS.—The cost of identifying engines and
19 transmissions shall not be taken into account in cal-
20 culating a manufacturer’s costs under subsection (a) of
21 this section.

22 “(c) PRICE INDEX.—

23 “(1) CERTIFICATION.—At the beginning of each
24 calendar year commencing on or after January 1,
25 1993, as there becomes available necessary data

1 from the Bureau of Labor Statistics of the Depart-
2 ment of Labor, the Secretary of Labor shall certify
3 to the Attorney General and publish in the Federal
4 Register the percentage difference between the price
5 index for the 12 months preceding the beginning of
6 such calendar year and the price index for the base
7 period. Effective for model years beginning in such
8 calendar year, the amounts specified under sub-
9 sections (a) (1) and (2) shall be adjusted by such
10 percentage difference.

11 “(2) DEFINITIONS.—For purposes of paragraph
12 (1)—

13 “(A) The term ‘base period’ means cal-
14 endar year 1992.

15 “(B) The term ‘price index’ means the av-
16 erage over a calendar year of the Consumer
17 Price Index (all items—United States city aver-
18 age) published monthly by the Bureau of Labor
19 Statistics.

20 **“§ 133. Determination of compliance of manufacturer**

21 “(a) REQUIREMENTS.—Every manufacturer of any
22 motor vehicle any part of which is subject to the standard
23 under section 132(a), and any manufacturer of major re-
24 placement parts subject to such standard, shall—

1 “(1) establish and maintain such records, make
2 such reports, and provide such items and informa-
3 tion as the Attorney General may reasonably require
4 to enable the Attorney General to determine whether
5 such manufacturer has acted or is acting in compli-
6 ance with this chapter and such standard, and

7 “(2) upon request of an officer or employee
8 duly designated by the Attorney General, permit
9 such officer or employee to inspect—

10 “(A) vehicles and major parts which are
11 subject to such standard, and

12 “(B) appropriate books, papers, records,
13 and documents relevant to determining whether
14 such manufacturer has acted or is acting in
15 compliance with this chapter and such stand-
16 ard.

17 Such manufacturer shall make available all such items and
18 information in accordance with such reasonable rules as
19 the Attorney General may prescribe.

20 “(b) INSPECTIONS.—For purposes of enforcing this
21 chapter, officers or employees duly designated by the At-
22 torney General, upon presenting appropriate credentials
23 and a written notice to the owner, operator, or agent in
24 charge, may enter and inspect any facility in which motor
25 vehicles containing major parts subject to such standard,

1 or major replacement parts subject to such standard, are
2 manufactured, held for introduction into interstate com-
3 merce, or are held for sale after such introduction. Each
4 such inspection shall be conducted at reasonable times and
5 in a reasonable manner and shall be commenced and com-
6 pleted with reasonable promptness.

7 “(c) CERTIFICATION.—

8 “(1) SPECIFICATION.—Every manufacturer of a
9 motor vehicle subject to the standard promulgated
10 under section 131(a), and every manufacturer of any
11 major replacement part subject to such standard,
12 shall furnish at the time of delivery of such vehicle
13 or part a certification that such vehicle or replace-
14 ment part conforms to the applicable standard under
15 such section. Such certification shall accompany
16 such vehicle or replacement part until delivery to the
17 first purchaser. The Attorney General may issue
18 rules prescribing the manner and form of such cer-
19 tification.

20 “(2) APPLICATION.—Paragraph (1) shall not
21 apply to any motor vehicle or major replacement
22 part—

23 “(A) which is intended solely for export,

24 “(B) which is so labeled or tagged on the
25 vehicle or replacement part itself and on the

1 outside of the container, if any, until exported,
2 and

3 “(C) which is exported.

4 “(d) NOTICE.—If a manufacturer obtains knowledge
5 that (1) the identification applied, to conform to the
6 standard under section 131, to any major part installed
7 by the manufacturer in a motor vehicle during its assem-
8 bly, or to any major replacement part manufactured by
9 the manufacturer, contains an error, and (2) such motor
10 vehicle or major replacement part has been distributed in
11 interstate commerce, the manufacturer shall furnish noti-
12 fication of such error to the Attorney General.

13 **“§ 134. National stolen auto part information system**

14 “(a) AGREEMENT FOR OPERATION OF INFORMATION
15 SYSTEM.—Not later than January 1, 1993, the Attorney
16 General shall enter into an agreement for the operation
17 of an information system containing the identification
18 numbers of stolen motor vehicles and stolen motor vehicle
19 parts. Such agreement shall designate an individual or en-
20 tity as the operator of such system for the purposes of
21 this section and section 135.

22 “(b) MINIMUM INFORMATION.—The information sys-
23 tem under subsection (a) shall, at a minimum, include the
24 following information pertaining to each motor vehicle re-

1 ported to a law enforcement authority as stolen and not
2 recovered:

3 “(1) The vehicle identification number of such
4 vehicle.

5 “(2) The make and model year of such vehicle.

6 “(3) The date on which the vehicle was re-
7 ported as stolen.

8 “(4) The location of the law enforcement au-
9 thority that received the reports of the vehicle’s
10 theft.

11 “(5) If the vehicle at the time of its theft con-
12 tained parts bearing identification numbers different
13 from the vehicle identification number of the stolen
14 vehicle, such identification numbers.

15 “(c) AVAILABILITY OF INFORMATION.—Upon request
16 by a merchant dealing in automobile parts or an individual
17 or enterprise engaged in the business of repairing auto-
18 mobiles, or by an insurance carrier whose business in-
19 volves payment for repair of insured vehicles, the operator
20 shall immediately provide such merchant, individual, en-
21 tity, or insurance carrier with a determination as to
22 whether the information system contains a record of a ve-
23 hicle or a vehicle part bearing a particular vehicle identi-
24 fication number having been reported stolen.

1 “(d) **RECORDKEEPING.**—The agreement under sub-
2 section (a) shall specify that the operator will keep records
3 of all inquiries for use by law enforcement officials, includ-
4 ing prosecutors, in enforcing section 135(c).

5 “(e) **COLLECTION OF FEES.**—The agreement under
6 subsection (a) may provide for a fee system for use of the
7 information system. If the agreement does so provide, it
8 shall also provide that the amount of fees collected in any
9 fiscal year may not exceed the costs of operating the infor-
10 mation system in such fiscal year.

11 “(f) **FUNDING.**—There are authorized to be appro-
12 priated \$5,000,000 for each of fiscal years 1992 and 1993
13 to carry out this section.

14 **“§ 135. Prohibited acts**

15 “(a) **IN GENERAL.**—No person shall—

16 “(1) manufacture for sale, sell, offer for sale, or
17 introduce or deliver for introduction in interstate
18 commerce, or import into the United States—

19 “(A) any motor vehicle subject to the
20 standard under section 131(a), or

21 “(B) any major replacement part subject
22 to such standard,

23 which is manufactured on or after the date the
24 standard under section 131(a) takes effect under

1 this chapter for such vehicle or major replacement
2 part unless it is in conformity with such standard;

3 “(2) fail to comply with any rule prescribed by
4 the Attorney General under this chapter;

5 “(3) fail to keep specified records or refuse ac-
6 cess to or copying of records, or fail to make reports
7 or provide items or information, or fail or refuse to
8 permit entry or inspection, as required by this chap-
9 ter; or

10 “(4) fail to—

11 “(A) furnish certification required by sec-
12 tion 133(c), or

13 “(B) issue a certification required by sec-
14 tion 133(c) if such person knows, or in the ex-
15 ercise of due care has reason to know, that such
16 certification is false or misleading in a material
17 respect.

18 “(b) APPLICATION.—Subsection (a)(1) shall not
19 apply to any person who establishes that such person did
20 not have reason to know in the exercise of due care that
21 the vehicle or major replacement part is not in conformity
22 with an applicable theft prevention standard.

23 “(c) PARTS.—No person shall sell, transfer, or install
24 a major part marked with an identification number
25 without—

1 “(1) first making a request of the operator pur-
2 suant to section 134(c) and determining that such
3 major part has not been reported as stolen; and

4 “(2) providing the transferee with a written cer-
5 tificate bearing a description of such major part and
6 the identification number affixed to such major part.

7 “(d) APPLICATION.—Subsection (c)(1) shall not
8 apply to a person who is the manufacturer of the major
9 part, who has purchased the major part directly from the
10 manufacturer, or who has been informed by an insurance
11 carrier that the major part has not been reported as sto-
12 len.

13 **“§ 136. Enforcement provisions**

14 “(a) CIVIL PENALTIES.—

15 “(1) IN GENERAL.—Whoever violates section
16 135(a) may be assessed a civil penalty of not to ex-
17 ceed \$1,000 for each violation. The failure of more
18 than one part of a single motor vehicle to conform
19 to an applicable motor vehicle theft prevention
20 standard shall constitute only a single violation.

21 “(2) PARTS.—Whoever violates section 135(c)
22 may be assessed a civil penalty not to exceed \$1,000
23 for the first such violation or \$25,000 for each sub-
24 sequent violation.

1 “(3) ACTION ON PENALTY.—Any penalty under
2 this subsection shall be assessed by the Attorney
3 General and collected in a civil action brought by the
4 Attorney General. Any such civil penalty may be
5 compromised by the Attorney General. In determin-
6 ing the amount of such penalty, or the amount
7 agreed upon in compromise, the appropriateness of
8 such penalty to the size of the business of the person
9 charged and the gravity of the violation shall be con-
10 sidered.

11 “(4) DEDUCTION.—The amount of such pen-
12 alty, when finally determined, or the amount agreed
13 upon in compromise, may be deducted from any
14 sums owed by the United States to the person
15 charged.

16 “(5) AMOUNT.—The maximum civil penalty
17 shall not exceed \$250,000 for any related series of
18 violations.

19 “(b) CRIMINAL PENALTIES.—Whoever, having been
20 previously assessed a penalty under subsection (a), vio-
21 lates section 135(c) shall be fined under this chapter or
22 imprisoned not more than 3 years, or both.

23 “(c) ACTIONS.—

24 “(1) INJUNCTIONS.—Upon petition by the At-
25 torney General on behalf of the United States, the

1 United States district courts shall have jurisdiction
2 for cause shown and subject to the provisions of rule
3 65 (a) and (b) of the Federal Rules of Civil Proce-
4 dure, to restrain violations of section 135(a) or
5 135(c) or to restrain the sale, offer for sale, the in-
6 troduction or delivery for introduction in interstate
7 commerce, or the importation into the United
8 States, of—

9 “(A) any automobile containing a major
10 part, or

11 “(B) any major replacement part, which is
12 subject to the standard under section 131(a)
13 and is determined, before the sale of such vehi-
14 cle or such major replacement part to a first
15 purchaser, not to conform to such standard.
16 Whenever practicable, the Attorney General
17 shall give notice to any person against whom an
18 action for injunctive relief is contemplated and
19 afford the person an opportunity to present
20 such person’s views, and except in the case of
21 a knowing and willful violation, shall afford the
22 person reasonable opportunity to achieve com-
23 pliance. The failure to give such notice and af-
24 ford such opportunity shall not preclude the
25 granting of appropriate relief.

1 “(2) **CRIMINAL CONTEMPT.**—In any proceeding
2 for criminal contempt for violation of an injunction
3 or restraining order issued under paragraph (1),
4 which violation also constitutes a violation of section
5 135(a) or 135(e), trial shall be by the court, or,
6 upon demand of the accused, by a jury. Such trial
7 shall be conducted in accordance with the practice
8 and procedure applicable in the case of proceedings
9 subject to the provisions of rule 42(b) of the Federal
10 Rules of Criminal Procedure.

11 “(3) **VENUE.**—Actions under paragraph (1)
12 and under subsection (a) may be brought in the dis-
13 trict wherein any act or transaction constituting the
14 violation occurred or in the district wherein the de-
15 fendant is found or is an inhabitant or transacts
16 business, and process in such cases may be served
17 in any other district in which the defendant is an in-
18 habitant or wherever the defendant may be found.

19 “(4) **SUBPOENAS.**—In any actions brought
20 under paragraph (1) and under subsection (1) and
21 under subsection (a), subpoenas for witnesses who
22 are required to attend a United States district court
23 may run into any other district.

1 **“§ 137. Confidentiality of information**

2 “All information reported to, or otherwise obtained
3 by, the Attorney General or the Attorney General’s rep-
4 resentative under this chapter which contains or relates
5 to a trade secret or other matter referred to in section
6 1905 or in section 552(b)(4) of title 5, United States
7 Code, shall be considered confidential for the purpose of
8 the applicable section of this chapter, except that such in-
9 formation may be disclosed to other officers or employees
10 concerned with carrying out this chapter or when relevant
11 in any proceeding under this chapter. Nothing in this sec-
12 tion shall authorize the withholding of information by the
13 Attorney General or any officer or employee under the At-
14 torney General’s control from any committee of the Con-
15 gress.

16 **“§ 138. Judicial review**

17 “Any person who may be adversely affected by any
18 provision of any standard or other rule under this chapter
19 may obtain judicial review of such standard or rule in ac-
20 cordance with section 504 of the Motor Vehicle Informa-
21 tion and Cost Savings Act (15 U.S.C. 2004). Nothing in
22 this section shall preclude the availability to any person
23 of other remedies provided by law in the case of any stand-
24 ard, rule, or other action under this chapter.

1 **“§ 139. Coordination with State and local law**

2 “Whenever a vehicle theft prevention standard estab-
 3 lished under section 131(a) is in effect, no State or politi-
 4 cal subdivision of a State shall have any authority either
 5 to establish, or to continue in effect, with respect to any
 6 motor vehicle, or major replacement part, any vehicle theft
 7 prevention standard which is not identical to such vehicle
 8 theft prevention standard.”.

9 (b) CLERICAL AMENDMENT.—The table of chapters
 10 for such title (as amended by section 201(a)) is further
 11 amended by inserting after the item relating to chapter
 12 7A the following:

“7B. Illicit trafficking in stolen auto parts 120.”.

13 **SEC. 2. STUDIES REGARDING MOTOR VEHICLE THEFT.**

14 (a) 3 YEAR STUDY.—

15 (1) REPORT.—Not later than 3 years after the
 16 date of the enactment of this Act, the Attorney Gen-
 17 eral shall submit a report to the Congress which in-
 18 cludes the information and legislative rec-
 19 ommendations required under paragraphs (2) and
 20 (3).

21 (2) CONTENT.—The report required by para-
 22 graph (1) shall include—

23 (A) data on the number of trucks, multi-
 24 purpose passenger vehicles, and motorcycles,
 25 stolen and recovered annually, compiled by

1 model, make, and line for all such motor vehi-
2 cles distributed for sale in interstate commerce;

3 (B) information on the extent to which
4 trucks, multipurpose passenger vehicles, and
5 motorcycles, stolen annually are dismantled to
6 recover parts or are exported;

7 (C) a description of the market for such
8 stolen parts;

9 (D) information concerning the premiums
10 charged by insurers of comprehensive insurance
11 coverage of trucks, multipurpose passenger ve-
12 hicles, or motorcycles, including any increase in
13 such premiums charged because any such motor
14 vehicle is a likely candidate for theft; and

15 (E) an assessment of whether the identi-
16 fication of parts of trucks, multipurpose pas-
17 senger vehicles, and motorcycles is likely to
18 have (i) a beneficial impact in decreasing the
19 rate of theft of such vehicles; (ii) improve the
20 recovery rate of such vehicles; (iii) decrease the
21 trafficking in stolen parts of such vehicles; (iv)
22 stem the export and import of such stolen vehi-
23 cles or parts; or (v) benefits which exceed the
24 costs of such identification.

1 (3) RECOMMENDATION.—The report under
2 paragraph (1) shall recommend to Congress wheth-
3 er, and to what extent, the identification of trucks,
4 multipurpose passenger vehicles, and motorcycles
5 should be required by statute.

6 (b) 5 YEAR STUDY.—

7 (1) REPORT.—Not later than 5 years after the
8 promulgation of the standard required by section
9 131(a) of title 18, United States Code, the Attorney
10 General shall submit a report to the Congress which
11 includes the information and legislative rec-
12 ommendations required under paragraphs (2) and
13 (3). The report shall—

14 (A) cover a period of at least 4 years sub-
15 sequent to the promulgation of the standard re-
16 quired by chapter 7B of title 18, United States
17 Code, and

18 (B) reflect any information, as appro-
19 priate, from the report under subsection (a) up-
20 dated from the time of such report.

21 (2) CONTENT.—The report required by para-
22 graph (1) shall include—

23 (A) information about the methods and
24 procedures used by public and private entities
25 for collecting, compiling, and disseminating in-

1 formation concerning the theft and recovery of
2 motor vehicles, including classes thereof, and
3 about the reliability, accuracy, and timeliness of
4 such information, and how such information
5 can be improved;

6 (B) data on the number of motor vehicles
7 stolen and recovered annually, compiled by the
8 class of vehicle, model, make, and line for all
9 such motor vehicles distributed for sale in inter-
10 state commerce;

11 (C) information on the extent to which
12 motor vehicles stolen annually are dismantled to
13 recover parts or are exported;

14 (D) a description of the market for such
15 stolen parts;

16 (E) information concerning the costs to
17 manufacturers, as well as to purchasers of pas-
18 senger motor vehicles, in complying with the
19 standard promulgated under chapter 7B of title
20 18, United States Code, as well as the identi-
21 fication of the beneficial impacts of the stand-
22 ard and the monetary value of any such im-
23 pacts, and the extent to which such monetary
24 value is greater than the costs;

1 (F) information concerning the experience
2 of Federal, State, and local officials in making
3 arrests and successfully prosecuting persons for
4 violations of sections 511, 552, and 2321 of
5 title 18, United States Code, in preventing or
6 reducing the number, and rate of, thefts of
7 motor vehicles that are dismantled for parts
8 subject to chapter 7B of title 18, United States
9 Code, and in preventing or reducing the avail-
10 ability of used parts that are stolen from motor
11 vehicles subject to such chapter;

12 (G) information concerning the premiums
13 charged by insurers of comprehensive insurance
14 coverage of motor vehicles subject to chapter
15 7B of title 18, United States Code, including
16 any increase in such premiums charged because
17 a motor vehicle is a likely candidate for theft,
18 and the extent to which such insurers have re-
19 duced for the benefit of consumers such pre-
20 miums as a result of such chapter or have fore-
21 gone premium increases as a result of such
22 chapter;

23 (H) information concerning the adequacy
24 and effectiveness of Federal and State laws
25 aimed at preventing the distribution and sale of

1 used parts that have been removed from stolen
2 motor vehicles and the adequacy of systems
3 available to enforcement personnel for tracing
4 parts to determine if they have been stolen from
5 a motor vehicle;

6 (I) an assessment of whether the identi-
7 fication of parts of other classes of motor vehi-
8 cles is likely to have (i) a beneficial impact in
9 decreasing the rate of theft of such vehicles; (ii)
10 improve the recovery rate of such vehicles; (iii)
11 decrease the trafficking in stolen parts of such
12 vehicles; (iv) stem the export and import of
13 such stolen vehicles, parts, or components; or
14 (v) benefits which exceed the costs of such iden-
15 tification; and

16 (J) other pertinent and reliable informa-
17 tion available to the Attorney General concern-
18 ing the impact, including the beneficial impact
19 of sections 511, 553, and 2321 of title 18,
20 United States Code, on law enforcement, con-
21 sumers, and manufacturers.

22 (3) RECOMMENDATIONS.—The report submit-
23 ted under paragraph (1) to the Congress shall in-
24 clude recommendations for (A) continuing the stand-
25 ard established by chapter 7B of title 18, United

1 States Code, without change, (B) modifying such
2 chapter to cover more or fewer lines of passenger
3 motor vehicles, (C) modifying such chapter to cover
4 other classes of motor vehicles, or (D) terminating
5 the standard for all future motor vehicles. The re-
6 port may include, as appropriate, legislative and ad-
7 ministrative recommendations.

8 (c) BASES FOR REPORTS.—

9 (1) CONTENT.—The reports under subsections
10 (a)(1) and (b)(1) shall each be based on (A) infor-
11 mation provided by the Federal Bureau of Investiga-
12 tion, (B) experience obtained in the implementation,
13 administration, and enforcement of chapter 7B of
14 title 18, United States Code, (C) experience gained
15 by the Government under sections 511, 553, and
16 2321 of title 18, United States Code, and (D) any
17 other reliable and relevant information available to
18 the Attorney General.

19 (2) CONSULTATION.—In preparing each such
20 report, the Attorney General shall consult with State
21 and local law enforcement officials, as appropriate.

22 (3) REVIEW AND COMMENT.—At least 90 days
23 before submitting each such report to Congress, the
24 Attorney General shall publish the proposed report
25 for public review and for an opportunity for written

1 comment of at least 45 days. The Attorney General
2 shall consider such comments in preparing the final
3 report and shall include a summary of such com-
4 ments with the final report.

5 **TITLE IV—EXPORT OF STOLEN**
6 **VEHICLES**

7 **SEC. 401. RANDOM CUSTOMS INSPECTIONS FOR STOLEN**
8 **MOTOR VEHICLES BEING EXPORTED.**

9 Part VI of title IV of the Tariff Act of 1930 is
10 amended by inserting after section 646 the following:

11 **“SEC. 646A. RANDOM CUSTOMS INSPECTIONS FOR STOLEN**
12 **MOTOR VEHICLES BEING EXPORTED.**

13 “The Commissioner of Customs shall direct customs
14 officers to conduct at random inspections of motor vehi-
15 cles, and of shipping containers that contain motor vehi-
16 cles that are being exported, for purposes of determining
17 whether such vehicles were stolen.

18 **“SEC. 646B. EXPORT REPORTING REQUIREMENT.**

19 “The Commissioner of Customs shall require all per-
20 sons or entities exporting used self-propelled vehicles by
21 air or ship to provide to the Customs Service, at least 72
22 hours before the export, the vehicle identification number
23 of each such vehicle and proof of ownership of such vehi-
24 cle. The requirement of this section applies to vehicles ex-
25 ported for personal use.”.

1 **SEC. 402. PILOT STUDY AUTHORIZING UTILITY OF NON-**
2 **DESTRUCTIVE EXAMINATION SYSTEM.**

3 The Secretary of the Treasury, acting through the
4 Commissioner of Customs, shall conduct a pilot study of
5 the utility of a nondestructive examination system to be
6 used for inspection of containers that contain motor vehi-
7 cles leaving the country for the purpose of determining
8 whether such vehicles are stolen.

9 **SEC. 403. DEFINITION OF RACKETEERING ACTIVITY TO IN-**
10 **CLUDE EXPORT OR IMPORT OF STOLEN**
11 **AUTOMOBILES.**

12 Subparagraph (B) of section 1961(1) is amended by
13 inserting "section 553 (relating to the export or import
14 of stolen automobiles)" after "473 (relating to counterfeit-
15 ing)".

Mr. SCHUMER. Auto thieves have profited handsomely from this benign neglect. Stolen cars account for more than half the value of property lost to crime, \$8 to \$9 billion a year. If auto theft were a legitimate business, it would rank among the 50 largest American companies. This money comes out of all our pockets in the form of insurance premiums.

While car owners have been taking a pounding, auto theft is all too often treated like business as usual. Well, today we're here to say that the war on auto theft has begun. As the thieves have gotten smarter, we're going to have to catch up with them, and that's the intent of H.R. 4542.

And, as I said at our little demonstration before, the American people are angry at government and at Congress. They're angry because we're not doing real things that make their lives better. This bill will do those things that make their lives better, and I know that Jim Sensenbrenner joins me in saying that we're going to do everything we can to see that this legislation becomes law.

The solution has to begin with tough law enforcement because auto theft is far from a victimless crime, and the criminals ought to do prison time. That's why our bill doubles the penalties for existing Federal auto theft crimes and creates a new Federal offense for armed carjacking.

Thieves don't bother with picking locks or windows now; they simply approach a car stopped at a red light, point a gun at a driver's head and ask for the keys. Under our bill, an armed carjacker would face a prison sentence of up to 20 years.

In addition, our bill would also make it easier to use the stiff penalties in the criminal RICO statute against large-scale auto theft rings. Organized crime has started to enter the auto theft business; it's so lucrative and so profitable. The RICO statute will help.

The bill also would encourage enhanced efforts from State and local law enforcement by providing assistance to specialized auto theft units. The State of Michigan has been a pioneer in the use of such units, and we'll hear testimony today from the director of the Michigan State Police.

But law enforcement alone is not going to solve the problem. We have to be realistic and recognize that murderers, rapists, drug dealers will be, and should be, a police department's top priorities, and most of the police departments in these deficit-plagued times are strapped for resources. They'd love to do more in terms of auto theft, but they just don't have the personnel to do them.

And so our bill today tries to go at auto thievery at its jugular, at its vulnerable pressure point, and that is where the parts pass from the world of stolen merchandise into the world of legal merchandise. The odds are that large numbers of people sitting in this audience have stolen parts on their cars without even knowing it. That's because when you go to your repair shop and ask and say you need a new door, a new bumper, a new this or a new that, they'll often say to you, as they have said to me, "Well, we can send to Detroit for the part—that will take about 6 weeks—or we can look around for it." And "looking around for it" means going to anybody who walks by and says they have the part. That's often somebody from a chop-shop or a junk dealer, and they will then sell the

stolen part, unknown to the auto repair shop, to that auto repair shop and it ends up on your car.

Well, our bill contains three new and innovative programs aimed at ending this practice, because today's auto thief is not a teenager looking for a joy ride, but a professional criminal in it for the profit. H.R. 4542 contains programs to eliminate chop-shops, and so the bill would label an automobile's major parts with its vehicle identification number or VIN. VIN marking enables law enforcement to raid a suspected chop-shop and determine whether the parts it's selling are stolen. But, more importantly, because that is part of the law now, our bill would also bring repair shops into the law enforcement network by requiring them not to sell stolen parts. Those who say the present law hasn't worked are not saying anything against the bill that we have, because it's quite different. Once you bring the repair shops into it, you have a whole different world, and that's what we're trying to do here.

The repair shop, on receiving a part from somebody, would have to call in the number on the part, and if it came from a stolen vehicle, couldn't use it under penalties, under severe civil and eventually criminal penalties. To combat title fraud, the bill would connect State motor vehicle departments by computer. Now a thief can wash a title by going to the department of motor vehicles with a forged out-of-State title and saying he just bought the car and wants a title. Unless the DMV can visually identify the out-of-State title as fraudulent—that's something that rarely happens—it has no way to check whether it's valid before issuing a new title. Under our bill, a DMV would be able to check the validity of an out-of-State title with the issuing State before handing out a fresh title document.

And the final part of the package is targeted at stolen car export rings. Currently, thieves can ship cars overseas with virtually no interference from the Government. This has been done by the advent of containers. Steal the car; drive it into a container; put it on a ship. Our bill would tighten the Customs Service supervision of outbound vehicles and would provide for Customs officers to spot-check containers leaving the country to make sure they're not concealing stolen cars.

I'm very proud of this bill. We spent a lot of time talking to every expert under the sun on how to deal with this plague of auto thievery, and this is what we've come up with. It's certainly not written in stone, and the purpose of this hearing is to get suggestions and comments on how to improve the proposal.

I want to thank Jim Sensenbrenner for his efforts in producing what is genuinely a collaborative, bipartisan proposal. And I want to thank all of those who have come in our office to meet with us privately in terms of giving us the right kinds of suggestions.

As I said, I'm proud of the bill and excited about it. I'm certainly open to suggestions and improvements. I fully intend to move the bill this session. So I hope today we can focus on the proposals and work out whatever needs to be worked out.

I apologize for taking so long, but I wanted to outline the bill to everyone. I yield to my colleague.

Mr. SENSENBRENNER. Thank you very much, Mr. Chairman.

I believe that you have very adequately outlined the bill. In my opinion, the two key parts of this bill are, No. 1, increased tools for law enforcement to track down those who do steal cars, particularly those who steal cars for their parts in the resale market; and, second, putting vehicle identification numbers on most of the major parts of the vehicle and having a clearinghouse so that repair shops can check out whether the parts they are getting are legitimate parts or whether they have been stolen and chopped apart by a chop-shop and then resold.

Probably the most dramatic evidence that came from the demonstration this morning out in Garfield Circle was not how quickly the mechanics were able to tear apart the Cadillac that was used as the guinea pig, but the fact that the parts that were taken off the Cadillac in less than 11 minutes had a retail value on the open market of \$36,000, but the Cadillac as a whole put together had only a blue book retail value of \$21,000. So in this case, the sum of the parts is less than the parts being added up separately, and that's where the big money is in stolen cars and tearing them apart and selling the parts for resale.

The vehicle identification number provision in this, together with the clearinghouse, will be a very easy way to determine what car parts are stolen, just like the NCIC in putting hot VIN's in can tell what entire cars have been stolen, and that closes the loop which has really raised the insurance premiums for every American driver, regardless of where their residence is. Let's make no mistake about it: This bill is not only to identify cars and to get them back to their lawful owners, but it also is to reduce the comprehensive part of everybody's auto insurance premiums, of which up to 88 percent goes for recompense of insureds who have had their cars stolen.

Now, unfortunately, I can't be here through most of this meeting today because of previous engagements. However, I would like to express my extreme disappointment over the negative attitude that the Justice Department is taking to this piece of legislation. I have read the testimony of Mr. Keeney, and let me say that he is looking for every excuse not to pass legislation in this area, rather than helping come up with an effective response to the auto theft epidemic that is plaguing our country.

About 20 years ago, a high Government official complained about the "nattering nabobs of negativism" and, believe me, Mr. Keeney, after reading your testimony, you fit right into the "T" that Vice President Agnew made himself running around the country talking about. I would urge you, after giving your testimony and answering questions from Mr. Schumer and myself, if I am here, to go back and take your positive pill and try to work with us in order to get this piece of legislation passed, because I'm getting sick and tired of paying more for my comprehensive coverage than I really have to, and I think all of my constituents feel the same way.

Thank you, Mr. Chairman.

Mr. SCHUMER. I thank you.

We will now hear from Mr. Keeney. Maybe you'd like to take that pill before your testimony.

STATEMENT OF JOHN C. KEENEY, DEPUTY ASSISTANT ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF JUSTICE, ACCOMPANIED BY MICHAEL KAHOE, SECTION CHIEF, VIOLENT CRIMES AND MAJOR OFFENSES SECTION, FEDERAL BUREAU OF INVESTIGATION; ARTHUR NORTON, SENIOR ATTORNEY, GENERAL LITIGATION-LEGAL ADVICE SECTION, DEPARTMENT OF JUSTICE; AND HOWARD APPLE, CHIEF, INTERSTATE THEFT UNIT, FEDERAL BUREAU OF INVESTIGATION

Mr. KEENEY. Mr. Chairman, if I may, this is Art Norton who—

Mr. SCHUMER. I'll introduce you. I just want to formally read this into the record.

Mr. KEENEY. I'll try to take a positive tone.

Mr. SCHUMER. OK. Our first witness today is John C. Keeney. He's a Deputy Assistant Attorney General at the Criminal Division of DOJ. He holds a bachelor's degree from the University of Scranton, an LL.B. from the Dickenson School of Law, and an LL.M. from the George Washington School of Law. He's a member of the Bars of Pennsylvania and District of Columbia; served in the Department of Justice since 1951—I hate to tell you that's the year after I was born, Mr. Keeney—in a variety of positions with the Criminal Division, including Deputy Chief of the Organized Crime and Racketeering Section and Chief of the Fraud Section.

We're glad to have you today. I note you're accompanied by Michael Kahoe, who is Section Chief of the Violent Crimes and Major Offenders Section at the FBI. I understand that he won't be making an opening statement, but will be available for questioning. And you may introduce other folks.

Mr. KEENEY. Mr. Chairman, this is Arthur Norton. He's a senior lawyer in our General Litigation-Legal Advice Section. And with Mr. Kahoe is—

Mr. KAHOE. Howard Apple. He is the Unit Chief for the Interstate Theft Unit for the FBI.

Mr. SCHUMER. He does a very good job, I might add.

Mr. KAHOE. Thank you.

Mr. SCHUMER. OK, Mr. Keeney, the floor is yours.

Mr. KEENEY. Well, I'll try to be positive to the extent I can, Mr. Chairman.

I'm pleased to be here to present the views of the Department of Justice on H.R. 4542, the Anti-Car Theft Act of 1992. We welcome the subcommittee's concern about motor vehicle theft, a crime that continues to be a formidable law enforcement problem throughout the country.

Mr. Chairman, I should say I'd like to put my statement in the record and summarize it in 5 minutes, if it's all right.

Mr. SCHUMER. Without objection.

Mr. KEENEY. OK. Although we have serious reservations about some of the approaches taken in the bill, we hope that this process will lead to the development of legislation that will strengthen the hand of Federal and State law enforcement agencies in their efforts to combat this problem.

The proposed bill seeks to address the problem in a variety of ways. First, subtitle A would make several changes in the criminal provisions dealing with vehicle theft. A new section 2119 would be

added to title 18 to make robbery or attempted robbery of any motor vehicle a Federal offense punishable by up to 20 years imprisonment. Although we are aware that recently there has been an increase in the number of armed robberies of motor vehicles, it has long been the view of this Department that crimes arising out of street violence are normally best handled by State and local law enforcement authorities.

Under subtitle A of title I, the penalties for interstate transportation of stolen motor vehicles under section 2312 of title 18 and sale or receipt of stolen motor vehicles under section 2313 would be increased from a 5-year to a 10-year maximum term, and the penalty for exporting or importing stolen motor vehicles in violation of 18 U.S.C. 553(a) would be increased from a 5-year to a 20-year maximum term. The increase to 10 years is consistent with the penalty for interstate transportation of stolen property, 18 U.S.C. 2314. In our view, that's a reasonable change and we fully support it. We understand from discussions with staff, Mr. Chairman, that making the maximum penalty for the exportation or importation of stolen cars twice that for the other auto theft offenses was inadvertent.

We have no objection to section 104 of the draft bill which provides for the inclusion of sections 511 and 553 of title 18 as RICO predicate offenses. We note, however, that in an apparent drafting error, section 403 also provides for the inclusion of section 553 as a RICO predicate offense and should be deleted as redundant.

As for subtitle (b) of title I, the Department opposes its enactment. As described in more detail in my prepared statement, its provisions duplicate existing authorities granted to the Bureau of Justice Assistance under the Anti-Drug Abuse Act of 1988.

Turning to title II, Mr. Chairman, this title would require the Attorney General to promulgate regulations for and ultimately either to create or enter into an agreement for the creation of an information system to serve as a clearinghouse for data pertaining to the titling of motor vehicles. The titling of motor vehicles has traditionally been a responsibility of the States. Title II is aimed at the problem of using data, such as a vehicle identification number of a junk car, to obtain facially valid title to a car that has been stolen or at least reported stolen to defraud an insurance company. The system must include certain minimum information relating to motor vehicles for which certificates of title have been issued by participating States. Participation is voluntary for the States, but a State that does not participate is subject to the rather draconian sanction of being denied access to NCIC.

Participating States would be required to perform an instant title verification check with the system operator before issuing a certificate of title to an individual entity claiming to have purchased a motor vehicle in another State. The system would be operated either by the Attorney General or by a State or party that represents the interest of a State, if such non-Federal party has agreed with the Attorney General to run the system. Information in the system would be available to participating States, law enforcement officials, prospective purchasers, and insurance carriers. Information for the system would come from operators of junk salvage yards and insurance carriers who would be required to file monthly re-

ports with the operator of the system relating to their inventory of salvage or junked vehicles.

Mr. Chairman, we sympathize with the goal of this system, but think a Federal system is premature at this point. Before imposing a Federal statute to enhance the security of motor vehicle titling procedures, we believe efforts should be made to elicit the views of State motor vehicle administrators and to identify more clearly the security problems and other weaknesses associated with the administration of State motor vehicle titling laws.

And while the Attorney General would have a role with respect to the creation of this system, we believe that the administration of this system should more properly belong in the Department of Transportation, an agency with rulemaking experience in this type of area.

As for title III, this title would require the Attorney General to promulgate a parts-marking standard with respect to major parts and major replacement parts for automobiles. Manufacturers of such parts would be subject to recordkeeping and reporting requirements as well as inspections, as prescribed by the Attorney General. The Attorney General also would be required to enter into an agreement for the operation of an information system containing identification numbers of stolen automobiles and stolen automobile parts.

Mr. Chairman, this proposal closely parallels the existing motor vehicle theft provisions in 15 U.S.C. 2021, et seq., which are administered by the Department of Transportation. The principal difference is under this proposal major parts-marking would be required for all automobiles, whereas under current law the standard applies only to passenger motor vehicles in designated high-theft lines.

As for the concept of extending major parts-marking, we believe such marking could have some deterrent effect on car theft, at least on theft to obtain parts for resale and also against owners who falsely report their vehicles stolen to defraud insurance companies. We further believe such marking would assist law enforcement officers in identifying and recovering vehicles and parts reported as stolen. However, I would also refer the subcommittee to a portion of the Department of Transportation's March 1991 report to Congress on the effects of the parts-making effort under the Motor Vehicle Theft Law Enforcement Act of 1984, which is quoted in my prepared statement, which takes the view that existing data are not adequate to determine whether parts-marking is effective in reducing theft.

Our concerns with this title are threefold. First, if it were enacted, it would create a parallel regulatory structure subjecting automobile parts manufacturers to theft prevention standards promulgated by two separate Federal agencies, the Department of Justice and the Department of Transportation.

Second, we do not think that the Department of Justice is the appropriate agency to carry out this regulatory function. It would be much more appropriate, in our view, that it be assigned to a traditional rulemaking agency, such as the Department of Transportation.

Third, although the concept of a national information system for stolen cars and stolen parts may hold some promise, here again Federal legislation may be premature until the States have greater experience with the Uniform Vehicle Code. The UVC suggests statutory language that the States can enact to require automobile dealers, used car dealers, wreckers, and rebuilders of automobiles to be licensed and to keep certain records.

Since NCIC records contain identification numbers of stolen motor vehicles and certain stolen motor vehicle parts, this information currently available to State motor vehicle authorities could be even more useful in States which have adopted these UVC recommendations for use in administrative inspection of records of licensed dealers, used parts dealers, wreckers, and rebuilders. Such a State could, for example, compare the part number in the inventory of a parts dealer or automobile rebuilder with the number entered in the NCIC.

Finally, Mr. Chairman, we defer to the Department of the Treasury on the provisions of title IV, which, one, would require the Commissioner of Customs to direct Customs officers to conduct random inspections of motor vehicles and containers containing motor vehicles that are being exported for purpose of determining if such vehicles were stolen and, two, require the Secretary of the Treasury, through the Commissioner of Customs, to conduct a pilot study of the utility of a nondestructive examination system in connection with inspection of containers for motor vehicles exiting the country, to determine if such vehicles are stolen.

Mr. Chairman, that concludes my oral remarks and I'd be glad to try to answer any questions you might have.

Mr. SCHUMER. Well, thank you, Mr. Keeney.

[The prepared statement of Mr. Keeney follows:]

PREPARED STATEMENT OF JOHN C. KEENEY, DEPUTY ASSISTANT ATTORNEY GENERAL,
CRIMINAL DIVISION, DEPARTMENT OF JUSTICE

Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to present the views of the Department of Justice on a draft bill entitled the "Anti-Car Theft Act of 1992." The version on which I will be commenting is the discussion draft dated March 5, 1992.

As you are well aware, motor vehicle theft continues to be a formidable law enforcement problem throughout the country. It is our understanding that in each year since 1986, the number of thefts in this country has exceeded one million vehicles. The most recent data available reflects that in 1990, there were 1,635,907 reported motor vehicle thefts in the United States.

The proposed bill seeks to address this problem in a variety of ways:

* Title I, Subtitle A, would make robbery of any motor vehicle a federal crime. In addition, the penalties for certain existing offenses relating to motor vehicle theft would be significantly increased. Moreover, the offenses of altering or removing motor vehicle identification numbers, 18 U.S.C. § 511, and exporting or importing stolen motor vehicles, 18 U.S.C. § 553, would be added to the list of RICO predicate offenses.

Subtitle B would authorize the Bureau of Justice Assistance to make grants to "Anti-Car Theft Committees" for the purpose of combatting motor vehicle theft.

* Title II would require the Attorney General to promulgate

regulations and enter into an agreement for the creation of an organization that would function as a clearinghouse for information pertaining to the titling of motor vehicles.

* Title III would require the Attorney General to promulgate a vehicle theft prevention (parts marking) standard relating to the marking, for identification purposes, of major parts and major replacement parts for automobiles. Manufacturers of such parts would be subject to reasonable record keeping requirements and inspections pursuant to regulations promulgated by the Attorney General. In addition, the Attorney General would be required to enter into an agreement for the creation of an information system containing identification numbers of stolen motor vehicles and stolen motor vehicle parts. Civil penalties would be provided for regulatory violations, and criminal penalties would be provided for certain repeat regulatory violations.

* Title IV would require the Commissioner of Customs to direct customs officers to conduct random inspections of motor vehicles and shipping containers that contain motor vehicles that are being exported, for purposes of determining if such vehicles are stolen. In addition, the Commissioner of Customs would be required to conduct a pilot study of the utility of a nondestructive examination system for use in inspection of containers that contain motor vehicles for export for the purpose of determining if such vehicles are stolen.

This Department welcomes the Subcommittee's concern about the problem of motor vehicle theft. Although we have serious reservations about some of the approaches taken in this draft bill, we hope that this process will lead to the development of legislation that will strengthen the hand of federal and state law enforcement agencies in their efforts to combat this problem.

Title I,

Subtitle A

The draft bill would add a new 18 U.S.C. § 2119, which would make robbery or attempted robbery of any motor vehicle a federal offense, punishable by a fine under title 18, imprisonment for not more than 20 years, or both. Although we are aware that in recent months there has been an increase in the number of armed robberies of motor vehicles, it has long been the view of this Department that crimes arising out of street violence normally are best handled by state and local law enforcement authorities. Accordingly, we cannot support the extension of federal jurisdiction over robberies of all motor vehicles.¹

Moreover, this proposal makes no reference to a connection with interstate commerce or any other basis for federal jurisdiction. If enacted, the jurisdictional basis for this provision would be subject to serious challenge.

¹ The Hobbs Act, 18 U.S.C. § 1951, already covers robberies that affect interstate commerce. Thus, a robbery of a motor vehicle carrying goods interstate could be prosecuted under this statute.

Notwithstanding our objection, if Congress wishes to enact this provision, it should make appropriate findings with respect to the impact of motor vehicle robbery on interstate commerce. See e.g., Perez v. United States, 402 U.S. 146 (1971). In making such findings, it may be helpful to give consideration to the fact that firearms typically are used in these robberies, and to the federal interest in controlling illegal firearms use.

Under the draft bill, the penalty for exporting or importing stolen motor vehicles, 18 U.S.C. § 553(a), would be increased from a five year to a 20 year maximum prison term. Moreover, the penalties for interstate transportation of stolen motor vehicles, 18 U.S.C. § 2312, and sale or receipt of stolen motor vehicles, 18 U.S.C. § 2313, would be increased from a 5 year to a 10 year maximum, and a fine under title 18. This latter change would make the maximum term of imprisonment for these auto theft offenses consistent with the penalty for interstate transportation of stolen property, 18 U.S.C. § 2314. Under this proposal, the maximum term of imprisonment for exporting or importing stolen cars would be twice that of the other auto theft offenses. While the Department of Justice supports increased penalties up to ten years for these offenses, this disparity appears hard to justify.

In addition, the Department has no objection to section 104 of the draft which provides for the inclusion of 18 U.S.C. §§ 511 and 553 as RICO predicate offenses. Section 403, which also provides for inclusion of 18 U.S.C. § 553 as a RICO predicate offense, is redundant and should be deleted.

subtitle B

The Department strongly opposes enactment of this subtitle. These provisions duplicate existing authorities granted to the Bureau of Justice Assistance (BJA) under the Anti-Drug Abuse Act of 1988 (Pub. Law 100-690). Section 6091 of that Act created the Edward Byrne Memorial State and Local Law Enforcement Assistance Program, a component of which, the Drug Control and System Improvement Grant Program, provides direct formula award monies to all states and territories. Under this program, funds are made available to the states and territories for use within twenty-one broad purpose areas to assist law enforcement and the criminal justice system. One such purpose area authorizes funds to be used for activities described in the draft Subtitle B. This purpose area permits the states and territories to use BJA formula funds for programs aimed at " . . . [d]isrupting illicit commerce in stolen goods and property." Therefore, the provisions in the draft Subtitle B are clearly duplicative of existing BJA authority.

Title II

This title would require the Attorney General to promulgate regulations for, and ultimately either to enter into an agreement for the creation of, or to create, an information system to serve as a clearinghouse for information pertaining to the titling of motor vehicles.

The system must include certain minimum information relating to motor vehicles for which certificates of title have been issued

by participating states. States may elect to participate in the program. However, if a state elects not to participate, the FBI would be authorized to deny access to the NCIC to any such state. Participating states would be required to perform an "instant title verification check" with the system operator before issuing a certificate of title to an individual or entity claiming to have purchased a motor vehicle in another state. Information in the system would be available to participating states, law enforcement officials, prospective purchasers, and insurance carriers.

Operators of junk/salvage yards and insurance carriers would be required to file monthly reports with the operator of the system,² relating to their inventory of salvage or junk vehicles acquired in the previous month. However, reports to the system operator would not be required if junk/salvage dealers are required to make similar reports under state law. It appears that this exemption would create a loophole in the information system and diminish its effectiveness unless it is made clear that information contained in the state reports is entered into the national system. Violations of the reporting requirements would be subject to civil penalties, not to exceed \$1000 per violation, which would be assessed by the Attorney General.

The effectiveness of the proposed information system obviously would depend on the voluntary cooperation of the various states,

² The operator of the system would be the Attorney General, or a state, or a party which represents the interests of a state, if such non-federal party has agreed with the Attorney General to operate the system.

which are responsible for administering motor vehicle titling laws. Before imposing a federal structure to enhance the security of motor vehicle titling procedures, we believe efforts should be made to elicit the views of state motor vehicle administrators, and to identify more clearly security problems and other weaknesses associated with the administration of state motor vehicle titling laws. In this regard, it would be helpful to determine the extent to which the various states have adopted the title and registration provisions of the Uniform Vehicle Code, and the degree of success that the states have had under the Code. Accordingly, it is our view that legislation in this area would be premature.³

Title III

This title would require the Attorney General to promulgate a theft prevention (parts marking) standard with respect to major parts and major replacement parts for automobiles. Manufacturers of such parts would be subject to record keeping and reporting requirements, as well as inspections, as prescribed by the Attorney General. The Attorney General also would be required to enter into an agreement for the operation of an information system containing identification numbers of stolen automobiles and stolen automobile parts.

Manufacturers and others would be subject to civil penalties

³ We doubt the wisdom of the proposed sanction of denying NCIC access to a non-participating state. This sanction appears counterproductive from a law enforcement standpoint.

for dealing in vehicles or parts subject to, but not in conformity with the standard. Civil penalties also would be applicable to violations of the record keeping, reporting, and inspection provisions. Moreover, with certain exceptions, any person, who sells, transfers, or installs a major part marked with an identification number, must check with the operator of the aforementioned information system to determine that the part has not been reported stolen, and then provide the transferee with a certification. A violation of this provision would be subject to a civil penalty. A violator who had previously been assessed a civil penalty for this provision would be subject to criminal prosecution.

Finally, the Attorney General would be required to submit three-year and five-year reports to the Congress containing specified kinds of data relating to motor vehicle theft and suggestions for legislation that he deems appropriate.

This proposal closely parallels the existing motor vehicle theft provisions in 15 U.S.C. § 2021 et seq., which are administered by the Department of Transportation. The principal difference is that under this proposal major parts marking would be required for all automobiles, as defined under existing law, whereas under existing law, the standard applies only to passenger motor vehicles in designated high theft lines.

As for the concept of extending major parts marking, we believe such marking could have some deterrent effect on car thefts, at least those carried out to obtain parts for resale.

However, I would also refer the Subcommittee to The Department of Transportation's March, 1991 Report to Congress on the effects of the parts marking effort under the Motor Vehicle Theft Law Enforcement Act of 1984 which stated at p. vii:

"Analysis of the available data leads to the conclusion that existing data are inadequate and inconclusive for determining whether the parts marking standard is effective in reducing theft. Therefore, we believe it would be premature and costly at this time to extend parts marking to cover other classes of motor vehicles or to cover more passenger motor vehicles; however, we also do not believe that the data support a conclusion to terminate the theft standard. Rather, we believe the program should be continued with several changes to enhance its efficiency."

We assume that Congress has no intention of creating a parallel regulatory structure that would result in subjecting automobile parts manufacturers to theft prevention standards promulgated by two separate federal agencies.⁴ Therefore, if Congress determines that this kind of vehicle theft prevention program is to be assigned to the Department of Justice, it presumably would preempt the existing program administered by the

⁴ We would oppose such a dual regulatory structure as inconsistent with the goals of the President's memorandum of January 28, 1992, on reducing the burden of government regulation.

National Highway Traffic Safety Administration. It is our view, however, that this kind of regulatory function would more appropriately be assigned to a traditional rule making agency such as the Department of Transportation.

With regard to the proposed national stolen auto part information system, it is not clear who, if anyone, would be required to submit data to the system. It may be that state law enforcement agencies that receive reports of stolen vehicles are to submit the data, but this is not clear. Moreover, the requirements placed on sellers of used auto parts (an inquiry to the system operator and a certification to the buyer of each marked part) seem burdensome and costly. Nonetheless, the concept may hold some promise and may deserve further study.

A possible framework to deal with the Subcommittee's concern about trafficking in stolen automobile parts already exists. Under the Uniform Vehicle Code, statutory language is suggested to require automobile dealers, used parts dealers, wreckers and rebuilders of automobiles to be licensed and to keep certain records. Since NCIC records contain identification numbers of stolen motor vehicles and certain stolen motor vehicle parts, this information currently available to state motor vehicle authorities could be even more useful in states which have adopted these Code recommendations for use in administrative inspections of records of licensed dealers, used parts dealers, wreckers and rebuilders.

With regard to the three and five-year reports required to be submitted to Congress, we question the value of such reports.

Meaningful information with respect to the market dynamics for stolen motor vehicles and motor vehicle parts is very elusive. Consequently, the reports will tend to be inconclusive. Moreover, the considerable resources necessary to compile these reports could be used in more productive areas.

Title IV

This title would require the Commissioner of Customs to direct customs officers to conduct random inspections of motor vehicles and containers containing motor vehicles that are being exported, for purposes of determining if such vehicles were stolen. Further, the Secretary of the Treasury, through the Commissioner of Customs, would be required to conduct a pilot study of the utility of a nondestructive examination system in connection with inspections of containers for motor vehicles exiting the country for the purpose of determining if such vehicles are stolen.

These provisions involve enforcement activities within the investigative jurisdiction of the Department of the Treasury. Accordingly, we defer to the views of that Department.

Mr. Chairman, this concludes my statement and I would be glad to answer any questions from you and the members of the Subcommittee.

Mr. SCHUMER. I guess I share Jim Sensenbrenner's view here. Our constituencies throughout America are crying out on this issue, and you're saying doing something is premature—premature, premature, premature—and you don't really propose putting anything—

Mr. KEENEY. Well, what we do suggest is that you check with the motor vehicle administration authorities in the various States to see if such a system is needed. If they think it's needed, that's something else.

Mr. SCHUMER. What if we told you we've consulted with them in developing the bill and they're all for it?

Mr. KEENEY. Well, our objection would disappear—

Mr. SCHUMER. OK.

Mr. KEENEY [continuing]. At that point, if the appropriate check has been made with State vehicle administration authorities and they feel it's a necessary step.

Mr. SCHUMER. Yes, OK. Second, I don't know how this happened, but in the proposal you state that the major change in this proposal, in part 3, would be that more parts would be marked.

Mr. KEENEY. Yes.

Mr. SCHUMER. I don't regard that as a major change in the proposal. I do want to mark—

Mr. KEENEY. More vehicles, parts of more vehicles—

Mr. SCHUMER. Yes, I understand, not just the high-theft vehicles but the others.

Mr. KEENEY. Right, yes.

Mr. SCHUMER. But that's not the major point of this bill. The major point of this bill is to bring the repair shops into it. Right now we have a parts-marking system, but the only way it gets used is when the police are lucky enough to bust a chop-shop and that can show that the part that they're busting in on is stolen. If we had adequate police to patrol all the chop-shops throughout the country, we wouldn't be proposing this and there wouldn't be a clamor. What we're doing is trying something that is admittedly new. There's no test for it anywhere, but that says that the repair shops have to get involved in policing when they buy a part from someone who might or might not be a reputable character. What is the Department's view of that particular part of the proposal?

Mr. KEENEY. Well, it's twofold, Mr. Chairman. We think that under NCIC that a representative, whether it be the insurance group or whoever it might be, could be the clearinghouse, and I understand from my colleagues in the FBI that that would not create an insuperable burden on the FBI, at least over the near-term.

The second part of it—and it's one that I think you ought to address somewhat to local law enforcement, because you're opening up NCIC to private citizens, operators of repair shops, and so forth, who can use this for the desirable purposes you want them to use it, but they can also use it for nefarious purposes. For instance, they could go into the system for the purpose of checking whether a particular stolen part has as yet been reported and find out that it hasn't been reported, so they're free to certify that it's not stolen within the provisions of the statute.

We think that you really ought to check with local law enforcement—

Mr. SCHUMER. That's an objection about a problem that relates to fleas and we have a problem that relates to elephants.

Mr. KEENEY. Well, Mr. Chairman, my responsibility is to give you our best views with respect to the situation. You make the judgment as to whether they're fleas or elephants, but I'm only trying to tell you what we see. I think you expect us to do that. If it has no merit in your judgment, that's entirely up to you.

Mr. SCHUMER. Yes, but I guess Jim's comment sort of alerted me to it. I just am really surprised at an administration that prides itself on law enforcement, and tough law enforcement, this sort of back-of-the-hand approach to this legislation. You haven't addressed the major issue. You didn't even mention it in your testimony, the effect on repair shops. Now I ask you about them and you say, well, we're worried it might let other people have access to the system for illicit purposes. The only illicit purpose they could have is finding out if a part is reported stolen or not, which doesn't seem to me to be the greatest calamity, but maybe I missed something there.

Mr. KEENEY. Mr. Chairman, I beg to disagree with you.

Mr. SCHUMER. Please.

Mr. KEENEY. We have taken the position that it could have some, the legislation could have some salutary—

Mr. SCHUMER. I've got to tell you, I think—I don't know; I think if President Bush were sitting here—I don't know because I don't agree with him on a lot of things, and so far be it from me to speak for him—but if he were sitting here, he'd be sort of surprised at this testimony. This is really Washington bureaucratic mentality which he's been urging the Congress to get out of; we urge him to get out of it. But it's not seeing the forest for the trees. If the administration had—you know, on many issues the administration has one proposal and we have another. You don't have anything out there on auto theft. I can't recall anybody—I have jurisdiction over it—visiting me and saying here are some things we can do.

Mr. KEENEY. We've already told you one thing we can do. You pointed out that you've gone through the State vehicle administration authorities and they're in favor of—

Mr. SCHUMER. We've worked with them on the bill.

Mr. KEENEY. We're withdrawing—isn't that correct—we're withdrawing our objection.

Mr. SCHUMER. OK, that's good. Can we do some more of those?

Let me ask you a few more questions. Do you agree with the fundamental concept here that the way to reduce auto theft is to take the profit out of it, if possible, for the thieves?

Mr. KEENEY. Yes, absolutely.

Mr. SCHUMER. OK. Do you believe that our proposal will help decrease the trading in stolen parts?

Mr. KEENEY. I do. I think it will. I can't quantify that.

Mr. SCHUMER. No, neither can we. Neither can we, quite frankly.

Mr. KEENEY. And we've said that in our statement, that we thought it could have some salutary impact, both in deterrence and in—

Mr. SCHUMER. Right, but you referred to title III in general, which has a lot of things. I just wanted to narrow it down in terms of the chop-shops and the scrap dealers as well.

OK, let me see what else here. We don't even want to bother. I know you'd object to the grant program for the States, but we've been up and down that road before.

Mr. KEENEY. Well, we really don't object, Mr. Chairman. I don't think it's fair to characterize it that way. We're pointing out that there's an existing program that can be utilized. You may want to bring to the attention of the people on the panels after us of the availability of that program and find out why they're not using it.

Mr. SCHUMER. Well, the problem with them not using that kind of program is everything goes into BJA grants, and there's not much money in BJA grants, and the kind of thing that would be necessary to help here, you'll be robbing Peter to pay Paul. BJA does a very good job. I think there's 10 times the need as the dollars. So if we just say, well, you guys, go to BJA, it's sort of a—but, OK, I understand you don't want that.

Let me say—

Mr. KEENEY. I didn't say we didn't want it, Mr. Chairman. We just pointed out there's an existing program that could be utilized. You're stating now that there are insufficient funds in that program. We have no control over that.

Mr. SCHUMER. Now you do. You do.

Mr. KEENEY. Congress does the appropriating.

Mr. SCHUMER. Yes, and you guys make recommendations and you get 40 percent of the Congress—if you were to propose, I guarantee you here, if you were to propose increased BJA funding, this chairman would support it and I think I could get the whole House of Representatives to support it in a minute. And I have proposed it, and the administration has opposed it.

But, in any case, I want to get into any—here's what I'd say in conclusion, and that is—well, let me ask you, Mr. Kahoe or Mr. Apple. Do you agree with Mr. Keeney that a parts-marking program that involved the repair shops and the chop-shops could do something to reduce auto theft?

Mr. KAHOE. Absolutely, Mr. Chairman, we agree, and we agree that overall this bill would be beneficial to reducing car thefts. We just have some specific areas that maybe we disagree with the implementation of the bill. One specific area that I'd like to mention is the NCIC as a sanction for noncompliance by the States.

Mr. SCHUMER. I understand. That's minor and we can deal with it. That's the kind of thing that your testimony will be helpful to us on.

Mr. KAHOE. Thank you.

Mr. SCHUMER. Somehow—well, let me ask you this: Can it work if it were voluntary for the States? I'm worried about that because—

Mr. KAHOE. No, probably not, Mr. Chairman. We agree that there should be some sanction for noncompliance. We just would rather it not be NCIC. We think that may be counterproductive to law enforcement.

Mr. SCHUMER. OK. Let me ask you another question. Do you think that the cost of this will go beyond, say, \$5 a vehicle?

Mr. KAHOE. I don't think so.

Mr. SCHUMER. You don't think so? OK.

Mr. KAHOE. I think we say it's \$3 a vehicle right now?

Mr. SCHUMER. Yes, it's a little less. Mr. Apple, how much is it?

Mr. APPLE. That's about right. I think it's around \$3 a vehicle.

Mr. SCHUMER. OK. On the issue, if I might, because again we have, as I'm sure you know, Mr. Keeney, consulted with the FBI on this, as we do on everything. They've been very helpful to us. So I did have some other questions for them.

In terms of the increased penalties—well, this may be really a Justice Department question. But we think that we really should deal with the nexus of real interstate commerce because this shouldn't be something that the Federal Government just goes into willy-nilly. I guess that would be your view as well?

Mr. KAHOE. Correct.

Mr. SCHUMER. I just have a few questions on each section.

Mr. KEENEY. We've got a suggestion. If you decide to enact the legislation, the robbery provision, that there be questions raised as to its constitutionality unless the Congress does, as they did in the loan sharking bill, make congressional findings to the effect that there's an impact on interstate commerce, which can be done.

Mr. SCHUMER. Right. I understand that and we would do that, if we were to do it.

I'm just going through my questions here. Oh, yes, what can we do, Mr. Kahoe, Mr. Apple, with your familiarity—how do we deal with the problem Mr. Keeney brings up, if you were making a recommendation? Let's say I were in Mr. Keeney's position and I said, "We want to support this legislation. We have to do something about auto theft. We're not do-nothing bureaucrats." How would you deal—how would you create a system that deals with his objection and yet did what we wanted it to do; in other words, people could call into the system and get use of the information for illicit purposes?

Mr. KAHOE. Mr. Chairman, if you're asking if the FBI agrees with the Department of Justice on this, obviously, we do agree with them.

Mr. SCHUMER. No, I know that.

Mr. KAHOE. We would sort of differentiate, though—and I think Mr. Keeney did that—between enforcement and regulatory functions. I think what we want to avoid, the FBI and the Department of Justice, is getting involved in some regulatory functions here. Although we—

Mr. SCHUMER. Mr. Keeney had mentioned, he said, if we had this system and the auto repair dealer, he gets the part, and he says it's No. 374 and calls up the 800 number, and they say, "Sorry, 374 came from a stolen vehicle," that's essential to making this work. On the other hand, what Mr. Keeney is saying is someone could claim to be an auto repair dealer, even get into the system because they are, but they've really been set up by some criminals, I guess, to find out whether a vehicle is actually reported stolen. Is there a way to deal—first, how great a problem do you see that?

Mr. KAHOE. I see that as a problem. I think I see it a little more of a problem than you pointed out. But I think there are ways to deal with it. There are ways to deal with those. I sort of liken your proposal of the markings with the repair shops with the way we have pawn shops today being checked by the local police for stolen property.

Mr. SCHUMER. Right.

Mr. KAHOE. And there are down sides to that which I think we can utilize maybe in your bill.

Mr. SCHUMER. Right.

Mr. KAHOE. I don't know all of them right off the top of my head, but I think we could research those.

Mr. SCHUMER. Right. And you don't have any problems with the way we set up the reporting system, do you?

Mr. KAHOE. No, sir.

Mr. SCHUMER. Do you think we've done that in a decent way? If we're going to do it and deal with the problem Mr. Keeney mentioned, do you think it in an appropriate way?

Mr. KAHOE. Yes, but, once again, we want to avoid the regulatory function and stay in the enforcement function.

Mr. SCHUMER. Yes; right, I understand that.

What would you think of adding a provision to any—this is for anybody on the panel—of adding a provision to the repair shops who violated this law? Now we have civil penalties, and then if they keep violating, there are going to be criminal penalties. What about the idea of somehow getting the States, encouraging the States to have them forfeit their license to be repair shops?

Mr. KEENEY. If they misuse in any fashion the—

Mr. SCHUMER. Yes, if they either misuse the system or they don't participate as they are supposed to.

Mr. KEENEY. I think that's worth serious consideration. I think you have to have some sort of teeth in the provisions which allow for violation, the provision which allows nonlaw enforcement people into the law enforcement NCIC system.

Mr. SCHUMER. Right. OK, we've talked about. That's it. Anything I left out? OK, well, I want to thank all four of you gentlemen. I do want to thank the FBI for their help with the many questions we've had here.

And, Mr. Keeney, I would really urge you to speak to the people in Justice. This is going to be a bipartisan effort here in the Congress. It's going to move. We'd like to be with you rather than against you. So if you don't have problems with the basic concept of the proposal, but there are other things we could straighten out, we would make every effort to do those, so we could make this not only bipartisan, but bi-branch and have executive branch support. I think, by the way, you're making a political mistake as well as a substantive one by being as lukewarm, as tepid about this proposal as you are.

Mr. KEENEY. We do have some technical comments, and staff can feel free to contact our people at any time. We'd be glad to help.

Mr. SCHUMER. Thank you. We appreciate all of you being here.

OK, I want to thank all of our second panel. We're going to change the order. Originally, Colonel Robinson was going to be first, but we're going to now pull rank on him and have General Schlossberg be first, not because of rank, but because he has to do a closing on his home.

Mr. SCHLOSSBERG. Yes, Mr. Chairman.

Mr. SCHUMER. Good luck. Hope you got a nice low mortgage rate these days.

But let me introduce all the panel, and then General Schlossberg will go and everyone else will. Do you have to leave immediately after—what time is your closing?

Mr. SCHLOSSBERG. If I can leave here about 2:15, I can make it, Mr. Chairman. Is that all right?

Mr. SCHUMER. Then maybe we'll have Mr. Schlossberg testify. I'll ask any questions of him, with the permission of the others, and then the other three will testify. Is that OK?

Then our first witness will be Maj. Gen. Arnold Schlossberg, retired major general. General Schlossberg is the president and chief executive officer of the National Insurance Crime Bureau, a position he took in 1991 after retiring from the U.S. Army. General Schlossberg received his undergraduate degree from the Virginia Military Institute and a master's degree in international affairs from George Washington University. He has attended the National War College; is a senior fellow at Harvard University; and served in the Army for 33 years, including stints as Deputy Assistant Secretary of Defense for Drug Enforcement and the Principal Deputy Assistant Secretary of State for Political and Military Affairs. Immediately prior to his retirement, General Schlossberg was responsible for supervising the Army's drug interdiction activities.

General Schlossberg, we're pleased to have you here today. Your entire statement will be read into the record and you may proceed as you wish.

STATEMENT OF ARNOLD SCHLOSSBERG, JR., RETIRED MAJOR GENERAL, AND PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL INSURANCE CRIME BUREAU

Mr. SCHLOSSBERG. Thank you very much, Mr. Chairman. I am the president and the CEO of the National Insurance Crime Bureau, which was just formed 3 months ago.

Mr. SCHUMER. Right.

Mr. SCHLOSSBERG. The insurance industry, the property and casualty insurance industry, realized they had to get their act together and unify the war against white-collar crime, not only insurance crime, but auto theft. You've already spoken to that.

As we look at what the trends may be, in 1990 8 billion dollars' worth of cars were stolen and 1.6 million cars. As you look at the very conservative trends that people project, 10 years from now you really wonder how someone's going to be able to afford to insure an automobile and the amount of losses may go up to \$20 or \$25 billion. So something has to be done, and the insurance industry recognizes that. There's no single silver bullet to solve the problem. The legislation that you're proposing is a very good step in making it easier for law enforcement at the State, local, and Federal level to work on this problem.

Our organization consists of a couple hundred investigators in the field all over the country who really serve as an adjunct to law enforcement because, as you pointed out, most of the law enforcement people don't have the budgets, because of other problems with drugs and violent crimes, to work on these sorts of things. So our product is criminal investigations and serving as the link between law enforcement and the customer, the average American consumer out there who's had his car stolen. We're the link

through our computer system. We are tied into the FBI, and we have some real expertise that knows how to locate and identify and report to insurance companies where these stolen cars are.

So the idea of marking additional parts on the car will help us a great deal in being able to make cases in court and identify these parts. We think the National Insurance Crime Bureau could assist in helping with the data base to be the reporting agency, as an example, for all the used and new car parts you're talking about, as people call and say, "Has this engine or transmission been stolen?" Perhaps we can assist in that and work on some of the technical problems we heard the Department of Justice speak of, so people can't in an illicit manner tap into the computer system, if you will.

So we're really excited about the legislation. We think it can help. It's not going to be the end-all that will immediately solve the problem, but if we don't get serious and do something about it, in 10 years who the heck is going to be able to afford to insure a car?

I want to say one other thing. The public is absolutely outraged about this. We opened up the National Insurance Crime Bureau with a press conference here in Washington on the 7th of January. We had a hot line, "Tell NICB." And my operations people in the field said, "Hey, don't waste your time. You don't want to spend the money doing that. Whoever has written down a number off a TV set or out of a newspaper and called?" But the public affairs people said, "No, you really need to do that." Well the bottom line, to make a long story short, we had 17,000 phone calls in the first 3 days, and many of them were about chop-shops, sometimes in someone's backyard or garage or the house next door, that we have been able, using and working with State, Federal, and local law enforcement, go out and do something about.

The public, even though a reward was offered, didn't want a reward. Anybody that mentioned a reward said, "Give it to charity. I want something done about this fraud, about this auto theft, and, most importantly, we'd like to see our rates come down." I think if we can do something over the years to eliminate car thievery—and this is one step among many that needs to be taken—then I think it's possible to bring rates down.

Thank you, Mr. Chairman.

Mr. SCHUMER. Thank you, General Schlossberg. We really appreciate your being here and your help with this bill. We're going to look to you further.

[The prepared statement of Mr. Schlossberg follows:]

STATEMENT

BEFORE THE SUBCOMMITTEE ON CRIME AND CRIMINAL JUSTICE

ARNOLD SCHLOSSBERG, JR.

PRESIDENT AND CHIEF EXECUTIVE OFFICER

NATIONAL INSURANCE CRIME BUREAU

I am thankful to the Subcommittee, Chairman Schumer, and Congressman Sensenbrenner for asking me to present the views of the National Insurance Crime Bureau on H.R. 4542 (the "Anti-Car Theft Act of 1992").

I am the President and Chief Executive Officer of the National Insurance Crime Bureau, a not-for-profit, tax-exempt organization formed in 1991, and becoming operational on January 1 of this year. The National Insurance Crime Bureau, or N.I.C.B., is the successor to two former property-casualty insurance industry supported organizations, the Insurance Crime Prevention Institute and the National Automobile Theft Bureau. The work of the NICB is sustained by the financial support and assistance of over 280 property casualty insurance groups and independent companies. The mission of the National Insurance Crime Bureau is to stop insurance crime and vehicle theft. That is why I am here today.

Part of the vehicle theft problem is insurance crime; but, all vehicle theft is not insurance crime. Every stolen vehicle is an out-of-pocket loss of money for the vehicle owner. It does not

stop there. Stolen vehicles insured against theft are also direct losses to the owner's insurer as well as the owner, directly for any deductible, indirectly in the form of the premium costs for insurance coverage. Ultimately, every stolen vehicle is a loss to you and me in the form of insurance premiums we pay on our vehicles, as well as our tax dollars used to support law enforcement actions against vehicle theft.

As the severity of the vehicle theft problem increases so do the costs we, as consumers, are forced to pay. Our costs have been rising and rising fast in recent years.

In 1990, there were 1.6 million vehicles reported stolen. This is up 49% from 1985. The 1.6 million vehicles represent 8.2 billion dollars, approximately a 60% increase from 1985. The cost for theft insurance coverage varies from state-to-state and place-to-place. The important point is that you and I and all auto insurance policyholders are sharing a cost of over 8 billion dollars a year.

Congress turned its attention to vehicle theft in 1978 and six years later enacted the Motor Vehicle Theft Law Enforcement Act of 1984. This law represented a compromise over earlier versions of the legislation that would have required that all vehicles reasonably susceptible to vehicle theft would have all major parts marked with the vehicle identification number. The 1984

Act's most significant compromise was that the vehicle part marking requirement was limited (1) to passenger motor vehicles, and (2) only high-theft passenger carlines as determined by the National Highway Traffic Safety Administration.

The impact of the 1984 Act on vehicle theft has been very difficult to assess. In its five-year report to Congress on the Act, the National Highway Traffic Safety Administration stated: "Analysis of the available data leads to the conclusion that existing data are inadequate and inconclusive for determining whether the parts marking standard is effective in reducing theft." NHTSA then went on to recommend the continuation of the program with a few technical changes.

The success or failure of the existing Motor Vehicle Theft Prevention Standard has been difficult to assess for both the National Highway Traffic Safety Administration and law enforcement agencies across the country. Our field agents at NICB have had successes because of the parts-marking provisions. This suggests a consensus among law enforcement vehicle theft investigators that a better, more inclusive program will yield significantly greater success.

We at NICB congratulate Representatives Schumer and Sensenbrenner on their legislation which we are here to endorse and support. The Anti-Car Theft Act of 1992, when enacted, will have positive

implications for the insurance buying public and law enforcement authorities charged with the safety of the public. We are supporting this bill because it both challenges the dramatic increase in vehicle theft and strengthens the 1984 law.

The bill addresses, in order, tougher law enforcement against auto theft, automobile title fraud, illicit trafficking in stolen auto parts, and more effective action against the exportation of stolen autos. This is a well-balanced approach, attacking various dimensions of the auto theft problem in a systematic way.

We support the provisions of Title I which increase the federal penalties for vehicle theft related offenses, and which make it a felony for car-jacking. Car-jacking is a serious sickness many of our major cities suffer from each day. It is inexcusable and must be aggressively combatted by all levels of law enforcement. A federal crime is a very significant way of registering the strong sentiment of the Congress against this outrage.

An important event of recent years, the formation of Automobile Theft Prevention Authorities, is properly noted by the bill's provisions for federal grants for these authorities administered by the Bureau of Justice Assistance. It is important for there to be federal incentives for these innovative programs that have been very successful in planning and implementation of coordinated enforcement, prosecution, and prevention programs.

The national focus that this provision creates will be just as significant as the actual granting of funds. We support this approach.

The bill responds to the well-established defects in automobile title practices that contribute to the auto theft problem by creating authority for a "National Motor Vehicle Title Information System." Start-up funding would provide for a linking of the various state departments of motor vehicles by computer so that auto title documents can be rapidly checked and verified. The same system will be used to detect suspicious transactions involving salvage auto titles that are often used to conceal the identification of stolen autos. States will be required to check the data system before issuing new titles. This is an important step to stop this ongoing practice. The burden of compliance will be on the states and on insurers to report autos salvaged by them. This is an action that most insurers already do today through reporting to our organization. We will aggressively work with this system to minimize additional costs and maximize the efficiency of the process.

We support the bill's approach, in Title III, of including all passenger vehicles, without exception, in a revised federal vehicle theft prevention standard. We strongly support the required stamping of vehicle identification numbers on engines and transmissions. This is essential and sound in our eyes and

in the expert opinion of law enforcement officers throughout the country. We support a stronger standard for labels used on major parts other than engines and transmissions. The theft prevention program under the bill would be under the jurisdiction of the Attorney General. We support this change.

A key element of Congressmen Schumer and Sensenbrenner's proposal, and one that will contribute to stopping the increase in vehicle theft, is the creation of the "National Stolen Auto Part Information System." Presently, there is no master database linking identification numbers of stolen motor vehicles and stolen motor vehicle parts that can be accessed by those persons who deal in used vehicle parts. Establishing this important database will aid law enforcement authorities and insurers in investigating vehicle theft and the subsequent filing of suspicious claims. Requiring parts dealers and vehicle repairers to check major parts through the database will appear burdensome and be a controversial step to some. Through commitment and effort, this program can and will work. The important issue is whether it is more of a burden on consumers to sustain the escalating costs of auto theft, than the burden of compliance imposed on parts dealers and vehicle repairers.

The efforts to stop the exportation of stolen vehicles are supported by the provision for random inspections of shipping containers, as well as studies to develop more efficient

inspection systems for shipping containers. This will help the export enforcement program. Another essential provision of the bill addresses the present situation where vehicles supposedly exported for the personal use of the owner are exempt from the existing export program. The bill eliminates the personal use exemption. We support this.

Finally, we wish to emphasize that NICB is committed to working with the Subcommittee to develop a comprehensive approach to vehicle theft. This particular legislation contains excellent provisions that will assist in stopping vehicle crime and at the same time protect the public from career criminals. I thank you for the opportunity to testify and welcome any questions you may have.

Washington, D.C.
March 31, 1992

Mr. SCHUMER. I'd like to ask you about, of course, the computer system that you already operate that's linked to the FBI's data base of stolen cars. First, would it be feasible to expand your system to perform the functions called for in this bill, specifically have repair shops call you to see if a particular replacement part has been reported stolen?

Mr. SCHLOSSBERG. Yes, it would.

Mr. SCHUMER. Second, since most insurance carriers are already users of your system, could some of the ID checking be done through insurance carriers who are already monitoring the work done by the repair shops?

Mr. SCHLOSSBERG. We believe that's technically feasible. We will have to go talk to the industry and specific companies to see what the technical problems are, but we think technically that's a doable proposition.

Mr. SCHUMER. Do you have some sense of what the cost of operating this system would be?

Mr. SCHLOSSBERG. Mr. Chairman, you know, I hesitate to guess, but if we can be interactive—and I just learned what the word meant a couple of days ago—where we're tied in electronically and you don't have to manually enter data, we think it can be done within reason; in other words, not millions of dollars, but maybe a few hundred thousand dollars to get started. It's not exorbitant. It's doable. I think it would be cost-effective.

Mr. SCHUMER. Good luck on your new house.

Mr. SCHLOSSBERG. Thank you very much, sir.

Mr. SCHUMER. OK, now we'll proceed to our next three witnesses. The first witness on this panel will be Col. Michael Robinson. Colonel Robinson is director of the Michigan State Police. He began his career with the Michigan State Police in 1968 as a trooper and has had numerous assignments in criminal investigation, drug enforcement, and undercover work. He's received both the meritorious service award and the professional excellence award from the Michigan Department of State Police, as well as awards from DEA, FBI, and the Secret Service. He was appointed director in 1991.

The next witness, after Colonel Robinson, we'll hear from Detective Peter Simet of the Milwaukee Police Department. Detective Simet has 20 years of experience on the force and has been a detective for the past 10 years, assigned primarily to auto theft. He's participated in literally thousands of auto theft investigations and has testified as an expert witness on auto theft in Wisconsin, Illinois, and California. He has been an active member of the International Association of Auto Theft Investigators, or IAATI. In 1990, he was given an award by IAATI for his use of part ID labels in breaking up an international auto theft ring.

The final witness on this panel will be Mr. Thomas H. Hanna. He's president and chief executive officer of the Motor Vehicle Manufacturers Association. Mr. Hanna holds a bachelor's degree and a master's degree from the University of Detroit. He's a 4-year veteran of the Marine Corps. After serving in the Marines, Mr. Hanna spent 7 years in private industry. He joined the MVMA in 1968 and has been its president since 1985. He also serves on the boards of directors of the Traffic Safety Now, Inc.; the American Coalition for Traffic Safety; and the Highway Users Federation.

Mr. Hanna, Detective Simet, Colonel Robinson, welcome. Colonel Robinson, your entire statement will be read into the record. You may proceed as you wish.

STATEMENT OF MICHAEL D. ROBINSON, DIRECTOR, MICHIGAN STATE POLICE, REPRESENTING THE INTERNATIONAL ASSOCIATION OF CHIEFS OF POLICE

Mr. ROBINSON. Thank you, Representative Schumer. I am very pleased, on behalf of the International Association of Chiefs of Police and IACP's Division of State and Provincial Police, to be here this afternoon to testify on behalf of the problem in auto theft and to discuss legislation proposed by you, Mr. Schumer, and by Representative Sensenbrenner.

In my State of Michigan, we have focused on the issue of auto theft and have developed some innovative approaches to combating it. In 1985, Michigan's auto theft rate per 100,000 population ranked No. 2 in the Nation. I am pleased to report that in 1990 auto theft in our State had fallen for the 5th consecutive year. As I came here today, I learned from our latest statistics that 1991 continued the pattern with another year of reduction in auto theft. Our rate had been 96 percent over the national average. In fact, since 1985, while the national auto theft rate has increased 48 percent, the auto theft rate in Michigan has decreased by 13 percent.

One reason for this decline, I feel, is that Michigan created an auto theft prevention authority. The authority is funded by an annual assessment from insurers of \$1 per car-year of insurance sold in the State. The money generated goes into a special fund, and grants are awarded to programs that are entirely focused toward reducing economic auto theft. A majority of the funds go to support a variety of multijurisdictional law enforcement teams, and funding is also provided for full-time county prosecutors who act as legal counsel for these teams. The cooperation that this has developed between law enforcement and prosecution has developed a quality case management system which has greatly increased the conviction rate in the State.

Funding is also provided through the authority to nonprofit agencies and neighborhood groups, and they perform a number of auto theft prevention awareness activities that range from such things as etching vehicle identification numbers in automobile glass to neighborhood and CB watch patrols. Last year the authority awarded in excess of \$7 million that supported 91 police officers, 7 full-time prosecutors, and 9 community programs. As a result of their efforts, last year alone approximately 2,000 individuals were arrested and charged with auto theft.

Now these are very encouraging results. However, there is a downside. We do realize that, without the support and funding that our auto theft prevention authority provides, there would only be a fraction of this kind of activity available.

In addition to the auto theft prevention authority, Michigan also has a strong anti-car theft committee which is comprised of representatives from law enforcement, the insurance industry, auto manufacturers, auto recyclers, government, banking, and a host of others who meet regularly to discuss trends in auto theft. The common thread weaving through the success of the programs and ac-

tivities in Michigan is a spirit of cooperation, a spirit of cooperation that does start with the legislature and goes through private industry and law enforcement right down to neighborhood block groups.

The proposed Federal legislation, titles I through III especially, are emphatically supported by the men and women funded through the Michigan automobile theft prevention authority, and I might add by the Michigan State Police. Title IV, which deals in the export of stolen vehicles, really doesn't have as great an impact in Michigan. However, in States such as Florida, who have a problem, it does have a significant impact.

As might be expected, the problem of export of stolen vehicles has had some effect in Florida. In 1970, the Florida Legislature passed a law which established a certificate of right of possession program, or CRP. The law was passed in an effort to slow down stolen vehicles from being exported through Florida ports. That law was very effective until a difficulty that Florida had with their own budget caused the repeal of that legislation. The repeal of that law has had a drastic effect on the level of exports.

Whereas, in 1990, when the CRP program was in full effect, the total number of vehicles exported in Florida was just under 40,000. In 1991, after the repeal of that legislation, the total number exceeded 70,000, or nearly doubled. The increase of exports is a result of vehicles being brought back to the State of Florida for export. Exporters found it easier to export from another State rather than to comply with the CRP law and obtain certificates from each of the vehicles shipped. Also, it is no longer necessary to ship vehicles in containers to circumvent the CRP law.

With regard to the legislation which has been proposed, Chairman Schumer, the Michigan State Police, the IACP, and I are very pleased that you and your committee are interested in the issue of auto theft. We thank you and Representative Sensenbrenner for proposing legislation to help us with the problem. Again, I'd like to comment on that legislation.

Mr. SCHUMER. Well, thank you, Colonel Robinson. I appreciate it, and your entire comments on the rest of it will be read into the record. We very much appreciate it.

[The prepared statement of Mr. Robinson follows:]

PREPARED STATEMENT OF MICHAEL D. ROBINSON, DIRECTOR, MICHIGAN STATE POLICE, REPRESENTING THE INTERNATIONAL ASSOCIATION OF CHIEFS OF POLICE

COLONEL MICHAEL D. ROBINSON

EXECUTIVE SUMMARY

IN 1985, MICHIGAN'S AUTO THEFT RATE PER 100,000 POPULATION RANKED NUMBER TWO IN THE NATION. I AM PLEASED TO REPORT THAT IN 1990, OUR THEFT RATE HAD FALLEN FOR THE FIFTH CONSECUTIVE YEAR AND OUR RANKING IS NOW AT NUMBER ELEVEN. ALSO, OUR RATE HAD BEEN 96% OVER THE NATIONAL AVERAGE BUT THIS HAS BEEN REDUCED TO JUST 6% ABOVE THE NATIONAL AVERAGE. IN FACT, SINCE 1985, WHILE NATIONAL AUTO THEFTS HAVE INCREASED BY 48%, MICHIGAN'S HAS DECREASED BY 13%.

ONE REASON FOR THIS DECLINE, I FEEL, IS THAT MICHIGAN CREATED THE AUTOMOBILE THEFT PREVENTION AUTHORITY. THE AUTHORITY IS FUNDED BY AN ANNUAL ASSESSMENT FROM INSURERS OF \$1 PER CAR YEAR OF INSURANCE SOLD IN THE STATE. THE MONEY GENERATED GOES INTO A SPECIAL FUND AND GRANTS ARE AWARDED TO PROGRAMS THAT ARE ENTIRELY FOCUSED AT REDUCING ECONOMIC AUTO THEFT.

THE STATE OF FLORIDA HAS A PROBLEM WITH THE EXPORT OF STOLEN VEHICLES AND HAS TRIED AN INNOVATIVE APPROACH. THE LEGISLATURE PASSED A LAW WHICH ESTABLISHED THE CERTIFICATE OF RIGHT OF POSSESSION PROGRAM. IN ORDER TO OBTAIN A CRP, THE APPLICANT BROUGHT THE VEHICLE TO BE EXPORTED TO THE PORT OR A REGIONAL OFFICE, WHERE AN INSPECTOR WOULD PHYSICALLY VERIFY THE PUBLIC VIN PLATE AND CHECK A SECONDARY VIN AGAINST THE ORIGINAL OWNERSHIP DOCUMENTS. IF THERE WAS A LIENHOLDER INVOLVED, A CERTIFIED COPY OF THE TITLE AND A NOTARIZED STATEMENT FROM THE LIENHOLDER AUTHORIZING SHIPMENT WAS PRESENTED AS DOCUMENTATION. THE VIN WOULD ALSO BE ENTERED INTO THE ON LINE COMPUTER SYSTEM TO VERIFY FLORIDA TITLE AND LIEN STATUS AND COMPLETE THE FCIC/NCIC CHECK. CLEARED VEHICLES WERE ISSUED A CERTIFICATE AND A DECAL. THIS PROCEDURE SUCCEEDED IN LOWERING THE NUMBER OF STOLEN CARS EXPORTED FROM FLORIDA.

WE ARE VERY PLEASED THAT CHAIRMAN SCHUMER HAS SHOWN SUCH INTEREST IN THIS ISSUE AND WE SUPPORT THE LEGISLATIVE PROPOSALS THAT HE AND REP. SENSENBRENNER HAVE PUT FORTH. WE MAKE DETAILED COMMENTS ON THIS LEGISLATION, AND THE MICHIGAN AND FLORIDA EXPERIENCES WITH AUTO THEFT WITHIN OUR FULL TESTIMONY.

GOOD MORNING REP. SCHUMER AND MEMBERS OF THE CRIME AND CRIMINAL JUSTICE SUBCOMMITTEE. I AM COLONEL MICHAEL D. ROBINSON, DIRECTOR OF THE MICHIGAN STATE POLICE. ON BEHALF OF THE INTERNATIONAL ASSOCIATION OF CHIEFS OF POLICE (IACP) AND IACP'S DIVISION OF STATE AND PROVINCIAL POLICE (S & P), I THANK YOU FOR INVITING US HERE TODAY TO SPEAK TO THE SUBCOMMITTEE ABOUT THE SUBJECT OF AUTO THEFT, IN GENERAL, AND SPECIFICALLY, ABOUT LEGISLATION PROPOSED BY CHAIRMAN SCHUMER AND RANKING MEMBER REP. SENSENBRENNER. THIS SUBJECT IS ONE OF IMPORTANCE TO THE LAW ENFORCEMENT COMMUNITY.

IN MY STATE OF MICHIGAN, WE HAVE FOCUSED ON THE ISSUE OF AUTO THEFT AND HAVE DEVELOPED SOME INNOVATIVE APPROACHES TO COMBATTING IT WHICH WE'D LIKE TO SHARE WITH YOU.

IN 1985, MICHIGAN'S AUTO THEFT RATE PER 100,000 POPULATION RANKED NUMBER TWO IN THE NATION. I AM PLEASED TO REPORT THAT IN 1990 OUR THEFT RATE HAD FALLEN FOR THE FIFTH CONSECUTIVE YEAR AND OUR RANKING IS NOW AT NUMBER ELEVEN. ALSO, OUR RATE HAD BEEN 96% OVER THE NATIONAL AVERAGE. IN FACT, SINCE 1985, WHILE NATIONAL AUTO THEFTS HAVE INCREASED BY 48%, MICHIGAN'S HAS DECREASED BY 13%.

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THIS IS A THREE-PRONGED COMPREHENSIVE EFFORT. A MAJORITY OF THE FUNDS GO TO SUPPORT A VARIETY OF MULTI-JURISDICTIONAL LAW ENFORCEMENT TEAMS. FUNDING IS ALSO PROVIDED FOR FULL-TIME COUNTY PROSECUTORS WHO ACT AS LEGAL COUNSEL FOR THESE TEAMS AS WELL AS PERFORM VERTICAL PROSECUTION. THIS MEANS TAKING THE CASE RIGHT FROM THE ONSET, ALL THE WAY THROUGH JURY TRIAL, IF NECESSARY. THE COOPERATION BETWEEN LAW ENFORCEMENT AND PROSECUTION DEVELOPS A QUALITY CASE WHICH HAS A BETTER CHANCE FOR CONVICTION. ALL TOO OFTEN WE HEAR THAT AN AUTO THIEF HAS TO "EARN HIS WAY INTO JAIL". IN MICHIGAN, WE AIM TO HELP HIM IN THIS ENDEAVOR.

THE THIRD LEVEL OF FUNDING IS PROVIDED TO NON-PROFIT AGENCIES AND NEIGHBORHOOD GROUPS. THEY PERFORM NUMEROUS AUTO THEFT PREVENTION AWARENESS ACTIVITIES THAT RANGE FROM SUCH THINGS AS ETCHING THE VIN ON THE AUTOMOBILE GLASS, TO

NEIGHBORHOOD WATCHES AND CB PATROLS.

LAST YEAR THE AUTHORITY AWARDED GRANTS IN EXCESS OF \$7 MILLION. THIS SUPPORTED 91 POLICE OFFICERS, 7 FULL-TIME PROSECUTORS, 13 SUPPORT STAFF AND 9 COMMUNITY PROGRAMS. APPROXIMATELY 2,000 INDIVIDUALS WERE ARRESTED AND CHARGED, RESULTING IN THE RECOVERY OF 1,850 STOLEN VEHICLES WITH AN ESTIMATED VALUE OF \$17 MILLION.

THESE ARE ENCOURAGING RESULTS. HOWEVER, ON THE DOWN SIDE, WE REALIZE THAT WITHOUT THIS SUPPORT AND FUNDING, THERE WOULD ONLY BE A FRACTION OF THIS KIND OF ACTIVITY. AUTO THEFT IS NOT A PRIORITY WITH LAW ENFORCEMENT - EXCEPT WHEN THE PUBLIC STARTS COMPLAINING ABOUT INSURANCE RATES. AUTO THEFT HAS ALWAYS BEEN DEEMED AS AN INSURANCE PROBLEM. THAT'S WHY AUTO THIEVES VIEW THE BUSINESS AS A "HIGH PROFIT, LOW RISK" VENTURE. MICHIGAN HOPES TO REVERSE THIS MISCONCEPTION.

MICHIGAN ALSO HAS A STRONG ANTI-CAR THEFT COMMITTEE WHICH IS COMPOSED OF REPRESENTATIVES FROM LAW ENFORCEMENT, THE INSURANCE INDUSTRY, AUTO MANUFACTURERS, AUTO RECYCLERS, GOVERNMENT, BANKING, CAR RENTAL AGENCIES AND COMMUNITY

GROUPS. THEY MEET ON A REGULAR BASIS TO SHARE INFORMATION AND DISCUSS CURRENT AUTO THEFT TRENDS.

A TIP REWARD PROGRAM IS OPERATIONAL IN MICHIGAN. THE REWARDS, WHICH ARE FUNDED BY THE INSURANCE INDUSTRY, PROVIDE UP TO \$1,000 FOR THE ARREST OF AN AUTO THIEF AND UP TO \$10,000 FOR THE ARREST OF A CHOP SHOP OPERATOR. THE TIPS ARE PHONED IN TO AN 800 NUMBER STAFFED BY A SUPPORT PERSON FUNDED BY THE AUTHORITY AND THEN CHanneled TO THE APPROPRIATE TASK FORCE TEAM.

THE COMMON THREAD WEAVING THROUGH THE SUCCESS OF THE PROGRAMS AND ACTIVITIES IN MICHIGAN IS THE SPIRIT OF COOPERATION. THIS STARTS WITH THE LEGISLATURE AND GOES RIGHT ON THROUGH TO THE NEIGHBORHOOD BLOCK GROUPS. THE PROPOSED FEDERAL LEGISLATION, TTLES I THROUGH III, IS EMPHATICALLY SUPPORTED BY THE MEN AND WOMAN FUNDED THROUGH THE MICHIGAN AUTOMOBILE THEFT PREVENTION AUTHORITY.

TITLE IV, WHICH DEALS IN THE EXPORT OF STOLEN VEHICLES, DOES NOT IMPACT ON MICHIGAN AND THEREFORE, I CANNOT COMMENT ON THIS SECTION.

HOWEVER, THE STATE OF FLORIDA, AS MIGHT BE EXPECTED, HAS A PROBLEM WITH THE EXPORT OF STOLEN VEHICLES AND HAS TRIED AN INNOVATIVE APPROACH WHICH I WOULD LIKE TO SHARE WITH YOU. DIRECTOR BOBBY BURKETT OF THE FLORIDA HIGHWAY PATROL, CURRENTLY THE GENERAL CHAIRMAN OF IACP'S DIVISION OF STATE AND PROVINCIAL POLICE, AND MAJOR BRUCE TAKACH, ALSO OF THE FLORIDA HIGHWAY PATROL, HAVE PROVIDED US WITH THE INFORMATION.

IN 1970, THE FLORIDA LEGISLATURE PASSED A LAW WHICH ESTABLISHED THE CERTIFICATE OF RIGHT OF POSSESSION PROGRAM (CRP). THIS LAW WAS PASSED IN AN EFFORT TO SLOW DOWN OR STOP STOLEN VEHICLES FROM BEING EXPORTED THROUGH THE FLORIDA PORTS. THE CRP DOCUMENT WAS USED BY THE DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES TO ENSURE THAT VEHICLES BEING EXPORTED HAD BEEN INSPECTED.

IN ORDER TO OBTAIN A CRP, THE APPLICANT BROUGHT THE VEHICLE TO BE EXPORTED TO THE PORT OR A REGIONAL OFFICE. ONCE AT THE OFFICE, AN INSPECTOR WOULD PHYSICALLY VERIFY THE PUBLIC VIN PLATE AND CHECK A SECONDARY VIN AGAINST THE ORIGINAL OWNERSHIP DOCUMENTS. IF THERE WAS A LIENHOLDER INVOLVED, A CERTIFIED COPY OF THE TITLE AND A NOTARIZED STATEMENT FROM THE LIENHOLDER AUTHORIZING SHIPMENT WAS PRESENTED AS DOCUMENTATION. THE VIN

WOULD ALSO BE ENTERED INTO THE ON-LINE COMPUTER SYSTEM TO VERIFY FLORIDA TITLE AND LIEN STATUS AND COMPLETE THE FCIC/NCIC CHECK.

CLEARED VEHICLES WERE ISSUED A CERTIFICATE AND A DECAL WAS PLACED ON THE WINDSHIELD. THE DECAL ON THE WINDSHIELD AUTHORIZED THE VEHICLE TO BE EXPORTED AND THE CERTIFICATE REPLACED THE TITLE.

THE DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES (FLORIDA HIGHWAY PATROL), METRO-DADE POLICE DEPARTMENT, AND SEVERAL INSURANCE COMPANIES WERE BEHIND THE ORIGINAL INTRODUCTION OF THE LEGISLATION. IT TOOK APPROXIMATELY THIRTEEN YEARS FOR THE INITIAL FUNDING OF THE PROGRAM. IN 1970, WHEN THE LAW WAS ENACTED, THE PROGRAM WAS OPERATED OUT OF DMV OFFICES. THERE WERE NO PORT LOCATIONS. THE CRP FEE WAS \$2.

IN 1983, INITIAL FUNDING FOR THE PROGRAM BEGAN; THE FUNDING PROVIDED THREE DMV EMPLOYEES AND TWO FLORIDA HIGHWAY PATROL LIEUTENANTS. ONE PORT OFFICE WAS ESTABLISHED IN MIAMI.

IN 1986, THE CRP FEE WAS INCREASED TO \$10. IN 1988, CRP FUNDING EXPANDED TO FIVE ADDITIONAL PORT LOCATIONS: MIAMI RIVER,

EVERGLADES, PALM BEACH, TAMPA, AND JACKSONVILLE. FOUR DMV EMPLOYEES AND ONE FLORIDA HIGHWAY PATROL LIEUTENANT WERE STATIONED AT EACH LOCATION.

A BILL WAS INTRODUCED IN THE 1991 FLORIDA LEGISLATURE TO REPEAL THE STATUTE WHICH ESTABLISHED CRP. ON MARCH 2, 1991, ALL CRP OFFICES WERE CLOSED. THE REPEAL WAS PRIMARILY DUE TO BUDGET RESTRAINTS. POSITIONS WERE CUT IN THE CRP PROGRAM, MAKING IT DIFFICULT TO EFFECTIVELY OPERATE. EXPORTERS AND IMPORTERS WANTED THE CRP LAW REPEALED BECAUSE IT REDUCED THEIR LEVEL OF BUSINESS. WHEN THE BILL WAS INTRODUCED IN THE LEGISLATURE, THE DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES DID NOT FIGHT IT - BECAUSE OF BUDGET RESTRAINTS.

THE REPEAL OF THE LAW HAD A DRASTIC EFFECT ON THE LEVEL OF EXPORTS. WHEREAS, IN 1990, WHEN CRP WAS IN FULL EFFECT, THE TOTAL NUMBER OF MOTOR VEHICLES EXPORTS IN FLORIDA WAS 39,998, IN 1991, AFTER CRP WAS REPEALED, THE TOTAL NUMBER WAS 70,697.

THE INCREASE OF EXPORTS IS A RESULT OF VEHICLES BEING BROUGHT BACK INTO THE STATE OF FLORIDA FOR EXPORT. EXPORTERS FOUND IT EASIER TO EXPORT FROM ANOTHER STATE RATHER THAN COMPLY WITH THE CRP LAW AND OBTAIN CERTIFICATES FOR EACH

VEHICLE SHIPPED. ALSO, IT WAS NO LONGER NECESSARY TO SHIP VEHICLES IN CONTAINERS TO CIRCUMVENT THE CRP LAW.

SINCE VEHICLES ARE NO LONGER BEING PHYSICALLY INSPECTED BEFORE EXPORTATION, AND EXPORTATION HAS INCREASED, IT CAN ALSO BE ASSUMED THAT THE EXPORTATION OF STOLEN VEHICLES HAS ALSO INCREASED.

IF YOU HAVE FURTHER QUESTIONS ON THE FLORIDA EXPERIENCE, I WILL BE PLEASED TO PUT YOU IN TOUCH WITH DIRECTOR BURKETT.

CHAIRMAN SCHUMER, WE ARE PLEASED AT YOUR INTEREST IN THE ISSUE OF AUTO THEFT. WE THANK YOU AND REP. SENSENBRENNER FOR PROPOSING LEGISLATION TO HELP US WITH THIS PROBLEM. I'D LIKE TO MAKE A FEW SPECIFIC COMMENTS ON THAT LEGISLATION.

TITLE ONE: TOUGHER LAW ENFORCEMENT AGAINST AUTO THEFT

WE SUPPORT THESE PROPOSED PROVISIONS. HOWEVER, IN CAR-JACKING CASES, YOU SHOULD CONSIDER INCLUDING "FILING OF A FALSE CAR-JACKING REPORT" AS A FELONY. EXPERIENCE HAS SHOWN THAT WHEN CAR-JACKINGS ARE GIVEN WIDE-SPREAD MEDIA ATTENTION, UP TO ONE-THIRD OF THOSE REPORTS TURN OUT TO BE FALSE.

THE FORFEITURE OF SEIZED STOLEN EQUIPMENT SHOULD BE

ADDRESSED IN THIS TITLE. UNDER CURRENT MICHIGAN LAW, IF AN OFFICER SEIZES A VEHICLE WHICH CONTAINS A STOLEN/ALTERED COMPONENT PART, THAT PART MUST BE REMOVED AND THE REST OF THE VEHICLE THEN MUST BE RETURNED TO THE OWNER/DEFENDANT. THERE WOULD BE A GREATER ECONOMIC IMPACT ON THE CRIMINALS' ACTIONS IF THE WHOLE VEHICLE WAS SUBJECT TO FORFEITURE.

TITLE II - AUTOMOBILE TITLE FRAUD

WE SUPPORT THE PROVISIONS OF THIS TITLE. THEIR ENACTMENT WILL ESPECIALLY HELP WITH HEAVY EQUIPMENT VEHICLES THAT HAVE COMPONENT PARTS FROM A VARIETY OF DIFFERENT SOURCES AND DO NOT HAVE VIN DERIVATIVES.

THERE IS A CONCERN ABOUT ACCESSING THE COMPUTER INFORMATION IF THERE ARE DIFFERENT AND CONFUSING DOCUMENTS. CONSIDERATION SHOULD BE GIVEN TO HAVING ONE VEHICLE FORM WITH NECESSARY TITLE INFORMATION OR A NATIONAL TITLE. THIS WOULD ELIMINATE INCONSISTENCES FROM ONE STATE TO ANOTHER (I.E. - ODOMETER STATEMENT, SELLING PRICE DATA, NOTARIZED DOCUMENTS, ETC.

TITLE III - ILLICIT TRAFFICKING IN STOLEN AUTO PARTS

WE SUPPORT THE PROVISIONS OF THIS TITLE. HOWEVER, WE WOULD POINT OUT THAT THE REQUIREMENT TO CHECK A NATIONAL DATA BASE

MAY BE DIFFICULT FOR SMALL PARTS DEALERS OR SALVAGE YARDS IF THEY DO NOT HAVE THE NECESSARY COMPUTER EQUIPMENT. IF THIS CAN BE CARRIED OUT, AS YOU PLAN TO, THROUGH AN 800 TOLL FREE NUMBER, THIS WILL ALLEVIATE THAT CONCERN.

ALSO, WE HAVE ONE FURTHER CONCERNS: (1) EVEN IF CAUGHT WITH STOLEN PARTS, IT WILL BE DIFFICULT TO CHARGE PERSONS WITH "GUILTY KNOWLEDGE" THAT THE PARTS ARE STOLEN.

TITLE IV - EXPORT OF STOLEN VEHICLES

MY COLLEAGUES FROM THOSE REGIONS EXPERIENCING PROBLEMS WITH THIS ISSUE HAVE BROAD SUPPORT FOR THE PROVISIONS OF THIS TITLE.

AGAIN CHAIRMAN, WE THANK YOU AND REP. SENSENBRENNER FOR INTRODUCING LEGISLATION ON THIS ISSUE AND WE SUPPORT THE PROVISIONS YOU SEEK TO ENACT. I WOULD BE PLEASED AT THIS TIME TO ANSWER ANY QUESTIONS THAT YOU MAY HAVE.

THANK YOU.



The International Association of Chiefs of Police is a professional organization comprised of over 14,500 top law enforcement executives from the United States and 76 nations. IACP members lead and manage several hundred thousand law enforcement officers and civilian employees in international, federal, state, and local governments. Members direct North America's largest police departments including New York City, Los Angeles, Toronto, Chicago, Detroit, Montreal, and Houston, and head the national police forces of Israel, Denmark, the Phillipines, Korea, and Liberia, among others. Thousands of suburban and rural police agencies throughout the world are also represented.

Since 1893, the IACP has facilitated the exchange of important information among police administrators and promoted the highest possible standards of performance and conduct within the police profession. This work is carried out by functionally oriented committees consisting of police practitioners with a high degree of expertise that provide contemporary information on trends, issues, and experiences in policing for development of cooperative strategies, new and innovative programs, and positions for adoption through resolution by the association.

Throughout its existence, the IACP has been devoted to the cause of crime prevention and the fair and impartial enforcement of laws with respect for constitutional and fundamental human rights.

Mr. SCHUMER. Detective Simet.

**STATEMENT OF PETER J. SIMET, DETECTIVE, MILWAUKEE
POLICE DEPARTMENT**

Mr. SIMET. Thank you, Mr. Schumer. Thank you for the opportunity to speak to you today on the parts-marking portion of the proposed Anti-Car Theft Act of 1992.

For the past 10 years, I have worked as an auto theft investigator and would like to relate some of my experience to help provide reasons for support of passage of H.R. 4542. Passage of this bill will lead to more recovered stolen vehicles and diminish the demand for stolen parts. The strong wording of this bill eliminates many of the loopholes that currently make prosecution under the present statutes difficult.

During my career, I have spearheaded a number of large-scale auto theft investigations. These investigations often started with the identification of a single motor vehicle through the use of the security labels. For example, in 1986, I initiated an investigation that began with the recovery of a stolen 1980 Cadillac Seville. All of the identifying numbers had been removed except for one strategically placed mylar label. This discovery subsequently led to the recovery of 48 other stolen vehicles with a value exceeding \$400,000. The recovery of this one vehicle may seem insignificant by itself, but the resulting investigation led to the convictions of 11 defendants, each on multiple felony charges. Every vehicle identified and recovered in this investigation was done through the use of security labels or the use of die-stamped numbers in the major component parts.

In 1989, a Canadian, Stuart McCleod, successfully stole several late-model luxury vehicles which he sold in nine States and Canada. He escaped detection by using alias names and counterfeit title documents.

McCleod's method of operation was to take late-model luxury vehicles and remove all of the manufacturer's identification numbers. He would then devise bogus identification plates using fictitious numbers that conformed to the manufacturer's specifications. At the same time he fashioned counterfeit mylar security labels and affixed them to the vehicles in the correct locations. McCleod would then legitimize the stolen vehicles by fabricating his own title documents using blank Canadian title forms. He successfully sold these vehicles in various States to unsuspecting buyers who suffered a total loss of over \$500,000.

McCleod's scheme was ultimately discovered when examination of a 1988 Jaguar he sold in Milwaukee, WI, revealed that the mylar security labels were counterfeit. The use of the parts-marking label with the security feature by Jaguar Motor Co. resulted in the eventual apprehension of McCleod and the recovery of additional stolen vehicles. Had this vehicle been equipped with a label without the security feature, detection would have been difficult, if not impossible.

A large-scale salvage operation with connections to organized crime was permanently closed after the execution of a search warrant. Although the yard was put out of business, a large quantity of parts found on the property could not be identified, even though

we had reliable information indicating that they were all from stolen vehicles. If the component parts of these vehicles had been marked with security labels, identification could have been made and the owner prosecuted criminally. If salvage yard operators were forced to provide identification numbers for the parts they sold and prohibited from removing identifying labels, their ability to sell stolen parts would be greatly diminished. When the potential to make a profit is lost, and the operator faces substantial fines, the risk for this illegal activity will become too great. In 1989, FBI statistics revealed an \$869 million loss for parts taken from stolen motor vehicles. This figure alone shows a vital need for enactment of this legislation.

There are skeptics who will say that the accomplishments of this bill are not worth the cost. I would say to critics that one only needs to look at the result General Motors achieved on the early eighties Cadillac line, and to look at the results Harley Davidson accomplishes today, to refute that claim. Harley's method of die-stamping numbers into component parts has a significant effect on the theft rates of their vehicles. In Milwaukee, where Harley Davidson motorcycles are more popular than imports, the imports are stolen 10 times more frequently and their recovery rate is minimal, due to the lack of a secondary number.

Just as the journey of a thousand miles begins with a single step, this bill will be one giant step in the direction of reducing auto theft. Therefore, my fellow officers and myself urge you to support this bill. Thank you.

Mr. SCHUMER. Thank you, Detective Simet. We very much appreciate your support and that of the Association of Auto Theft Investigators.

[The prepared statement of Mr. Simet follows:]

DETECTIVE PETER J. SIMET
MILWAUKEE POLICE DEPARTMENT
749 WEST STATE ST.
MILWAUKEE WISCONSIN

Ladies and gentlemen, thank you for the opportunity to speak to you today on the "parts marking" portion of the proposed Anti Car Theft Act of 1992.

For the past 10 years I have worked as an auto theft investigator and would like to relate some of my experiences to help provide reasons to support passage of H.R. 4542.

Passage of this bill will lead to more recovered stolen vehicles and diminish the demand for stolen parts. The strong wording of this bill eliminates many of the loopholes that currently make prosecution under the present statutes difficult.

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Mc Cleod's scheme was ultimately discovered when examination of a 1988 Jaguar sold in Milwaukee Wisconsin, revealed that the mylar security labels were counterfeit. The use of the "parts marking" label with the security feature by Jaguar Motor Company, resulted in the eventual apprehension of Mc Cleod and the recovery of additional stolen vehicles. Had this vehicle been equipped with a label without the security feature, detection would have been

difficult if not impossible.

A large scale salvage operation with connections to organized crime was permanently closed after the execution of a search warrant. Although the yard was put out of business, a large quantity of parts found on the property could not be identified, even though we had information indicating that they were all from stolen vehicles. If the component parts of these vehicles had been marked with security labels, identification could have been made and the owner prosecuted criminally. If salvage yard operators were forced to provide identification numbers for the parts they sold and prohibited from removing identifying labels their ability to sell stolen parts would be greatly diminished. When the ability to make a profit is lost, and the operator faces substantial fines the risk for this illegal activity will become too great.

In 1989, F.B.I. statistics revealed a loss of over 869 million dollars for parts lost related to motor vehicle theft. This figure alone shows a vital need for enactment of this legislation.

There are the skeptics who will say that the accomplishments of this bill are not worth the cost. I would say to critics, that one only needs to look at the result General Motors achieved on the early 80's Cadillac line; and to look at the results Harley Davidson accomplishes today, to refute that claim. Harley's method of die stamping numbers into component parts has a significant effect on the theft rates of their vehicles. In Milwaukee, there are more Harley Davidson motorcycles registered than imports. The imports are stolen 10 times more frequently and their recovery rate is minimal due to the lack of a secondary number.

Just as the journey of a thousand miles begins with a single step, this bill will be one giant step in the direction of reducing auto theft. Therefore my fellow officers and myself urge you to support this bill.

Mr. SCHUMER. Mr. Hanna.

STATEMENT OF THOMAS H. HANNA, PRESIDENT AND CHIEF EXECUTIVE OFFICER, THE MOTOR VEHICLE MANUFACTURERS ASSOCIATION OF THE UNITED STATES, INC.

Mr. HANNA. Thank you, Mr. Chairman. The Motor Vehicle Manufacturers Association of the United States and its member companies support State and Federal legislation directed at reducing the theft of cars and trucks. Over a million vehicles are stolen each year in this country, and yet the odds are only 1 in 100 that thief will be arrested and serve 1 year in prison for auto theft. We, therefore, urge that titles I, II, and IV of H.R. 4542, the Anti-Car Theft Act of 1992, go forward and be approved. We cannot, however, support the expansion of the existing vehicle parts-marking requirements of title III, which includes additional vehicles and parts, as there is no evidence that the existing parts-marking requirements are reducing vehicle theft or lowering insurance premiums.

With respect to title I, MVMA strongly supports making so-called carjacking a Federal crime; increasing penalties for traffickers in stolen vehicles and/or parts; and bringing the vehicle theft crimes under the racketeering in corrupt organizations statute. MVMA also endorses the grant programs in title I for anti-car theft committees, which fund police officers, prosecutors, and programs dedicated to auto theft reduction efforts. The shining example of these programs is the one that has been reported to you by Colonel Robinson in the State of Michigan. It has been tremendously successful and is the kind of effort that would be supported and promoted by title I of your bill.

MVMA also supports the provisions in title II to reduce automobile title fraud by improving the technology of State titling authorities and standardizing titling procedures for junk and salvage vehicles. In addition, we endorse the requirements in title IV for the Customs Service to randomly inspect shipping containers, which will help curb the exportation of stolen vehicles.

Title III of H.R. 4542 is, in our opinion, not warranted. Under the existing Motor Vehicle Theft Law Enforcement Act, passed in 1984, vehicle manufacturers currently spend approximately \$15 million each year to mark engines, transmissions, and major body panels, such as fenders, hoods, and doors of their high-theft models. Automakers today are also equipping many of their cars with theft-deterrent devices, such as sophisticated ignition key systems, which have proven to be effective, more so than parts-marking, in reducing vehicle theft. Manufacturers are now allowed exemptions from parts-marking requirements on two car lines per year if they are equipped with effective theft-deterrent devices.

One of the other major components of the existing act was a requirement that the Department of Transportation issue a 5-year report evaluating the impact and effectiveness of the law. Issued in March 1991, the report entitled, "Auto Theft and Recovery, Efforts of the Motor Vehicle Theft Law Enforcement Act of 1984," found:

That the difference in vehicle theft and recovery rates between marked and unmarked cars was statistically insignificant.

That parts-marking has played a very small role in the conviction rate of car thieves. The report cited only 114 convictions due to parts-marking out of hundreds of thousands of arrests for vehicle theft.

That insurance premiums have not decreased as a result of parts-marking.

That under the present system more car lines than necessary are required to have their parts marked.

That there is no supporting basis to conclude that parts-marking would yield reductions in theft of other types of vehicles, such as light trucks, vans, and multipurpose vehicles.

And that the marking of additional parts would be premature and cannot be justified, given the lack of results from existing parts-marking.

The report also had three recommendations, including giving manufacturers an unlimited number of exemptions for vehicles equipped with effective theft-deterrent devices, redesignating high-theft cars based on actual theft experience, and determining which cars are high-theft models based on the most current data.

H.R. 4542, however, ignores the findings and recommendations of the DOT report by greatly expanding the scope of the program to include all cars, regardless of whether they have high-theft rates, as well as light trucks, vans, and MPV's; significantly increasing the number of parts to be marked, including the grille, floor pan, frame, and windows, which may be especially difficult and expensive to mark, and for which there is little or no evidence of theft demand; and eliminating all of the exemptions for vehicles with effective theft-deterrent devices.

By drastically expanding the program, domestic manufacturers' costs for parts-marking will increase several times over, by an order of magnitude, I would offer, over the \$15 million now being spent, without demonstrable benefit to consumers.

Curiously, the bill also places the new parts-marking program under the Justice Department which has little, if any, experience regulating motor vehicles, in contrast to the DOT which has years of experience. Moreover, the bill would not repeal the existing law, which means that manufacturers would face conflicting requirements because of the many inconsistencies between the current statute and H.R. 4542.

In summary, Mr. Chairman, MVMA supports three-quarters of this bill, which is to say titles I, II, and IV of H.R. 4542, to reduce vehicle theft. However, we strongly urge that title III of the bill be deleted. We would like to request, Mr. Chairman, if we may, with your permission, to submit a more comprehensive statement for the record following the close of this hearing.

Mr. SCHUMER. Without objection, your comprehensive statement will be submitted.

[The prepared statement of Mr. Hanna follows:]

PREPARED STATEMENT OF THOMAS H. HANNA, PRESIDENT AND CHIEF EXECUTIVE OFFICER, THE MOTOR VEHICLE MANUFACTURERS ASSOCIATION OF THE UNITED STATES, INC.

The Motor Vehicle Manufacturers Association of the United States Inc. (MVMA) and its member companies support state and federal legislation directed at reducing the theft of cars and trucks. Over a million vehicles are stolen each year in this country, and yet the odds are only 1 in 100 that a thief will be arrested and serve one year in prison for auto theft. We therefore urge that Titles I, II, and IV of H.R.4542, the Anti-Car Theft Act of 1992, go forward. We cannot, however, support the expansion of the existing vehicle parts marking requirements in Title III, which includes additional vehicles and parts, as there is no evidence that the existing parts marking requirements are reducing vehicle theft or lowering insurance premiums.

With respect to Title I, MVMA strongly supports making so-called "car jacking" a federal crime; increasing penalties for traffickers in stolen vehicles and/or parts; and bringing vehicle theft crimes under the Racketeering in Corrupt Organizations (RICO) statute. MVMA also endorses the grant programs in Title I for anti-car theft committees, which fund police officers, prosecutors and programs dedicated to auto theft reduction efforts. One such group already in existence, the Michigan Automobile Theft Prevention Authority (ATPA), has been extremely successful at combatting auto theft. From 1985 to 1990 the ATPA helped Michigan cut its vehicle theft rate by 13.2 percent, while the national average rose 48.3 percent.

MVMA also supports the provisions in Title II to reduce automobile title fraud by improving the technology of state titling authorities and standardizing titling procedures for junk and salvage vehicles. In addition, we endorse the requirements in Title IV for the Customs

Service to randomly inspect shipping containers, which will help curb the exportation of stolen vehicles.

Title III of H.R.4542, however, is not warranted. Under the existing Motor Vehicle Theft Law Enforcement Act (passed in 1984), vehicle manufacturers currently spend approximately \$15 million each year to mark the engines, transmissions and major body panels (such as fenders, hoods and doors) of their high theft models. Automakers today are also equipping many of their cars with theft deterrent devices, such as sophisticated ignition key systems, which have proven to be at least, if not more, effective than parts marking at reducing vehicle theft. Manufacturers are now allowed exemptions from parts marking requirements on two car lines per year if they are equipped with effective theft deterrent devices.

One of the other major components of the existing Act was a requirement that the Department of Transportation issue a five year report evaluating the impact and effectiveness of the law. Issued in March of 1991, the report Auto Theft and Recovery, Efforts of the Motor Vehicle Theft Law Enforcement Act of 1984, found:

- * that the difference in vehicle theft and recovery rates between marked and unmarked cars was statistically insignificant.

- * that parts marking has played a very small role in the conviction rate of car thieves (the report cited only 114 convictions due to parts marking out of hundreds of thousands of arrests for vehicle theft).

- * that insurance premiums have not decreased as a result of parts marking.
- * that under the present system more car lines than necessary are required to have their parts marked.
- * that there is no supporting basis to conclude that parts marking would yield reductions in theft for other types of vehicles, such as light trucks, vans and multi-purpose vehicles (MPVs).
- * and that the marking of additional parts would be premature and cannot be justified given the lack of results from existing parts marking.

The report also had three recommendations, including giving manufacturers an unlimited number of exemptions for vehicles equipped with effective theft deterrent devices; redesignating high theft cars based on actual theft experience; and determining which cars are high theft models based on the most current data.

H.R.4542, however, totally ignores the findings and recommendations of the DOT report by:

- * greatly expanding the scope of the program to include all cars, regardless of whether they have high theft rates, as well as light trucks, vans, and MPVs.
- * significantly increasing the number of parts to be marked, including the grille,

floor pan, frame, and windows (which may be especially difficult and expensive to mark, and for which there is little or no evidence of theft demand).

- * and eliminating all of the exemptions for vehicles with effective theft deterrent devices.

By drastically expanding the program, domestic manufacturers' costs for parts marking will increase several times over the \$15 million now being spent, without demonstrable benefit to consumers.

Curiously, the bill also places the new parts marking program under the Justice Department which has little, if any, experience regulating motor vehicles, in contrast to the DOT which has years of expertise. Moreover, the bill would not repeal the existing law, which means that manufacturers would face conflicting requirements because of the many inconsistencies between the current statute and H.R.4542.

In summary, MVMA supports the provisions in Titles I, II and IV of H.R.4542 to reduce vehicle theft. However, MVMA strongly urges that Title III of the bill be deleted. We also would like to request that MVMA be allowed to submit additional comments on H.R.4542 for the hearing record.

Mr. SCHUMER. So we have three-quarters of the panel supporting all of the bill and one-quarter supporting three-quarters of the bill. We're getting there.

First—I'll just go in order here—Mr. Robinson. First, the one thing, how much revenue is brought in 1 year by the Michigan program?

Mr. ROBINSON. Seven million dollars.

Mr. SCHUMER. That \$7 million was for everything?

Mr. ROBINSON. That's correct.

Mr. SCHUMER. OK. Because I think you do a great job in Michigan and we try to encourage other States to do it with our grants program in title II. You've testified about how you feel about across-the-board parts-marking, would be an effective tool for law enforcement. Don't you think if we did that, because some 50 percent of the cars that are stolen are stolen for chop-shops and for parts, if we did this marking and set up the system, do you think it would have a significant effect on reducing auto theft?

Mr. ROBINSON. Absolutely. Not only would it be a deterrent—and we are finding that it is a deterrent with the parts-marking legislation which is there now, the law that's there now—but all too often insurance companies are buying back their own parts.

Mr. SCHUMER. Right.

Mr. ROBINSON. Certainly insurance companies have the responsibility here to try to clean things up themselves, but most of the reputable parts dealers that we talked to in the State of Michigan would welcome a system like this, because it puts the unscrupulous people out of business.

Mr. SCHUMER. We have found the same. Much to our surprise and delight, the parts and the repair shop people, too, want to get this business as legitimate as possible, all the legitimate people in there.

I was interested in your description of Florida's efforts to combat stolen car exporters. Do you think it would deter export if the Customs department, because obviously you're speaking not only for the Michigan program, but representing the chiefs of police throughout the country, were to conduct spotchecks on cars and containers leaving the country?

Mr. ROBINSON. One of the problems that they're having in Florida is that the checks that are going on now are very cursory as a vehicle is loaded into a container. Once that container is sealed up, the vehicle is exported; there's no check of that container, and it really needs to be done.

Mr. SCHUMER. Right. We agree with that.

Do you find that auto theft operations, like the chop-shops and the export rings, are usually limited to a single State or are they crossing State lines?

Mr. ROBINSON. No, absolutely not. What we found actually with the passage of our auto theft prevention authority legislation, that the auto theft rate in Illinois skyrocketed dramatically. Now that Illinois has passed similar legislation, I think Wisconsin and Indiana are going to find that they have a problem growing.

Mr. SCHUMER. Very interesting. OK, my final question to you is: In New York the chop-shops will often sell the stripped cars—they get the few parts they need; then they sell them to scrap dealers

who crush whatever is left; i.e., the evidence. It's sort of like a paper shredder for automobiles in terms of evidence. Do you have that problem in Michigan? What do you do to fight that?

Mr. ROBINSON. Yes, we have a similar loophole in our legislation which we are trying to close now, which will require presenting a title when that occurs. In Michigan, we're losing some 200 to 300 cars a month out of the city of Detroit, where wreckers just hook onto an abandoned vehicle or a car on the street and haul it to a scrap yard.

Mr. SCHUMER. Well, I want to thank you, Colonel Robinson, certainly for your comments and support in terms of this legislation, but also, even more importantly, for what you're doing in Michigan. It's a great job, and the country could follow the model that you folks have set.

Next, for Detective Simet—those bells mean that we have a vote in—I don't know what's going on; let me see—in about 10 or 15 minutes, and I'm going to try to deal with this panel, get you guys so you don't have to sit here and wait. That means we may have another vote after this one.

I understand you have a letter from the International Association of Auto Theft Investigators that you'd like to read into the record; is that—

Mr. SIMET. That's correct.

Mr. SCHUMER. Why don't you do that?

Mr. SIMET. Thank you.

"Dear Congressman Schumer,

"Our association has reviewed H.R. 4542 and completely supports the proposed legislation.

"Our association was founded in 1952 and consists of 2,200 auto theft investigators from Federal, State, and local law enforcement agencies, plus agents from the National Insurance Crime Bureau and members from the private sector including insurance companies and car manufacturers. We have continuously supported legislation which would help to identify and recover stolen vehicles and reduce the auto theft incidents.

"Our association supported the Auto Theft Act of 1984 which was initially introduced in Congress in 1976 by Senator Percy from Illinois. We, however, were dismayed by the 'watered-down' final product which was passed.

"The Auto Theft Act of 1992, with its emphasis on title II of the bill to not only require parts-marking to all new passenger vehicles, including vans and pickups, and requires motor and transmission stampings, but additionally insists on the used parts verification prior to installation. This strong section of the bill reestablishes the original intent of the 1984 act. This should be a great aid to all of our auto theft investigators in locating and identifying stolen vehicles and the vehicle parts. It should be noted, however, that this section, while it includes stamping on the motor and transmission, did not include the stamping on the main body of the vehicle, and it is hoped that this will be included in the bill at a later date.

"The other sections of the bill, including the increasing of the penalties and the helping to establish networks between various State motor vehicle administrations to reduce vehicle title fraud are very outstanding features of the bill. The final section of the

bill with regard to the exports of vehicles should help reduce this ever-increasing problem.

"It is hoped that this outstanding legislation is passed as written with only minor modifications.

"Our association applauds the efforts of your office in formulating and introducing this bill and working for its final passage.

"Sincerely, Daniel F. Ryan, Special Agent FBI, President IAATI."

Mr. SCHUMER. Well, thank you, Detective Simet. The only thing I'd change is, or ask you to change, if you could, when you looked at the bill, title II has now become title III. So you're referring to title III but it says "title II," no fault of your own. So you may want to correct that.

I thank you. I just wanted one quick question for you. Do you think that we should—you've given us a clear picture of how the VIN labels have helped in enforcing the law. Do you think there is a big advantage in marking all cars as opposed to only the high-theft ones?

Mr. SIMET. Yes, I do. I absolutely concur with having this done on all vehicles. I think it's going to attack the main part of the problem and it's going to prevent the main users of the stolen parts, be it the chop-shops, be it the salvage rebuilders, it's just going to really take the profit motive out of it for them by having this in the bill, and I compliment you for including it.

Mr. SCHUMER. Thank you, Detective.

Now let me ask Mr. Hanna a few questions. As you may know, Mr. Hanna, some folks who are the components of your organization have come into my office and we've had a little chat about this. Nothing would please me more than if we could work something out, so you folks would support this kind of concept rather than oppose it. The one thing I guess I would say is your testimony relies on the existing program to say parts-marking doesn't work, and the one thing I would say to you is what we're trying to do here is quite different than the existing proposal. Detective Simet, or actually it was Mr. Ryan's letter, said that it was a watered-down proposal, which everyone knows it was. But this is different conceptually; that is, to deal with the repair shops. So I would just say the jury's out on that.

Let me ask you, though, this question: I take it your opposition to this is in two parts. One is obviously the cost, obviously something that will cost—let's say there are 7 million vehicles and it costs \$5 a vehicle; \$35 million is a lot of money, even for the Big Three. But let's say somehow \$35 million came from heaven for this purpose. What would then be your opposition to the proposal?

Mr. HANNA. Well, I understand that that question was raised with some representatives of our industry—

Mr. SCHUMER. Right.

Mr. HANNA [continuing]. Who came to see you, and it's a new idea. But I would have to say to you, candidly, Mr. Chairman, that my basic concern and problem with it remains. That in our view is a lack of documented evidence that the existing program works, and we don't think by extension marking more cars is going to make it work either. So who pays is not our primary complaint.

Mr. SCHUMER. Mr. Hanna, I just don't want to interrupt. As I mentioned before, the old program is quite different than what

we're proposing here. It's sort of like saying if nothing's working now, let's do nothing. We're adding the whole repair shop structure into this, which is where most of the parts cross over from illegality—that is, stolen nests, if I could make a word up—into legitimacy. That's where we cut it off. So I don't think it's fair to pre-judge this legislation. We don't know if it will work, frankly. I think it will. Law enforcement thinks it will. But certainly you can't use the old legislation to say that it won't work, because the old legislation and the new legislation are quite different, even though they both involve marking the parts.

Mr. HANNA. I hope I haven't left you with the impression that we have come here to say that none of this legislation is good and ought not be done. We do recognize there is an awful lot of good in the bill. We also know that the agency that studied the existing things, specifically with respect to the parts-marking, came to some conclusions. We have no evidence to indicate that marking more parts will improve the efficiency of it. Certainly, the structure that you propose and the approach in the legislation could be undertaken without a vast expansion of the marking of parts.

May I say a word just about cost for a minute?

Mr. SCHUMER. Please. Please.

Mr. HANNA. On two grounds, one of them is, again, it's our estimate now that about a third of the cars that are sold are now categorized as high risk, so that you mark them. It's also my understanding, based on consultations with our members, that it's about \$6 a car now. We're not complaining about that. We think that would be a real bargain if it had demonstrated some improvement in the theft picture, but we don't see that.

Second, we do think the legislation as proposed, since it would go from about a third of production of automobiles to all automobiles, plus light trucks and MPV's and vans, the numbers of vehicles that would be done, plus the substantial increase in the numbers of parts that would have to be marked—we're particularly concerned, for example, about glass windows; we think that would have to be done by etching at the end of the assembly line. I don't know what that would cost. So we think we're talking about some pretty big bucks here in this thing.

But, again, the fundamental issue isn't whether it's \$150 million or \$15 million, but what do we get for that? With all due respect, Mr. Chairman, we just don't think we get there.

Mr. SCHUMER. OK, let me ask you this question: Let's say three conditions occurred. The first is somehow whatever the costs were didn't end up in your lap. I'm not saying that can happen; I'm just arguing this for the point of argument.

Second, some of the specific problems that you mentioned were dealt with—glass marking; you talked about the frames in there. Maybe we could use the regular VIN number, which you already have concealed VIN numbers for the frame.

And let's say, third, you could be convinced that this program had a darned good chance of doing some good in reducing auto theft. Would then—those are three big "if's" obviously—would then you be open to supporting the legislation?

Mr. HANNA. Well, if we take those "if's" into account and the possible outcomes of each one of them, the legislation might be sub-

stantially different from what it is now, depending on the outcome, so, yes, that's possible, depending on where those "ifs" come out.

I would like to take a save on the point No. 1 though. I would just, as a matter of principle, say that we're not here trying to shift costs. You know, it's a question of—

Mr. SCHUMER. You've made that clear, and I understand that, although I have to tell you I don't think there's anything wrong with an industry saying: Don't put a cost on us. It's your legitimate right to do that.

Mr. HANNA. And we're not saying we wouldn't talk about it further.

Mr. SCHUMER. I mean, I represent localities which say it all the time.

OK, well, the one thing I would ask, Mr. Hanna, is that you and your component manufacturers keep your minds open on this, because we're going to move it. We want to do some good. It would be a lot better if—I mean, I certainly am open to listening to suggestions as to how to make it better. It's a real problem we have out there, and it's a problem that affects you as well—

Mr. HANNA. We do—

Mr. SCHUMER [continuing]. And I understand that. If fewer cars were stolen, people would buy more of them.

Mr. HANNA. We agree with your objective entirely—

Mr. SCHUMER. OK.

Mr. HANNA [continuing]. Reducing theft.

Mr. SCHUMER. We have about 3 minutes left to vote. I'm going to call a brief recess. There may be a second vote, and then we will call the other panel.

Colonel Robinson, Detective Simet, Mr. Hanna—and General Schlossberg in absentia—I want to thank all of you for your very excellent testimonies.

[Recess.]

Mr. SCHUMER. The hearing will come to order.

Our third and final panel will begin with testimony from Commissioner Patricia Adduci of the New York State Department of Motor Vehicles. Commissioner Adduci holds a BA from the University of Rochester and a master's degree from the State University of New York. From 1974 to 1981, she served as clerk of the city of Rochester. In 1982, she was elected to the position of Monroe County clerk. In 1985, Governor Cuomo appointed Commissioner Adduci to her present position. In 1990, she was elected to serve as the president of the American Association of Motor Vehicle Administrators, the first woman to hold that office. Ms. Adduci, coming from my home State, with your distinguished record, I'm especially pleased to welcome you here.

The next witness will be Mr. David F. Snyder. He is senior counsel to the American Insurance Association. Prior to joining that organization, he was a government affairs representative for Nationwide Insurance; general counsel for the Pennsylvania Commerce Department; and a deputy attorney general for the State of Pennsylvania. Mr. Snyder is a member of the District of Columbia and the Virginia Bars and has practiced before both State and Federal courts.

Mr. Snyder, we want to welcome you, too.

After Mr. Snyder, we'll hear from Herman Brandau. Mr. Brandau is associate general counsel to the State Farm Mutual Automobile Insurance Co., where he is responsible for Federal legislation and regulation. He received his bachelor's degree from the University of Illinois and his law degree from Loyola Law School. He's been with State Farm since 1970 and in his present position since 1984. He is accompanied by Glenn Wheeler, staff consultant, State Farm Mutual Automobile Insurance Co.

And the final witness of our panel is Mr. Jack Gillis. I guess your accompaniment has sort of shifted over.

Mr. GILLIS. We just followed the nameplates.

Mr. SCHUMER. Right. OK.

Mr. GILLIS. As with parts, better markings are needed on this table.

Mr. SCHUMER. Right.

Mr. Gillis is director of public affairs for the Consumer Federation of America, the Nation's largest consumer advocacy organization, representing over 240 national, State, and local consumer groups with over 50 million individual members. He's been with CFA since 1983 and is the author of several books, including "The Car Book" and "The Used Car Book." He has two monthly columns in magazines Good Housekeeping magazine and has appeared as consumer advocate on numerous television programs.

Mr. Gillis, it's a pleasure to have you here today as well. He also serves as executive director of the Certified Automotive Parts Association, a nonprofit organization that certifies the quality of automobile parts.

We're glad to have all four of you here. Ms. Adduci, you may begin. Everyone's entire statement will be read into the record, so we can stick to the 5-minute rule.

STATEMENT OF PATRICIA B. ADDUCI, COMMISSIONER, NEW YORK DEPARTMENT OF MOTOR VEHICLES, REPRESENTING THE AMERICAN ASSOCIATION OF MOTOR VEHICLES ADMINISTRATORS

Ms. ADDUCI. Thank you, Mr. Chairman. I can't resist saying that I'm here from the department of motor vehicles and I'm here to help you.

[Laughter.]

Ms. ADDUCI. On a more serious note, my name is Patricia Adduci and I am commissioner of the Department of Motor Vehicles for the State of New York. I am speaking today on behalf of the American Association of Motor Vehicle Administrators, and I want to thank you very much for this opportunity to make a statement in support of title II of bill, H.R. 4542, to prevent and deter auto theft.

AAMVA represents the State and provincial officials in the United States and Canada who are responsible for the administration and enforcement of laws pertaining to motor vehicles and their use. In New York, my department is responsible for the titling of all motor vehicles registered in the State.

As the immediate past president of AAMVA, I am familiar with the nationwide problem of auto theft, which is of major concern to all of us. Since 1986, auto theft has increased 34 percent, totaling some 1.6 million thefts each year. It is startling to realize that na-

tionally in 1990 nearly 1 of every 119 registered vehicles was stolen. In New York alone, there were 165,000 auto thefts. Many of those vehicles were recovered, but the resulting economic loss is substantial.

As motor vehicle administrators, we are dealing with auto theft and related crimes daily and are looking for resources and technology to deal with this crisis. This bill recognizes the pervasiveness of the crisis and commits national resources to reduce the losses. Through titling, we as motor vehicle administrators are in a unique position to track ownership of our Nation's 150 million vehicles. While each State presently has the ability to track vehicle ownership within its own borders, we lack the ability to efficiently follow that track across State or provincial lines. It is this shortcoming which allows illegal retitling and registration of stolen vehicles.

The electronic interchange of title information between States provided by this bill would give us the single most important administrative weapon to deter auto theft and to reduce the tremendous financial losses that result, and it will encourage uniformity between jurisdictions in title processing. While development of a national motor vehicle information system will be a major undertaking, we will not be starting from scratch. Six years ago, we at AAMVA testified in support of another historic piece of legislation, the Commercial Vehicle Safety Act of 1986. That law, and cooperation between Federal and State governments and AAMVA, resulted in AAMVANet, the electronic link between the 51 jurisdictions to make the one-driver, one-license concept a reality. With coordination through AAMVA, the commercial driver license information system, commonly known as CDLIS, was developed and implemented on time, on January 2, 1989.

During the past 3 years, all the States have connected to AAMVANet and are electronically exchanging driver license information. As of tomorrow, April 1st, 51 U.S. jurisdictions will have licensed more than 4.9 million truck and bus drivers under uniform Federal standards. And soon, through the linkage of AAMVANet and a similar Canadian network, we will have the capability to exchange online information with the Canadian provinces.

AAMVANet is working well and can readily support other systems, such as the NMVIS provided by this bill. The new system will give us the ability to verify instantly the validity of title information, regardless of where the vehicle is titled, and will become a key factor in deterring auto theft. It will provide a dramatic improvement in law enforcement access to multistate title records, providing online information, without the time-consuming, manual examination of voluminous paper files.

The NMVIS as proposed, however, does not require law enforcement agencies to report stolen vehicles to motor vehicle agencies, so that motor vehicle records can be flagged. We believe that serious consideration should be given to incorporating this concept into this legislation. The ability to flag stolen vehicles is crucial to preventing fraudulent titling. And, equally important, flags must be removed promptly when vehicles are recovered.

Certificate of title is defined in the bill as a document. This precludes paperless titles and is, we believe, too restrictive, given the

rapid advance of modern technology. The definition should be amended to provide for an electronic certificate of title.

We are pleased to see a distinction made between junk and salvage vehicles in the definitions. This is an improvement which is long overdue and which should aid us in our antifraud efforts.

The benefits of NMVIS go way beyond deterring auto theft. Odometer fraud still occurs despite paper-based tracking. NMVIS would provide the electronic tracking of mileage information. Other important benefits would be: Improved tracking of junk and salvage vehicles, including the incidence of VIN plate switching; reducing the likelihood of moving totaled vehicles from State to State and the resultant title washing; to give consumers access for a fee to NMVIS, to obtain title history before purchasing a vehicle.

AAMVA enthusiastically supports this legislation. And we'd be less than candid if we did not mention that while the NMVIS will be operated on a user fee basis, as does CDLIS, Federal support for startup costs is essential.

The appropriation in the bill as drafted appears sufficient to support system development. However, extensive modification of existing State systems will be required. We suggest, therefore, that the bill be amended to provide Federal grants to States to cover the cost of these modifications, which can be determined through the needs analysis provided in the legislation.

We have two additional comments related to the proposed implementation schedule and the designation of the responsible Federal agency. While we appreciate the importance of rapidly establishing the NMVIS, it will be a complex system to implement, and we believe the proposed time schedule is unrealistic. Based upon our experience in developing and implementing the CDLIS, we respectfully request that consideration be given to advancing the date for final Federal rulemaking from March 1, 1993 to April 1, 1994, and the operational date from September 1, 1993 to October 1, 1994.

We would also respectfully request consideration be given to placing responsibility for NMVIS rulemaking and oversight with the Secretary of Transportation rather the Attorney General. The Department of Transportation has already established a close working relationship with motor vehicle administrators through their cooperative efforts in implementing the CDLIS. Their technical expertise in this area will serve the Federal Government well in establishing the NMVIS.

I am pleased to note the provisions included in title III of this bill which require the establishment of a national stolen auto parts information system, which we also think is crucial, as has been discussed by several previous speakers.

Mr. Chairman, you and your committee members are to be commended for your leadership in putting auto theft on the national agenda. I thank you for giving us the opportunity to support this important legislation.

I just want to make one quick comment that is not in my testimony, but, Mr. Chairman, I thought that the issue that you raised previously about giving States the authority to deny business licenses to violators of the provisions of this law would be a very valuable thing for us. I thank you for your attention.

Mr. SCHUMER. Thank you, Commissioner Adduci.

[The prepared statement of Ms. Adduci follows:]

PREPARED STATEMENT OF PATRICIA B. ADDUCI, COMMISSIONER, NEW YORK DEPARTMENT OF MOTOR VEHICLES, REPRESENTING THE AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS

AAMVA TESTIMONY

AUTO THEFT Bill

Mr. Chairman;
Members of the Subcommittee;

My name is Patricia Adduci, and I am Commissioner of the Department of Motor Vehicles for the State of New York.

I am speaking on behalf of the American Association of Motor Vehicle Administrators and I want to thank you for the opportunity to make this statement in support of TITLE II of Bill H.R.4542 to prevent and deter auto theft.

AAMVA represents the state and provincial officials in the United States and Canada who are responsible for the administration and enforcement of laws pertaining to motor vehicles and their use.

In New York, my department is responsible for the titling of all motor vehicles registered in the state.

As the immediate Past President of AAMVA, I am familiar with the nation-wide problem of auto theft, which is of major concern to all of us. Since 1986, auto theft has increased 34%, totaling some 1.6 million thefts each year.

It is startling to realize that nationally, in 1990, nearly one of every 119 registered vehicles was stolen. In New York alone, there were 165,000 auto thefts. Many of these vehicles were recovered, but the resulting economic loss is sizeable. As motor vehicle administrators, we are dealing with auto theft and related crimes daily, and are looking for resources and technology to deal with this crisis.

This Bill recognizes the pervasiveness of the crisis and commits national resources to reduce the losses. Through titling, we as motor vehicle administrations are in a unique position to track ownership of our nation's 150 million vehicles.

While each state has the ability to track vehicle ownership within its own borders, we lack the ability to efficiently follow that track across state or provincial lines. It is this shortcoming which allows illegal retitling and registration of stolen vehicles.

The electronic interchange of title information between states provided by this bill would give us the single most important administrative weapon to deter auto theft, and to reduce the tremendous financial losses that result.

While development of a National Motor Vehicle Information System will be a major undertaking, we will not be starting from scratch. Six years ago, we at AAMVA testified in support of another historic piece of legislation, the Commercial Vehicle Safety Act of 1986. That law, and cooperation between Federal and State governments and AAMVA, resulted in AAMVANet, the electronic link between the 51 jurisdictions to make the "one driver one license" concept a reality. With coordination through AAMVA, the Commercial Driver License Information System, commonly known as CDLIS, was developed and implemented on time - January 2, 1989.

During the past three years, all the states have connected to AAMVANet, and are electronically exchanging driver license information. As of tomorrow, April 1st, 51 US jurisdictions will have licensed more than 4-1/2 million truck and bus drivers under uniform federal standards. And soon, through the linkage of AAMVANet and a similar Canadian network, we will have the capability to exchange on-line information with the Canadian provinces.

AAMVANet is working well, and can readily support other systems such as the NMVIS provided by this bill.

The new system will give us the ability to verify instantly the validity of title information, regardless of where the vehicle is titled, and will become a key factor in deterring auto theft. It will provide a dramatic improvement in law enforcement access to multi-state title records, providing on-line information, without the time-consuming, manual examination of voluminous paper files.

The NMVIS as proposed, however, does not require law enforcement agencies to report stolen vehicles to motor vehicle agencies, so that motor vehicle records can be "flagged". We believe that serious consideration should be given to incorporating this concept into this legislation. The ability to flag stolen vehicles is crucial to preventing fraudulent titling.

And, equally important, flags must be removed promptly when vehicles are recovered.

Certificate of Title is defined as a document. This precludes "paperless" titles and is too restrictive, given the rapid advance of modern technology. The definition should be amended to provide for an "electronic" certificate of title.

We were pleased to see a distinction made between junk and salvage vehicles in the definitions. This is an improvement which is long overdue and which should aid us in our anti-fraud efforts.

The benefits of NMVIS go way beyond deterring auto theft. Odometer fraud still occurs despite paper-based tracking. NMVIS would provide the electronic tracking of mileage information.

Other important benefits of the NMVIS would be:

- Improved tracking of junk and salvage vehicles, reducing the incidence of VIN plate switching.
- To reduce the likelihood of moving "totaled" vehicles from state to state and the resultant title washing.
- To give consumers access, for a fee, to NMVIS, to obtain title history before purchasing a vehicle.

AAMVA enthusiastically supports this legislation. And we'd be less than candid if we did not mention that while the NMVIS will be operated on a user fee basis, as does CDLIS, federal support for start-up costs is essential.

The appropriation in the bill as drafted appears sufficient to support system development. However, extensive modification of existing state systems will be required. We suggest, therefore, that the bill be amended to provide federal grants to states to cover the cost of these modifications, which can be determined through the needs analysis provided in the legislation.

We have two additional comments related to the proposed implementation schedule, and the designation of the responsible Federal agency. While we appreciate the importance of rapidly establishing the NMVIS, it will be a complex system to implement, and we believe the proposed time schedule is unrealistic. Based upon our experience in developing and implementing the CDLIS, we respectfully request that consideration be given to advancing the date for final Federal rule-making from March 1, 1993 to April 1, 1994, and the operational date from September 1, 1993 to October 1, 1994.

We would also respectfully request that consideration be given to placing responsibility for NMVIS rule-making and oversight with the Secretary of Transportation rather than the Attorney General. The Department of Transportation has already established a close working relationship with motor vehicle administrators through their cooperative efforts in implementing the CDLIS. Their technical expertise in this area will serve the federal government well in establishing the NMVIS.

I am pleased to note the provisions included in Title III of this bill which require the establishment of a national stolen auto parts information system.

Mr. Chairman, you and your committee members are to be commended for your leadership in putting auto theft on the national agenda. I thank you for giving us the opportunity to support this important legislation.

Thank you for your attention.

Mr. SCHUMER. Mr. Snyder.

**STATEMENT OF DAVID F. SNYDER, SENIOR COUNSEL, THE
AMERICAN INSURANCE ASSOCIATION**

Mr. SNYDER. Thank you, Mr. Chairman and members of the subcommittee and staff. It is an honor to be here today to testify in support of H.R. 4542, the Anti-Car Theft Act of 1992. I am Dave Snyder. I represent the American Insurance Association, which has 250 members nationally.

This bill was introduced; this hearing is being held; and if things go well, the Anti-Car Theft Act of 1992 will become law largely because of the efforts of one person. It is an excellent example of how a single person can make a very positive difference in our Government, contrary to the claims of critics and naysayers. H.R. 4542 attacks auto theft, which is not now and never has been a so-called victimless crime. Recent accounts of carjackings where an owner is endangered or killed dramatize that point. The fact is we are all victims, directly if our car is stolen or indirectly through the insurance premiums we pay. H.R. 4542 will send a clear message to would-be car thieves, whether they're organized criminals or individuals, auto theft is now an ultrahazardous occupation.

Insurers are fighting theft and fraud in a variety of ways. Consumers are given significant premium discounts for antitheft devices. Generally, these are in the range of 5 to 15 percent off the comprehensive premium. The rates that are applied to each make and model of a car include consideration of theft data for determining the underlying costs involved. Insurers have special investigation units and insurers support major groups, and you have heard one of them today.

H.R. 4542 will add the indispensable element of the Federal Government to these efforts. The high and rising cost of car theft is unacceptable at \$8 billion a year at least. Title I of the bill will fight auto theft by way of strengthening criminal penalties and provide grants to State anti-car theft committees. We strongly support these provisions.

Title II will establish a national titling system. It seems to us this will close many loopholes in the current titling systems in the individual States and the lack of the ability to communicate back and forth. For an example as to how an excellent program to tie together the different States systems, one need only look at the commercial driver's license. We do have some questions which we raise in our written testimony regarding some of the recordkeeping and reporting requirements and would be pleased to work with you and your staff to deal with those.

Title III would establish a broad parts-marking program. This would or could be a major improvement over current law, which is limited only to designated high-theft lines. We rely very heavily on a group that insurers report their data to, which is called the Highway Loss Data Institute. They prepared a report on the current parts-marking program in 1989 and they did find that it was having some success in terms of reducing the incidence of theft. However, some of the claims seem to be rising in average cost. Nonetheless, their conclusion was as follows:

The results of this study suggest that the marking of vehicle parts with identification numbers may have reduced the incidence of thefts of such cars, especially in large urban areas where car theft is common. It is important to try to analyze the value of the current program to learn where its failings may be and then to move forward, perhaps as you suggest, through the broader parts-marking program.

In this connection as well, we would take issue with the general statement that parts-marking has not had some impact on insurance losses and the resulting rates. We think that there may have, in fact, been some positive value, although difficult to quantify.

Finally, title IV of the act targets what we think may be one of the most significant problems, which is the export of stolen cars. Our data show some very interesting things about differences in different geographic areas of this country. For example, along the Mexican border, in 1989 the frequency of stolen car claims for 1,000 vehicles was 15.8 versus a countrywide average of only 8.8. The average amount that we had to pay out also was significantly higher along the southern border region. We also note that auto theft is a major problem in New York State generally, and especially in New York City, and it may, we think, be tied to the export of these vehicles. So we very strongly support title IV of the legislation.

In conclusion, it is our belief that H.R. 4542 will help fight auto theft, prevent the tragic loss of life, and reduce the costs for auto theft which we all share. Again, thank you for the opportunity to be here.

Mr. SCHUMER. Thank you, Mr. Snyder.

[The prepared statement of Mr. Snyder follows:]

**PREPARED STATEMENT OF DAVID F. SNYDER, SENIOR COUNSEL, THE AMERICAN
INSURANCE ASSOCIATION**

Mr. Chairman and Members of the Subcommittee:

Car theft costs America \$8 billion dollars each year, and has grown 34% since 1986. 152 United States cities have a greater car theft rate than Canada's worst car theft city. Seventy-five percent of the total amount paid by insurers for motor vehicle theft was for claims over \$5000.

Car theft not only costs money, but endangers, and even takes, lives. Recent examples include carjacking, where car owners are abducted, or killed for their cars or car thieves who deliberately crash stolen cars into other occupied vehicles for the fun of it.

Car theft never was, and is not now, a "victimless" crime. In fact, we are all victims directly, through the inconvenience, loss of work, and loss of value if our car is stolen, or indirectly through high insurance rates we pay to compensate other people for the loss of their vehicles. H.R. 4542, the Anti-Car Theft Act of 1992, makes the federal government a full partner, along with law enforcement, insurers, and others, in the effort to control and prevent this crime and the multi-billion dollar losses sustained as a result of it.

The American Insurance Association (AIA) represents approximately 250 insurers which provide almost 12% of the private passenger automobile insurance and 31% of the commercial automobile insurance in the United States. We believe that enactment of the Anti-Car Theft Act of 1992 would send a powerful message both to organized crime and to individuals: car theft is now an ultra-high risk activity.

INSURER EFFORTS TO COMBAT VEHICLE THEFT

Insurers engage in many activities and support several organizations dedicated to preventing, detecting and prosecuting car theft and fraud. Most automobile insurers offer significant financial incentives to purchasers of motor vehicles with anti-theft devices. The premium discount program for one AIA company is an example of these consumer incentives. Vehicles with alarms or active disabling devices earn a 5% discount from comprehensive premium. The vehicles equipped with passive disabling devices which make the fuel, ignition or starting system inoperable and do not require a separate manual step earn the consumer a 15% discount on his or her comprehensive premium. The discounts differ by state and by company.

At the claims level, insurers participate in many on-going company and industry wide efforts. For example, most insurers have special investigation units staffed with former law enforcement officials, whose purpose is to discover and investigate potential fraud in insurance claims. Insurance companies support industry-wide organizations, such as the AISG Index Bureau for personal injury claims and, the former National Automobile Theft Bureau, now the National Insurance Crime Bureau, for auto theft. Insurers also support sting operations, which have been highly successful in breaking up organized fraud and theft rings and in providing highly publicized prosecutions, which, hopefully, have had some deterrent effect. The American Insurance Association, along with other insurance trade groups and companies established and support CRAFT (the Coalition to Reduce Auto Fraud and Theft) as a model anti-theft and fraud bill drafting and tracking effort. Insurers and their trade groups, including AIA, lobby for anti-theft and fraud legislation in the states.

Although insurers have a strong commitment to fighting theft and fraud, there are severe limitations on the ability of the insurance industry to alone solve this problem. The designs of cars may make it too easy to steal them, and there will remain a strong profit incentive for chop-shop operations for cars not adequately marked with VINS. Insurers cannot police the international boundaries of the United States, where the exportation of stolen vehicles is apparently wide spread. A partnership is needed and the Anti-Car Theft Act of 1992 is a major step in establishing this partnership.

TITLE I - TOUGHER LAW ENFORCEMENT AGAINST AUTO THEFT

Subtitle A provides for increased penalties for auto theft. We strongly support this provision as adding more teeth to existing law. Nonetheless, the effectiveness of penalties relies on adequate law enforcement resources to assure the discovery and prompt apprehension of car thieves.

Many widely publicized car theft and prosecution investigations have involved large, organized car theft rings. This is one of the most disturbing elements of the issue and is deserving of some of the toughest criminal penalties. For this reason, we support enhanced criminal penalties and the inclusion of new RICO predicates.

Subtitle B would provide federal grants for State Anti-Car Theft Committees. Some states have already established anti-fraud or anti-theft committees or bureaus, and they can play an important role in dramatizing the problem and in helping to set priorities for efforts against car theft and fraud. Because car theft not only affects insurance companies, the public (to the extent victims have deductibles or to the extent they do not carry insurance), has a strong interest in the issue, so funding

of the committees by add-ons to vehicle registration fees, makes sense.

The federal grants proposed for the state committees should be awarded to the senior administrative decision making instrumentality with responsibility for auto theft under state statute. State governments should designate a high level official to coordinate the committee, who would be responsible for success and failure and who would be able to call upon other state agencies for resources as needed. This will assure accountability and full support by the state government's infrastructure.

TITLE II - AUTOMOBILE TITLE FRAUD

This title would tie together state departments of motor vehicles and create a national data system on automobile titles. This could be a positive development, because it would coordinate existing state systems and would, for the first time, provide a truly comprehensive national auto title system. A similar data net was effectively established under the Commercial Drivers License program authorized by the Congress in the Commercial Motor Vehicle Safety Act of 1986. Insurer reporting, under this Title, should be based on current data collection and reporting, to avoid unnecessary costs.

TITLE III - ILLICIT TRAFFICKING IN STOLEN AUTO PARTS

The current high theft line parts marking program has worked, but only moderately well. A recent study by the Highway Loss Data Institute found a greater decline in the frequency of thefts for parts marked vehicles versus those that were not. But the average cost of a parts marked vehicle theft claim also increased. The current parts marking law also imposes reporting

burdens on automobile insurers, to determine the high theft lines for the next time period. In view of the mixed success, we suggest that the current parts marking program be carefully studied, improved, scrapped or replaced with a broader program such as proposed in H.R. 4542.

The current law requires parts marking of only high theft lines. Title III of the Anti-Car Theft Act of 1992 would require the stamping of VINS on engines and transmissions and the affixing of VINS to about a dozen other parts for virtually all new motor vehicles. In addition, major replacement parts would also have to be marked. A national data system would be in place and auto repairers would be required to consult this system to make sure that the parts they are installing do not carry the VINS of stolen vehicles. Costs for the marking are capped.

We believe that the proposed parts marking program could offer a broader, more effective attack on theft than the current high theft line parts marking program. We urge careful consultation, however, with the automotive industry to make sure that the cost limits would not be exceeded by the requirements of the act and that automobile repairers would be able to discharge their responsibilities under the act, without undue burden. There is also a need for an audit trail to assure compliance.

The bill provides for studies after 3 and 5 years. Reporting requirements on insurers should be limited to insurers with 10% in a given state or 1% of the national market.

There is another serious problem with the insurer reporting language on page 38. It will likely be impossible to isolate the value of this legislation, vis-a-vis other anti-car theft efforts, in reducing premiums for comprehensive coverage.
Comprehensive

is a broad coverage protecting consumers from losses from storm, vandalism, as well as theft. It would be difficult enough to sort out the theft component, let alone the subcomponent of the theft component that relates to this particular law. For these reasons we urge the deletion of language in lines 18 - 22, beginning with "and" and concluding with "chapter;".

The new parts marking program should be carefully reviewed for its costs versus its benefits, after about three years. If benefits do not substantially outweigh costs, the program should be discontinued, because of the potential burdens and costs for auto makers, auto repairers, and insurers.

Rather than enacting the proposed new parts marking system, another approach would be to call together representatives of auto makers, law enforcement, insurers, and auto repairers to review the current parts marking law to see if a consensus could be hammered out for strengthening the current program, perhaps short of the new program envisioned under Title III of the bill. Failing to get this consensus, something like Title III could then be implemented.

TITLE IV - EXPORT OF STOLEN VEHICLES

Recent studies have shown very high rates of auto theft in some port cities and along the southern border of the United States. Theft claims along the Mexican border were 14 per 1000 insured cars versus 9.6 countrywide, resulting in an average payout of \$84 per insured car along the Mexican border versus \$23 countrywide according to a 1990 Highway Loss Data Institute study. New York State leads the country in thefts, principally because of the almost 148,000 car thefts annually in New York City. Clearly, there is significant trafficking of stolen vehicles for export out of the United States.

Current efforts to stem the export of stolen vehicles are apparently inadequate. Because export control is a function reserved to the United States Government, enhanced efforts by the Federal Government in this area are both necessary, and cannot be performed by any other party. We strongly support the provisions of H.R. 4542 to strengthen customs enforcement to prevent the exportation of, and trafficking in, stolen vehicles.

CONCLUSION

The Anti-Car Theft Act of 1992 brings the Federal Government strongly into the effort to curb auto theft. All Americans whose cars are stolen and all consumers who purchase automobile insurance are victims of this crime. Despite major efforts by law enforcement, insurers and others, there is a need for a stronger federal role. H.R. 4542 would make the Federal Government a full partner in the effort to contain this crime and to reduce its high and sometimes tragic costs. We support the intent and many of the provisions of this legislation and urge the Congress to move forward with all deliberate speed to establish an enhanced federal presence in the effort to contain motor vehicle theft.

Mr. SCHUMER. Mr. Brandau. Am I saying your name correctly?

STATEMENT OF HERMAN BRANDAU, ASSOCIATE GENERAL COUNSEL, STATE FARM INSURANCE COS., ACCOMPANIED BY GLENN R. WHEELER, STAFF CONSULTANT

Mr. BRANDAU. Thank you, Mr. Chairman. That is correct.

I am Herman Brandau, associate general counsel for the State Farm Insurance Cos. I am accompanied by Glenn Wheeler, staff consultant on auto theft in our claims department.

State Farm is the Nation's largest automobile insurer, insuring more than 33 million automobiles in the United States. In 1991, State Farm paid out approximately \$630 million for more than 317,000 motor vehicle theft claims. Auto theft continues to be a major problem in the United States. Not only is auto theft a significant factor in driving up the cost of automobile insurance, and, thus, a major expense for automobile owners, but the use of automobiles and the profits from automobiles are often intimately intertwined with other serious criminal activities. State Farm is committed to pursuing public policies which responsibly control claim costs so as to keep the price of automobile insurance at reasonable levels.

The problem of auto theft has many similarities to auto safety. It is clearly a multifaceted problem which demands a number of approaches and a substantial investment of time, effort, and resources in order to make progress. State Farm is, likewise, committed to making a major effort to combat auto theft. H.R. 4542, the Anti-Car Theft Act of 1992, is an excellent start in that direction. It effectively deals with several major issues concerning auto theft.

Motor vehicles are stolen for a variety of reasons and in a variety of ways. There are substantial geographic variations as to the extent of the problem, the reasons for auto theft, and types of vehicles stolen. Here are some examples of the variability of the problem:

Nationwide for all types of vehicles auto thefts account for approximately 36 percent of our automobile insurance comprehensive premium. However, by State this varies from a low of 4.8 in Montana to a high of 63.9 in New York City. For example, in Houston, TX, 14 of the top 20 high-theft frequency automobiles were specialty vehicles. These are vans, light trucks, minivans, and multi-purpose vehicles, and 6 were private passenger automobiles. In New York City, only 4 were specialty vehicles and 16 were private passenger vehicles. Also, specialty vehicles are now showing some of the highest theft rates.

For example, as demonstrated in exhibit A, which is attached to my written statement, for the 20 vehicles with the highest total theft rates, in 1986 and 1988 for 1986 model year motor vehicles, more than three-quarters of all auto thefts were private passenger automobiles. In 1989 and 1991, for 1989 model year vehicles, this dropped to less than one-quarter. During the same time, the number of newly purchased specialty vehicles remained approximately the same. More and more of these vehicles are being used as private passenger vehicles. For that reason, auto theft legislation should treat these vehicles as private passenger automobiles. H.R. 4542 does accomplish this important objective.

The reasons, methods, and targets of auto theft which come in many forms and techniques to combat auto theft must, likewise, take a number of forms and have the necessary flexibility to deal with the problem as it arises in various parts of the country. However, there is one overall uniting concept: Effective law enforcement. Without sufficient resources and training, none of the additional law enforcement tools contained in H.R. 4542 or other law enforcement tools now available will prove effective. H.R. 4542 makes an important positive step in the direction of supplying additional resources by providing Federal grants to encourage the formation of anti-car theft committees which can be quite effective in marshaling resources and directing them toward improved law enforcement to combat car theft.

Chop-shop auto thefts remain a substantial problem. Although State Farm's total theft rates in the last few years have remained relatively constant, we are seeing a substantial shift away from stealing automobiles required to be marked under present law to vehicles not marked. Exhibit A, which is attached to our statement, previously mentioned, shows that for 1988 vehicles with the highest total theft frequency, about one-half were marked. For target 1989 vehicles, the fraction of marked vehicles dropped below one-tenth.

Another improvement under H.R. 4542 over current law is the requirement that glass be marked. We have had some experience in this particular area. In January 1986, in the tricounty area of northwest Indiana we began a voluntary program to etch vehicle identification numbers on five glass and four sheet metal components of 18 high-theft vehicle models owned by our policyholders. The program produced the following results:

During the 2-year study period, claim frequencies on etched vehicles dropped 37.5 percent; average payment amounts for the etched vehicles decreased 14.2 percent. Adjusting for etching costs of \$16.50 per car, a net savings of \$476,000 was realized.

We believe the improved provisions for VIN marking, along with H.R. 4542's requirement relating to illicit trafficking in stolen auto parts and the creation of a national stolen auto parts information system, when combined with effective law enforcement, will significantly reduce the number of automobiles stolen for chop-shops.

There is a continuing problem in the United States with cars being stolen and then retagged. Major contributors to the problem are gaps in our State motor vehicle titling laws. The primary problems are lack of communication among States and lack of uniformity in the titling of cars which have become salvage vehicles. The national motor vehicle title information system created by H.R. 4542 will, we believe, lead to better communications and uniformity in this area.

The burgeoning market abroad for used vehicles is a growing motivation for auto theft. We clearly need more effective law enforcement to curtail the exportation of stolen vehicles. H.R. 4542 requires greater attention by Customs officials to this important problem, and we strongly support these additional requirements.

Mr. Chairman, we believe it is essential for the public to fully understand the importance of this issue. We are grateful to you, Mr. Chairman, and also to Congressman Sensenbrenner for not

only introducing this important legislation, but also for holding these hearings which will give the public valuable information on the extent of the auto theft problem and the need for effective corrective programs. Working together, as in the area of auto safety, we can make a difference. Thank you for giving us this opportunity to express our views.

Mr. SCHUMER. Thank you for your comprehensive testimony, Mr. Brandau.

[The prepared statement of Mr. Brandau follows:]

PREPARED STATEMENT OF HERMAN BRANDAU, ASSOCIATE GENERAL COUNSEL, STATE FARM INSURANCE COS.

Summary of the Statement
of Herman Brandau, Associate General Counsel
State Farm Insurance Companies,
on the Anti-Car Theft Act of 1992

State Farm is the nation's largest automobile insurer, insuring more than 33 million automobiles in the United States. In 1991, State Farm paid out approximately \$630 million for more than 317,000 motor vehicle theft claims. Thus, it is clear that auto theft is a serious problem driving up insurance premiums. State Farm remains committed to pursuing legislation to keep auto insurance at reasonable levels.

Progress in the fight against auto theft demands a comprehensive, nationwide, coordinated program. H.R. 4542, the Anti-Car Theft Act of 1992, is an excellent start, dealing with several important issues.

The Act will provide additional resources for law enforcement which will prevent all types of auto theft. Expanded parts-marking requirements that apply to all passenger motor vehicles will discourage "chop shop" thefts. Further, the Act's requirements that markings be tamper-resistant and that glass be marked vastly improve current law.

Finally, the Act's creation of a National Motor Vehicle Title Information System and a National Stolen Auto Parts System, combined with increased law enforcement, will also help reduce auto theft.

We believe that it is essential for the public fully to understand the importance of this issue. Congress and the private sector, working together, as in the area of auto safety where dramatic improvements recently have been legislated, can make a difference.

I. Introduction.

I am Herman Brandau, Associate General Counsel for the State Farm Insurance Companies. I am accompanied by Glenn Wheeler a staff consultant on automobile theft in our claims department. We thank you for the opportunity to appear before you on an issue of extreme importance to us and the motoring public.

State Farm is the nation's largest automobile insurer, insuring more than 33 million automobiles in the United States. In 1991 State Farm paid out approximately \$630 million for more than 317,000 motor vehicle theft claims.

Auto theft continues to be a major problem in the United States. Not only is auto theft a significant factor in driving up the cost of automobile insurance and thus a major expense for automobile owners, but the use of automobiles and the profits from automobiles are often intimately intertwined with other serious criminal activities. Automobiles are stolen to support drug habits as well as used for selling drugs. Organized auto theft rings are also often a part of broader organizations involved in numerous illegal activities. Stolen vehicles are involved in a great number of auto accidents.

State Farm is committed to pursuing public policies which responsibly control claim costs so as to keep the price of automobile insurance at reasonable levels. We have been among the leading advocates of various federal, state and local programs to improve auto and highway safety. The many years of activities of ourselves, other automobile insurers and other interested individuals and organizations have clearly borne fruit. Although major progress in auto safety initially appeared to be an unachievable goal, recent statistics indicate that these many years of hard work have brought major improvements in auto and highway safety.

The problem of auto theft has many similarities to auto safety. It is clearly a multifaceted problem which demands a number of approaches and a substantial investment of time, effort and resources in order to make progress. State Farm is likewise committed to making a major effort to combat auto theft. We are principal contributors to the newly formed National Insurance Crime Bureau and were very active in its predecessor organizations. We have worked at the federal, state and local levels to create programs to assist law enforcement agencies to combat auto theft. We worked for and continue to support the principles behind the federal Motor Vehicle Theft Enforcement Act of 1984. Like auto safety, we believe we need a comprehensive, multifaceted, nationwide, coordinated program to finally make major progress against auto theft.

H.R. 4542, the Anti-Car Theft Act of 1992, is an excellent start in that direction. It effectively deals with several major issues concerning auto theft.

II. The Many and Changing Faces of Auto Theft.

Motor vehicles are stolen for a variety of reasons and in a variety of ways. There are substantial geographic variations as to the extent of the problem, the reasons for auto theft, and types of vehicles stolen.

Auto thefts fall into the following major categories, (1) joy riding (2) chop shop activities (3) exporting (4) part or component theft (5) owner give-ups or fraud and (6) car jacking. Here are some examples of the variability of the problem.

Nationwide for all types of vehicles, auto thefts account for approximately 36% of our automobile insurance comprehensive premium. However, by state this varies from a low of 4.8% in Montana to a high of 63.9% in New York. For example, in Houston, Texas, 14 of the top 20 high-theft frequency automobiles were specialty vehicles (vans, light trucks, minivans, and multi-purpose vehicles) and 6 were private passenger automobiles. In New York City, only 4 were specialty vehicles and 16 were private passenger. Also, specialty vehicles are now showing some of the

highest theft rates. For example, as demonstrated by Exhibit A, for the 20 vehicles with the highest total theft rates, in 1986 and 1988 for 1986 model year motor vehicles more than three-quarters of all auto thefts were private passenger automobiles. In 1989 and 1991 for 1989 model year vehicles, this dropped to less than one-fourth. During the same time the number of newly purchased specialty vehicles remained about the same.

More and more of these vehicles are being used as private passenger vehicles. For that reason, we and other safety advocates have urged the National Highway Traffic Safety Administration to apply the same safety standards to these vehicles as for private passenger automobiles. NHTSA has recently announced a series of rules to apply most of the auto safety standards to specialty motor vehicles. For the same reason, auto theft legislation should treat these vehicles as private passenger automobiles. H.R. 4542 does accomplish this important objective.

III. Countermeasures to Auto Theft.

Because the reasons, methods and targets of auto theft come in many forms, techniques to combat auto theft must likewise take a number of forms and have the necessary flexibility to deal with the problem as it arises in various part of our country. However, there is one overall uniting concept--effective law

enforcement. Without sufficient resources and training, none of the additional law enforcement tools contained in H.R. 4542 or other law enforcement tools now available will prove effective.

H.R. 4542 makes an important positive step in the direction of supplying additional resources by providing federal grants to encourage the formation of Anti-Car Theft Committees. As the Michigan Anti-Car Theft Committee has demonstrated, these committees can be quite effective in marshaling resources and directing them towards improved law enforcement to combat car theft.

Coordination of antitheft efforts is essential if we are to make major progress. H.R. 4542 has appropriately placed the Attorney General in the principal role of coordinating antitheft activities. Beyond promulgating antitheft standards for automobiles, the Justice Department is given new powers under federal criminal law to deal with auto theft. These include making certain activities relating to auto theft, such as altering or removing VIN identification numbers, a predicate act under federal RICO.

A. Countermeasures for Chop Shops.

Chop shop auto thefts remain a substantial problem. H.R. 4542 has a number of provisions which we believe can be quite effective in combating auto theft for the purpose of supplying cars to chop shops. These include an expanded requirement for the marking of major body parts of automobiles. We agree with the provisions of H.R. 4542 which require that all automobiles be subject to the marking requirements including specialty vehicles now increasingly the target of theft.

Although State Farm's total theft rates in the last few years have remained relatively constant, we are seeing a substantial shift away from stealing automobiles required to be marked under present law to vehicles not marked. Exhibit A, previously mentioned, shows that for 1988 vehicles with the highest total theft frequency, about one-half were marked. For target 1989 vehicles the fraction of marked vehicles dropped below one-tenth.

The provisions of H.R. 4542 which require a higher standard of tamper-resistant markings is an important improvement over current law. Another improvement over current law is the requirement that glass be marked. We have had some experience in this particular area.

In January 1986 in a tri-county area of northwest Indiana we began a voluntary program to etch vehicle identification numbers on five glass and four sheet metal components of 18 high-theft vehicle models owned by our policyholders. The program produced the following results:

During the two-year study period, claim frequencies on the etched vehicles dropped 37.5%, from 8.73 thefts per 1,000 insured etched vehicles to 5.46 per 1,000. Average payment amounts for the etched vehicles decreased 14.2%, from \$4,947 to \$4,246. Actual gross savings for the two-year period from theft reduction of all vehicles were \$652,767. Adjusting for etching costs of \$16.50 per car, a net savings of \$476,860 was realized.

We continue to believe that combined with effective law enforcement, VIN marking of major body parts and glass can be an important countermeasure to chop shop motivated auto theft. We believe that the VIN marking should be across the board and not on selected vehicles.

We have one recommendation for improvement of H.R. 4542 relating to parts marking. The bill should specifically require that replacement parts' generic markings or any certification seals they may bear be subject to antitampering and anti-counterfeiting requirements similar to those on new car parts. Also, there should be a procedure to make sure that those parts imported into the United States comply with such antitampering and anticounterfeiting requirements.

We believe (1) the improved provisions for VIN marking along with H.R. 4542's requirements relating to illicit trafficking in stolen auto parts, and (2) the creation of a National Stolen Auto Parts Information System, when combined with effective law enforcement will significantly reduce the number of automobiles stolen for chop shops.

B. Auto Theft for Retagging Purposes.

There is a continuing problem in the United States with cars being stolen and then retagged. Major contributors to the problem are gaps in our state motor vehicle titling laws. The primary problems are lack of communication among states and lack of uniformity in the titling of cars which have become salvage vehicles. H.R. 4542 sets up a program that will, we believe, lead to better communications and uniformity in this area. The

National Motor Vehicle Title Information System provided for in H.R. 4542 will be an important step in curtailing the practice of retagging stolen cars.

C. Stealing Autos for Export.

The burgeoning market abroad for used vehicles is a growing motivation for auto theft. We clearly need more effective law enforcement to curtail the exportation of stolen vehicles. H.R. 4542 requires greater attention by customs officials to this important problem, and we strongly support these additional requirements.

D. Auto Theft for Other Purposes.

The general provisions in H.R. 4542 will, of course, be helpful in preventing all types of auto theft. In particular, Anti-Car Theft Committees can help direct resources to the problems in particular areas which need the most attention. Most frightening is the emerging problem of car jacking. Hopefully, vigorous law enforcement pursuant to H.R. 4542 will help curtail this activity. Joy riding can be discouraged by improved antitheft devices built into automobiles. Hopefully, certain auto manufacturers will improve their steering columns to make

them more difficult to crack open. A general increased emphasis on law enforcement against auto theft should discourage joy riding.

E. Conclusion.

We believe it is essential for the public to fully understand the importance of this issue. We are grateful to Congressman Schumer for not only introducing this important legislation but also for holding these hearings which will give the public valuable information on the extent of the auto theft problem and the need for effective corrective programs. Working together, as in the area of auto safety, we can make a difference.

Thank you for giving us this opportunity to express our views.

PERCENT OF INVOLVEMENT FOR TOP 20 VEHICLES

1986 Models in Calendar Year 1986

Vehicles to be Marked in 1987	=	64.4%
Specialty Vehicles	=	23.0%
Vehicles not to be Marked	=	12.6%

1986 Models in Calendar Year 1988

Vehicles to be marked in 1987	=	66.2%
Specialty Vehicles	=	24.8%
Vehicles not to be Marked	=	8.9%

1988 Models in Calendar Year 1988

Marked Vehicles	=	47.2%
Specialty Vehicles	=	44.0%
Unmarked Vehicles	=	8.8%

1988 Models in Calendar Year 1990

Marked Vehicles	=	40.6%
Specialty Vehicles	=	36.7%
Unmarked Vehicles	=	22.7%

1989 Models in Calendar Year 1989

Marked Vehicles	=	9.4%
Specialty Vehicles	=	76.5%
Unmarked Vehicles	=	14.1%

1989 Models in Calendar Year 1991

Marked Vehicles	=	7.8%
Specialty Vehicles	=	72.7%
Unmarked Vehicles	=	19.5%

Mr. SCHUMER. Mr. Gillis.

**STATEMENT OF JACK GILLIS, DIRECTOR OF PUBLIC AFFAIRS,
CONSUMER FEDERATION OF AMERICA**

Mr. GILLIS. I am here today representing the Consumer Federation of America, a strong supporter of H.R. 4542. Whether it be in higher insurance premiums, expensive personal losses, or tremendous hassle and inconvenience, the burden of the exponentially increasing problem of auto theft is falling heavily on the shoulders of the American consumer.

We are here today to suggest that the most economical and effective solution to reduce this burden is by attacking the problem at its source, at the vehicle. In fact, with today's innovative technology, to even suggest that the consumer should shoulder this burden is akin to providing each individual with the equipment necessary to purify every glass of water that they drink, rather than purify the water at the source. So, too, the most effective way to attack the growing problem of auto theft is at its origin, the vehicle.

We encourage the automakers and the insurance companies to step forward and vigorously help pass H.R. 4542 as a sensible and economical way to stem auto theft, one of the fastest growing costs of automobile ownership. We believe this legislation will go a long way to putting the brakes on auto theft.

On the other hand, to ignore this legislation and do nothing is to ensure that the consumer will shoulder the total \$19.5 billion price tag for auto theft. We heard earlier, in Mr. Hanna's testimony, that he was concerned about the industry spending \$15 million. This is a paltry sum compared to what we consumers are currently paying.

I also might add Mr. Hanna's approach to this issue is reminiscent of his approach, and that of the car companies, to auto safety. They once said "Of course, we're concerned about safety, but we simply don't know how to make cars safer."

Thanks to consumer advocates, the insurance industry, and Congress, Mr. Hanna's companies are now falling all over each other trying to tell consumers which of them is now providing the safest automobiles. As in auto safety I believe they have the capability to come up with incredibly creative solutions to the problems of auto theft, beginning with the model set forward by H.R. 4542.

Mr. Snyder indicated earlier that auto theft is often called the victimless crime. This is not a victimless crime. In fact, even if insured, the victim of an auto theft suffers considerable, unaccounted for, monetary and personal loss. As evidence of this particular cost, I would like to share with this subcommittee one person's experience with the crime of auto theft. While you are going to hear many facts and figures that document the cost of auto theft, thanks to the diligence of one citizen, Margaret Crenshaw, I'm able to report to you the side of this crime that the statistics rarely show.

In December 1989, Ms. Crenshaw was one of the 313 victims of auto theft from a D.C. pay parking lot. The original cost of her car was over \$20,000. In addition, she kept track of her other costs as a result of the theft, including her rental car, the contents of her car, her time spent with police, and the filing of insurance forms,

the costs involved in finding a new car, the interest lost when they had to pay cash for their new car, the time she spent dealing with the dealers, licensing, inspecting, the District government, her husband's time, the outside legal advice that she needed to deal with her insurance company, and her own legal fees for handling this particular case. Her total costs were over \$29,000, which, by the way, does not consider the cost that the insurance company incurred dealing with this particular case.

However, in the end, she settled for \$16,000, resulting in a direct net loss to her of \$14,000. Even if we arbitrarily cut Mrs. Crenshaw's losses in half to \$7,000 and multiply this by the 1.6 million cars stolen each year, we've already uncovered \$11 billion in hidden expenses associated with lost time at work, uncompensated rental costs, and much, much more. This is on top of the incredible \$8 billion that the experts say auto theft costs the American public. These are the expenses that the national statistics miss.

We heard earlier from the Department of Justice. Well, in 1978, the Department of Justice took a different approach. In examining the expenses associated with auto theft, they uncovered a staggering 0.46 billion dollars' worth of expenses associated with just the criminal justice aspect of this particular crime. That didn't include the over \$1.8 billion that they estimated it would cost to investigate theft of auto contents and accessories.

The statistics show that the auto theft problem is getting worse, not better, and we consumers are continuing to pay a steep price for the lack of action. I strongly suggest, on behalf of the Consumer Federation of America and its 240 companies, that this legislation will go a long way to saving the American consumer the \$19.5 billion that auto theft is really costing us.

The industry witnesses are here to tell you today how business will benefit from this bill, but I'm here to say that if H.R. 4542 becomes law, the biggest winner will be the American consumer. On behalf of CFA and the American consumer, we thank you, Congressman Schumer, for introducing this legislation and we stand ready to assist you in its progress through Congress.

Mr. SCHUMER. Thank you, Mr. Gillis.

[The prepared statement of Mr. Gillis follows:]

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STATEMENT OF
JACK GILLIS
DIRECTOR OF PUBLIC AFFAIRS
CONSUMER FEDERATION OF AMERICA
ON H.R. 4542
THE "ANTI-CAR THEFT ACT OF 1992"
BEFORE THE
HOUSE JUDICIARY COMMITTEE
SUBCOMMITTEE ON CRIME AND CRIMINAL JUSTICE
MARCH 31, 1992

Whether it is in higher insurance premiums, expensive personal losses or tremendous hassle and inconvenience, the burden of the exponentially increasing problem of auto theft is falling heavily on the shoulders of the American consumer. And those costs increase as we try to protect ourselves by purchasing extra theft prevention items, some of which are of dubious value.

We are here today to suggest that the most economical, effective, and efficient solution to reducing this burden is by attacking the problem at its source--the vehicle. In fact, with today's innovative technology, to even suggest that the consumer shoulder this burden is akin to providing each individual with the equipment necessary to purify every glass of water they drink, rather than purify the water at its source. So, too, the

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most effective way to attack the growing problem of auto theft is at its source--the vehicle.

I am here today as a representative of the Consumer Federation of America, the nation's largest consumer advocacy organization representing over 240 consumer groups and over 50 million Americans, to support the passage of HR 4542. This legislation is an important step in offering the American consumer protection against the enormous costs associated with automobile theft. Without such legislation, the consumer is left to protect him or herself against the growing and more technologically sophisticated incidence of automobile theft. We encourage the automakers and insurance companies to step forward and help pass this legislation as a sensible and economical way to begin to stem this aspect of the growing cost of automobile ownership. We believe that this legislation will go a long way to putting the brakes on auto theft. To ignore this legislation is to turn your back on a problem that could be resolved.

For years, vehicle theft has been considered as a victimless crime. People believe that if a car is insured, the owner suffers no serious loss short of inconvenience. This is simply untrue. Any victim, even if insured, suffers unaccounted monetary loss.

To demonstrate this cost, I would like to share with this committee one person's experience with the crime of auto theft.

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While this committee is sure to hear many facts and figures documenting the costs of auto theft, thanks to the diligence of Margaret Crenshaw, I am able to report costs that the statistics rarely show. While Mrs. Crenshaw's diligence may be atypical, her experience is repeated many thousands of times every day throughout the country.

In December of 1989, Ms. Crenshaw was one of the 313 victims of auto theft from a D.C. pay parking lot that year. Her two-year-old Jeep Cherokee was stolen from a secured lot and subsequently wrecked. The original cost of the car was \$20,342. In addition, she kept track of her other costs as a result of the theft: rental car, contents from car, her time spent with police, insurance forms, parking lot, new car dealers, licensing, inspection, district government, her husband's time, the interest lost when they paid cash for a new car, outside legal advice on dealing with insurance company, and her own legal fees for handling the case. Her total of these costs was \$29,894.13 (not counting expenses incurred by the insurance company). After the time and effort spent pursuing the case, she was forced to settle for \$16,064.50, resulting in a loss of over \$13,000. She believes that this compensation was because she challenged her insurance company's first offer, and as an attorney, she represented herself in court. Of course, there is no way to put a price or quantity on her frustration and emotional energy spent on dealing with the entire process of replacing the lost car.

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This is just one example of the 1.6 million cars stolen. If we cut Ms. Crenshaw's losses in half to \$6900, and multiply this by the number of cars stolen each car, there is an additional \$11 billion cost from lost time at work, uncompensated rental costs, and more on top of the incredible \$8 billion that experts say auto theft costs the American public.

These are the expenses that the national statistics miss. As this case illustrates, vehicle theft costs Americans in different ways. It costs first in property loss, time loss, inconvenience, injuries, and work loss. Second, it costs in federal, state, and local taxes that are used to maintain law enforcement services, courts, jails and other agencies of vehicle crime control.

A portion of all public spending on criminal justice -- police, judicial, legal service, public defense, and corrections -- is related to the theft of automobiles and their contents. Over ten years ago (1978), the Department of Justice estimated these expenses by computing the percentage of all arrests representing motor vehicle thefts, then multiplying this percentage by total spending on the criminal justice system.¹ If we increase this number for inflation alone it would amount to a staggering 456 million--and that doesn't begin to consider the exponential increase in auto theft since 1978 and the resulting

¹ U.S. Department of Justice, Memorandum on Determining Costs.

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public costs. I may respectfully suggest that this committee ask the DOJ for an update.

The Department of Justice also estimated that criminal justice expenses for the theft of related contents and accessories totalled more than three times as much. While the DOJ admitted that number is high, using them we estimate that these expenses approximate the auto-theft related costs of \$1,368 million for a total taxpayer cost of \$1,827 million.

Statistics show that the auto theft problem is getting worse, not better. Theft rose 4.5% between 1989 and 1990 to 1.6 million motor vehicles stolen in 1990. And, over 2.9 million Americans had vehicle contents or valuable parts stolen.² Once every eight seconds somewhere in this country a car is stolen or broken into. And approximately one out of every 42 registered motor vehicles was stolen or had its contents or accessories stolen in 1990.

These statistics refer to the physical property stolen, but auto theft steals more than possessions--if the car is wrecked or involved in an accident, it can take lives, cause physical and emotional injuries--these are costs that cannot be estimated.

Theft-Related Insurance Premiums: Theft accounts for 50% of

² National Insurance Crime Bureau

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comprehensive auto insurance premiums. Consumers' rising auto and homeowners insurance premiums cover most losses associated with auto theft. While we don't know the precise size of these premiums, this expense can be estimated. Based on state average comprehensive premiums, we estimate that theft-related premiums average \$50¹ per private passenger policy. Multiply this figure by the number of cars insured (85% of 145 million registered cars -- 1990). Theft-related premiums total \$6.1 billion.

A portion of homeowners insurance pays for the replacement costs of the contents of stolen cars. This property includes items such as money, clothes, and tools. FBI statistics show that for 1990, the average value of contents stolen from cars is \$541. This cost then becomes \$910 million dollars.

Costs of Theft Prevention: The rising rate of auto thefts during the 1980s called for stronger anti-theft measures. New laws that combat organized theft rings and an increased use of anti-theft devices were among the results. However, many experts find car alarms are not as strong a deterrent as was originally thought. Nonetheless, consumers spend over \$400 million annually on protection ranging from steel steering-wheel locks and collars to elaborate alarm systems to expensive electronic tracking

¹ National Association of Insurance Commissioners, Private Passenger Automobile Insurance State Average Expenditures and Combined Premiums, 1990.

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systems.⁴ While anti-theft devices may qualify for a discount on comprehensive coverage, consumers will still spend anywhere from \$15 for an etching tool to \$250 for an alarm, to \$1500 for a tracking device. If everyone spent \$25 on anti-theft prevention, the expense to consumers who purchased over 13.5 million cars and light trucks in 1990 would be \$330 million.

Consumers will also pay for parking in lots away from home to discourage theft. This theft-related expense includes the money spent on parking lots and garages beyond the cost of using these facilities if theft were not a concern. If this expense represents 5% of all parking costs, a conservative estimate brings the total to \$69 million.

Direct Costs of Auto Theft: In addition to theft-related insurance premiums, consumers pay additional costs when their vehicles are stolen. For example, most insurance policies have \$50-100 deductibles on auto theft. Conservatively estimating the average deductible at \$60 per policy, the expense to consumers totalled approximately \$81 million in 1990.

In addition, many insurance policies do not pay for auto rental and other transportation costs related to auto theft. If one-quarter of those having cars stolen incurred an average rental expense of \$200, the total cost would be \$80 million.

⁴Consumer Reports, February 1992, p.96

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Other direct costs include the cost to insured consumers who do not file claims and insured losses which are not paid by insurers. Cars extensively damaged that are repaired are rarely restored to their pre-theft condition: windows may not roll easily, or tires may never be properly aligned. These expenses cannot be estimated.

Other Consumer/Citizen Related Expenses: Other theft-related expenses which cannot be estimated include:

- The cost of litigation not paid for by insurance or law enforcement.
- Lost wages related to time lost at work related to theft.
- The societal cost of accidents involving a stolen vehicle that would not have occurred if the vehicle had not been stolen.
- The costs to the criminal justice system dealing with juveniles lured into a life of crime by the ease of automotive theft, beyond the expenses related directly to these thefts.

Summary of Consumer Costs¹

¹ Not updated.

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Theft-related premiums	
Auto	6,100,000,000
Homeowner	?
Theft prevention expenses	
Security devices	400,000,000
Parking garages	69,000,000
Direct expense	
Deductibles	81,000,000
Uncompensated rental	80,000,000
Repair/Replacement for uninsured owners	600,000,000
Other direct costs	?
Taxpayer expense	1,827,000,000
Other indirect costs	11,000,000
TOTAL	9,168,000,000

Auto theft happens everywhere--in cities with more than 50,000 people and with less than 10,000--in suburban, rural and cosmopolitan America. But the fact remains that the highest statistics for theft are in large cities. In 1990, there were 801 motor vehicle thefts for every 100,000 people living in the

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most populous areas of the country. This means that the people who are the least likely to afford the loss are the most affected. Besides the vehicle, parts and contents such as wheels, car phones and stereo equipment are all prize targets no matter where you are parked. Extra money spent on parking or anti-theft devices is wasted when thieves can take the wheels off your car in seconds and disarm an alarm system in a matter of seconds.

The only way to deter auto theft is to take the profit out of stealing a car, and this bill does just that. The parts marking program posed in H.R. 4542 will help police build cases against chop shops and will break the alliance between car thieves and shady repair shops. The title fraud section will close an enormous loophole in state motor vehicle administration, through which car thieves are now able to get valid titles for stolen cars. And third, the export section will close another loophole. Right now, thieves are able to ship cars out of the country without even an attempt at interference by the Customs Service. Industry witnesses are here today to tell you how businesses will benefit from the bill, but I am here to say that the biggest winner in the bill is the American consumer.

Mr. SCHUMER. I want to thank all the witnesses. Hopefully, we can get the word out, which you all seem to feel that this is a good piece of legislation, we're going to have to get the word out to the American public. That's one of the reasons we did our thing this morning, but we're going to keep doing it, because they shouldn't be in the dark that there is something that can be done. We're going to try to do it.

OK, Commissioner Adduci, let's see, I think you've really answered most of these questions. I just wanted to ask you about: Do you think that the States should be required to opt into our system or should we leave it optional?

Ms. ADDUCI. Well, it's an interesting question because generally when you say to a State—"Do you want a Federal mandate?"—the answer is no. However, I think there's an incentive here for the States to get into it because we really want to do this. This is evidenced by the fact that we've already started a pilot which I think will help with the eventual implementation of the NMVIS. So I think there's an eagerness on the part of the States to do this. As I mentioned in my testimony, I think the Federal grant program would go a long way to doing that.

I guess I'd like to see it—my grandmother always said, "You can get more birds with sugar than you do with vinegar," so I guess I'd like to see it go that way.

Mr. SCHUMER. OK, well, we'll try to put as much sugar in this bill as there is around these days. There's more vinegar around these days.

OK, both for Mr. Snyder and Mr. Brandau, let me first ask you, Mr. Snyder, you mentioned in your written testimony all the parties should get together in a room and try to agree on a parts-marking program that will make a difference, and that's really one of the purposes of this hearing. Do you believe that the parts-marking program in this bill would be effective deterrent to auto theft and, if not, what changes would you make?

Mr. SNYDER. Well, Mr. Chairman, I think that we've suggested a variety of approaches. When you look at the current parts-marking program, the data is a little bit inconclusive but, by and large, seem to suggest that it has improved things. If you look at the program that you are proposing in your legislation, it is very clear that it is a broader program and it will probably be more effective in that it includes, as you said, that interface between, the stolen parts and the legitimate market.

There is a view that perhaps a program less extensive might achieve some benefits. Frankly, there's a varying spectrum of views in the membership that I represent, but I think overall what you're proposing here ought to get some very serious attention. It is clear that it is a broader program, and it will likely, in my view, be more effective than the current program.

The ability to quantify is somewhat difficult, something that I'm grappling with to try to give you the very best data that I can. I do not share the view of MVMA that you can say as a blanket matter that the current program has worked to reduce insured losses and insurance rates. I don't think you can say that at all, and I'd be pleased to share the background information for that.

Mr. SCHUMER. Well, just about every other witness has disagreed, whether they be from law enforcement or insurance, that it hasn't contributed, or from the Government side.

Mr. SNYDER. Right.

Mr. SCHUMER. Let's see, let me ask again both the witnesses from the insurance companies: Do you folks believe that it makes sense to spend a little money to cut down on—I mean, I'm trying to get the economics of this. The insurance industry, in my judgment, has been fairly progressive in this issue, and they fund different groups to reduce auto theft, et cetera. I take it you're doing that not just out of eleemosynary purposes, but it probably helps increase profits, which is fine with me. Can you just elaborate on that a little bit? How is it—what happens? The rates come down and that makes insurance more available? You get less flack? Mr. Brandau.

Mr. BRANDAU. Well, I think, speaking for my company, and I think all the other automobile insurers in the United States, we certainly recognize what I know you recognize in your State, that the cost of automobile insurance is a concern to the people. It has been said by some that we favor this bill just to bring down the cost of claims to make more profits, but that's not the case. We favor this bill as a means to bring down the cost of automobile insurance in a socially responsible way.

Many of us, myself and the AIA, and in particular, Mr. Snyder, and others, have been involved for many years in auto safety. What we want to do is bring down the costs of automobile insurance, but we do want to save people's lives and serious injuries. As we all know now, auto theft is more than stealing cars. This is organized crime, and some of it has some violent implications. So we're very much concerned about representing the broad interests of our policyholders.

What would happen if you had an effective law and effective law enforcement? Now you can pass all the laws you want—

Mr. SCHUMER. Sure.

Mr. BRANDAU [continuing]. But you need the money and the resources out there. If this legislation leads to lower thefts, then this will affect automobile insurance comprehensive rates. Everything else being equal, your rates will certainly decrease.

An example of that is what's happened in Michigan. Comprehensive rates have come down in Michigan because of their effective program, and we want to be a part of this effort. We certainly would like to work with others, auto manufacturers, and would like to work with public officials. We have a long history of working with consumer groups and in particular, Jack Gillis and the Consumer Federation of America.

Mr. SCHUMER. Right. Go ahead, Mr. Snyder. And one other question of you: You mentioned in your testimony on the parts-marking maybe we should sit down with the manufacturers as well on this. Well, you heard Mr. Hanna's testimony. Do you think it's possible that all the people in the room, including Mr. Hanna and his components, including myself on the one side and them on the other, Mr. Sensenbrenner and myself, could come to an agreement?

Mr. SNYDER. Well, I'll say this: I was surprised by the testimony of the MVMA at how little the program would really cost on a per-

car basis. I was, frankly, expecting a much higher number, and I would feel more optimistic that if you can deal with the cost issue, there ought to be a way to bring the interested parties together. I think you're probably 90 percent of the way there, as is evidence from all the testimony that you've heard today.

With respect to the costs of auto theft, there are a couple of things to keep in mind. About a sixth of the average automobile insurance premium is comprehensive. So that's really what we're focusing on. We, like you and the Congress, have been very concerned about reducing the other portions of the premium dollar through highway safety measures and other measures, and we continue to want to work to find ways to do that. But, clearly, a healthy chunk of the premium, about a sixth of it, goes for comprehensive, and a healthy chunk of that is the result of theft losses. So there is no question that this bill is targeted on a major cost issue for insurers, but ultimately, and most importantly, for consumers.

Theft costs are reflected in the way most companies file their rates—and they do it in different ways, but most of them have a make and model year program; that measures how the model of a car performs in terms of its claims over the years. The cost to insure that car, will go up or down, based upon how it performs in collision repairs and how it performs as a target for theft. So we are deeply concerned about that, and anything that will overall reduce the base costs involved we're very much in support of.

And, finally, of course, we do provide financial incentives for consumers to buy antitheft devices. Yes, we are deeply concerned about it. Your legislation does target a key part of the automobile insurance premium, and we want to work with you to maximize its impact.

Mr. SCHUMER. I certainly agree with you, and maybe Mr. Gillis can comment on this. In my neighborhood, they seem to steal—we have a high rate of auto theft—they seem to steal the foreign cars. Japanese-made cars seems to be the No. 1 thing stolen. And about 2 years ago it became clear that—well, I'll mention the model—Ford Taurus, which is a pretty good car, in my opinion didn't get stolen very much. All of a sudden, people in our building, four families, in our apartment house, four families have bought Ford Tauruses because of that reason. It was stolen less. So you would think there would be an incentive, you know, to deal with this issue of auto theft.

Mr. Gillis, how well aware are consumers about the different rates of theft among the various cars, and how much does it motivate their buying cars or not buying cars?

Mr. GILLIS. In neighborhoods like yours, they are becoming very, very aware of it. In fact, you may want to recommend that your neighbors buy the Ford Escort. It happens to be one of the least stolen or broken into cars in America.

Mr. SCHUMER. That's the littler one, an even smaller one than—

Mr. GILLIS. It's probably too small for you.

Mr. SCHUMER. It's smaller than the Taurus?

Mr. GILLIS. It's smaller than the Taurus; right.

Mr. SCHUMER. Well, I have a family; I can't—

Mr. GILLIS. But I think one of the things that some of these statistics point out, which was alluded to—

Mr. SCHUMER. Why is that, by the way? Do you have any idea why it is rarely stolen?

Mr. GILLIS. It doesn't have very high resale value, usually doesn't have a very sophisticated stereo system, and generally doesn't have valuable contents. So those three factors really contribute more than the car itself.

Mr. SCHUMER. Maybe we should ask Mr. Hanna why it's stolen less.

Mr. GILLIS. One reason why we were so supportive of this particular legislation, is the parts-marking concept. Often these cars are stolen and broken apart is because the automobile manufacturers, with a virtual monopoly on the sale of automobile parts, have exponentially raised the cost of parts. In raising the cost of parts, they are opening up a tremendous market for the illegal sale of either counterfeit or stolen parts.

Mr. SCHUMER. It was my understanding that that was true several years ago, but that now there are lots of companies that make the parts and they're not of the Big Three. They make them on their own and the costs have come down a great deal. Is that true?

Mr. GILLIS. That is true, where there is competition, however that competition is occurring in relatively small percentages of the parts. You saw how many parts were today taken off that car. There are tens of thousands of different parts on a car. Where there is competition, however, such as a Diehard battery, a Midas muffler, or a generic fender, you will find that the cost of the original car company part is far lower than where there is no competition.

Mr. SCHUMER. OK, any of the other witnesses, any other comments?

Mr. BRANDAU. Congressman, I wanted—

Mr. SCHUMER. Mr. Brandau.

Mr. BRANDAU [continuing]. I wanted to add one other thing.

Mr. SCHUMER. Please.

Mr. BRANDAU. We had some discussion before about the NHTSA report on the theft of cars.

Mr. SCHUMER. The NHTSA report, I have to say, I mean it's been quoted by everybody; it is totally inconclusive. They say in the report that it's inconclusive. So I know that some folks have cited it saying it's worked; others have cited it hasn't. I read it. It just is saying there's not enough evidence.

Mr. BRANDAU. Well, I wanted to just mention a few things. One, I think we have to recognize that parts have only been marked since 1987.

Mr. SCHUMER. Right.

Mr. BRANDAU. And the report was only for 2 years of experience. We have some problems with the methodology of the NHTSA report. But maybe more important that that are really two important things that we have to consider when one examines auto theft rates.

Cars are stolen for a variety of reasons. Chop-shops are only one of them. Cars can be stolen and completely exported and not for chop-shops purposes. So when you're looking at theft rates, you're

looking at a combination of three, four or five reasons. So, for example, you could have a very effective program in terms of turning down chop-shops thefts, but that's not going to have an effect on exporting cars. So you have to look at it from that point of view. That makes any sort of comparison difficult and at least you want to look at it with a somewhat jaundiced eye, because it's not measuring only chop-shop thefts.

One other thing. In preparing for this testimony, I discussed one important point. If you take a look at the report, it compares theft rates of private passenger automobiles, those marked and those that weren't marked. Well, what we found out was there's been a tremendous shift of auto thefts to specialty vehicles——

Mr. SCHUMER. Right.

Mr. BRANDAU [continuing]. That's not even covered in that report. So if you want to start thinking about what's happened, people are not only stealing less marked cars, which is what we found. The tentative results are it's not only unmarked cars they're shifting to, but to specialty vehicles. There's a lot going on out there, and you want to keep that in mind in terms of the NHTSA report. There's a lot more that we have to look at. It's a very dynamic area.

Mr. SCHUMER. I found your numbers very interesting, and they will be part of the record.

OK, Commissioner Adduci, Mr. Snyder, Mr. Gillis, Mr. Brandau, and to all the witnesses, I think it was a very good hearing. We learned a lot. We're paving the way toward moving the legislation.

I once again want to thank Jim Sensenbrenner, David Yassky on my staff, who has done such a great job; our minority staff has been terrific. And, finally, I want to thank Alan Friedman. These transcriber folks, they're the unsung heroes of all these hearings and they never get mentioned. So thank you, too, Alan.

The hearing is adjourned.

[Whereupon, at 3:46 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE HEARINGS

Comments by Motor Vehicle Manufacturers Association of the United States, Inc. on Proposed Requirements in Title III of H.R. 4542

Title III would introduce requirements which expand upon and conflict with the ineffective and burdensome requirements already placed on the motor vehicle industry by the Theft Act of 1984 and the resulting Part 541 of Title 49 of the Code of Federal Regulations.

- Existing parts marking requirements have not been proven effective (per NHTSA's 5-year report on Part 541). A 1989 report by the Highway Loss Data Institute was also unable to state with any certainty that parts marking has been effective in reducing vehicle theft. Since this parts marking adds cost to each marked vehicle with no accompanying benefit to consumers, the parts marking requirements in Part 541 should be terminated. There is no justification for any expansion of parts marking to additional parts or to additional types of vehicles.
- Section 130 would add "windows" to the "major parts" definition and expand mandatory marking to other parts which are not considered high theft parts, namely, the grille, trunk floor pan, and frame or structure. Glass is difficult to mark in an effective manner and is not a high theft item. This definition would add approximately 10 to 12 labels or markings per vehicle.
- Section 130 would also expand parts marking to low theft rate passenger cars, multi-purpose passenger vehicles (MPVs) and trucks up to 10,000 lb. GVWR, whether or not vehicle theft is a concern and whether or not parts marking could ever be cost beneficial. Nationally, in 1990, less than one percent of the total registered vehicle population was stolen. Therefore, only a small portion of vehicles and consumers would benefit from some sort of parts marking, even if it were effective.

Each major manufacturer is spending millions of dollars to comply with current Part 541 requirements. This unjustified expansion of parts marking would multiply that cost by four to five times!

- Section 131 would require the Attorney General to establish a vehicle theft prevention standard, even though two vehicle theft prevention standards (FMVSS 114 and Part 541) already exist, and regardless of the lack of need or benefit for such a new standard. The proposed new standard, under the jurisdiction of the Attorney General, would be in competition with, and likely in conflict with, Part 541 which is under the jurisdiction of the Department of Transportation. Vehicle manufacturers would be placed in the untenable position of trying to comply with competing and incompatible requirements administered by two different agencies.
- Section 131 (a) would require the Attorney General to initiate rulemaking and promulgate a standard even though the Attorney General has little or no experience in rulemaking or in administering motor vehicle standards.

Comments on H.R.4542

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- Section 131 (b) would require the Attorney General to issue a new standard within 9 months, an inadequate period of time to gather the necessary facts, hold hearings, prepare notices for the Federal Register, receive and analyze comments, and prepare a final rule which "shall be practicable and shall provide relevant objective criteria."
- Section 131 (b) would require manufacturers to comply with the extensive and unjustified requirements of the proposed new standard without any consideration for lead time or for the cost or capability of compliance.
- Paragraph 131 (c)(1) would require manufacturers to stamp the full VIN on engines and transmissions. This paragraph is in conflict with Part 541 which allows qualifying manufacturers to stamp the VIN derivative on engines and transmissions. The VIN derivative is adequate information for computer VIN searches and does not force an expensive change in tooling or manufacturing just to accommodate parts marking which has no measurable benefits. The necessary changes in the design of casting bosses, tooling for milling, and related manufacturing equipment would cost several million dollars per manufacturer. In addition, this specific requirement would prohibit any advances in technology which could result in a marking method superior to stamping.
- Paragraph 131 (c)(2) would require the affixing of a label on each of the listed parts regardless of whether it is feasible or even possible to affix such a label on such parts. For example, labels "affixed" to windows would be considered unsightly, and would be removed quickly by dealers or owners. No penalty or enforcement is proposed regarding vehicle owners who might remove unsightly labels. Further, we think it should be the responsibility of the salvage and insurance industries (who benefit from the process) to specifically identify vehicle parts which are salvaged and reintroduced legitimately into the automotive replacement parts business.
- Paragraph 131 (c)(2)(B) would specify the usage of one particular labeling technology which, to our knowledge, is patented and available from only one source. Such a requirement would prohibit the development of any other marking technology or source which may be more cost effective.

In addition, recent consultations with three leading label manufacturers has led to the determination that no label technology exists today which can meet all of the requirements for parts marking labels as set forth in Title III. Therefore, the label technology which paragraph 131 (c)(2)(B) would mandate is not adequate for the proposed requirements in other sections and paragraphs of this bill.

- Paragraph 132 (b) would not allow a manufacturer to include the costs of marking the engine and transmission in its calculation of the cost of marking each vehicle. This proposed prohibition may distort any evaluation of the true costs of parts marking. As stated above, the cost of marking engines and transmissions as proposed in 131 (c)(1) will be a significant increase over the current marking costs for many manufacturers.

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- Section 133 would provide risks for significant additional administrative costs and diversion of critical manpower from more useful purposes. These costs and diversions cannot even be estimated until after the Attorney General decides what records, reports, inspections, and other administrative burdens seem necessary and publishes that decision in a public document.
- Paragraph 133 (c)(1) would require an individual certification of compliance for each vehicle and each replacement part to be determined by the Attorney General. If such certification were to be different from, and in addition to, the certification of compliance in Part 541 which manufacturers are already performing, the added cost and complexity would be both unjustifiable and untenable.
- Section 134 would establish a major new computerized program containing detailed information about stolen motor vehicles and stolen motor vehicle parts. Rather than create an all new program which could take 10 to 15 years to develop, we believe that one of the two current long-term computer programs regarding stolen vehicles, the NICB and NCIC (FBI) computerized data storage and transfer systems, could be adopted to accommodate the additional information requirements proposed in paragraph 134 (b). Even starting with existing computerized systems, the proposed new program could take several years to establish appropriate channels for collecting useful information, to program that information in a logical, user-friendly manner, and to provide a reliable service for which interested parties might be willing to pay a fee.
- Section 2 Paragraph (a) would require a 3-year study to determine the cost effectiveness of parts marking for trucks, MPVs, and motorcycles and to recommend to Congress whether trucks, MPVs and motorcycles should be identified. This study should be completed, and provide a positive cost-effective basis, before parts marking for these motor vehicles is mandated. Unfortunately, paragraph 130 (4) would mandate the marking of parts for trucks and MPVs within a few months after the bill is enacted, without the benefit of any cost effectiveness study. The requirements in paragraph 2 (a)(3) seem to contradict the mandate given in paragraph 130 (4).
- Section 2 Paragraph (b) would require a more detailed 5-year study and report to Congress, incorporating a recommendation of continuing, modifying or terminating the parts marking standard based on cost/benefit evaluations. Since the 5-year report on the current parts marking standard (published March, 1991) could not find that marking major parts of high theft rate passenger cars has been cost beneficial, little or no possibility exists that the proposed marking of low theft rate passenger cars, trucks, MPVs, and motorcycles could ever prove cost beneficial.

For all the reasons stated above, we recommend that the proposed parts marking requirements in Title III of H.R. 4542 be deleted from the bill. Further, in the absence of any demonstrated benefits or effectiveness, we recommend that the parts marking requirements in the Theft Act of 1984 be deleted from that law and from the resulting Part 541.



COMMONWEALTH OF KENTUCKY
 KENTUCKY STATE POLICE
 919 VERSAILLES ROAD
 FRANKFORT 40601

BRERETON C. JONES
 GOVERNOR

BILLY G. WELLMAN
 COMMISSIONER
 AND
 SECRETARY OF JUSTICE

February 20, 1992

Lile Nirenberg
 U.S. House of Representatives
 Judiciary Committee
 Subcommittee on Crime and
 Criminal Justice Minority
 111-CHOB
 Washington, D.C. 20515

Dear Mr. Nirenberg:

Thank you for your inquiry concerning our Vehicle Identification Program (VIP). Enclosed for your review is some information on our VIP program.

Since the program was initiated in late 1980, the Kentucky State Police and other Kentucky police agencies that operate a crime prevention section have marked in excess of 150,000 vehicles. While recent figures are not available, after approximately the first five years of operation there had been only four marked (etched) vehicles stolen. One of the vehicles was stolen by an employee and recovered, a non-professional theft. Two were high theft type vehicles and were immediately abandoned and recovered intact. In the first five years only one vehicle out of the 130,000 marked vehicles has been lost. That vehicle was a 1977 Datsun 280Z.

As you will note from reading the enclosed material, the VIP has proven very effective in reducing auto thefts throughout the United States. To even improve on the "engraving" system, we have recently improved the etching process. When the system was first developed, we used quick drying black lacquer paint, then used a pencil to write in the VIN, then applied the etching acid which produced the hand printed VIN.

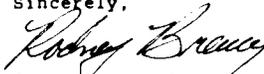
Today the system has been improved. Now a special type of paper is used which is typed on with a typewriter then applied to the window. When the acid is applied to the paper, the letters and numbers are etched into the window leaving neat reproductions the size of type. The time required to actually type the VIN on the paper is about 5 minutes, the application of the paper to the vehicle along with the acid is another 5 to 10 minutes.

AN EQUAL OPPORTUNITY EMPLOYER M/F/H

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February 20, 1992

After receiving this information if I can be of any further assistance, please do not hesitate to give me a call at (502) 695-6344 or write me at: Kentucky State Police
919 Versailles Road
Frankfort, Kentucky 40601

Sincerely,

A handwritten signature in cursive script that reads "Rodney Brewer".

Capt. Rodney Brewer
Commander
Public Affairs Branch

Security number

THE LOUISVILLE TIMES

MONDAY, MAY 9, 1983

Auto ID program works, police say, but they need money, staff for it

By LELA A. RANDLE
Louisville Times Staff Writer

Stealing cars would be less appealing to many thieves if more people took part in Kentucky's Vehicle Identification Program, police say.

Statistics show the professional thief is more likely to pass up a VIP-marked car. But the program is not widely used locally because local police departments say they don't have the manpower or the money to implement it.

Since the Kentucky State Police started the first VIP in 1980, only three of the more than 20,000 vehicles marked under the program have been stolen, said Lt. Richard McQuown, commander of the Kentucky State Police auto-theft unit.

About 1,477 vehicles were reported stolen last year in Louisville and Jefferson County. Statewide, about 18,000 people a year lose their cars and trucks to thieves. And only half of the vehicles are recovered.

Most police agree that the program is an effective deterrent and recovery tool. Under the program a vehicle's identification number is etched on each window.

State police are hoping VIP will catch on with local police departments across the state.

Of the five major police departments in Jefferson County, St. Matthews has a marking program and Louisville has a limited vehicle-identification program.

Jefferson County, Shively and Jefferson area police don't participate in VIP.

Local police officials blame the limited programs or lack of them on a lack of manpower and funds.

And, they say, there hasn't been a big demand for such a program.

McQuown said the identification procedure is relatively inexpensive, easy and quick. He said the state's Office of Crime Prevention in Frankfort will send etching tools and materials to local law-enforcement agencies — something some of the police departments in Jefferson County were not aware of.

Why does marking a vehicle help?

"Anytime you put more numbers on a vehicle the professional thief will be scared of it," McQuown said. Many theft operations depend on changing or obscuring the vehicle-identification numbers.

That can't be done with a VIP car because it would mean replacing all its windows — an expensive operation, he said.

The Vehicle Identification Program goes like this: An officer will match the identification number on the car with the number on the registration title to make sure they are the same. Then the number is etched on each window, and a warning sticker is placed where it can be seen easily.

The owner of the vehicle then fills out an enrollment card that is sent to the state for registration.

State troopers carry VIP kits to their cruisers, but they only mark vehicles by appointment, McQuown said. He suggests that social, neighborhood and civic organizations arrange for groups of motorists to have their vehicles registered at one location — a shopping center or service station, for example.

Troopers from state police posts in La Grange and Elizabethtown will come to Louisville to mark vehicles.

The St. Matthews Police Department marked about 80 cars last year, said crime-prevention officer Chuck Zimmerlee. The department also likes marking to be a group effort.

The Louisville Police Department has marked only a small number of cars since officers started doing it a year ago. The main reason is because the nine-man crime-prevention unit can't handle large numbers of requests, said Sgt. Dennis Bergstrasser, the department's director of crime prevention.

Bergstrasser said the unit's main job is to educate residents in ways to protect their homes, businesses and neighborhoods. Trying to conduct a car-marking program, he said, "would be too much to get into," he said.

Louisville police will mark cars by appointment, but they don't register the identification with the state. City police — and other local police departments — say they have other ways of searching for stolen vehicles.

They use a computer hooked up to the Law Information Network of Kentucky and the National Crime Information Center to check on stolen vehicles and to verify registrations.

Detective Robert Dobbs, of the county police's auto-theft unit, said, "Maybe we'll do it at a later date. I would like to see this program started for owners of high-theft vehicles." Those would include expensive sports cars, customized vans and trucks, he said.

"I think it's a good program and a valid program," Dobbs said. "And I have seen it used very effectively in

other cities." But the department doesn't have enough manpower or money, he said.

Maj. Roe Morris of the Jefferson County Police Department said his department has the same problem: too few men and too little money.

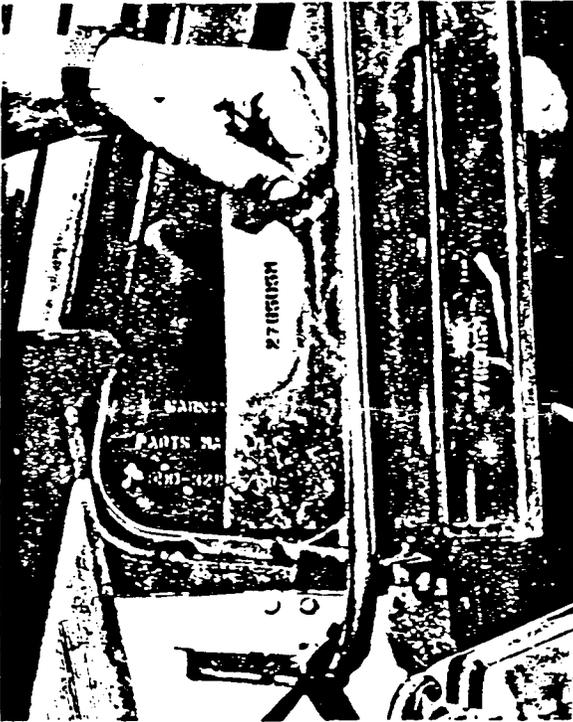
Two crime-prevention officers do security checks and lecture before groups, advising people to engrave their social security numbers on citizens' band radios, stereo equipment and computers. They also tag on cars, Morris said. That aids police in recovering stolen property and in finding the owner.

For information on how to get your vehicle marked or how to organize a VIP session for a club or group, call the Kentucky State Police at the La Grange post, 222-0181, or the Elizabethtown post, 682-0081; the Louisville police's crime-prevention unit, 681-2500; or the St. Matthews Police Department, 928-9444.

The scene is a familiar one. A truck tractor is stolen from a terminal yard, a truck stop, or off the street. It is immediately delivered to a location where a team of mechanics will dismantle the vehicle. Within a matter of hours, the remains of the truck tractor are being sent in different directions for use in repair of other vehicles or in the completion of a new truck tractor started from a glider kit. The vehicle that was originally stolen is gone forever, and it is unlikely that it will ever be recovered or that the thieves or dismantlers will be apprehended.

Crime Reporter

Pilot Program Attacks Truck Theft



By
LOUIS E. BRACKSIECK
*Special Agent
Federal Bureau of Investigation
Washington, D.C.*

Based on statistical review of data from the FBI National Crime Information Center (NCIC), approximately 1,500 stolen truck tractors were entered into the system each month during calendar year 1981. For the same period, approximately 1,100 truck tractors were cleared or canceled per month. This disparity between the entries and clearances and cancellations graphically profiles a nagging problem in the trucking industry as well as in law enforcement—more trucks are stolen than are recovered.

A private organization is now attacking this problem with an identification program designed to deter potential thieves and to assist law enforcement officers. The Truck Renting and Leasing Association (TRALA),

The sandblasting gun and the template held at the left of this photograph combine to quickly and clearly etch the full vehicle identification number and outside number into



Telephone (516) 222-3419
Contact Phyllis Brown

FOR IMMEDIATE RELEASE

AVIS TRIES HARDER TO PREVENT AUTO CRIME

GARDEN CITY, NEW YORK, October 20, 1983 -- Avis Rent A Car System, Inc. has launched an intensive crime prevention program to reduce auto theft and crime, and preliminary results seem to indicate a decrease in theft incidences and an increase in the number of recoveries, the company announced today.

"Auto theft is a problem endemic to the car rental industry," said Ron Van Raalte, security manager for Avis' Great Lake Zone area. Mr. Van Raalte, past president of the International Association of Auto Theft Investigators, coordinated the development and implementation of the Avis program.

"One stolen unrecovered car means the possible loss of \$8,000 or more," Mr. Van Raalte said. "Multiply that by the number of vehicles in our United States fleet and the potential for loss becomes very substantial."

"The average consumer thinks that company losses are no big deal because we (the company) merely write them off on our insurance policies. But, they are wrong. Losses from auto crime and theft are big deals and somebody has to pay for them. Some of these costs ultimately result in higher consumer prices."

-more-

The Avis anti-auto crime program is underway in Cleveland, Cincinnati, Detroit, Louisville and Chicago. One aspect is a test program regarding a component parts identification system. Identification numbers are stenciled in a minimum of 18 undisclosed places on each vehicle.

Avis supports the proposed legislation which would require vehicle manufacturers to stamp vehicle identification numbers on to the additional component parts of the automobile.

"While Avis believes that the mandatory stamping of key component parts at the point of manufacture is the only truly effective way to enable law enforcement to make positive identification of marketable component parts," said Seth Kaminsky, Avis' vice president security/corporate service, "Avis is proceeding with the next best approach by identifying certain parts after we receive the automobile."

For security reasons, all elements of Avis' anti-auto crime program cannot be disclosed, "however, we are encouraged by early signs and feel certain the program will continue," added Mr. Van Raalte.

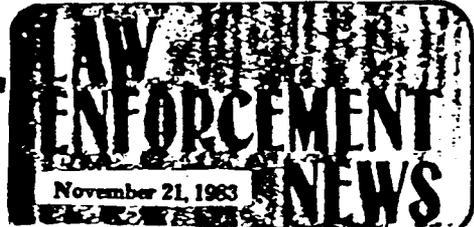
As Avis has discovered, auto theft can be attacked. Lt. Rick McQuown, commander of the Kentucky State Police Auto Theft Unit, is the current president of the International Association of Auto Theft Investigators, and coordinates the VIP Program.

Lt. McQuown stated that, "The VIP Program has proven that marking component parts of vehicles has a definite deterrent effect on vehicle theft. Having marked over 75,000 cars in Kentucky, only one has been lost, compared to the national average of one out of a hundred."

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"We're trying to achieve broad-based awareness," said Lt. McQuown. "Often, that means going to corporations. When corporations get involved, you reach hundreds of people, their families and friends."

"Vehicle theft has been significantly reduced in Kentucky, which I attribute to a number of factors. Good police work, organizations committed to reducing crime, such as Avis, and more publicity. Of these, I think public awareness is still the single most important factor needed to reduce crime."



**Avis tries harder, gets results
with auto-theft prevention plan**

The Avis Rent A Car System has launched an intensive crime prevention program to reduce auto theft, and company officials say preliminary results indicate that the program has resulted in fewer thefts and more recoveries.

Although Avis officials would not disclose all aspects of the prevention program for security reasons, one element is a component parts identification system that is now being tested in Cleveland, Cincinnati, Detroit, Louisville and Chicago. In those cities, identification numbers are stenciled in at least 18 places on each car.

Lt. Rick McQuown of the Kentucky State Police, who coordinates the program, said it "has proven that marking component parts of vehicles has a definite deterrent effect on vehicle theft. Having marked over 75,000 cars in Kentucky, only one has been lost, compared to the national average of one out of a hundred."

Ron Van Raalte, security manager for the Avis region where the program is being tested, said, "Auto theft is a problem endemic to the car rental industry.... The average consumer thinks that company losses are no big deal because we merely write them off as our insurance policies. But they are wrong. Losses from auto crime and theft are big deals and somebody has to pay for them."

Ohio Motorist

NOVEMBER, 1983



Marking auto parts is key to cutting theft

by Jerome Turk and Don S. ...

Copyright, 1983 Ohio Motorist

MARKING the major parts of automobiles — fenders, hoods, trunk lids, seats, doors, window glass and similar items — is a requirement to combat the booming auto theft industry in Cleveland and other American cities, according to police and insurance company experts.

Ideally, the parts of new cars should be marked at the factory with the vehicle identification numbers (VIN). But the reluctant auto makers have so far stymied proposed U.S. legislation to make it mandatory, pleading manufacturing complications and cost (estimated at about \$10 per car).

Meanwhile, local programs seem to prove the effectiveness of parts marking.

In neighboring Kentucky — where the state's 10,000 auto thefts in 1982 were fewer than the City of Cleveland's more than 13,000 and only one-fourth of Ohio's — a police program of marking auto parts is free to motorists.

Kentucky State Police Capt. Norman Bryant showed Ohio Motorist convincing evidence that his state's Vehicle Identification Program (VIP) dramatically reduces theft among cars. Last year window glass has been marked. Of 60,000 vehicles so marked since 1981, only three have been stolen. Two of those were recovered intact.

For more than a year AAA Members and the public in northern Ohio have been able to purchase a do-it-yourself kit, developed by the Euclid police, to mark the VIN in window glass. Auto thieves usually pass up such cars because of the trouble of removing the glass in order to sell the stolen parts without telltale identification numbers.

In Greater Cleveland, Avis Rent A Car marked all its vehicles on

(Continued on Page 11)

the window glass and other places after 44 of its rented autos were stolen. Hertz and National also have marked their rental cars here because of the high rate of theft in Cleveland, which ranks third in the nation for stolen cars.

A new bill entitled the Motor Vehicle Theft Enforcement Act of 1983 has been introduced in Congress. It is Senate Bill 1400, which may have more support than a similar bill which died in the last Congress without ever coming to the floor. Congressional observers say that S. B. 1400, which deals with mandatory parts marking by the manufacturers, may have a 50-50 chance of passage.

Sen. George Isherwood of the Cleveland Police Department's auto theft unit says: "A federal law is required so that all cars will be marked in a uniform way."

But Isherwood wants the law to require more.

"Marking component parts is not the only answer. The law also would make it illegal to remove or deface the numbers or to have a vehicle in your possession from which the numbers have been removed."

"There is only one reason to remove the identification numbers, and that is to conceal the fact the parts have been stolen," he says.

Joe Rolik, Cuyahoga County claims manager for Nationwide Insurance, is another proponent of the federal legislation.

Rolik is fighting auto theft in Greater Cleveland with a bold and innovative program in which Nationwide crushes totally-stripped cars and terminates their titles instead of selling them for restoration.

By eliminating the "strip-outs" and their Ohio titles from the marketplace, Nationwide has been reducing the demand for stolen parts for the past 12 months.

Efforts in Congress to require the automakers to stamp or attach decals with identification numbers on parts date back to 1979 when the Senate Committee on Governmental Affairs held hearings.

At one point Sen. Sam Nunn (D-Ga.), had the following exchange with George Cook, a Chrysler Corp. official who was testifying:

SEN. NUNN: I know you are all good citizens and you want to do as much as you can to combat crime, but just looking at it from the pure economic sense, what incentive does an auto manufacturer have to do anything to curb auto theft?

COOK: I have to say it is more difficult for the manufacturer to find an economic incentive.

SEN. NUNN: Your economic incentives would be in the other direction; the more stolen, the more you make, the more you sell; the more you sell, the more money you make.

Li. Richard McQuown of the Kentucky State Police levels criticism directly at Detroit for showing "a blatant disregard for law enforcement needs" in curbing auto theft.

"The reluctance of manufacturers to permanently mark component parts because of cost factors or because permanent marking is ineffective and doesn't work is just not a correct evaluation of the issue," McQuown adds.

McQuown, who is also president of the National Association of Auto Theft Investigators, points to the effectiveness of the Kentucky VIP program, which is offered free to the state's motorists through local police departments with materials supplied by the Kentucky State Police.

"The cost is about 50¢ per car," says Capt. Bryant, who worked with McQuown in developing the low-cost marking technique.

Instead of cutting a cardboard stencil, the Kentucky method is to brush a strip of quick-drying acrylic paint on each window, allow it to set, and inscribe numbers into the painted area with an ordinary ball point pen. Glass-etching paste is brushed over the paint. In a few minutes the paste is wiped off and the hand-written number remains etched in the glass.

The Kentucky procedure takes about 10 minutes per car, Bryant says. "But teams of police officers working together can even reduce that time."

(3) "Passive" means an anti-theft device or system which is activated automatically when the operator turns the ignition key to the off position; and

(4) "Tubular" means a type of lock whose key is cylindrically shaped and which has at least fifty thousand (50,000) combinations. (Enact. Acts 1986, ch. 352, § 2, effective July 15, 1986.)

304.20-410. Five percent discount. — Motor vehicle insurance companies shall give a five percent (5%) discount on comprehensive coverage on any motor vehicle equipped with any of the following anti-theft devices:

(1) Ignition or starter cutoff switch which is inserted into the ignition wiring of a motor vehicle that has flush or tapered door lock buttons;

(2) Non-passive, externally-operated alarm which is activated if any door, the trunk or hood is opened;

(3) Internally operated alarm which is activated if any door, the trunk or hood is opened, but which does not meet all the criteria in subsection (1) of KRS 304.20-420 or subsection (1) of KRS 304.20-430; or

(4) Steering column armored collar which clamps on the steering column over the ignition lock. (Enact. Acts 1986, ch. 352, § 3, effective July 15, 1986.)

304.20-420. Fifteen percent discount. — Motor vehicle insurance companies shall give a fifteen percent (15%) discount on comprehensive coverage on any motor vehicle equipped with any of the following anti-theft devices:

(1) Internally operated alarm system which automatically cuts off the ignition or disconnects the starter and is activated if any door, the trunk or hood is opened, but which does not meet all the criteria in subsection (1) of KRS 304.20-430;

(2) Non-passive fuel cutoff device which is activated when a switch is tripped or when the device is engaged by a key;

(3) Non-passive steering wheel lock consisting of a steel collar and barrel, into which the shackle of a lock fits, which is permanently attached to the steering post and the lock is operated by a tubular key;

(4) Armored cable hood lock and ignition cutoff switch where the cable extends through the firewall and is secured to prevent retraction, but which does not meet all the criteria in paragraph (a) of subsection (6) of KRS 304.20-430; or

(5) Window identification system in which identification letters or numbers are etched into all windows of the motor vehicle other than small vent window (Enact. Acts 1986, ch. 352, § 4, effective July 15, 1986.)

304.20-430. Twenty percent discount. — Motor vehicle insurance companies shall give a twenty percent (20%) discount on comprehensive coverage on any motor vehicle equipped with any of the following anti-theft devices:

(1) Passive alarm system which meets the following criteria:

INTERNATIONAL ASSOCIATION



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1991 - 1992 Officers of IAATI

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B J Wood
HD & L Investigations

March 27, 1992

Mr. Charles E. Shumer
House of Representatives
Committee on the Judiciary
Washington, D.C. 20515

Anti-Car Theft Act 1992-HR4542

Dear Congressman Shumer,

Our association has reviewed HR4542,
and completely supports the proposed legislation.

Our association was founded in 1952 and consists of 2,200 auto theft investigators from federal, state and local law enforcement agencies, plus agents from the National Insurance Crime Bureau (NICB) and members from the private sector including insurance companies and car manufacturers. We have continuously supported legislation which would help to identify and recover stolen vehicles and reduce the auto theft incidents.

Our association supported the Auto Theft Act of 1984 which was initially introduced in Congress in 1976 by Senator Percy from Illinois. We, however, were dismayed by the "water downed" final product which was passed.

The Auto Theft Act of 1992, with its emphasis on title II of the bill to not only require parts marking to all new passenger vehicles including vans and pickups and requires motor and transmission stampings, but additionally insists on the used parts verification prior to installation. This strong section of the bill reestablishes the original intent of the 1984 Act. This should be a great aid to all our auto theft investigators in locating and identifying stolen vehicles and the vehicle parts. It should be noted, however, that

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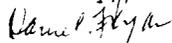
this section while it includes stamping on the motor and transmission did not include the stamping on the main body of the vehicle, and it is hoped that this will be including in the bill at a later date.

The other sections of the bill, including the increasing of the penalties and the helping to establish networks between various state motor vehicle administrations to reduce vehicle title fraud are very outstanding features of the bill. The final section of the bill with regard to the exports of vehicles should help reduce this ever increasing problem.

It is hoped that this outstanding legislation is passed as written with only minor modifications.

Our association applauds the efforts of your office in formulating and introducing this bill and working for its final passage.

Sincerely,



Daniel F. Ryan
Special Agent FBI
President IAATI
880 Front Street
San Diego, California 92188
(619) 231-1122

Statement
on
The Anti-Car Theft Act of 1992, H.R. 4542
before the
Crime and Criminal Justice Subcommittee
of the
Judiciary Committee
United States House of Representatives
March 31, 1992

Submitted by
The Mobile Electronics Association
Darrell E. Issa
President
and
Martha J. Lockwood
Executive Vice President

Mr. Chairman, and members of the Subcommittee, the Mobile Electronics Association is pleased to submit its views on the proposed bill, the Anti-Car Theft Act of 1992, H.R. 4542, a bill to prevent and deter auto theft.

The Mobile Electronics Association, or MEA, is a nonprofit trade organization which represents the \$4.1-billion mobile electronics industry. MEA was founded in 1978 and was formerly known as the Car Audio Specialists Association\Vehicle Security Association. The work of the Association is sustained through the financial support and volunteer assistance of over 450 companies and individual operations that range in size from the multi-national corporation to the mom-and-pop, one-stop, car audio retailer.

MEA's mission is to develop and encourage the advancement of mobile electronics and to enhance public understanding of its contributions while meeting the needs of society. And that is why we are grateful for your hearing today.

Vehicle security equipment and vehicle recovery/location equipment are included among the four primary products manufactured, distributed, sold and installed by our membership. MEA members are industry leaders who introduce innovative technology--including vehicle security--to the American consumer. In addition, we would be pleased to provide the Subcommittee with information about vehicle security systems and auto theft statistics.

Our members, through the equipment they manufacture and sell, fill an obvious need for vehicles security systems. Every nineteen seconds a motor vehicle is stolen in the United States. In 1990, there were 1.6 million vehicles reported stolen according to the *FBI's Annual Crime Statistics*. An estimated average of 1 of every 119 registered motor vehicles was stolen nationwide in 1990. This theft rate is up 49 percent since 1985. The theft of 1.6 million vehicles translates into an economic loss of \$8.2 billion, approximately a 60-percent cost increase over 1985. In addition, theft of motor vehicle parts, accessories, and contents made up the largest portion of reported larcenies--37 percent--for 1990. Also, the last six years have seen theft from motor vehicles increase fifteen percent nationwide. Stringent measures are needed to protect our citizens and their valuable property.

It is the opinion of the Mobile Electronics Association that H.R. 4542 reflects America's concern about the estimated \$8-9 billion per year auto theft racket, while heightening the public's awareness of the seriousness of the crime. MEA supports the major provisions of the bill:

1) H.R. 4542 would require manufacturers to place a Vehicle Identification Number (VIN) on all major parts. It would require car repair shops installing major parts to call a toll-free number to check the VIN tag against the FBI's record of stolen cars. This provision is intended to put out of business the "chop shops" that fuel street-level thievery. 2) It would

create an electronic clearinghouse to assist state motor vehicle departments to prevent thieves from obtaining "clean" titles for stolen vehicles. 3) The bill would tighten the U.S. Customs Service's supervision of exported automobiles and would direct Customs to spot-check containers destined for overseas. 4) It would also double the federal penalties for auto theft offenses, including a federal offense--punishable by up to 20 years in prison--for armed car-jacking, and would provide \$10 million in funding for state and local auto theft enforcement efforts.

In addition to supporting the major provisions of the bill, we are hopeful that future versions will contain provisions for vehicle security systems.

Ten states have demonstrated and advocated the need for vehicle security devices. By the mandate of their legislatures, these states require insurance companies to give insurance premium discounts to policyholders who install electronic vehicle security systems on their motor vehicles. We are pleased that vehicle security systems are a major element in combatting car theft. Some states, like Michigan, are going one step further. Since Michigan established the Auto Theft Prevention Authority (ATPA) in 1985, the state's auto theft rate decreased 13.2 percent, compared with the 49 percent increase nationwide that was stated earlier.

In contrast to Michigan's success, for example, auto thefts have increased 52 percent in Texas, 68 percent in California, and 71 percent in Florida from 1985 to 1989. A key factor in Michigan's ATPA's success is its adoption of minimum standards for vehicle security systems enabling citizens to become eligible for insurance discounts on cars equipped with the following systems:

- ▶ an audible alarm that can be heard at a minimum distance of 300 feet for at least three minutes.

- ▶ an active disabling device which prevents the vehicle from starting by making the fuel, ignition or starting system inoperative, and
- ▶ the etching of a 17-digit vehicle identification number (VIN) on the windshield, side glass and rear window glass.

Part of the success of these programs is owed to the fact each jurisdiction sets its own alarm activation cycle, or amount of time that an alarm can sound.

In closing, we want to thank the Subcommittee for this opportunity to address the Anti-Car Theft Act of 1992, H.R. 4542. Due to the decrease in theft rates where insurance discounts on vehicle security systems are mandated, MEA believes that these systems have played a valuable role in deterring auto thieves. America needs as strong of a deterrent as possible to prevent this loss of billions of dollars to Americans.

Let us re-emphasize that the Mobile Electronics Association stands ready to help the Congress and the Executive Branch with technology, technological assistance and plain old American ingenuity to assure that our fellow Americans maintain their personal safety and mobility.

Thank you, Mr. Chairman.

American Family Insurance Group

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AMERICAN FAMILY MUTUAL INSURANCE COMPANY
 AMERICAN FAMILY LIFE INSURANCE COMPANY
 AMERICAN FAMILY FINANCIAL SERVICES, INC.

March 23, 1992

Mr. Lyle Nirenberg
 Representative Counsel
 US House of Representatives
 Committee on Judiciary/Minority
 111 C.H.O.B.
 Washington, D.C. 20515

Dear Mr. Nirenberg:

Pursuant to your request, I am pleased to provide information developed as a result of research into the effectiveness of vehicle identification number (VIN) marking as a deterrent to theft.

By way of introduction, I am the Manager of the Special Investigations Unit for American Family Mutual Insurance Company. In 1986, I completed research that resulted in a thesis for my Masters Degree in Management. We were interested in automobile theft and the possibility of finding a consistent deterrent. I hold a Bachelors Degree in Industrial Technology from the University of Wisconsin, Platteville. I have been an investigator and/or a manager of investigations for the past 21 years. I have been involved with the insurance industry in the area of insurance fraud investigations for the past 12 years and was one of the parties instrumental in the development of the International Association of Special Investigation Units which is recognized by the industry and by legislators in several states as being a resource in the development of legislation regarding insurance fraud. Insurance fraud is an important aspect of automobile theft and we will return to that later in this correspondence.

Regarding VIN marking as a deterrent to auto theft, in 1986, supported by American Family Mutual Insurance Company, I conducted the research alluded to earlier. In that research, we selected a test group of vehicles numbering in the vicinity of 20,000. We offered to mark the VIN's into the window glass using an acid etching technique. The company's offer was to do it for free. Nearly 2,000 people took us up on the offer and we marked the windows on their cars. I will not burden you with the mathematics or the mechanics of the study. By reference, I am sending together with this correspondence a full copy of the thesis for anyone who wishes to read it. An analysis of the statistics and accuracy of the study was conducted. It was decided that if the study were to be completed 100 more times, the results would be nearly the same if not precisely the same in 95% of the studies. The bottom line was that vehicle identification number marking if done properly is a significant deterrent to automobile theft.

There are several aspects about which you should be aware. One is the effectiveness of VIN marking which I referred to earlier. Another is the motivation of the thieves and a third is insurance fraud and its impact on automobile theft. VIN marking is involved in all three aspects.

March 23, 1992

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To begin with, if the VIN marking is not done properly, it has significantly less impact on automobile theft than if it were done properly. I have talked to a number of people who tell me that they have either accomplished or heard of an associate who has accomplished the task of removing the VIN tags from manufactured vehicles using various techniques. Dry ice, high temperature blow dryers and electric steam guns can all be used to remove VIN's despite the adhesive used to glue them to the insides of manufactured parts. For VIN marking to be effective, it must be either stamped into the part or adhered in such a way as to make it nearly impossible to remove. Naturally, laws requiring the presence of VIN's and prohibiting the tampering or removal of VIN's are important and I believe are already on the books.

The motives of auto thieves can be broken down into basically 2 categories. The first is joy riding and vandalism. The second one is for profit. My study indicated that the people who get involved in theft for profit started out as joy riders who found that it could be turned into a profitable business. They quite consciously elect to pursue it as a job in lieu of other income producing occupations. The chance of being caught is small. The chance of successful prosecution is even smaller and the chance for jail time is almost zero. For them it is a profit making venture. VIN's affect that profit picture from the standpoint that if a vehicle is properly marked and the parts are made permanently traceable, the profit goes down and thus also the motive. As the ability to distribute parts throughout the market diminishes, so also does the theft rate. That is only a logical conclusion based upon the idea that nearly 40% of vehicles end up dismantled, retagged exported or destroyed by their owners in an effort to defraud the insurance company.

In order to increase the effectiveness of tags, some manufacturers of the tagging material are able to use an adhesive that will leave a residue that makes the part traceable even after removing the tag. Nonetheless, if the tag can be removed, the "finger print" can be obliterated and the part might then be sold as an after market part rather than a part from a salvaged vehicle. I don't know of anything quite as effective as stamping the parts but that is going to be resisted by Detroit.

Another aspect of the effectiveness of VIN marking goes to the identity of the cars to be marked. Because theft is done for a profit motive, if we make one vehicle traceable and another untraceable, the value of the untraceable vehicle goes up as far as the thief is concerned. Thus, by forcing the manufacturers to mark one vehicle as opposed to another, we tend to shift the impact of theft from one vehicle to another to a limited extent. Whatever we do, the most often stolen vehicles will remain the ones that can be first of all easily stolen and second of all profitable to chop, retag or export. The bottom line is always the maximum amount of profit that can be made for the least amount of effort that goes into the theft.

Insurance Fraud is the third aspect I said I would address. It has a major impact on automobile theft. According to the National Automobile Theft Bureau and confirmed by a number of police agency sting operations, insurance fraud is involved in at least 15% of auto thefts. The reason is again economic. If a car can be sold for as much as it will pay on a policy, it would be sold. Many cars are given to thieves for the sole purpose of

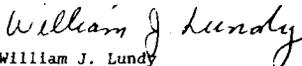
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turning in the car to the insurance company as a claim for a stolen vehicle. The insured gets out of debt or gets rid of a car that cannot be sold on the open market for the price that the insurance company will pay in the claim. Again, if the vehicle is traceable, a competent street savvy thief will be more reluctant to take the car from the owner because he realizes that getting rid of it can be somewhat of a problem. Nonetheless, whether a vehicle is marked or not, the impact on insurance fraud will not be as great as the impact of VIN marking on simple thefts for retagging, export or chopping. If the owner wants to defraud the insurance company, instead of selling the car in a sting operation, they will simply have it destroyed. To the insured, the result is the same.

The bottom line of all of this is that VIN marking if properly done will be an effective deterrent for thieves who want to disassemble, retag or export the vehicle and then only because the car and parts are traceable if they are discovered.

As far as my experience with VIN marking is concerned, that represents pretty much a summary. If there is anything else I can do to be of assistance to you, I will be happy to comply with your requests.



William J. Lundy
Manager, Special Investigations Unit
American Family Insurance Company
WJL:se

ABSTRACT

VEHICLE IDENTIFICATION NUMBER MARKING IN AUTO
GLASS AS A DETERRENT TO AUTO THEFT

William J. Lundy

Auto theft has been a major economic and social problem. In the 1960's and early 1970's, nearly all of the cars that were stolen were returned basically intact. Auto theft was a crime of juvenile joy rides. Nationally, auto theft has since become a steadily rising crime.

One major factor in the increase has been the entry of organized criminal enterprises into the picture. National, international and local criminals became aware of the profit that was to be made in dealing in stolen parts and in stolen cars.

Anti-auto theft systems were invented but were soon found to be of limited value due to such factors as inconvenience, expense, false alarm, breakdown and the ease with which they could be subdued. Parts marking was one of the latest systems of theft prevention. This system sought to remove the profit from auto theft by making the vehicle unmarketable.

Parts marking had been recognized by the U.S. Government as a method of deterring auto theft. This research project sought to answer the question of whether vehicle identification number marking into auto glass acted as a deterrent to auto theft.

ACKNOWLEDGEMENTS

The author wishes to recognize the efforts of the many people at American Family Insurance Company for all their contributions. The project would never have been possible without the support of John Patton, director of Casualty Claims who found for the author a source of funds and supported the expenditures in time and miles in putting this project together. The support and advice from Claims V.P. James Eldridge was also very important to the success of the project.

Thanks surely go to Nancy Johnson, V.P. of Corporate Research, for her financial support, given in the face of adversity, because she thought the company should know if there was a valid way to deter auto theft. Her assistance throughout the project, in sending letters, counting cars and offering moral, as well as financial help, is deeply appreciated.

The author also recognizes Craig Smith, Fred Zweifel, Tom Fischer and Jack Oostdik without whose full cooperation, the project would never have happened. Instead of complaining of how the project could not work, they steadfastly and consistently found ways to make it work.

The eighty branch claim and underwriting personnel in Milwaukee who did the etching of over 2,300 cars without a single major problem must also be recognized. They completed over 13,800 applications without a major mistake.

Special thanks also goes to Jonathan Pike, a magician at the computer, who supplied information as fast as it was requested. Appreciation is further expressed to Ron Ruzicka and the personnel in M.I.S.

and Internal Audit for their patience in understanding a layman's requests.

The author would also like to express gratitude to the printers, the word processors and the mail personnel who labored to keep the project synchronized. This project was a concerted effort requiring help and dedication from each segment. A chain is only as strong as its weakest link and had there been a failure at any point, the project would have had a much rockier road, if in fact it would have been a success at all.

The author certainly cannot leave out the Milwaukee Police Department. The department provided help in gathering theft reports, traced stolen cars and supplied a wealth of information on the scams and schemes on the street.

The Special Investigation Unit deserves the author's deep appreciation for their help in identifying "hot" cars, reviewing questionnaire responses and performing their jobs with a minimum of supervision from the author/manager. Their support and encouragement helped keep the project on track.

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CHAPTER 1

Problem Statement and MethodologyPurpose and Title of ProjectPurpose

In this project the researcher sought to find out whether or not there was a significant difference in the theft rates of cars marked with a vehicle identification number etched into all window glass and the theft rate of those vehicles not so marked. The researcher believed that marked parts were harder for thieves to resell. Also, the thieves would not wish to be found with traceable stolen parts. Marking the cars' parts may have therefore acted to make the car less attractive to thieves.

Title

"Evaluation of Vehicle Identification Number Marking in Auto Glass as a Deterrent to Auto Theft"

Problem StatementStatement of the Problem

The problem in this study was to see if the marking of certain parts of cars and the warning that the car was marked acted as a deterrent to the theft of those cars. If marking worked to deter theft, then marking could be added to the methods taken by motorists to protect their cars.

The entire United States faced the problem of auto theft. Auto theft cost the American public approximately five billion dollars per

year, according to Paul Gilliland, President of the National Automobile Theft Bureau, (N.A.T.B.), who stated in 1984,

"In each of the past five years, there have been over a million thefts of vehicles, over 1.2 million thefts of contents, and over 1.2 million thefts of accessories. This means that each year, at least one out of every forty-eight registered motor vehicles is stolen or has had its contents stolen. This costs the American public approximately five billion dollars per year."¹

Auto theft affected every person who purchased comprehensive insurance for their car to cover theft losses, because insurance rates were based upon the losses experienced by insurance carriers.

Losses due to auto theft were restricted to only those who paid for insurance directly. The cost of investigation, prosecution, crime suppression and other indirect costs to government were paid for in tax dollars. The cost of cars stolen from company fleets were absorbed into the budgets of the large self insuring companies. The public, buying corporate products, paid indirectly for corporate theft losses.

Background Information

The problem was not simply one of increased theft losses. Auto theft actually peaked in 1980 with 1,128,000 thefts reported to the Federal Bureau of Investigation (F.B.I.), and had then decreased.² The real problem was the decreasing rate of recovery of stolen cars. According to N.A.T.B. President Gilliland,

"The recovery rate for stolen motor vehicles has dropped from 90 percent in the 1960's to 54 percent in 1982...The decrease in recoveries can be attributed directly to the increased involvement of commercial thieves."³

How did the commercial thief profit from automobile theft? In July, 1983, hearings were held before the subcommittee on Surface

Transportation, U.S. Senate, 98th Congress, 1st session. The subcommittee studied Senate Bill S1400, "A bill to enhance the detection of motor vehicle theft."⁴ N.A.T.B. President Gilliland told the committee,

"I can advise you today that there are four major methods of operation that combine to account for the catastrophic dimensions of the theft problem. These methods of operation are: (1) VIN switching, retagging, body switch or salvage switch; (2) chop or cut shops; (3) exports; (4) insurance fraud."⁵

One major method of operation named by Gilliland was VIN (Vehicle Identification Number) switching, retagging, body switch or salvage switch, they all mean the same thing. A thief, realizing that he could find a ready market for a popular late model car in good condition, would purchase a total wreck of a popular late model car from an auto salvage dealer or junk yard. The thief would not want the wrecked car. Instead, he wanted a title which could be legitimately transferred to his name. The professional thief would strip the public VIN from the lower left dashboard area below the windshield and have the wrecked car crushed. VIN switching simply means that a vehicle is stolen, disguised as a nonstolen unit and sold.⁶

VIN switching and salvage switching meant the same thing. Each car made in or made to be sold in the United States had a VIN that was a unique identifier that was specific to that car. "Since 1969, manufacturers have been required to place a unique vehicle identification number on all passenger cars."⁷ Once the thief had the identifiers, he looked for a like car and stole it. The VIN tags were switched and the stolen car had a new identity and was sold, driven, exported or insured and wrecked or burned. Lee and Rikoski state,

"The salvage switch is extremely profitable. The costs of doing business...are offset by huge profits because converted stolen vehicles can be sold at prices lower than dealer purchase prices for legitimate used cars."⁸

A second major method of operation Gilliland named was the chop shop or cut shop. Operators of chop or cut shops stole cars for parts. It was estimated that, "Buying all the replacement parts for a 1982 sub-compact car would cost nearly \$27,000, or about 3.8 times more than the original sticker price."⁹ A thief could steal a car in about thirty to sixty seconds. The chopping operation would take as little as twenty-five minutes for experts. The car would be totally dismantled and the identifying stolen parts thrown away. The body parts would be sold, frequently through otherwise legitimate channels. "This term (chop shop) refers to the practice of stealing cars for their sheet metal and other component parts."¹⁰

A third major method of operation Gilliland named was to export the stolen car. Cars were often stolen in port cities or states bordering Mexico and taken across the border or shipped overseas where no system existed to trace the VIN back to the U.S. The car was simply gone from the U.S. permanently. "The practice of stealing vehicles and then shipping them abroad for sale...represents the export method of operation."¹¹

The fourth major method of operation Gilliland named was insurance fraud. In a case involving insurance fraud an owner sold his or her car far below market price to a chop shop or retagging operator and then reported it to the insurance company as stolen. The owner would be paid by the insurance company as an insured loss.

Occasionally, instead of selling the vehicle to a chop shop or retagging operator, the owner would simply take the car into the country and burn it. The insurance company would still pay the costs as an insurance loss. "The false reporting of vehicles as stolen for purposes of collecting insurance proceeds...is in fact a major part of the overall problem of vehicle theft."¹²

Need for the Project

Auto theft affected law enforcement budgets, thereby affecting taxes, and it affected insurance rates which were passed on to the consumer.

"Auto theft and break-ins --numbering more than two million each year--cost consumers at least \$3.3 billion in auto theft-related insurance and non-insurance costs...theft-related insurance accounted for a substantial portion."¹³

Auto theft affected the corporations whose cars were targets for a thief. As a cost of doing business, the company passed the cost on to the consumer of corporate products.

Auto theft represented a major cost to the American Consumer and the problem showed no sign of going away. Should the consumer install locking devices? Should they arrange alarm systems?

"Experts in the field recognize that improved locking devices and other security hardware can be developed. However, they also recognize that thieves typically respond to such innovations by developing improved methods of defeating them. Then, the introduction of new hardware is not sufficient to curb auto theft."¹⁴

If the consumer could not defeat the thief by locking their car or alarming it, then one method of attacking the problem was to make the car less desirable to the thief. The consumer made a car less marketable by marking it and making the stolen parts easier to trace.

"Many law enforcement authorities believe that component numbering of motor vehicle parts is an effective method of deterring theft while at the same time increasing recovery rates...The International Association of Chiefs of Police believe that marking of components serves as a deterrent to theft in much the same way as marking property in one's home with unique identifiers. Studies have shown that thieves bypass marked property in favor of unmarked items."¹⁵

Several auto rental companies in the United States decided to try parts marking as a deterrent to the theft of their cars. One of those companies was National Car Rental System of Minneapolis, Minnesota. Donald Baker, Director of Loss Prevention and Security for National endorsed parts marking in testimony before a congressional subcommittee. He stated to the committee,

"National now marks certain components of the cars in its rental fleet...including all glass. The results of the marking program in 1982 reflect the following. As evidence of improved recoveries, National found that in Chicago, a high crime city, our recovery rate for stolen vehicles was 92%; 166 cars stolen, 153 recovered. And in Detroit, where auto theft increased in 1982 approximately 36 percent, we increased our recovery rate to 95 percent."¹⁶

As was quoted from NATB president Gilliland earlier, the national recovery rate in 1982 was 54 percent. Parts marking worked for National. The auto thief needed to look elsewhere to make a profit instead of looking to National's fleet.

But before parts marking could act as a deterrent to the thief, the thief must know that the car is marked. A sign or decal in the window at the point of entry warned the thief that the car was marked. Baker added,

"One of the keys to the success of our program is the fact that we conspicuously place a decal - identifying that components of the vehicle are marked - on the driver's side of each marked vehicle. We also mark each piece of glass visibly with the Vehicle Identification Number."¹⁷

Vehicle marking appeared to have worked for some companies and agencies. However, no definitive study had been done that attempted to establish a true relationship between parts marking and its deterrent effect on auto theft. Consequently, in an effort to learn if parts marking did act as a deterrent to auto theft, the author designed a quasi-experiment for the vicinity of Milwaukee, Wisconsin to test the deterrent effect.

A Milwaukee auto theft unit detective told the author that though eighty-eight percent of the cars stolen in Milwaukee are found, they were usually found in some state of disassembly. This theft did not appear to be the work of juvenile joy riders.¹⁸ The city of Milwaukee appeared to have a significant auto theft problem. It appeared that cars were stolen for chop shops or insurance fraud. Cars that disappeared may have gone to retaggers or exporters.

In an effort to determine if VIN marking of auto glass would act as a significant deterrent to auto theft, American Family Insurance Company allowed this researcher to conduct the test project. No other insurance company was known to ever have attempted this type of project in the test area.

Project Location and Duration

Location

The project took place in Milwaukee and Waukesha Counties. The researcher designed the study area to keep the test as much as possible in a metropolitan area where auto theft rates are higher and differences

in auto theft rates between marked and unmarked groups would be easier to determine, if they existed at all.

Duration

The researcher began identifying the target cars in high theft potential groups in June, 1985. By September 9, 1985, the high theft potential cars and their American Family insured owners had been identified.

The theft counts of cars in the test and control groups were to cover a period ending May 23, 1986. The analysis of results from theft counts and data from questionnaires occurred from June 27 to July 25, 1986.

Objectives

Development Objective #1

By November 27, 1985, the researcher encouraged the owners of 1,949 high theft type cars in the Milwaukee test area to have their cars marked. This number was calculated to be about 16.9 percent of the high theft type cars insured by American Family in the test area and was a large enough sample to yield representative theft statistics.

1. Implementation Activities

- a. Identified through research of police reports and insurance records makes and models of cars in the Milwaukee test area that had the highest potential to be stolen.
- b. Discovered by computer inquiry the owner's name, address and vehicle make, model and year of those cars of a high

theft potential that were insured by American Family in the test area.

- c. Designed and mailed letters to all owners of about 11,533 high theft potential cars in the Milwaukee test area offering to mark their cars.
2. Evidence of Completion The researcher designed and mailed to all owners of about 11,533 high theft potential cars in the Milwaukee test area letters offering to mark their cars for free.

Developmental Objective #2

By November 27, 1985, American Family personnel etched the VIN's into the windows of approximately 1,949 high theft cars in the Milwaukee test area.

1. Implementation Activities
 - a. Secured records from the Milwaukee Police Department on vehicle thefts in Milwaukee from September, 1985, through April, 1986, to see if any of the cars in the test group had been stolen and/or recovered.
 - b. Secured and analysed records from another major insurance carrier doing business in the Milwaukee test area to determine their loss experience.
 - c. Analysed loss experience records by computer inquiry from American Family Insurance Company to categorize all cars in the test population into the categories of "stolen" and "not stolen."

- d. Maintained records of all cars in the marked and unmarked groups.
 - e. Identified by computer inquiry all cars in the unmarked group that were stolen.
 - f. Identified by computer inquiry all cars in the marked group that were stolen.
2. Evidence of Completion By June 15, 1986, this researcher completed comparison charts which compared the records of the Milwaukee Police Department, records of another major insurance company doing business in the Milwaukee test area other than American Family and the records of American Family Insurance Company.

Developmental Objective #3

By June 27, 1986, this researcher developed and mailed questionnaires designed to identify those car owners whose personal anti-theft precautions or car care habits might confound the study. The researcher then analysed the results of the questionnaires in order to control for those variables.

1. Implementation Activities

- a. Identified other anti-theft techniques that were available to persons in the test group.
- b. Developed the survey instrument.
- c. Pretested the survey instrument.
- d. Mailed the survey instrument.
- e. Tabulated the results of returned survey instruments.

- f. Identified persons with cars in the marked experimental group that used deterrents other than marking.
 - g. Found out what, if any, unusual events preceded the theft losses and determine what measures, if any, were taken by the owners prior to the theft losses.
 - h. Eliminated from the study as much as possible those cars whose owners protected them to such a degree as to make their theft most improbable and those who made the theft so inviting as to nearly guarantee it.
2. Evidence of Completion By June 27, 1986, the researcher identified the car owners in the test group whose car care habits and personal anti-theft precautions would have confounded the study.

Evaluation Objective #1

By September 1, 1985, the researcher analysed records from American Family Insurance Company for the years 1982 through 1984 and analysed reports from the national Highway Loss Data Institute reflecting auto theft for the same years. The researcher analysed reports from another major insurer doing business in the Milwaukee area as well as reports from the Milwaukee Police Department for those years.

Evaluation Objective #2

By July 25, 1986, the researcher analysed data from theft losses and questionnaires and had discovered whether the marking of VIN's on auto glass was a significant deterrent to auto theft. The researcher grouped all cars into groups

of marked or unmarked cars and compared theft rates among the two groups by Chi-square test and by binomial data test. Confounding variables were controlled as much as possible through the use of questionnaires.

Evaluation Methodology

Target Population and Sampling Methodology

The study population was those persons in the Milwaukee metropolitan area who insured their cars with American Family under policies with Comprehensive Auto coverage, and insurance which paid for theft if their car was stolen. The test population was restricted to the owners of cars determined on the basis of local and national theft data to have been of a high theft potential.

Computer reports from American Family dated June 28, 1985 were analysed. The report showed that the 1984 theft loss experience in Milwaukee held a higher number of Olds Cutlasses, Buick Regals, Pontiac Grand Prixs and Chevrolet Monte Carlos, in the respective order than any other four models. There were respectively 168, 107, 102 and 80 of them stolen in 1984, from American Family insureds, accounting for approximately 19.6 percent of all the American Family insured cars stolen in Milwaukee in 1984.¹⁹

According to the Highway Loss Data Institute, in the U.S. in 1983, those same four cars were stolen an average of 1.295 times more often than other cars of their class.²⁰ The four categories were stolen 1.10 times more frequently than others of their class in 1982.²¹ In 1981, the Monte Carlo and the Grand Prix were stolen 1.54 times more

than other cars in their class.²² In 1981, the Buick Regal and the Olds Cutlass were stolen 1.01 times more than other similar cars.²³ Thus, all four cars averaged above national norms in relative theft frequency. The researcher confirmed this fact with statistics gathered from American Family's auto theft losses for 1984 in the city of Milwaukee.

While reviewing data on theft losses, the researcher noted that the Highway Loss Data Institute's publications showed several other cars with high relative loss frequency. The highest appeared to be the Audi 4000 and 5000 lines, BMW's, Corvettes and Saab 900's. These cars showed average losses from 4.39 times the national average to as high as 7.77 times the national average from 1981 through 1983.²⁴

The researcher also noted that Buick Riviera, Cadillac Eldorado, Chevrolet Camaro, Mazda RX-7, Oldsmobile Toronado and Pontiac Firebird were also named by the Highway Loss Data Institute as among the highest in theft loss frequencies of all cars listed in vehicle manufacture years 1982-1984.²⁵ Based upon the statistics gathered from the Highway Loss Data Institute and from American Family's loss experience in Milwaukee, the researcher decided that the test population would consist of the above-named fifteen vehicles.

The fifteen car models were divided into two overall classes. The first class was named the High Percentage Loss class due to the fact that a much higher percentage of those cars were stolen in comparison to the number of such cars manufactured when compared to other cars of the same basic type.²⁶ This class was further subdivided into two categories identified as personality cars and sport/specialty cars. The per-

sonality class included the Audi 4000 and 5000, the BMW, the Corvette and the Saab. The sport/speciality group included the Riviera, Eldorado, Camaro, RX-7, Toronado and Firebird.

The second overall group was named the High Gross loss group and included the Buick Regal, Chevrolet Monte Carlo, Olds Cutlass and Pontiac Grand Prix. The group was so named due to the high gross number of such cars manufactured, and subsequently stolen. The researcher further divided the gross population into the "Old Group," consisting of vehicles manufactured from 1978 to 1981, and the "New Group," including vehicles manufactured from years 1982 through 1985. The total population amounted to about 11,533 automobile owners.

The VIN was etched into the glass at a depth that made polishing it out a very difficult and time-consuming task. A warning decal of high visibility was placed at the normal point where thieves first attack the car for entry. All cars were marked by November 27, 1985.

The procedure was accomplished using an acid specific to glass and a computer generated stencil so as to be neat and uniform. The procedure did no harm to metal or paint. The application method made the number highly visible. The stencil bearing the VIN was cut using a word processing computer and was adhered to the glass. An acid paste was applied over the stencil much like silk screen printing.

The marked population constituted the experimental group. The unmarked population was the control group. By May 15, 1986, all cars in the total test population were traced by computer inquiry. The researcher compared the numbers of theft losses in both the experimental and the control groups.

Research Design and Procedures

The research design was a quasi-experiment using a test group and a control group. The entire population was identified by computer inquiry. The entire population was offered the opportunity to have their VIN etched into their automobile window glass. Those who accepted the offer were the test group. Those who chose not to take the offer were the control group. The effectiveness of the etching as a deterrent to theft was measured as the difference in theft rates between the marked and the unmarked groups after controlling for confounding variables.

Materials and Instruments

Aside from the materials used in the actual process of etching which have been described earlier, the materials involved in the test included the offering letter and questionnaires sent to the entire test population and to randomly selected persons in a control group. The researcher designed the offering letter to induce all recipients to have their car marked for free. The letter did not identify the acceptors or rejectors as members of a subsequent test population. Members of American Family office staff reviewed the letter to test for clarity.

The researcher understood that some of the cars in the experimental or marked group were so well protected that their theft was improbable. The researcher considered anti-theft actions taken by the owners which might include anti-theft alarm systems, hidden ignition kill switches, steering wheel locks and brake locking devices.

The questionnaire was to identify as a proportion of the marked group those owners whose car care habits would make their car highly

unlikely as a target for an auto thief. The researcher sent the questionnaire to the entire marked group that still owned the marked car and carried insurance with American Family as of May 15, 1986. The questionnaire also contained questions directed at the owners of the unmarked cars to measure the proportion of those owners whose car care habits made their cars a more likely target for the thief than similar cars in the control group.

The questionnaire was tested by being reviewed for clarity by personnel from American Family offices in the test area and in the home office in another city. It was further reviewed for construct validity by personnel from American Family's claims offices and by personnel from two police agencies involved in auto theft investigation.

The researcher also believed that some of the cars in the unmarked group might be stolen at the request of their owners in an effort to defraud the insurer. Police and insurance claim reports were analysed to identify as closely as possible and control for the collusion by some of the owners in the thefts.

Data Collection Methods

The researcher developed the questionnaire by February 28, 1986, and mailed it to all persons in the test group and to 25 percent of the control group. The researcher designed the questionnaire to balance the experimental and control groups by accounting for, as much as possible, various confounding variables. The researcher designed the questionnaire to identify those owners as a percent of the marked group who took extraordinary precautions to protect their cars. Because those cars were removed by their owners from a great likelihood of theft, they should

not have been considered as a part of the experimental group as the window marking was really not the only deterrent factor.

All owners of cars that were stolen in either group also received the questionnaire. The researcher did this to see if the car was so open to theft as to make it a near certainty, even though the owner was not suspected of collusion in the theft. Insurance companies insure for negligence, but it was accounted for in this study. The reason for the questionnaires to all the cited owners was to identify two groups of cars as close in all aspects as possible with the exception that one group of cars was marked and the other was not.

Summary Data Analysis

The research question was whether VIN etching was an effective deterrent to auto theft. The null hypothesis was, "there is no significant difference in theft rates between cars marked with VIN etching and cars not marked with VIN etching," and the alternative hypothesis was, "there is a significant difference between the theft rates of cars marked with VIN etching and cars not marked with VIN etching."

The researcher used a Chi-square test to compare the experimental group to the control group. If no difference existed between the observed and the expected theft rates based upon the null hypothesis, then X^2 should be less than 3.841 when the degree of freedom is 1 and the level of significance is .05. The researcher used a binomial test to confirm the results of the Chi-square test.

Limitations of the Project

Definitional

There were no known definitional limitations to this project. The researcher designed this project to measure the difference between stolen and not stolen, marked and not marked vehicles.

Methodological

The purpose of this project was to determine the effectiveness of a VIN marking system on cars of a high theft variety to keep the cars from being stolen. If all vehicles would be selected by thieves on a purely random basis, the system would have been easy to evaluate. A researcher would have only to select a certain number of cars, mark them and compare the subsequent number of thefts of marked versus thefts of unmarked units. However, such was not the case. The vehicles in the test were selected as a test group specifically because they were more often selected by thieves.

The offer to mark VIN's in auto window glass was accepted by about 16.9 percent of the entire test population. It was recognized that many of those in the accepting group had also taken other steps to insure that their cars would not be stolen. In fact, one person receiving the offer to mark their car remarked that they did not need the car to be marked, as they did not even allow it to rain on their car. That type of situation was an example of the variable of owner self protection against theft. Some of those who received the offer cared for their car so well that they would not even allow the number to be etched into the window glass. Certainly, cars owned by such individuals would be

less likely to appear in a stolen car category than those of less conscientious owners.

Furthermore, some of the people accepting the offer and some not accepting it also had steering wheel locks, steering column sleeves, alarm systems, fuel shut-off valves and additional locking devices. These cars would be less likely stolen and would less likely be the subject of a stolen car report. The researcher designed and sent questionnaires to all of the marked vehicle owners and 25 percent of the unmarked vehicle owners so that the "overprotected" autos were accounted for as a confounding variable.

On the other hand, police agencies recognized that as high as ten to fifteen percent of stolen cars were merely reported stolen by their owners who then turned the "stolen" car over to a chop shop or retagger for the purpose of defrauding their insurance company. This practice was usually done with junk vehicles, the payments for which were too high and the sale value too low. Or, it may have been done with cars that suddenly become too expensive to drive or pay for. The researcher sent the same questionnaire that was sent to marked car owners to owners of unmarked cars with questions designed to control as much as possible for collusion by owners.

The researcher recognized that an owner who had had their car stolen to collect the insurance proceeds would be reluctant to answer questions for fear they may be denied coverage or may be found out. In the events when questionnaires were not returned, the researcher attempted telephone contact, and the theft claim report and the police report were reviewed.

The objective of the control measures was to ensure as much as possible that the main difference between the experimental group and the control group was whether or not the cars were marked. Due to the less than rigid controls available to the researcher to affect the actions of the vehicle owners or thieves, the researcher decided that the study was quasi-experimental.

Implementational

Several implementational limitations were identified. The questionnaire could not be too long or it would have been too much effort to complete. Thus, it would have been returned incomplete or not at all.

It could not contain enough questions to cover every contingency of either certain car care measures or of all the circumstances surrounding each theft. Some question areas had to be left unanswered. But, the most important questions were asked.

Another limitation was that the author could not guarantee the exact comparison of computer results from the various sources. Therefore, the theft loss statistics from American Family for 1984 might be arrived at differently than the statistics from other sources. Nonetheless, great care was taken to be sure the statistics were as accurate as possible.

DATA COLLECTION PROCESS	TIME LINE											
	1985				1986							
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	
Step 1. Identified cars	X			X								
Step 2. Offered to etch	X			X								
Step 3. Etched	X			X								
Step 4. Researched Literature				X								X
Step 5. Analyzed other companies' records								X				X
Step 6. Analyzed records of police agencies								X				X
Step 7. Developed questionnaires							X		X			
Step 8. Identified stolen cars in test group								X				X
Step 9. Identified stolen cars in control group								X				X
Step 10. Sent questionnaire to test group									X		X	
Step 11. Sent questionnaire to control group									X		X	
Step 12. Reviewed claim files and police "stolen" reports								X			X	
Step 13. Received and reviewed questionnaires									X		X	
Step 14. Analyzed results and report											X	X

BudgetDirect Costs

1. Etched car windows...(2,485 @ \$10 per car)	\$24,850.00
2. Mailed offers and questionnaires... (17,460 @ \$.22 per unit)	3,841.00
3. Printed letter plus questionnaire...(20,200 units)	300.00
4. Decals for windows...(5,200 units...\$69 per 1,000 units)	<u>358.00</u>
Subtotal	\$29,349.00

Indirect Costs

1. Protective smocks for etching personnel	480.00
2. Salaries for etchers computed on the basis of salaries as claims personnel while etching cars	6,500.00
3. Gratuities to personnel at end of test	<u>450.00</u>
Subtotal	\$ 7,430.00
Total	\$36,779.00

Notes for Chapter 1

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21. American Family Insurance Company, 1984 Milwaukee Theft Claims for Perils 006 and 067 Combined, (Madison, Wisconsin, June 28, 1985.) PP. 1-7.
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23. Research Report H.L.D.I. T83-1., P. 26.
24. Research Report H.L.D.I. T83-1., P. 26.
25. Research Report H.L.D.I. T83-1., P. 4.
26. Highway Loss Data Institute, Research Report H.L.D.I. T84-1, (Washington, D.C.: 1985) Tables 6,7,8., PP. 8-28.

CHAPTER 2

Review of the LiteratureIntroduction

Auto theft in twentieth century America was a crime with significant economic implications. The researcher selected auto theft and the suppression of auto theft as the major issues of this thesis. In order to gain a more thorough understanding of auto theft and its antithesis, the suppression of auto theft, the researcher analyzed the history of auto theft and the various anti auto theft systems and devices. The researcher then investigated the psychological impact of auto theft and how some anti-theft systems such as parts marking would work as deterrents to auto theft. The philosophical and sociological impact of both auto theft and the suppression of auto theft were examined.

Auto theft was a profitable property crime and one way to fight it was remove the profit. One way to remove the profit was to make the stolen car and its parts less marketable by branding the major parts with the car's own unique vehicle identification number (VIN), thus making the part traceable. Another way was to make the personal cost to the thief so high as to make auto theft a less practical occupational option.

Increasing the personal cost to the thief was to be accomplished by increasing the potential of the thief being caught with stolen marked parts in their possession, thereby increasing the chances for successful prosecution and incarceration. The researcher conducted the experi-

ment to see if VIN marking on auto window glass worked in those ways to deter auto theft.

Major Issue #1

Automobile Theft

Auto theft in America was an issue since the early twentieth century. Very soon after the automobile was invented, thieves stole cars. By 1910, insurance companies were already providing coverage insuring against car theft. Even as early as 1912, the predecessor of the National Auto Theft Bureau (N.A.T.B.) began to form, as an effort to fight auto theft.¹ By 1984, auto theft was estimated to cost the American public about \$5 billion per year.² The Federal Bureau of Investigation (F.B.I.) recognized auto theft as a type of property crime, rather than a crime against persons, such as homicide, rape or assault.³ At \$5 billion per year, auto theft was expensive, and it involved organized criminal enterprises so large that they extended to international trade in stolen cars.⁴

Historical Foundations

Historically, auto theft was nearly as old as the automobile industry itself. The first cars were invented in about 1890. By 1900, Lloyds of London began insuring cars and by 1910, policies were being sold by domestic companies insuring cars against theft.⁵

Between 1910 and 1920, car theft drew national attention. The federal government classified auto theft as not only a local problem

of joy riders, but also a crime involving the transportation of cars across state lines. Lee and Rikoski, writing in Vehicle Theft Prevention Strategies affirmed, "In 1919, Congress passed the Dyer Act, making it a federal offense to transport stolen motor vehicles across state lines. Apprehending vehicle thieves became one of the F.B.I.'s major activities."⁶

Auto theft by professional thieves was common in the 1930's. According to the Encyclopedia of American Crime,

Probably the most profitable auto thief was Gabriel 'Bla Bla' Vigorito who masterminded a highly efficient organization in the 1930's, 40's and 50's. Bla Bla...did a land office business in hot cars, shipping more than \$250,000 worth to Norway alone in the 1930's. He also transported altered stolen vehicles to Russia and Persia and shipped a special order to a warlord in Sinkiang Province, China.⁷

One of the easiest ways a thief operated was called the VIN plate changeover, also known as retagging. The thief would buy a wreck from a salvage yard for a price well over what the wreck was actually worth. The thief would then have access to the title and the VIN and would look for an exact duplicate of the wrecked car to steal. The thief would remove the VIN from the stolen car and replace it with the VIN plate of the wrecked car. The thief would sell the stolen car with the wrecked car's VIN as though it was a rebuilt salvaged wreck.⁸

Until 1968, the VIN plate or tag was located inside the driver's side front door. To check it, the door would need to be opened. In 1967, the U.S. Supreme Court found that a search of a car without a warrant or other legitimate access was in violation of the driver's rights. The federal government ordered the VIN plate moved to the

dashboard area, "where police can see the serial numbers without actually entering the vehicle."⁹

The value of stolen cars in America in 1985 was \$5 billion. At one time car theft was the province of the juvenile joy rider. But, in the period between 1970 and 1980, the recovery rate of stolen cars dropped from 84% to 55% while, "at the same time the value of unrecovered cars...multiplied by a factor of ten, from \$140 million in 1970 to \$1.46 billion in 1980."¹⁰

Furthermore, according to the F.B.I. in their 1982 Uniform Crime Report, in 1958, there were 282,000 total auto thefts with 92% of them recovered. The average value of the theft was \$829. In 1982, there were 1,048,310 cars stolen with a recovery rate of 54%. The average value of these cars was \$3,545.¹¹

In 1983, the cost of auto theft was up to \$3.3 billion. These costs were specifically theft related insurance premiums; \$1.65 billion, theft prevention expenses; \$715 million, direct expenses such as deductibles and repairs; \$290 million. Expenses to tax payers for criminal investigation and prosecution accounted for \$622 million.¹² By 1984, auto theft had expanded to become a crime with an annual cost of \$5 billion. Auto theft was a crime with enormous social costs but the public considered it to be a crime that concerned only the law enforcement community and the insurers.¹³

Psychological Foundations

Auto theft can be viewed as a form of property crime. It was a vastly different crime than the more spectacular and abhorrent crimes

of rape, assault and murder. However, investigators had linked auto theft to other crimes. Bootlegging illegal alcohol for example went hand in hand with auto theft. According to the N.A.T.B., during prohibition days, bootleggers found that stolen cars provided a way to fund their businesses. The bootleggers would steal a car in the U.S., drive it to Canada and sell it for cash with which they would buy liquor, and then steal a car in Canada and transport the liquor to the U.S. in the stolen car. Then, the liquor and the car were both sold. Auto theft made the transaction profitable on both sides of the border.¹⁴

There were links to other types of crimes as well.

"There is an interrelationship between auto theft, fraud and narcotics crime. Often, the profits from commercial vehicle theft rings, chop shop operations and illicit salvage operations are a major source of financing secured to initiate a criminal narcotics enterprise."¹⁵

Nonetheless, auto theft was a crime separate from the violence that may result from being caught with stolen goods and separate from the associated crimes of trafficking in other illegal goods. By itself, it remained very much a property crime. "What thieves want, according to the government ranking and car theft experts, are automobiles that have a high dollar value and great demand either as complete cars or as parts."¹⁶ Auto theft was, after all, a crime involving the theft and resale of a car and/or its parts and it was a business.

Was there a certain criminal type or personality that stole cars? Dr. Don C. Gibbons, professor of sociology and urban studies, claimed

that certain criminal types seemed to participate in different criminal acts. Dr. Gibbons offered the following conclusion,

Who would be so foolish as to claim that all offenders are alike? Clearly there are important differences between acts of violent rape, embezzlement, arson, organized racketeering, or kindred other kinds of lawbreaking and between the people who carry them out, even though precisely what those differences are might not be clear. It seems plausible to argue that groups of offenders differ from each other, with some specializing in one form of lawbreaking while others concentrate on other forms of criminality. Reports...lend support to the notion that offender types or careers in crime exist.¹⁷

Another author, Bruce Grindall, Associate Professor of anthropology, theorized that criminals get into their behavior patterns not only through the world of narcotics and alcohol, but through a desire for action. Grindall observed that, "high spirits, stress and boredom often go hand in hand with criminal behavior."¹⁸ The car thief may start out as a juvenile joy rider who begins by baiting the police or seeking thrills. "These people become familiar with police stations, law courts and prisons. Their lives progressively move into the underworld of thieves, swindlers, con men, hookers and pushers."¹⁹ The sport became a skill which could be translated into a trade.

Indeed, auto theft was a criminal enterprise. It held a chance of being caught, albeit a small chance. According to N.A.T.B. President Gilliland, the arrest rate was about 15% in 1984.²⁰ Thus, auto theft contained the seeds of a thrilling escapade. However, for the career criminal, it was much more a form of doing business.

One authority, Harold R. Holzman, Associate Director for the Center for the Study of Causes of Crime for Gain, asserted that,

The underlying premise (of crime as work) is that the decision to engage in property crime is rational, entailing the same economic considerations as other choices of one's livelihood. To the economist, rational behavior means that, given a choice among various alternatives, an actor will select what appears to be the most desirable choice at that particular time.²¹

For the juvenile auto thief, the amateur who took a car for a joy ride, that picture may not have been accurate. Until the juvenile judged car theft to be a viable economic activity, the juvenile may have been attracted to auto theft for other reasons.

Numerous schools of thought existed to explain criminal behavior. Some theories fit the auto thief while some did not address the matter very effectively. "The positivism of the late twentieth century relied strongly on biological explanations of crime in which genetic predispositions became a key factor in criminality."²² But, that picture hardly fit the amateur car thief, much less the professional. The researcher found about the most accurate picture of the amateur car thief in research by Daniel Glaser and Kent Rice, reported by Don C. Gibbons which showed, "Crime rates for larceny, robbery, burglary and auto theft are particularly pronounced among young adult males who have dropped out of the labor force."²³ Summarizing for Holzman, Glaser and Rice, a common trait of auto thieves appeared to be economic motivation rather than personality or biological factors.

Gibbons concluded that as far as criminal typologies was concerned, "the grand ambitions entertained for theoretically relevant typologies may be illusory, in that the regularity and patterning assumed to characterize lawbreaking may not exist."²⁴ In the real

world, several other factors such as economics may have influenced an individual's choice to enter a criminal career.

The theories of social structure also did not fully explain the rationale of property crime. Holzman pointed out that although,

positions such as the Chicago School, structural functionalism and labeling, conflict and control theories are suggestive, no single explanation of property crime incorporates both the theme of rational choice in criminality and the view that crime can be a vocation.²³

According to the "Chicago School" theory of criminal development and the social structure theory, socialization was the primary causal factor in crime.²⁶ Holzman quoted one author of the socialization school, Edwin Sutherland, as stating, "Behavior patterns at odds with the criminal law may stem from the acceptance of a criminalistic value system rather than the value system of conventional society."²⁷ In other words, if one grew up in an outlaw society, they would have internalized the value system of that society.

Expanding on the view that a life involving criminal behavior (for instance auto theft) was simply one that was socially and economically acceptable to the criminal, Francis T. Cullen and Bruce G. Link writing on crime as an occupation pointed out that, "a variety of authors have held that new understandings of criminal activities could be gained if such conduct were examined in the same way as conventional work behavior."²⁸ In fact, Cullen and Link protested the use of special concepts such as the social structure theory, claiming that, "the use of special concepts restricts the kinds of insights into the criminal world that can be attained."²⁹

A pattern emerged of a young amateur, a late teen or early twenty year old, frequently out of work, engaging in an occasional thrill by stealing a car, finding it to be socially acceptable in his or her society. The young thief found himself or herself to be adept at the sport and turned it to an occupation. Holzman quoted Cloward and Ohlin as arguing that, "a young person recognizing that he does not have access to legitimate opportunity structures, such as vocational training or a lucrative job...might reject legitimate means in favor of an illegitimate opportunity structure open to him."³⁰

If a young person became involved briefly in some petty crime and rationalized away the sense of harm that may have been done, the small criminal act may have seemed acceptable. The experience may have been exciting and in a way rewarding, other than for some monetary gain that may have resulted from the act. David Matza, writing in Becoming Deviant elaborated, "In terms of economic gain, the experience could bolster the benefits of continued property crime in the eyes of the individual, thus increasing its usefulness for him as a means of producing income."³¹

The pattern fit at least one former auto thief turned author, Marcus Wayne Ratledge, who explained that he started as a teen and for over twenty years he worked at stealing, stripping, converting and selling vehicles of all kinds. Ratledge attested, "As a teenager, I worked in a chop shop dismantling stolen autos...as I grew older I moved into the stealing phase...in later years I organized and managed my own auto theft operation and expanded into the theft of (other vehicles)."³² Therefore, for Mr. Ratledge auto theft was

just another occupation and as an industry in itself auto theft cost the American society \$5 billion per year.

Sociological Foundations

The fact that auto theft was not simply a crime involving one individual acting alone was nothing new. Often, a car thief stole a car, but it was disassembled by a chop shop and the parts were delivered to body shops. Or, the car theft organization gave the car a false identity or sent it out of the country. Auto theft was a well organized criminal enterprise which involved an underground black market economy. Auto theft provided an occupational choice in an established industry.

What did society do about this crime that cost the country \$5 billion per year? Car manufacturers began building in anti-theft devices as early as 1970.³³ Vehicle identification numbers were required by the National Highway Traffic Safety Administration from 1969. These numbers had originally been intended by the manufacturers as a way of tracing car models for safety purposes but the VIN became a way of identifying the car itself.³⁴

One of the latest devices was the General Motors Vehicle Anti-Theft System (V.A.T.S.), an electronic system introduced in 1986 Corvettes. It was designed to, "counter the most prevalent methods of auto theft, defeat of the ignition lock/steering column assembly."³⁵

One of the primary reasons the automobile manufacturing industry began building anti-theft devices into their products was the regulations handed down by the government. What did the legislatures, the prosecutors, the courts and other civil agencies do about criminal activity? In a speech to the International Association of Auto Theft

Investigators, John Pointer, Vice President of the N.A.T.B., explained that the society as a whole perceived auto theft to be a problem mainly for the police and the insurance companies. Pointer claimed that people did not realize that it was a problem for all of the society, in that it cost the country millions in tax dollars, both federal and local, and that since a thief did not pay taxes he enjoyed a sort of favored status. Furthermore, Pointer held that, "This all occurs at a time when many police resources are being reduced."³⁶ Society had not taken much note of auto theft as a problem. According to Pointer, "The thief is exposed to comparatively little risk...the arrest ratio (is) 15 percent."³⁷

Some authors saw auto theft not only as a problem of significant economic proportions, but of immense social importance as well in that it hit hardest at those who could do little about it and the fact that the crime really was controllable, if only private industry would go to work on it. Harvey Brill, Associate Professor of sociology at the University of Massachusetts, elaborated, "The victimization rate is highest among the poor and lowest among the higher income brackets."³⁸ Brill explained that this was due to the fact that surveys that report theft rates were based on thefts per 1000 households. But, in poor areas, not all households even had cars. Therefore, the theft rate was actually higher because the number of cars stolen were from a smaller number of homes. Further, Brill commented that when theft rates were compared, "based...on the number of vehicles owned, motorists with family incomes of under \$7500 experienced an auto theft rate of at least 50% higher than for those earning \$25,000 and more."³⁹

To further exacerbate the problem, as the theft experience of a geographic area grew worse, the insurance rates covering theft increased as well. Consequently, if one lived in an area where auto theft was a prevalent crime, one could expect to pay more for auto theft insurance. This may have seemed like a two fold problem for urban dwellers where theft rates were higher, but the National Association of Independent Insurers offered a rationale,

The relatively small number of car models that represent a high risk of theft can be accurately identified, as well as the territories where the risk of theft is greater than average. By adapting their rating system in this manner, insurers will strengthen the cause of cost-based pricing... since higher premiums will be properly borne by those who present higher risk.⁴⁰

Big business in the form of the insurance industry did not bear the cost of auto theft; the consumer did. Brill expounded, "insurance premiums... continue to escalate as theft increases."⁴¹

But the insurance industry was not alone in failing to put the quietus to auto theft. The auto manufacturers were of no help either. Brill contended that the auto manufacturers were not interested in suppressing auto theft because it was a stimulus to auto sales. Brill noted that this idea had occurred to a member of a U.S. Senate Subcommittee investigating the problem of auto theft. Brill related that Senator Nunn of Georgia, chairman of the subcommittee, lectured to a manufacturer's representative, "the more stolen, the more you make; the more you make, the more you sell; the more you sell, the more money you make."⁴² In fact, Brill quotes a Chrysler Corporation representative as saying that replacements due to the theft of cars, "as a whole would yield about 50,000 new car sales per year."⁴³ Brill remarked that the

estimate was very low in that the Chrysler representative only considered that if a new car was stolen, a new car would be bought to replace it, whereas the industry should consider that even if the stolen car were a used car, it might well be replaced with a new car. The stimulus effect was therefore much greater. Brill insisted, "A more accurate estimate of the stimulant effect of car theft would undoubtedly amount to several times Chrysler's figures - somewhere in the hundreds of thousands (of new cars sold)."⁴⁴

Brill further noted that the Arthur B. Little research organization had developed an effective device to foil auto thieves and that it proved to be so effective that it could not be defeated even by highly experienced and technically adroit thieves. It could be produced and installed by the manufacturers for \$17 per car. However, "nevertheless, the auto producers have been uninterested."⁴⁵

Thus, neither the insurance industry nor the auto makers were really solving the problem. Auto theft was a multi-billion dollar a year business and owners from all parts of society were its victims. Further, auto theft was a property crime that did not apparently command a high degree of police attention as the apprehension rate for auto theft was about 15 percent.

At the same time, it was a crime that attracted organized criminals due to its high profit and little arrest risk. And, to the extent that it was an organized criminal enterprise, it was truly an American crime, pervasive to American society. Peter Lupsha of the University of New Mexico in Albuquerque pointed out that,

Entrance to organized crime lifestyles was a self choice based on individual skills and a personal rationalization which perverts traditional American values and culture... yet organized crime is a true product of American values and American culture. It is an American crime.⁴⁶

Auto theft was a crime that attracted voluntary participants to prey upon a society that was apparently unable or unwilling to defend itself. Auto thieves were businessmen in the industry of property crime.

Philosophical Foundations

The philosophical consideration of theft as conceived in western civilization was succinctly phrased in one simple commandment, "Thou shalt not steal."⁴⁷ This law, according to Moses, was handed him by God. This tradition was carried throughout Judaic history which was a foundation of western law which in turn formed the foundation for American law and culture. Dr.'s Germann, Day and Gallati, authors of the book Introduction to Law Enforcement and Criminal Justice, asserted, "America grounds her way of living by particularizing the philosophical-religious principles of her Judeo-Christian culture."⁴⁸ Judeo-Christian philosophy advocated that a person is free to act as she or he will, free to come and go, rise or fall, succeed or fail. But, people are also responsible in their world.⁴⁹

The government, in American culture, derived its power from the will of the people.⁵⁰ The state, through the power vested in it by the people, exerted authority in its mission to maintain order, provide for the common welfare and administer to the needs of public affairs. The Constitution of the United States created the government and was to regulate the government. It was from the Constitution that the

government derived the powers to create laws.⁵¹ "Law is often defined as an ordinance of reason, directed to the common good, or, as a rule which should be obeyed and which can be disobeyed...Human law is that law which is officially instituted by man, and which often reflects natural law."⁵²

People in the United States had long exhibited a proprietary interest in the things they felt "belonged" to them. In the case of land, witness the fact that in order to own land, a deed was issued naming the owner and proffering certain rights to the owner. In the instance of a horse, a bill of sale showed ownership. A title was usually proof of ownership of a car. "What is a man's property? Anything which it is lawful for him, and for him alone, to use."⁵³

The government was empowered to enforce those, "human laws," such as property ownership. Theft of property was a violation of those laws. Theft was a crime and was to be punished. The more valuable the property, the stronger the sanctions imposed by the law so as to dissuade the potential thief.⁵⁴

Just how abhorrent was auto theft? Stealing a car could have been thought of as simply a property crime that in actuality victimized mainly the insurance companies. However, depriving a person of their car was a felony in 13 states as of 1978.⁵⁵ Authors of a survey taken in 1974 and 1975 found that people thought stealing a car was a serious offense, equal to a first degree burglary, more serious than performing an abortion and considerably more serious than a simple assault.⁵⁶ In fact, when asked to rank the seriousness of types of crimes on a numeric rank order scale, auto theft was judged by the survey respondents as

more than half as serious as an armed robbery.⁵⁷ To the public, car theft was a serious breach of the law.

The other side of the coin was illustrated by Andrew Karmen of the John Jay College of Criminal Justice who counterfocused two views of auto theft. One view saw car theft as a "happy crime" where the crook was happy, the manufacturer was happy because they got to produce more cars, the owner was happy because they did not want the car anyway and the insurance company was happy because they got to boost the premiums the next year. This view was opposed by the picture of the person who was dispossessed of a cherished personal item, together with the inconvenience of having to replace it.⁵⁸

If the society were to have held anyone responsible for the theft of a car, and if the society further felt that the act for which the thief was responsible constituted a serious offense, then the society would have been correct in devising methods to prevent the crime of auto theft. Weighing the facts that car theft was a property crime and not a crime of passion, that it took prior planning and therefore was acted out with true intent, then it stood to reason that a thief should have faced the consequences of his or her knowledgeable act. Moira Roberts philosophized accordingly,

A man...is responsible because he acts in a situation which is his own, and which is inaccessible to others. He constructs that situation himself, ideally from his perceptions, and according to his abilities. In doing so, he may merely confront it as an opportunity to further his interests and those interests may or may not include the claims of others upon him.⁵⁹

The point was proved that auto theft was an intentional act carried out, at least by the professionals, as a means of making money. It was contrary to the interests of society which recognized auto theft as a serious crime and which had selected penalties that would act as deterrents to the crime in 13 of the 50 states in 1978.⁶⁰ In one state the law was that if a car was stolen and was abandoned undamaged within 24 hours, the theft would be considered a misdemeanor. If the car was not abandoned undamaged in that time, the theft was a class E felony and carried a penalty of up to \$10,000 and two years in prison or both.⁶¹

The subject of penalties for infractions of the law was a societal problem. Not entirely so, however, according to one philosopher who advocated, "civil law rests on moral foundations and is guided by moral principles...Unless society recognizes that life and property have a right to protection, there would be no basis for law."⁶²

Major Issue #2

VIN Marking of Auto Parts as a Deterrent to Auto Theft

Auto theft was a significant social issue, and the opposite side of that issue was the deterrence of auto theft. Numerous inventors offered devices and methods to dissuade the thief or to make cars more theft resistant. Marking a vehicle with the car's own unique VIN imprinted indelibly into window glass and major parts was considered as one way of making stolen auto parts less marketable and thus to make auto theft less profitable for thieves. "Branding" the car with the VIN would also make the job of the police and prosecutor easier if a thief was caught

with the parts in his or her possession. The threat of jail made the personal cost to the thief higher and would thereby make him or her think twice before stealing a marked car.

Historical Foundations

Anti-auto theft systems came in two types, active and passive. An active system meant that the owner of the car had to do something to activate the anti-theft system. This action may have included turning on a switch to the alarm system or it could have meant turning off a switch to the ignition system. This ignition switch was known as a hidden kill switch. Some systems had a switch to operate a fuel shut off valve, and other systems had switches to activate a motion detector. Still others activated a siren or flashed the lights or blew the car's horn if someone tried to enter or start the car without turning off the system.⁶³ These were all "active" systems, requiring some action on the part of the driver to turn it on or turn it off.

Passive systems, on the other hand, did not require action on the part of the driver. A 1986 addition to the market was the General Motors Vehicle Anti-Theft System (V.A.T.S.), which incorporated a special electronic device that was thought to be extremely difficult for the thief to bypass. This system was described in General Motors promotions as completely transparent to the driver, meaning the driver would not have to activate any switches.⁶⁴

Both the active systems and the General Motors V.A.T.S. consisted of devices. Lee and Rikoski argued that, "Security devices on the vehicles themselves are generally effective in reducing amateur thefts. However, discouraging the professional thief is not so easy...thieves

typically respond to such innovations by developing improved methods of defeating them."⁶⁵

Carolyn Hughes Crowley writing in Security Management stated "Perhaps the most effective deterrent to auto theft is use of the... V.I.N. (It) is the single most important clue in tracing stolen cars."⁶⁶ The U.S. House of Representatives agreed and passed House Bill H.R. 6257, which required manufacturers to identify by VIN at least fourteen major parts on each manufacturer's fourteen highest theft prone models or lines beginning with vehicle model year 1987.⁶⁷ The bill was accepted by the entire Congress and was signed into law by President Reagan on October 25, 1984.⁶⁸

The use of numbers to trace cars had been known since the days of Ford's Model T. General Motors and other manufacturers had begun placing hidden numbers on their cars at about that same time.⁶⁹ In 1959, the N.A.T.B. was consulting with the auto manufacturers urging standardization of their numbering systems for both vehicle serial numbers and engine numbers.⁷⁰

The National Highway Traffic Safety Administration (NHTSA) of the U.S. Department of Transportation had required auto makers since January 1, 1969 to identify each car they made with a unique identifying number under their Federal Motor Vehicle Safety Standard (FMVSS) Number 115.⁷¹ In 1979, NHTSA amended the FMVSS Standard 115 to require a 17 digit VIN to further assist in keeping track of cars.⁷²

It appeared that many governmental bodies advocated the use of VIN's in their efforts to slow the crime of auto theft. Police agencies

including the National Association of Chiefs of Police affirmed the use of VIN's in suppressing auto theft.⁷³ The F.B.I. recognized, "the vehicle identification number often provides the only swift and positive identification procedure."⁷⁴ In America's early west cattle were identified by branding. Rustlers were identified by being in possession of the stolen cattle. The idea found fertile soil in theft beleaguered America of the twentieth century. "Unbranded cars" were being "rustled". By 1987, the most theft prone cars made in America were to be "branded" as required by federal law.

Psychological Foundations

The basic purpose of VIN marking of auto parts was quite straight forward. According to Public Law 98-547, the Motor Vehicle Theft Law Enforcement Act of 1984,

It is the purpose of this act - (1) to provide for the identification of certain motor vehicles and their major replacement parts to impede motor vehicle theft; (2) to augment the Federal criminal penalties imposed upon persons trafficking in stolen motor vehicles.⁷⁵

The law went on to provide heavy penalties for persons who tampered with VIN's or who knowingly trafficked in stolen, altered parts. The law allowed sentencing of up to 5 years in prison or \$10,000 fine for tampering with or altering VIN's on cars or parts and up to 10 years in prison and \$20,000 fine for trafficking in stolen cars or parts that have altered or removed VIN's.⁷⁶ As far as the law was concerned, the message to a thief was clear. If a thief was caught with stolen or altered parts there would be a heavy penalty to pay. The psychological theory behind the idea was that punishment, "consists in the infliction of pain. It can be corporal, bodily pain; spiritual...loss of freedom;

or economic... loss of property."⁷⁷ The Motor Vehicle Theft Law Enforcement Act of 1984 held no provision for bodily pain, but it did provide for loss of freedom and a stiff economic penalty.

The law provided that manufacturers would mark parts in order to trace them and provided penalties for traffickers in stolen parts and cars. The purpose of the law was to deter thieves from stealing marked parts and marked cars. Deterrence could be effected by penalties in any of three ways, according to Johannes Andenaes, writing in, Punishment and Deterrence. He imparted that punishment may, "have a deterrent effect...strengthen moral inhibitions...(or) stimulate habitual law abiding conduct."⁷⁸

Before a penalty can act as a deterrent, a criminal must believe that the punishment may affect her or him. Marking cars and parts was in fact "branding" them to identify them and thereby connect a thief with a stolen part. It followed that a thief would more certainly be convicted if he or she were caught with the marked stolen goods in his or her possession. Furthermore, the threat of a more certain punishment may have been even more potent than the threat of severe punishment. "A good deal of criminological opinion has it that punishment is probably most effective when it is relatively certain and that certainty is more important or effective than severity of punishment."⁷⁹

The Motor Vehicle Theft Law Enforcement Act of 1984 addressed only the altering or tampering with VIN's that were placed by manufacturers of cars or replacement parts on a commercial level. Nonetheless, the marking of VIN's on car parts by the car owners carried many of the same benefits inasmuch as the parts were made traceable by the marking.

Traceability of parts was the key factor. Traceable parts like traceable cars were easier to identify if stolen and thus increased the chances that a thief would be caught. Fear of being caught discouraged thieves from stealing marked cars or cars with marked parts.

Another psychological aspect to the problem of auto theft was the trauma of the victims of auto theft who were suddenly minus a prized possession. On occasion, however, the car owners themselves were involved in the theft. This involvement was known as the "owner give up". According to Andrew Karmen, persons either partially responsible or totally responsible for the theft of their own cars comprised about 45 percent of auto theft victims. Karmen defined partially responsible persons as those who left keys in their cars or who purposely made the theft of their cars so easy and inviting to the thief as to practically ask for the car to be stolen. The totally responsible person was the insurance fraud artist who paid to have their car stolen or stole it themselves or claimed it as an insurance loss whether or not it was actually stolen. If the partially responsible victim comprised 20 percent of the total number of victims and the very responsible victim comprised up to 25 percent, "then largely innocent and totally innocent victims constitute the remaining 55 percent."** The partially responsible victim and the fully responsible victim would find the same difficulty as the professional car thief when it came to disposing of a supposedly stolen car with marked parts.

Sociological Foundations

The auto thief acted in close alliance with other criminals, stole the car, and then took it to someone who chopped it, retagged it or

exported it. Sometimes the owner of the car was involved in the theft. Auto theft was identified as a highly organized criminal enterprise.

If auto theft was a crime that affected society to the point of costing the American economy \$5 billion per year and to the extent that it enticed technically capable youth to a life of crime, robbing the society of their otherwise useful talent, then truly, auto theft needed to be curtailed. But before it could be curtailed, responsibilities for the crime had to be identified and placed where they belonged. The crime was not solely the responsibility of the thief. As was pointed out previously, auto theft was a way of doing business. To that extent, other participants in the industry had their share of the responsibility. "Legitimate businesses...frequently create and promote opportunities for underworld exploitation, and therefore play an important and even indispensable role in the commission of numerous crimes."¹

Some of the participants in the auto theft industry were of course the thieves and direct beneficiaries of the illegal activities. These would include the chop shops, retaggers, exporters and insurance defrauders. The list of participants also included the body shops that bought the stolen parts at bargain prices, sometimes knowing that the parts were stolen.² Other members of the industry that might have appeared to be innocent victims themselves included the manufacturers, the dismantling and rebuilding industry and the insurance companies.³

According to Harry Brill of the University of Massachusetts, "The automobile industry's record for protecting motorists is abysmal.

It has been generally successful in combating legislation and regulatory attempts to make vehicles more theft resistant."⁶⁴ Andrew Karmen warned,

"In the case of auto theft, it is clear that the secondary victims who suffer some losses, -the auto makers, the insurers, and the legitimate salvagers- are largely responsible for the plight of the immediate victims, the usually cautious, sometimes careless motorists."⁶⁵

One of the major examples of how the manufacturing industry stands at the heart of the theft problem was found in research presented by Brill, who declared, "The auto industry has opposed a proposed regulation requiring it to place...VIN's...on crash parts... Although this would facilitate the efforts of police agencies, the proposal was dropped."⁶⁶ Even the insurers who were victims of auto theft have been surprisingly antagonistic of attempts to legislate lower premiums for anti-theft actions taken on the part of their insureds.⁶⁷

Insurers actually made money through auto theft, according to Ralph Nader, quoted by Andrew Karmen. Nader, writing in Unsafe At Any Speed, pointed out that insurers could simply raise rates in response to a high theft loss experience and that their improved income based on the investment of those premium dollars made more profit for them.⁶⁸

Furthermore, insurers bought used parts to fix damaged cars. It seemed like a reasonable business decision. But, the industry noted there were more used parts available than there were wrecks from which to take the parts.⁶⁹ And again, insurers made money by selling total wrecks to salvage buyers who would then strip the VIN from the total wreck and steal a like car, retag it with the salvage car's VIN and re-

sell the stolen car as a rebuilt wreck. And, insurers frequently failed to investigate suspicious claims.⁹⁰

As has been pointed out, the marking of VIN's on major auto parts would act as a deterrent to auto theft. However, marking alone would not have been enough. Lee and Rikoski recognized that in order to be effective, all organizations involved with vehicles would need to keep better records of their vehicles and parts, better titling and registration laws would be needed. Insurance company claim practices needed improvement to prevent the abuse of documents from salvage and junk vehicles and law enforcement agencies needed better coordination to stop the flow of stolen vehicles and parts.⁹¹

It must be noted that all of the recommendations given in the study by Lee and Rikoski with the exception of the coordination of law enforcement agencies orbited around the use of VIN's to control the traffic in stolen cars and parts. Records of cars and parts were actually records of car and part numbers. Titling and registration practices centered around the use of VIN's. Documents of insured salvage and junks were actually records of the corresponding VIN's. Marcus Wayne Ratledge, a convicted auto thief, testified,

"As long as car manufacturers continue to construct vehicles with parts that do not have numbers, they will be stolen and dismantled. Imprinting manufacturers' serial numbers on all parts could put a damper on the chop shop business, but only if there were some means of enforcement... Unfortunately, auto industry lobbyists who oppose the numbering of all parts still prevent this from becoming a reality."⁹²

Two major U.S. industries, the auto manufacturers and the insurance carriers, blocked the passage of laws that were expected to stem the flow of stolen cars and parts. Certainly, those industries did not

intentionally cause cars to be stolen. But in the interest of profit, they failed to take the steps necessary to halt the traffic in stolen cars and stolen parts.

Philosophical Foundations

Auto theft has been shown to be an organized form of crime. Care must be taken to avoid confusion with the term, "Organized Crime," in the context of the Mafia, La Cosa Nostra or National Crime Syndicate, even though those organizations were by definition, "organized crime."⁹³ Though the crime of auto theft may indeed have included those named organizations, auto theft was by no means restricted to those groups. Organizations of criminals grouped together for the purpose of robbing banks, confidence games, shoplifting and stealing cars had existed for years.⁹⁴ "Organized crime at this level, it is said, involves association of a small group of criminals for the execution of a certain type of crime."⁹⁵

The career auto thief was a type of business person who decided to enter the business of auto theft as a way of making a living. For those persons operating in the Organized Crime Syndicate, the rationale was expounded by Vincent Teresa, a nonmember associate of the Patriarca Italian-American La Cosa Nostra organized crime family who claimed, "I knew the only way I could live in the style I liked was to become a thief. It was easier than working for a living. The money rolled in."⁹⁶

Organized crime figures did not enter the life of crime due to frustration with the economic or political systems or because they could not make money any other way. They turned to crime because the

world of work was for "suckers" and they themselves were not about to be trapped into working for a living.⁹⁷

For such criminals and their organizations, deterrence might have been found in the form of punishment. Lee and Rikoski noted, "Prosecution of auto theft cases may be one of the most important means of breaking auto theft rings and reducing the incentives for auto theft."⁹⁸ As far as the career auto thief was concerned, prosecution and punishment might have been the key deterrent. "The strength of inhibition of any act of aggression varies positively with the amount of punishment anticipated to be a consequence of that act."⁹⁹

Whether or not punishment actually worked to deter crime was a controversy better left to the corrections professionals and the courts. Some authorities argued that, "In order to make the threat of punishment believable, the criminal law must follow through by punishing those offenders it apprehends."¹⁰⁰ Johannes Andenaes, a highly regarded author writing on the effectiveness of punishment as a deterrent concluded, "General prevention may depend on the mere frightening or deterrent effect of punishment- the risk of discovery and punishment outweighing the temptation to commit crime."¹⁰¹

While some authorities argued that punishment was the most effective deterrent because it made an example of the lawbreaker, other authorities countered that the main reason for punishment was that it exacted retribution. These authorities charged that punishment was meant to wreak vengeance upon the criminal but that the criminal was himself a citizen of the society. Therefore, the laws

that protected the society should also have been applied to the criminal.¹⁰² The cost to society in terms of time spent soul searching, legislating punitive and rehabilitative sentences and time and money spent in the corrections systems may have been at least partially saved if a simpler non-punitive deterrence were effected.

Perhaps punishment was the most effective deterrent to the career criminal who had made a conscious decision to enter a life of crime. But for those not so bold who were just entering the world of crime by getting into the act of stealing cars, retribution may have had more negative effects than positive effects. Instead of waiting for those beginners to step afoul of the law, prevention held a brighter promise. In fact, "it is crime prevention rather than deterrence which is the ultimate object of crime control measures."¹⁰³

Summary

Auto theft in the United States by 1984 had reached proportions that required action by the federal government. The government required auto manufacturers to place a car's VIN on each of fourteen major parts on each car line's fourteen top selling models. The marking of the fourteen major parts was to begin in model year 1987.

However, thieves were stealing used cars as well as new cars. Chop shops sold the parts from the used cars for repairs on damaged cars. The parts were sold to body shops. Other used cars were stolen so they could be misidentified and resold on the market as rebuilt salvaged cars.

Manufacturers could have built in anti-theft systems including marking the VIN's on cars prior to 1987. But, to the manufacturers, such tactics cost money and decreased profits. Besides, some authorities claimed that the manufacturers had a vested interest in seeing that the cars they built were stolen so they could replace them with new cars. However, window glass and major parts could have been marked on the cars built prior to 1987 by etching the VIN's into the window glass and parts.

The states could have passed new laws to prohibit auto theft. But the real task would then have been to enforce those laws. The legislatures at both state and federal levels could have promulgated new laws to punish salvage dealers for improper sales of stolen parts, though it would have been difficult at best to prove criminal intent. Regulations could have been created to hold down insurers' profits. But, in the face of provable claims costs, the regulations would have been hard to justify.

To protect the cars that were not marked at government decree, etching of the cars' VIN's into all of the major window glass offered a close approximation of the marking required by the Motor Vehicle Theft Law Enforcement Act of 1984. The purpose of the method was specifically to take away some of the economic incentive for the thieves because the parts were then harder to resell. Marking made a car difficult to re-tag and sell. Marking made the car traceable, were it to be exported.

In addition to the economic disincentive, marking the car by window glass etching created for the thief the threat of being caught with parts that bore an indelible mark. Prosecution was easier. The personal cost to the thief went up.

Instead of passing new laws that would require enforcement to be effective, VIN etching created a way for the normal citizens to protect their cars. The researcher designed this research project to find out if the marking of automobile window glass actually worked to deter auto theft.

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CHAPTER 3

Findings, Conclusions and RecommendationsIntroductionPurpose of the project

Auto theft has been a growing economic and criminal problem for the American society since about the time of the invention of the first production automobiles in the late nineteenth century. It became a national concern in the years between 1910 and 1920. In 1919, a federal law was passed in an effort to slow the crime.

Between 1919 and 1986, legislatures passed a number of laws, both state and federal, in efforts to stop or at least slow the crime of auto theft. Lawmakers had long recognized that auto theft was not a crime of juvenile joy riders but rather a crime that frequently involved organized criminal enterprises.

Besides newer and more complex laws designed to stop the traffic in auto theft, both auto manufacturers and other inventors brought to the marketplace devices designed to prevent cars from being stolen. Some of the devices were clever electronic devices that set off alarms or disabled the cars. Some secretly called for the attention of radio tracing devices enabling police to locate hidden cars. Other methods were to make the cars less valuable to the thieves through a process of marking the cars with their own unique vehicle identification numbers (VIN's), making the cars obviously identifiable and therefore worth less

to the salvage yards, chop shops and retagging operations that dealt in the stolen cars or their parts.

The research was designed to test one process of identifying cars with their VIN's to determine if such marking actually worked to deter thieves from stealing the marked cars. The researcher identified the most often stolen cars in one specific geographic location, marked some but not others and after a period of time, measured the difference in the theft rates between the marked and the not marked cars after controlling for confounding variables.

Research Methodology

In June, 1985, the researcher began identifying the cars most frequently stolen in the city of Milwaukee. The identification process began by computer inquiry of American Family Insurance Company records of stolen cars in the Milwaukee metropolitan area for the year 1984. The inquiry identified the twenty most often stolen cars by make, model and year. The most often stolen four makes and models were finally selected for the test.

American Family Insurance Company was involved because the researcher was employed there at the time of the study and was granted access to the necessary records and support personnel. Also, American Family insured about thirty per cent of the cars covered by auto theft insurance in the Milwaukee metropolitan area at the time of the research.

After identifying the most often stolen cars in the Milwaukee metropolitan area according to American Family records, the researcher

contacted another major insurance company insuring cars in the same area. Their records confirmed that the same car makes and models were stolen with approximately the same relative frequency when compared to the theft rates of other cars insured by that company in the Milwaukee metropolitan area.

The researcher then received confirming information from the Milwaukee Police Department. Those records were that the same cars identified as the most often stolen in American Family records and the records of the other insurance company were in fact among the most often stolen cars in the auto theft records of the Milwaukee Police Department for the year 1984.

The researcher then studied the reports of the Highway Loss Data Institute for the years 1981 through 1984. The figures from those reports again confirmed that the cars most often stolen in Milwaukee were among those most often stolen on a national basis. The group of cars so identified as the most often stolen in terms of the total number of thefts was called the High Gross number group.

A study of the Highway Loss Data Institute reports also identified other cars that had a high theft rate. However, those cars were more often stolen based on the ratio of the number of cars stolen compared to the number of such cars manufactured and insured in the U.S. For example, the Saab 900 four door for vehicle manufacture years 1982 and 1983 was stolen an average of 6.37 times as frequently as the average car in America and the Chevrolet Corvette had a theft claim frequency more than six times the average of all other cars.¹ Both cars were limited in the number of them that were manufactured. The 1983 Buick

Regal was stolen 1.35 times as often as the average car in America, yet because there were so many built as compared to the Saab 900, many more Regals were stolen than were Saabs.²

The researcher identified insured owners of 11,533 high theft potential cars in the Milwaukee metropolitan test area. Beginning September 3, 1985, invitations were sent to those 11,533 American Family insured owners. The owners had the opportunity of having their cars marked with the car's VIN as a free service in an effort to keep their cars from being stolen.

The VIN was to be acid etched permanently into all the window glass of the car. A sign warning potential thieves of the marking was to be prominently affixed to the window glass at points of entry.

Between September 9, 1985 and November 27, 1985, personnel from American Family's Milwaukee Branch offices etched VIN's into the windows of 2,485 cars. Of those cars, 1,949 were of the high theft potential categories. The remaining 536 car owners were not invited but their cars were marked as a courtesy; they were not considered as part of the test either in the control or the test group. The researcher identified the marked cars as the test group and their unmarked counterparts as the control group.

The researcher kept records of all cars in both the test group and the control group between September 9, 1985 and June 15, 1986. At the end of the test period, the researcher examined the insurance company's records of all cars in both groups that were reported as stolen during the test period.

Description of Findings

Evaluation Instrument Used

Identification of the most frequently stolen cars in the test area. The instrumentation used for this part of the project included computer generated data from American Family Insurance Company's records. The researcher used the data to identify those cars in a specific geographic area which were most often the targets of auto thieves.

The researcher compared American Family data to data supplied by Milwaukee Mutual Insurance Company.³ The comparison showed that American Family statistics were similar in identifying the insured cars most frequently stolen in Milwaukee in 1984. The researcher again confirmed the data by comparing American Family records to reports made available by the Milwaukee Police Department which again showed that certain makes and models were stolen more frequently than others and that those most often stolen throughout the city were also the ones identified by American Family and Milwaukee Mutual insurance companies.⁴

Analysis of theft loss data and questionnaires. The instrumentation used in this phase of the research consisted of theft loss reports generated by claims personnel identifying all cars in both the test and the control groups that were stolen during the test period. The test period lasted from September 9, 1985 to June 15, 1986. The instrumentation also included a questionnaire sent to persons in both the test and control groups. The questionnaire was used to identify and control otherwise confounding variables.

Theft loss reports. The researcher analysed the theft loss reports generated by claims personnel in the Milwaukee claims office in order to identify those cars that were stolen and never recovered as opposed to those cars that were stolen and recovered either slightly disassembled or almost totally disassembled.⁵ The researcher learned that some of the marked cars were stolen and returned prior to their being marked. The researcher therefore checked the dates of theft to see if the car had been stolen before or after the date of marking. Also, if the car was not marked but nonetheless stolen, claim reports were reviewed to see if it was stolen during the test period. Only incidents occurring during the test period were considered to be of concern to the research.

The researcher studied each claim file for losses in excess of \$2,000 for a description of the incident. The analysis was done to see which cars were stolen and never seen again, which were found nearly totally dismantled (chopped), and which cars were found intact enough to make rebuilding an economically viable option. The three categories were totals, constructive totals and partial theft losses respectively. Losses below the dollar value of constructive totals were partial theft losses. The loss value of \$2,000 was used because any loss below that amount had to have been a partial loss. Above the value, the loss may have been a total or constructive total. The way to be certain was to examine the claim files.

The internal validity of the analysis was maintained in that the only known difference between the cars in the test and the control group was that the test group cars were marked and the control group cars were not. Other variables that could not be controlled such as the economy,

crime statistics, acts of God and other variables affected the test group the same as it affected the control group. Therefore, the variable that appeared to have caused the difference was the marking. The internal validity conformed to the parameters specified by C. William Emory writing in Business Research Methods.⁶

External validity was supported due to the randomness of the assignment of persons to the test and the control groups. The entire population of both was drawn by identifying postal zip codes in the test area. Specific vehicle owners were not selected. All owners of certain cars identified as being of high theft potential were given the offer to mark their cars for free. They were not advised that the procedure was a part of a test. Those who accepted the offer came from all parts of the test area. No attempt was made to encourage persons from any geographic subunit to participate. Due to the selection of persons in the study, the test was considered to be of high external validity.⁷

Questionnaire. The instrumentation also included a questionnaire to persons in both the test and the control groups. The purpose of the questionnaires was to find out if the persons who elected to have their cars marked also used other means in addition to marking to safeguard their cars from theft.

The researcher planned to balance the test and control groups by separating from the test group the proportion of persons identified as using additional anti-theft precautions. For example, if twenty percent of the persons in the test group used other anti-theft systems such as alarms, then the marking may not have been the deterrent factor for them.

Twenty percent of the test group representing the alarmed cars would have been subtracted from the test group.

The questionnaire had questions about anti-theft precautions taken by the car owners as well as questions about where the owners parked their cars both when at home and when away from home. The researcher also surveyed using questions about vehicle security when parked and about how frequently the cars were parked in high theft areas and about demographics.

Prior to mailing the survey forms, the researcher made a computer inquiry to identify those people in the test group who still owned the test cars and who still carried their insurance with American Family. The inquiry identified 1,567 persons still in the test group. The researcher sent questionnaires to the 1,567 persons in the test group. The response rate was 69.5 percent as 1,089 recipients completed and returned the questionnaires.

The researcher sent questionnaires to 2,500 persons in the control group. The response rate was 30.8 percent as 771 recipients completed and returned the survey.

The questionnaires were completely devoid of identifying characteristics. A letter accompanied each questionnaire telling the recipient why they were being asked to help by completing and returning the survey instrument. The recipients were guaranteed anonymity and asked to return the instrument in a postage paid envelope that was provided.

The researcher pretested the survey instrument to support both construct and internal validity. The survey instrument was pretested

both by persons familiar with auto theft terminology and persons not so familiar. In addition, respondents had no reason to believe that their admissions would affect them adversely nor that they would receive any additional benefit from answering. Other than to identify demographic variables, the primary purpose of the survey was to identify and control for confounding variables. Conclusions could be drawn from the returned surveys to measure what, if any, anti-theft precautions were taken by one group as opposed to the other.

Statistical Manipulation of Raw Data

Original analysis of theft loss data regarding the marked test group had it that 22 of 1,949 cars in that group had been stolen. All the theft losses in the marked group were partial theft losses with all the cars found in repairable condition. In the unmarked control group of 9,584 cars, 146 cars had been stolen. There were three total theft losses and five constructive total theft losses in the unmarked group. The theft ratios showed that 1.12 percent of the marked cars were stolen as opposed to 1.52 percent of the unmarked group.

The researcher used a computer inquiry to identify 1,567 persons in the test group who still lived in the test area and who still insured the cars they had at the time the test started. Questionnaires were sent those persons and 1,086 were returned completed.

The researcher learned that 20.4 percent of the persons in the marked group had not allowed warning signs to be placed in the windows of their cars. Therefore, those 398 cars (20.4 percent of 1,949) were unmarked. The researcher added those 398 cars to the unmarked group,

bringing the total number of unmarked cars to 9,982. The marked test group was reduced by 20.4 percent to 1,551 cars.

In analysing the theft loss files, the researcher learned that of the 22 cars thought to be stolen from the marked group, eight cars had been stolen before they were marked. The owners had brought them to be marked after they were recovered. That information reduced the number of theft losses in the marked group to 14. Because the cars had been stolen and were not marked at the time of theft, the number of partial theft losses in the unmarked group increased by 8 units to 154. The population of the unmarked group rose to 9,990 and the population of the marked group dropped by 8 units to 1,543. All 14 stolen cars in the marked group had warning signs.

In recalculating the statistics, the researcher found that the theft rates for the two groups differed. In the marked group, .91 percent of the cars had suffered partial theft loss whereas in the unmarked group, 1.54 percent had suffered a partial theft loss. Still, no cars in the marked group showed a total or constructive total theft loss. Table 1 shows the comparison of theft rates of the marked and the unmarked groups.

Table 1

Comparison of theft rates of marked and unmarked cars;
Populations = 1,543 marked cars, 9,990 unmarked cars.

	<u>Construction Total Thefts</u>	<u>Total Thefts</u>	<u>Partial Thefts</u>	<u>Cumulative Total</u>
Marked Cars				
Number Stolen	0	0	14	14
Percent of Population	0	0	.91	.91
Unmarked Cars				
Number Stolen	5	3	154	162
Percent of Population	.05	.03	1.54	1.62

The researcher analysed the results of the questionnaires to see if the owners of cars in the marked group took extra precautions to protect their cars in addition to marking the windows. Minor differences were noted. The differences in responses between the two groups were subjected to the Chi-square test for significant differences and no difference was detected to the .05 level of probability.

The first question in the security section of the questionnaire asked if the owners had taken precautions other than marking to protect their cars. One-half of one percent more of the owners of marked cars used alarms than did their counterparts in the unmarked group. Other anti-theft devices were used to nearly the same extent by both groups.

When at home, the owners of the marked cars parked in locked garages 8 percent more frequently than owners of unmarked cars. On the other hand, owners of unmarked cars parked in unlocked garages 3 percent more frequently than owners of marked cars. Therefore, the researcher saw that owners of cars in both groups parked them inside garage structures while at home at nearly the same rate. Furthermore, when away from home, the parking habits of both groups were nearly identical.

When asked about parking in shopping center parking lots, both groups gave nearly identical responses. The same occurred with response to the question about storing their cars for winter months which would decrease the chance for the car to be stolen. Neither group stored their cars to any great degree (5.5 percent to 6.3 percent marked and unmarked respectively).

Both the marked and the unmarked group respondents reported that they almost never leave keys in unattended cars (98.3 percent and

98.8 percent respectively). They also reported that doors were kept locked and windows secured 82 percent of the time in the marked group and 83.8 percent of the time in the unmarked group.

Based on the returned questionnaires, the researcher determined that there were no significant differences in the anti-theft precautions taken by the owners of the marked cars except that their cars had been marked. The only difference between the two groups was the fact that 50 percent of the marked group was over 55 years of age and only 31 percent of the unmarked group was 55 or older. Appendix A shows the response comparisons for questions 1 to 9 from the security section of the questionnaires. Demographic responses can be seen in Appendix B.

Findings for Evaluation Objective #1

Analysis of American Family Insurance Company data identifying cars stolen in Milwaukee, Wisconsin during calendar year 1984, showed that 373 different makes and models of cars were stolen. However, of the 373 types that were stolen, four cars accounted for 19.02 percent of the theft losses. Those four models were stolen a total of 457 times compared to a total figure of 2,402 cars stolen during the year.

Table 2

Theft count for the top four makes and models compared to theft count for all makes and models in Milwaukee during calendar year 1984.

<u>Count</u>	<u>Percent</u>	<u>Make</u>	<u>Model</u>
168	6.99417	Oldsmobile	Cutlass
107	4.45462	Buick	Regal
102	4.24646	Pontiac	Grand Prix
80	3.33056	Chevrolet	Monte Carlo
457	19.02581	Total 4 Units	
1945=Theft Count	80.97419 x 2,402	All other makes/models (369 Varieties)*	

Findings for Evaluation Objective #2

On September 9, 1985, personnel from American Family Insurance Company began marking VIN's into the windows of 1,949 target cars in the Milwaukee metropolitan area. Those cars were identified in the Company's main computer so that an accurate record of theft losses could be maintained during the time the owners were insured with the Company.

On June 15, 1986, the researcher began a record check of theft losses that affected any of the cars in the test group. The researcher learned that of the original 1,949 cars, 14 cars had suffered a theft loss during the period of the test. The researcher also learned that of the 1,949 cars that were marked, 20.4 percent of those cars did not have warning signs placed in the side windows notifying car thieves that the cars were marked. Therefore, in effect, only 1,551 cars had actually been marked so that potential thieves would know of the marking. Of the 1,551 cars in that group, 8 cars had been stolen and returned prior to their marking, reducing the total marked population to 1,543 for purposes of the test.

An analysis of the theft loss data showed that .91 percent of the marked cars had been stolen. A comparable analysis of the theft loss data of unmarked cars showed that 162 of the 9,990 unmarked cars had been stolen. That figure translated to a theft rate of 1.62 percent of the unmarked population. Table 3 shows comparisons between the theft rates of the marked and the unmarked populations.

Table 3

Comparison of theft loss rates as a percent of group populations showing theft rates of marked cars versus theft rates of unmarked cars.

	<u>Construction Total Thefts</u>	<u>Total Thefts</u>	<u>Partial Thefts</u>	<u>Cumulative Totals</u>
Marked Cars	0%	0%	.91%	.91%
Unmarked Cars	.05%	.03%	1.54%	1.62%

Analysis of Findings/Conclusions

Evaluation Objective #1

By September 1, 1985, the researcher analysed records from American Family Insurance Company for the years 1982 through 1984 and analyzed reports from the national Highway Loss Data Institute reflecting auto theft for the same years. The researcher analyzed reports from another major insurer doing business in the Milwaukee area as well as reports from the Milwaukee Police Department for those years.

Conclusions. Comparing those records, the researcher concluded that certain cars were stolen much more frequently than others. The researcher noted that the police reports did not identify specific models nor manufacture years. The reports did not show if the cars that were stolen were ever recovered, recovered in a state of near total disassembly or found nearly intact. Such records would have provided more accurate information about the level of professional theft activity in the area. However, the data were not critical to the research because all the cars in both the test and control groups were subject to the same chance of professional or amateur theft. Therefore, all the cars were subject to the same opportunity of total disappearance, near total disappearance or theft by vandals or joy riders.

Evaluation Objective #2

By July 25, 1986, the researcher analysed data from theft losses and questionnaires and had discovered whether the marking of VIN's on auto glass was a significant deterrent to auto theft. The researcher grouped all cars into groups of marked or unmarked cars and compared theft rates among the two groups by Chi-square test and by binomial data test. Confounding variables were controlled as much as possible through the use of questionnaires.

Conclusions. In this project, the researcher sought to find out whether or not there was a significant difference in the theft rates of cars marked with a Vehicle Identification Number etched into all window glass and the theft rates of those cars not so marked. A comparison of the theft loss rates of the marked and the unmarked populations showed that the marked cars suffered a lower theft rate than did their unmarked counterparts. The survey of owners of both marked and unmarked cars showed no significant difference in the anti-theft precautions taken by either group as compared to the other. The only difference between the two populations appeared to have been the marking of VIN's on the windows of one group and not on the other group, plus the warning signs placed on the marked group alerting potential thieves that the cars were marked.

The researcher questioned whether in fact the marking made the difference or if a sign placed in the window falsely claiming the car was marked would have been just as effective. The signs may have been as effective but only as long as the thieves did not know they were a ruse. Communications between thieves could easily have destroyed such a scheme. Because the test was only designed to measure the difference in theft rates between marked and unmarked groups, no such additional

confounding variables were introduced. No research was done to confirm whether or not a ruse would have been effective.

The actual theft rates for cars in both the marked and the unmarked groups were quite low even though the cars in both groups were considered to be of high theft potential. The rates were so low that the usual statistical tests of correlation between the controlled variable and the test results may have been inadequate. A Chi-square test to determine the relationship between auto marking and auto theft showed a value of 4.59 which was greater than the tabled Chi-square value of 3.84 with a degree of freedom of 1 and a level of significance of 5 percent. However, 4.59 was not much greater than 3.84. The researcher believed that another test was in order.

Table 4

Chi-square test using 162 stolen unmarked cars vs 14 stolen marked cars. Populations: 1,543 marked, 9,990 unmarked.

		23.54		1519	
Marked	14		1529		1543
		152		9837	
Unmarked	162		9828		9990
	176		11357		

N = 11533

$$x^2 = 3.86 + .065 + .657 + .008 = 4.59$$

$$x^2 > \text{tabled Chi-square of } 3.84. \text{ df} = 1, p = .05$$

To confirm the results of the Chi-square test, the researcher performed a second test using binomial data. The purpose of the test was

to find out if the null hypothesis, $H_0: P_x = P_y$, was true. The null hypothesis was that the probability of x equaled the probability of y . The researcher used the test to find if the probability of the theft rate of the marked group was equal to the theft rate of the unmarked group. The antithesis therefore was that there was a difference. The formula was found in An Introduction to Mathematical Statistics and its Application by Richard J. Larsen and Morris L. Marx.⁹

According to the results of the test, there was a difference in the theft rates to a level of probability of 5 percent. Table 5 shows the formulation and results of the binomial data test. Accordingly, if marking was the only difference between the marked and the unmarked groups, then marking of the cars worked to deter the theft of the marked cars.

Table 5

Binomial data test of null hypothesis

$$Z = \frac{\frac{x}{n} - \frac{y}{m}}{\sqrt{\frac{\left(\frac{x+y}{n+m}\right) \left(1 - \frac{x+y}{n+m}\right)}{n \cdot m} (n+m)}} = \frac{-0.0071}{.0033574} = -2.11$$

$x = 14 =$ stolen marked units
 $y = 162 =$ stolen unmarked units
 $n = 1543$ marked units in population
 $m = 9990$ unmarked units in population

$\pm z = \pm 1.96$ \therefore Significant at 95% level. H_0 rejected.

Binomial test: $H_0: P_x = P_y$

Summary/RecommendationsProcedural Recommendations

The marking project in Milwaukee was a demonstration that marking of car parts can act as a deterrent to auto theft, particularly with respect to deterring professional thieves. Amateurs and joy riders probably were not affected to a great degree. The sharp drop in the dollar value of losses and the absence of any large degree of disassembly may have been because the cars in the marked group that were stolen were taken by amateurs. The majority of damage occurred when the thieves broke away the steering column to gain access to the steering wheel lock and ignition.

In Milwaukee the actual theft rate of the most often stolen cars was well below the average theft rate for those same cars in other cities where American Family Insurance Company did business. The researcher believed that the lower theft rate was due in large measure to the attention the local police paid to the crime of auto theft. Channels of commerce had not been established for disposal of stolen cars and parts to the degree that the channels had been set up in other cities.

Because several other locations where American Family carried a significant share of the market suffered from the crime of auto theft, it was suggested that the company make the effort to identify the high theft potential cars in those cities. It was further suggested that the company offer as a customer service the opportunity to have those cars marked either at company expense or at a reduced rate to the car

owner. The company was urged to take the project from research phase to practice in the field.

Policy Recommendations

During the analysis of theft files, the researcher noted that some of the theft loss codes used in computer coding theft losses were in error. Some cars were coded as total theft losses when they were actually partial theft losses. The problem appeared to be a policy decision of the computer operations division or Management Information System.

In order to keep a more accurate record of theft losses, the researcher suggested a slight reorganization of theft codes. The reorganization of the theft codes made it possible to quickly analyse theft loss files from any city in the operating area and see if the auto theft profile there was due to professional thieves or amateurs. The reorganization also made it possible to quickly see if parts marking was working to deter theft in any city where it was implemented.

Future Research Recommendations

In 1984, the federal government passed a law forcing the auto manufacturers to mark many of their production models with VIN's in fourteen locations on each car. The marking was to begin with manufacturer year 1987. The researcher was aware that the professional auto thieves would need to find a way to continue in their trade due to the money that was to be made. Attempts by criminals to circumvent the law were expected.

Insurers carrying large numbers of high theft potential cars in their books of business and supported by sophisticated computer systems

were in the best position to chart auto thefts as they affected their companies. Car makes, models and years of manufacture were easy to track from policy and claim reports. Those records were to be used to compare theft frequencies and severities from year to year for each of the high theft potential cars and see if the theft rates for those cars had changed subsequent to VIN marking.

When only a fraction of the high theft potential cars were marked, professional thieves had a number of unmarked cars from which to select their targets. When all cars were marked, they were all the same in target value with respect to like makes and models. Thieves could no longer go down the street to find an unmarked yet highly desirable car.

The researcher suggested that insurers maintain accurate records of auto theft losses comparing theft rates from pre-marking years to the theft rates from post-marking years to see if there was a difference. Subsequent analysis of the loss records would then be made to identify confounding variables and control for them as much as possible. The research was to determine if VIN marking as required by the federal government and done by the auto manufacturers worked to deter auto theft, particularly theft by professionals.

Notes for Chapter 3

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GLOSSARY

- Alarm** An anti-theft system electronically controlled which activates horns, a siren and/or flashing lights to indicate an attempted break-in.
- Anti-Theft System** Any system whether active or passive that tends by its use or existence to slow down or deter the theft of the vehicle on which it is installed.
- A. **Active System:** Any anti-theft system which requires an act on the part of the driver to initiate or arm the system upon the driver's exit from the vehicle.
- B. **Passive System:** Any anti-theft system installed on a vehicle which requires no action on the part of the driver to activate or arm the system upon their exit from the vehicle.
- Chicago Steal** A method perfected by Chicago auto thieves to break away the steering column key lock shroud on the left side of a General Motors steering column to expose mechanical parts allowing for the swift disarmament of the steering wheel and ignition lock mechanisms.
- Chop Shop** An illegal body shop or salvage yard that specializes in the dismantling of stolen vehicles for the purpose of reselling parts.

- Chicago Collar** A moderately heavy sheet steel collar riveted in place on a General Motors steering column. It is designed to inhibit the breaking away and peeling of the General Motors steering column as in the Chicago Steal.
- Chopping** An illegal operation referring to the dismantling of a stolen vehicle so the parts can be sold either on the black market or through legitimate auto salvage parts dealers.
- Claim Loss History** The loss record of an insurance company due to claims made against policies.
- Etching** Usually the inscribing of a vehicle identification number or derivative code number into the glass surfaces and/or major metal parts to identify those parts so they may be traced or used as evidence. Etching may take the form of acid etching, electroplating, sand blasting, scribing with vibrator tools or hardened steel scribes.
- Fuel Shut Off** An electrically operated solenoid designed to shut off the fuel system to an engine, frequently operated by a hidden switch.
- High G Losses** In this research project, high gross (G) losses are the theft losses of vehicles most often stolen in sheer gross numbers due mainly to the high volume of such cars manufactured and sold in a given area.

High P Losses	In this research project, high P losses refer to the vehicles stolen as a high percentage of the manufactured vehicles of their type. Usually used to refer to such vehicles as Corvette, Cadillac Eldorado, Buick Riviera and other low volume but high value vehicles.
HLDI	Highway Loss Data Institute.
Insureds	Those persons insured by a specific company. For this research project, it referred to those persons insured by the companies whose records were used as the basis for comparisons.
Key Lock	The steering wheel and ignition locking system found on late model vehicles manufactured or sold in the United States.
Kill Switch	An electrical switch usually of the toggle variety usually hidden in a location known only to the driver that effectively kills the ignition even though the ignition switch is turned to the on position.
Mask	A stencil or template cut in the configuration of the vehicle identification number or other code number. The mask is used to protect glass or metal surfaces as the number is being etched.
NATB	National Auto Theft Bureau. An organization supported by insurance companies that indexes stolen vehicles, investigates auto theft and works with national police agencies and insur

ance companies in these and other anti auto theft activities.

- NCR** National Crime Report produced by the Federal Bureau of Investigation.
- NHTSA** National Highway Traffic Safety Administration
- Retagging** An illegal operation wherein a wrecked vehicle is purchased from a salvage yard for the purpose of removing the vehicle identification numbers and securing legitimate title. Retagging occurs when an identical vehicle is stolen and the vehicle identification number is removed from the stolen automobile's dashboard and replaced with the vehicle identification number of the salvage vehicle, thereby giving it a new identity and allowing for its sale to an innocent purchaser.
- Sandblast** A method of marking vehicle identification numbers into glass and steel with the use of a mask or stencil and sandblasting.
- Slam Hammer** A device originally used by body shops to pull dents out of sheet metal. It is used to remove ignition key locking devices from steering columns.
- Steering Wheel Lock** A device designed to lock to a spoke or the outer rim of a steering wheel for the purpose of holding it so that a stolen car cannot be steered. It is used in addition to the normal steering wheel lock and ignition system that is

bypassed by the Chicago Steal or removed with a slam hammer.

VIN

Vehicle Identification Number. It is the specific number issued by the manufacturer of a car to identify it as unique. No two cars are to have the same VIN.

Wheel Boot

An active anti-theft device designed to be placed over a tire and locked in position so the wheel cannot move and the car cannot be driven. Originally invented by a police department to lock cars which have been over parked and from which a fine is to be collected.

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APPENDIX A

Auto Theft and Recovery Rates

APPENDIX A: AUTO THEFT AND RECOVERY RATE

AUTO THEFT AND RECOVERY RATE
PER 100,00 INHABITANTS
IN U.S. - 1960-1984

<u>Year</u>	<u>Theft rate Per 100,000</u>	<u>Percent Increase/Decrease</u>	<u>Recovery Rate</u>
1960	183		
1965	257	+40.4	
1970	457	+77.8	
1973	443	-3.0	
1974	462	+4.2	70%
1975	469	+1.5	69%
1976	448	-4.4	66%
1977	450	-0.4	64%
1978	459	+2.0	58%
1979	504	+9.8	56%
1980	500	-0.7	55%
1981	474	-5.2	52%
1982	457	-3.5	54%
1983	429	-6.1	53%
1984	442	+3.0	Unknown

Sources:

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1981-1982 MODELS WITH HIGHEST THEFT CLAIM FREQUENCIES

Relative Claim Frequencies, 100 = Average

Make and Series	1981	1982	1983
Audi 5000	444	591	574
Audi 4000 2dr.	578	455	*
Audi 4000 4dr.	432	530	*
BMW 320i	707	714	777
BMW 528i (e)	466	439	
Chevrolet Corvette	625	659	*
Saab 900 4dr.	512	537	737
Saab 900 2dr.	471	527	661

* Comparable models not produced for this model year.

Blank indicates insufficient exposures.

Source: Highway Loss Data Institute, Research Report HLDI T83-1, (Washington, D.C., May, 1984) P. 4.

RELATIVE THEFT LOSS FREQUENCY FOR 1982-1984 CARS IN
HIGH PERCENTAGE SPORT AND SPECIALITY GROUP

Make and Model	Relative Theft Loss Frequency		
	1982	1983	1984
Buick Riviera	208	230	255
Cadillac Eldorado	291	349	322
Chevrolet Camaro	151	183	202
Mazda RX-7	127	186	158
Olds Toronado	174	203	206
Pontiac Firebird	246	192	179

Source: Highway Loss Data Institute, Research Report HLDI T84-1, (Washington, D.C., March, 1985,) PP. 8-28.

AUTOS STOLEN BY MAKE AND MODEL IN MILWAUKEE
WISCONSIN AS EXPERIENCED BY AMERICAN
FAMILY INSURANCE COMPANY - 1984

Type	Number	Experimental Group
Audi 4000	2	
Audi 5000	2	
BMW	2	Personality Cars
Corvette	3	
Saab	2	
Buick Riviera	37	
Cadillac Eldorado	16	
Mazda RX-7	2	Sport and Speciality Cars
Olds Toronado	30	
Pontiac Firebird	46	
Buick Regal	107	
Chevrolet Monte Carlo	80	
Olds Cutlass	168	
Pontiac Grand Prix	<u>102</u>	
Total	650	

Personality Cars and Sport/Speciality Cars = High Percentage Loss Class. High Percentage Loss Class accounts for 8.3% of all theft losses.

Regal, Monte Carlo, Cutlass and Grand Prix = High Gross Loss Class. High Gross Loss Class accounts for 19.6% of all theft losses.

Total stolen in Milwaukee in 1984: 2323
Percentage in High Theft Group: 28%

Source: American Family Insurance Company, 1984 Milwaukee Theft Claims for Perils 066 and 067, (Madison, Wisconsin, June 28, 1985.) PP. 1-7.

APPENDIX B
Security Questions

APPENDIX B: SECURITY QUESTIONS

1. I use the following anti-theft precautions to protect my car:

	<u>Test</u>	<u>Milwaukee Control</u>
Alarm	2.8%	2.3%
Steering wheel lock	28.4	38.6
Steering column collar	4.9	2.5
Hidden switches	1.5	2.8
Parts marking	5.2	4.0
Other	5.3	8.3
None	48.7	37.8
No response	3.3	3.6

2. At home, my car is kept in:

A locked garage	74.1	66.1
Unlocked garage	4.4	7.4
Open car port	3.9	5.3
Enclosed parking ramp	0.5	0.1
Lighted parking lot	8.7	9.3
Open unlighted lot	3.0	3.6
Street	2.0	3.6
Other area not listed	3.6	6.7
No response	0.4	0.6

3. When I park my car away from home, it is kept in:

Locked garage	4.3	4.1
Unlocked garage	0.4	1.6
Open car port	2.5	2.7
Enclosed ramp	5.3	8.7
Lighted parking lot	42.8	46.6
Open unlit area	7.0	7.4
Street	21.0	17.6
Other	9.6	6.7
No response	7.1	4.5

4. In an average month, I park my car in a shopping center parking lot:

0 - 5 hours	55.5	57.3
6 - 10 hours	28.2	29.8
11 - 15 hours	8.9	6.7
15 or more hours	6.7	5.4
No response	0.6	0.8

	<u>Test</u>	<u>Milwaukee Control</u>
5. I store my car during winter months:		
Yes	5.5%	6.3%
No	88.5	86.7
Sometimes	4.5	5.7
No response	1.7	1.3
6. My car has provided me with good service:		
Yes	98.2	97.2
No	0.8	1.7
No response	1.0	1.2
7. If my car were stolen, my insurance would cover:		
Cost of a new car	2.5	3.0
Current value of car that was stolen	38.7	37.7
Current value of stolen car less deductible	41.4	46.0
Other	1.7	1.3
None	0.6	1.6
No response	15.2	10.5
8. I leave my keys in my car:		
In glove compartment	0.7	0.0
Below floor mat	0.2	0.3
In ignition	0.0	0.4
Never	98.3	98.8
No response	0.8	0.5
9. I lock my doors and windows:		
Always	82.0	83.8
Only away from home	16.9	14.9
Seldom	0.6	0.9
Never	0.1	0.1
No response	0.5	0.3

APPENDIX C
Demographics

APPENDIX C: DEMOGRAPHICS

Demographics

The following information is demographic describing the respondents by sex, age group, type and year of car, number of years insured with American Family, satisfaction with American Family services and whether or not the respondents have ever had their cars stolen. The following comparisons are reported:

	<u>Test</u>	<u>Milwaukee Control</u>
1. Male	66.1%	66.2%
Female	33.4	33.3
No response	0.5	0.5
2. Age groups		
Under 25	4.5	9.2
26 - 35	12.7	26.2
36 - 45	15.0	18.7
46 - 55	17.1	14.5
Over 55	50.1	30.8
No response	0.6	0.6
3. Car owned		
Audi 4000	0.4	0.4
Audi 5000	0.5	0.8
BMW	0.9	0.9
Buick Regal	18.3	13.3
Cadillac Eldorado	2.1	2.5
Chevrolet Camaro	3.0	5.3
Chevrolet Monte Carlo	5.8	9.7
Corvette	1.4	1.0
Mazda RX-7	1.6	1.6
Oldsmobile Cutlass	44.8	32.3
Oldsmobile Toronado	2.9	1.7
Pontiac Grand Prix	6.0	8.5
Pontiac Firebird	4.0	7.3
Saab	1.4	1.3
Other	6.5	13.2
No response	0.4	0.3

	<u>Test</u>	<u>Milwaukee Control</u>
4. Car year		
Prior to 1978	3.0%	3.0%
1978	7.9	10.4
1979	10.8	16.1
1980	7.6	14.4
1981	13.0	8.3
1982	9.2	7.8
1983	13.3	10.0
1984	18.0	13.0
1985	13.2	8.9
1986	3.2	7.8
No response	0.7	0.5
5. Number of years insured with American Family		
Under 1 year	1.1	2.7
1 - 5 years	20.8	29.0
6 - 10 years	25.2	27.5
11 - 15 years	17.4	16.7
16 - 20 years	11.6	8.7
Over 20 years	21.5	14.5
No longer insured	0.5	0.1
No response	1.9	0.8
6. Do you intend to remain a customer of American Family Insurance?		
Yes	79.8	75.8
No	1.4	1.4
Depends	18.0	22.4
No response	0.7	0.4
7. Have you ever had your car stolen?		
Yes	7.7	7.5
No	91.6	92.1
No response	0.6	0.4

