

ACTIVITIES OF INTERAGENCY COMMITTEE ON
AUTO THEFT PREVENTION

HEARING
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
NINETY-FOURTH CONGRESS
SECOND SESSION

AUGUST 4, 1976

Printed for the use of the Committee on Government Operations

MICROFILME



APR 1 1977

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U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1976

77-307 O

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(III)

ACTIVITIES OF INTERAGENCY COMMITTEE ON AUTO THEFT PREVENTION

WEDNESDAY, AUGUST 4, 1976

HOUSE OF REPRESENTATIVES,
GOVERNMENT ACTIVITIES AND
TRANSPORTATION SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2247, Rayburn House Office Building, Hon. Glenn English (acting chairman of the subcommittee) presiding.

Present: Representatives Glenn English, Floyd V. Hicks, David W. Evans, and Willis D. Gradison, Jr.

Also present: Full Committee Chairman Jack Brooks.

Staff present: Miles Q. Romney, counsel; Bruce R. Butterworth, research assistant; Marjorie A. Eagle, clerk; and Richard M. Tempero, minority professional staff, Committee on Government Operations.

Mr. ENGLISH. The Subcommittee on Government Activities and Transportation will come to order.

In the exercise of its oversight duties, this subcommittee has continuously worked to insure that the Department of Transportation do its utmost to create the highest possible level of economy and efficiency in all modes of transportation throughout the United States. We are currently interested in the participation of the DOT in an effort to stem an ever growing number of automobile thefts, including the dismantling of such cars for resale of component parts.

Automobile theft obviously constitutes an enormous financial loss to the citizens of the United States, and all statistics indicate that the problem is growing by leaps and bounds. However, auto theft can also constitute a safety hazard, and studies continue to show that stolen vehicles are involved in accidents at a disproportionate rate. The nexus between automobile theft and highway safety has been firmly established.

To cope with this growing problem, an Interagency Committee on Auto Theft Prevention was established in March of 1975. This morning we have arranged for the subcommittee to be briefed by the two cochairmen of that committee: Mr. Richard L. Thornburgh, the Assistant Attorney General for the Criminal Division of the Department of Justice; and Mr. Herbert Kaiser, Jr., the Deputy Assistant Secretary for Environment, Safety, and Consumer Affairs of the Department of Transportation. The involvement of the DOT in the Interagency Committee is the primary reason for this overview briefing.

Later on, we will hear from the Automotive Dismantlers and Recyclers of America (ADRA), who will give us information on the problem of auto theft as it relates to their industry.

Gentlemen, we are interested in learning as much as possible about the problems created by the auto thief—especially, the professional auto thief. We are interested in placing on the record ideas and solutions which are under consideration by the Interagency Committee—in particular, those being formulated by the Department of Transportation.

I hope this will be an informative session.

Gentlemen, before you start, we do have a quorum call. We will recess for the next few minutes.

[A short recess was taken.]

Mr. ENGLISH. Before we recessed for the quorum call on the floor, I completed my statement. I now notice that Mr. Gradison, a member of the minority, is here.

Mr. Gradison, do you have a statement?

Mr. GRADISON. I do not have a statement at this time.

Mr. ENGLISH. Do any other members of the subcommittee wish to make a statement?

We begin our witnesses with Mr. Richard L. Thornburgh, Assistant Attorney General of the Criminal Division of the Department of Justice.

Mr. Thornburgh, we want to welcome you here this morning.

STATEMENT OF RICHARD L. THORNBURGH, ASSISTANT ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF JUSTICE; ACCOMPANIED BY RALPH K. CULVER, STAFF ATTORNEY; JAMES V. KATZ, STAFF ATTORNEY; AND JOHN C. GORDON, SPECIAL AGENT, FEDERAL BUREAU OF INVESTIGATION

Mr. THORNBURGH. Thank you, Mr. Chairman. I am Richard Thornburgh, Assistant Attorney General of the Criminal Division of the U.S. Department of Justice.

On my right are Mr. Ralph K. Culver and Mr. James V. Katz, staff attorneys in the Criminal Division; on my left is Mr. John C. Gordon, special agent assigned to FBI headquarters.

Mr. ENGLISH. You are welcome, gentlemen. You may proceed with your statement.

Mr. THORNBURGH. We appreciate this opportunity to appear before you today as you commence your study of the serious problem of motor vehicle theft.

At the outset, I would like to compliment the chairman on the subcommittee's decision to look into the activities of the Interagency Committee on Auto Theft Prevention as they relate to curbing this serious area of crime. In particular, I appreciate the opportunity to describe the objectives of the Interagency Committee and the actions that we are undertaking to achieve these objectives.

Nationwide auto theft now approaches 1 million cars per year. All of us, as consumers, must bear the cost of this crime, which is now estimated at approximately \$1.5 billion per year.

By way of background, the Interagency Committee was established in March of 1975. It is cochaired by Mr. Herbert H. Kaiser, Jr., Deputy Assistant Secretary for Environment, Safety, and Consumer Affairs, Department of Transportation, and by myself, for the Department of Justice. The Departments of Treasury, Commerce, and State are represented on this committee as well.

Since its establishment, the full Interagency Committee has held five meetings. Also, approximately 25 working group meetings have been held under the auspices of the Interagency Committee for the purpose of monitoring certain of the Committee's objectives and for the purpose of briefing organizations and groups affected by the motor vehicle theft problem. The latter category has included the National Automobile Theft Bureau, the board of directors of the Automotive Dismantlers and Recyclers of America, the Motor Vehicle Theft Committee of the International Association of Chiefs of Police, officials of the Institute of Scrap Iron and Steel, executives of the Nation's leading insurance companies, and executives of the rental car industry.

The Interagency Committee's long-term goal is to achieve a 50-percent reduction of auto thefts within 5 years. We recognize that this is an exceedingly ambitious goal. However, we believe that it can be achieved through continued and vigorous action by the Federal Government and with the full cooperation and support of the States.

In particular, I should note for the record that we have received excellent support and cooperation from such private sector organizations as the National Automobile Theft Bureau and the Automotive Dismantlers and Recyclers of America. Of course, this subcommittee's support would substantially assist us in this formidable task.

Motor vehicle theft is largely a youth offense. The latest publicized FBI statistics show that 55 percent of all persons arrested for this offense are juveniles under 18 years of age. If persons under 21 years of age are included, youths account for 74 percent of those arrested for this offense.

Motor vehicles are stolen for joyriding, used in committing another crime, stripping, scrapping, or reselling. In this regard, FBI statistics disclose that the percentage of stolen motor vehicles which are not recovered has jumped from approximately 13 percent in the decade from 1960 to 1970 to the present figure of approximately 31 percent of all stolen motor vehicles.

Mr. Chairman, for the purpose of providing the subcommittee with additional national statistics on auto theft, I would like to place in the record at this point the publication entitled "Crime in the United States—Uniform Crime Reports, for 1974."

Mr. ENGLISH. Without objection, it will be received and put into the subcommittee files.

Mr. THORNBURGH. Whether it be for the free ride or for the profit—timely action is needed at the national level if we are going to effectively reduce motor vehicle theft. As you recognize, auto theft, including the fencing of motor vehicles, has long ago gone beyond State boundaries. By calling for action at the national level, I do not mean to suggest that the Federal Government should create a Federal motor vehicle titling bureau or otherwise supplant functions with respect to motor vehicles which have traditionally been performed by the States.

However, if the States—individually or collectively—are going to curb this crime, a uniform approach has to be taken by the States in such areas as the titling of salvage motor vehicles, as well as the processing of the used major components of disassembled motor vehicles. Actions must also be taken, where needed, which will enhance the security of motor vehicles from theft, and to prevent the use of the channels of interstate and foreign commerce as a means to steal and fence these vehicles.

To deal with such critical areas, the Interagency Committee has established certain near-term objectives to be achieved. These objectives consist of (1) the installation of improved locking systems in motor vehicles; (2) the adoption by the States of uniform laws relating to salvage titling and the processing of used motor vehicle parts; (3) a coordinated Federal-State effort to prevent the exportation and transportation of stolen vehicles in foreign commerce; (4) an increase in the number of automobiles recovered by this country under a 1936 treaty with Mexico; and (5) the establishment of local antiautomobile-theft campaigns.

Let me briefly discuss certain aspects of the motor vehicle theft problem in relation to each of these objectives, including the actions which the Interagency Committee is undertaking to achieve these objectives.

First is improved locking systems. As you may know, the National Highway Traffic Safety Administration in 1968 issued Motor Vehicle Safety Standard 114. This was a Federal antitheft standard that called for a locking system which prevented steering when the key was not in the ignition lock and the lock in the "on" position.

Experience with the ignition locks installed in response to this standard indicate that one of these ignition locks can be defeated within 10 seconds' time, while others take a minute or 2 minutes to defeat.

Different methods are used by auto thieves to defeat these locks. The "dent puller" provides the most frequent method used by professional thieves. It simply removes the lock. The second most frequent method involves twisting the lock to break the tumblers. This operation is usually accomplished by inserting a key in the keyway of the lock to raise the tumblers and then twisting the lock with a pair of pliers so that the tumblers resisting the turning action are crushed.

During the past year, the Law Enforcement Assistance Administration, a member of the Interagency Committee, has supported the conduct of a preliminary study of the effectiveness of auto antitheft devices. This study dwells in detail on the matters which I have only touched upon relating to auto locking systems.

Mr. Chairman, at this time I would like to introduce a copy of this study into the record.

Mr. ENGLISH. Without objection, it will be received and put into the subcommittee files.

Mr. THORNBURGH. The overall objective of the Interagency Committee in this area of theft prevention is to encourage the automobile manufacturers to make such inexpensive improvements to motor vehicle locking systems as will discourage persons unfamiliar with the intricacies of such systems—that is, the amateur auto thieves—from making attempts to defeat these locking systems. At this time, I should

emphasize that the improved auto locks envisioned by the Interagency Committee are not expected to deter professional auto thieves.

The objective of improving motor vehicle locking systems is presently being pursued by the Interagency Committee through the efforts of the National Highway Traffic Safety Administration. On February 27, 1976, this agency issued an advance notice of proposed rulemaking which would amend the present Motor Vehicle Safety Standard 114 so as to provide for minimum acceptable performance requirements for motor vehicle locking systems.

Mr. Chairman, at this point, I would like to note for the record that a copy of this notice of proposed rulemaking will be introduced, I understand, during Mr. Kaiser's testimony.

Mr. Chairman, I would like to turn now to the Interagency Committee's objective to achieve uniformity in the titling of salvage vehicles. I have previously mentioned the recent drastic increases in the percentage of stolen motor vehicles not recovered. I might add that these vehicles include tractor trailers, heavy duty trucks, farm tractors, and other heavy equipment.

If we cannot find a means of preventing professional thieves from stealing these vehicles, we should at least endeavor to assist the States in establishing controls which make it extremely difficult for these professional thieves to fence stolen vehicles or their major components in the marketplace without the risk of early detection and apprehension.

Such fencing of stolen motor vehicles or the major components of stolen vehicles which are scrapped is almost always conducted by organized automobile theft rings. Certain of these rings investigated by the FBI have been found to contain as many as 100 professional criminals and to be responsible for the theft and fencing of as many as 500 stolen motor vehicles. The salvage car racket represents the principal modus operandi or means used by these rings to fence stolen motor vehicles or the major components of scrapped motor vehicles in the legitimate market.

Mr. ENGLISH. Mr. Thornburgh, if I could interrupt you there, we do have a recorded vote on the floor of the House. We will recess for just a few minutes and then pick up your testimony at that point.

[A brief recess was taken.]

Mr. ENGLISH. I want to apologize to the witnesses and to those in attendance for the delay.

I believe we will now be able to continue for awhile without interruption.

Mr. Thornburgh, you may continue your testimony.

Mr. THORNBURGH. Thank you, Mr. Chairman. I should like to return to the subject of salvage motor vehicles.

As you may be aware, salvage motor vehicles are those motor vehicles which are substantially wrecked or damaged to the extent that such vehicles are a total loss and, thus, are no longer fit for operation on the public highways.

However, these salvage motor vehicles—particularly late model ones—provide two items which immeasurably facilitate the fencing operations of auto theft rings. These items are the certificate of title and the vehicle identification number plate of the salvage motor vehicle, the VIN plate.

To ready a stolen motor vehicle for fencing in the legitimate market, it is usually necessary for the auto theft ring to change the title and identification of the stolen motor vehicle. This is done by substituting the title and VIN of a salvage vehicle for the title and VIN of the stolen vehicle, which is usually identical to the salvage vehicle.

This, of course, requires that the salvage VIN be used so as to replace a disguised, altered, or obliterated true VIN of the stolen vehicle. In this regard, the extent of the VIN alteration varies with the sophistication of the auto theft ring. Our experience in the investigation and prosecution of these auto theft rings has disclosed that most of these rings replace the public VIN plate with the VIN plate from a salvage vehicle of the same year and model.

By "public VIN plate," we mean the plate usually found on the dashboard or on the inside of the front door post on the driver's side of the automobile. Some auto theft rings take this disguising operation one step further by removing all other true VIN's on the motor vehicle and restamping them with the false VIN from a salvage vehicle or with another false VIN which corresponds with a counterfeit title.

It is our opinion that the draft salvage title standard, which will be discussed later this morning by Mr. Kaiser, contains sufficient safeguards to substantially curb the resale or fencing of stolen motor vehicles. However, we are of the view that it is beyond the scope of the present draft of the salvage title standard to provide sufficient safeguards to prevent the recent drastic increase in the illegal traffic resulting from the disassembly of stolen motor vehicles and the sale of the major components of such vehicles.

From a law enforcement viewpoint, we can appreciate the merit of having requirements for salvage dealers similar in nature to those proposed by the automotive dismantlers and recyclers to prevent the trafficking of these stolen motor vehicle components. These requirements would generally include the licensing of salvage dealers and also require such dealers to maintain an audit trail of major components handled by them. However, we defer to the Department of Transportation for further elaboration of that Department's statutory authority under the Highway Safety Act of 1966 to deal with the problems in this area.

Before leaving the discussion of the titling of salvage vehicles, I should briefly mention the possible use of a permanent mold of a public VIN on the outside of the vehicle which is placed in a prominent location as a means of discouraging the theft and fencing of motor vehicles. Such a permanent mold of the VIN on the exterior of vehicles would aid in discouraging the fencing of stolen vehicles by making it more difficult to disguise, alter, or obliterate the true VIN.

We also understand that it is feasible to develop and deploy high speed computer scanners on public highways. These scanners could be so positioned as to record the VIN's of passing vehicles and query such VIN's in the stolen vehicle computerized files of law enforcement agencies. The Interagency Committee plans to fully explore this means of detecting stolen vehicles which may be used on the public highways.

Next I shall move to the exportation and transportation of stolen motor vehicles. Approximately 31 percent of all stolen motor vehicles are never recovered. It is therefore believed that a substantial number of these stolen vehicles are exported or transported to foreign countries.

To determine the magnitude of the traffic in exported stolen motor vehicles, the U.S. Customs Service, on a pilot basis, examined passenger cars and heavy equipment destined for export at several eastern and southeastern ports. Since December 1975, Customs has conducted extremely limited spot checks of these vehicles. As a result of such spot checks, Customs has identified or recovered motor vehicles and heavy equipment valued in excess of \$200,000.

I might also point out that a check of previously filed export declarations revealed the location of numerous other stolen vehicles which were, unfortunately, already in foreign commerce. Additionally, these Customs checks on exported vehicles discovered the operations of two auto theft rings.

Let me describe for you certain administrative problems involving regulations issued by the Secretary of Commerce under the Census Act. With a view toward reducing the traffic in foreign commerce relating to the exportation of stolen American-owned motor vehicles, we have initiated action to request the Secretary of Commerce to consider certain changes in these regulations.

Under existing Commerce regulations, the shipper of a used motor vehicle is not required to list the VIN of that vehicle in the export declaration which must be completed by him. Some exporters do now include the VIN, however, on the export declaration voluntarily.

Since the VIN is the only true means of identifying a vehicle, it is crucial to the Customs checking effort that these regulations be amended so as to include the VIN on the export declaration if we are to determine whether a vehicle has been reported stolen in the NCIC computer operation.

As you may know, some stolen vehicles may not be identified as stolen by Customs, even when the VIN is checked through the NCIC stolen vehicle file. This is so because the vehicle may have been rented under a fictitious name from a car agency, or the vehicle was so recently stolen that it had not been reported stolen at the time it was delivered to the carrier for exportation.

We would recommend that the Department of Commerce regulations be amended so as to require shippers of used vehicles to present documentation of ownership in support of the export declaration prior to exportation of the vehicle.

Another problem with respect to these regulations which often precludes recovery of vehicles destined for export is that the regulations permit the exporting carrier to file the export declaration with Customs within 4 days after the vessel departs the United States. We would, therefore, recommend that this portion of the regulations be amended so as to require the exporter of a used motor vehicle to file the export declaration with Customs within a reasonable time prior to departure of the vehicle.

I would now like to turn to the problem of transportation of motor vehicles in foreign commerce—particularly to Mexico. According to the estimates of the National Automobile Theft Bureau, thousands of stolen American-owned motor vehicles are transported to Mexico each year. A treaty between the United States and Mexico was signed in 1936 for the purpose of facilitating the return of stolen motor vehicles and airplanes from either country to the other. Unfortunately, compliance with the treaty is very costly and very time consuming.

During the past 3 years, the National Automobile Theft Bureau obtained the return of only 46 motor vehicles from Mexico pursuant to the 1936 treaty. The length of time for the recovery of these vehicles has varied from 2 to 15 months in 1973 to 2 to 5 months in 1975.

Due to the difficulty encountered in the recovery of motor vehicles from Mexico under the 1936 treaty and the unlikelihood of resolving this problem in the near future, the Interagency Committee has directed its efforts toward developing procedures to prevent the transportation of stolen vehicles into Mexico. In particular, the U.S. Customs Service has undertaken certain pilot projects at the Mexican border which I would like to briefly describe to you.

At San Ysidro, Calif., Customs conducted a 72-hour check of license plates of approximately 1,500 motor vehicles bound for Mexico. By using its mobile TECS units, which are interfaced with NCIC, Customs detected 21 motor vehicles which had been stolen. According to a Customs projection of these figures, approximately 2,000 stolen vehicles would cross into Mexico within a period of 1 year at San Ysidro alone. And this is by thieves who were so brazen that they did not even go to the trouble to change the license plates.

Finally, let me refer to the establishment of local auto anti-theft campaigns, which is one of the Interagency Committee's prime objectives. The effort to reduce motor vehicle theft must have the support of private industry, as well as the support of State and local governments. To achieve this, the Interagency Committee has closely coordinated its efforts with the Motor Vehicle Theft Committee of the International Association of Chiefs of Police for the purpose of obtaining that body's cooperation and assistance in establishing local anti-auto-theft campaigns. With the support of the Motor Vehicle Theft Committee and the cooperation of the insurance industry through the National Automobile Theft Bureau, such a campaign was recently initiated in the State of Massachusetts. We understand that other local anti-auto-theft campaigns will soon be commenced in the Detroit metropolitan area and possibly in the State of New Jersey.

Finally, there is still another objective of the Interagency Committee in which the Department of Justice, along with the States, shares the responsibility for accomplishment. That objective is the deterrence of motor vehicle theft through vigorous law enforcement. This, too, is clearly a crime prevention measure. Whenever we increase the risk of being detected, apprehended, and prosecuted for auto theft, we increase the criminal's risk for this crime and thereby reduce our own risk by discouraging or preventing those who would otherwise be tempted to commit this crime.

We at the Department of Justice, including the FBI, have concentrated our efforts in the enforcement of motor vehicle theft laws on the vigorous investigation and prosecution of interstate vehicle theft ring cases. We are uniquely equipped to handle these large, complex cases which often involve ring operations spreading over several States and into foreign countries.

The number of Federal interstate commercial vehicle theft ring cases under investigation by the FBI or prosecution by the U.S. attorneys at any given time has jumped from approximately 125 cases in 1972 to a high of about 230 cases at the present time.

As part of our endeavor to encourage the States to prosecute more individual interstate vehicle theft cases, we have established Federal-State law enforcement committees within approximately 22 States. The primary function of these committees is to encourage the increased enforcement of concurrent jurisdiction criminal laws, such as motor vehicle theft. We have also taken steps to vigorously implement the provisions of the juvenile diversion statute, appearing at 18 U.S.C. 5001. As a result of these efforts, youthful auto theft offenders are being returned in substantial numbers at Federal expense to the States where they committed the auto thefts in the first place for processing in accordance with State law.

Mr. Chairman, this morning I have endeavored to portray to this subcommittee the activities of the Interagency Committee on Auto Theft Prevention. At this point, I believe that it is evident that all participating agencies on this Interagency Committee have substantially contributed toward achieving the goal of reducing motor vehicle theft. We at the Department of Justice are especially appreciative for the excellent cooperation and effort received from these agencies and the interested organizations in the private sector.

If law enforcement is to be successful in reducing motor vehicle theft, as well as other areas of crime, we can only do so through the partnership-type approach that is characterized by the work of the Interagency Committee. As I have previously indicated to you, we hope to enhance this partnership and expand it to include this subcommittee, as well as the States.

That concludes my statement, Mr. Chairman. I or my colleagues would be pleased, however, to answer any questions that you or other members of the committee or the staff may have.

Thank you very much.

Mr. ENGLISH. Thank you, Mr. Thornburgh. I would like to get in a few minutes of questioning before we have another vote.

You state that the percentage of stolen vehicles which are not recovered has risen from 13 percent in 1960-70, to 31 percent at the present time.

For each year, what is the ratio of professional theft to amateur theft; and in which direction is the trend going for 1976?

Mr. THORNBURGH. As usual, in dealing with statistics in the law enforcement field, I have to apologize for the lack of precision. Those engaged in criminal enterprise do not publish profit and loss statements and balance sheets which enable us to pin down these statistics.

So I can only give you a feel as to what the direction is. And I think that our concern is that there appears to be a greater incidence of professional involvement in auto theft due to the increased economic return which is available. This is true particularly in the parts area.

The major shift of concern to us is in the dismantling and the dealing with the salvage vehicle to produce automobile parts and components for use in a rising market which I think any of us who drive cars and have parts problems can appreciate is extant today.

So I think I can give you the collective feeling of Federal law enforcement agencies that that is the direction in which the operations of those involved in criminal enterprise is going. Unfortunately, we cannot pin down any of the specific statistics in that regard.

Mr. ENGLISH. A great deal of the testimony which you gave this morning related to the professional type of car-theft rings—the rather sophisticated enterprise of going in and changing identification numbers and so on.

But I also noticed in your testimony that you pointed out that 55 percent of the thefts came about as the result of individuals under 18 years of age, and 74 percent under 21 years of age.

Does this particular group of people help make up these professional car theft rings, or is the 26 percent that is over 21 years of age the group that is primarily involved?

Mr. THORNBURGH. There are "car thefts"; and, there are "car thefts." Those of the joyriding character are obviously of lesser concern from the point of view of effective use of law enforcement resources than those that involve the commercial, multistate ring-type of operations.

So, again without being precise on figures, I think we would find that the 26 percent if you will, of offenders who are over the age of 21 would be the major focus of a responsible Federal law enforcement effort.

This is not to down play the importance to the individual car owner. The theft that may be committed by a joyriding youth can destroy a car as effectively through carelessness and through high-speed attempts to escape as a professional dismantler might destroy the same automobile in a ring operation to produce parts and the like for resale.

Mr. ENGLISH. Are you saying that you are generally not concerned with the 74 percent of car thefts that take place in this country from the Federal standpoint?

Mr. THORNBURGH. I think that is rather more than I would like to be committed to. There is another factor here. The joyride car is more likely to be recovered. I think when you look at the recovery statistics in gross that they may be misleading.

The professional, by means of his skill and his entree into more sophisticated methods of fencing and breaking down into component parts, has a higher chance of escaping without having the vehicle recovered than the joyrider. The joyrider, by definition, is not looking towards a resale or redispotion or breaking down into component parts of the thing.

Those types of offenses are more likely to be the concern of State and local authorities than of Federal authorities. Because of our allocation of scarce resources, we want to operate on the large-scale commercial rings.

Mr. ENGLISH. So most of the 74 percent are of the joyriding variety; and most of those cases are the types of cases that are solved within a matter of hours or at least within a matter of days, and are such that they never come to your attention. Is that right?

Mr. THORNBURGH. I think that is certainly the feel of the law enforcement people—again, without any precise statistics in that regard.

Mr. ENGLISH. If you will excuse us again for a few minutes, we will catch this next vote and be right back for questions from some of the other members of the subcommittee.

[A short recess was taken.]

Mr. ENGLISH. The hearing will reconvene. Mr. Thornburgh.

Mr. THORNBURGH. Mr. Chairman, I wonder if I might make two observations to clear the record?

Mr. ENGLISH. Yes, Mr. Thornburgh.

Mr. THORNBURGH. In the last exchange we had with the Chair, we slipped a little, I think, on our terminology in discussing some of these statistics. The reference to 74 percent of youthful offenders, those under 21 years of age, referred to the 74 percent of those arrested for the offense, and not 74 percent of the vehicles which were involved in offenses by those in that age group.

I think it is important to bear that in mind. I am afraid I got a little bit glib about the figure myself. I would like the record to be corrected in that extent.

And another touch of glibness, Mr. Chairman, that I wanted to clarify has to do with the ring cases we have been talking about. I thought it might be of some interest to the Chair and to the subcommittee and to the staff if we had the graphic illustration of what a ring case involves.

If the Chair would permit, I would ask Mr. Gordon to explain, and offer into evidence, a rather graphic illustration of what a ring case involves so that the impact of our present law enforcement efforts might be a little clearer to the subcommittee.

Mr. ENGLISH. Certainly.

Mr. GORDON. This interstate transportation of stolen motor vehicle ring developed in our Atlanta and Knoxville divisions. We got indications that there was trafficking in heavy equipment between the States of Alabama, Arkansas, Florida, Georgia, North Carolina, Tennessee and the countries of Costa Rica and Guatemala.

As a result of that, we targeted this case. And here are the results of a recovery made in April of this year.

You are looking at \$500,000 worth of heavy equipment, including a Trailways bus. The Trailways bus is valued at \$85,000.

Now it is hard to believe that a Trailways bus was involved in this sort of traffic. In fact, we had a hard time convincing some of the agents at headquarters that we had recovered a Trailways bus.

Mr. ENGLISH. Did Trailways know that they were missing a bus?

Mr. GORDON. That bus was stolen and we placed it under surveillance. It was brought into the State of Georgia, where it was recovered in a small town. It was destined for Central America.

Mr. THORNBURGH. This is a case, Mr. Chairman, where the individuals who were arrested are awaiting disposition of their cases. We cannot discuss them in any great detail, but I thought it would offer some graphic indication of the type of law enforcement effort in which we are involved.

Mr. ENGLISH. Mr. Thornburgh, that is certainly very impressive. I am happy to know that Trailways recognized the fact that they were missing one of their busses.

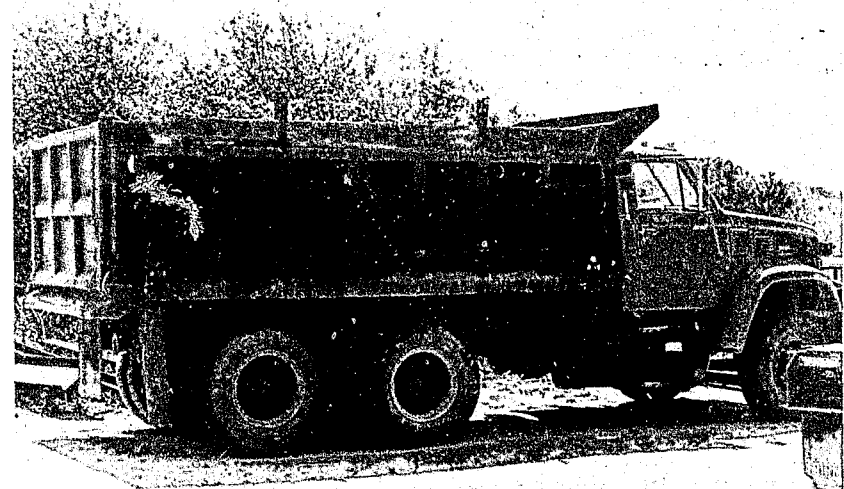
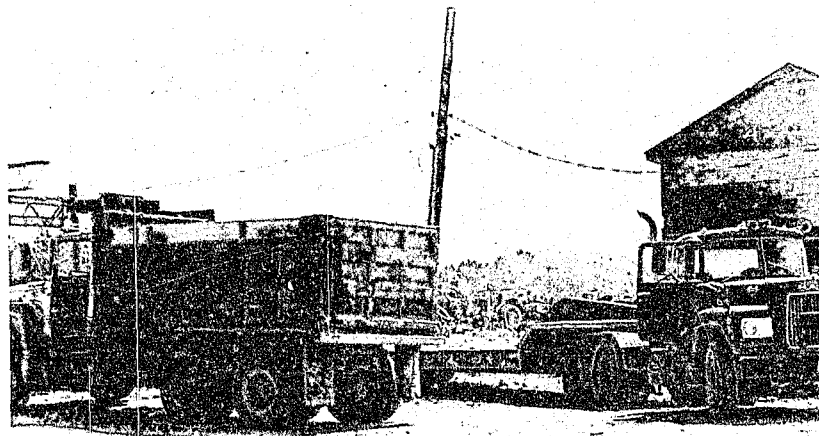
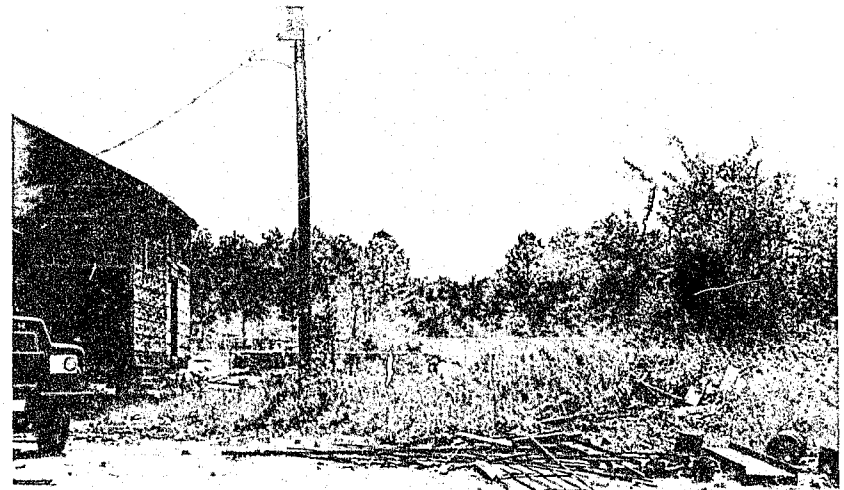
How many busses are lost each year?

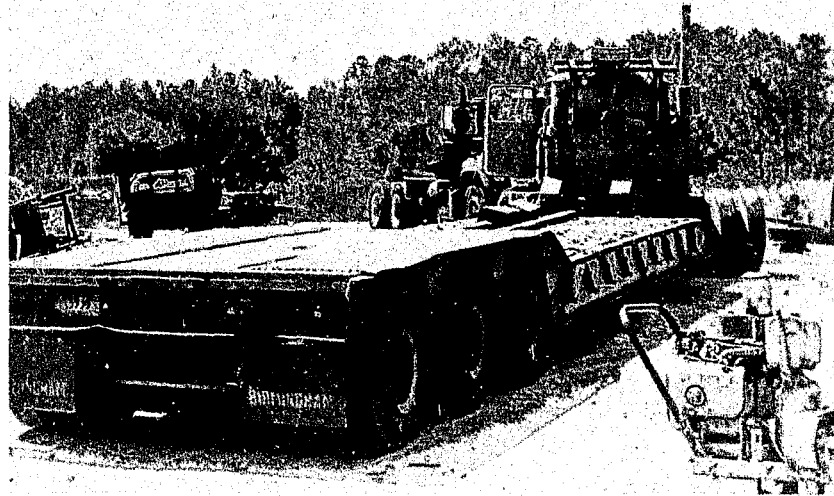
Mr. GORDON. This is a unique case. In fact, I could hardly convince agents who are familiar and work with these types of cases that we actually did recover a Trailways bus.

Mr. THORNBURGH. I don't mean to frighten the Chair, but we understand that that was hijacked between Oklahoma and Arkansas. So perhaps care in bus travel might be forthcoming. But be assured that the FBI was able to eventually recover this.

Mr. ENGLISH. That illustration will be made a part of the record, Mr. Thornburgh.

[The illustrations follow:]





Mr. ENGLISH. At this point, I believe Chairman Brooks of the Committee on Government Operations has some questions he would like to ask.

Mr. BROOKS. I want to thank you very much, Mr. Chairman, for chairing this subcommittee.

We are today considering the Federal Government's response to the growing problem of auto theft in the United States.

The latest statistics available show that almost a million cars are stolen a year. And a sizable portion of these, as you have testified, are stripped and sold for parts and shipped all over the country.

The members of the Automobile Dismantlers and Recyclers of America are vitally concerned with these illegal operations, and that these businessmen are fighting a losing battle in trying to compete with illegal operators whose cost for their parts is negligible compared to what the honest operator must pay for vehicles to recycle. The association has been considering the best methods for solving this problem for some time.

Several members of this group, Mr. Chairman, are particularly concerned about the impact of automobile theft on the industry and on the public in general. They have come here to give us the benefit of their knowledge and experience.

I certainly want to welcome them and to express my appreciation for giving up their time to travel to Washington to be with us to tell about this tragic situation.

It is absolutely vital that the States and the Federal Government cooperate to stop this lucrative method by which car theft rings dispose of stolen automobiles at substantial profits—illegal profits on

which no taxes are paid, and which represent ready money for other than legal purposes.

The Interagency Committee on Auto Theft Prevention should provide the leadership at the Federal level to spearhead this effort. And if the various agencies involved in this effort do not have sufficient authority to handle the problem, Congress needs to know in order to be able to act.

This hearing which you have so graciously chaired, Mr. English, has been a step forward in assisting both the Members of Congress and the public to become more aware of this problem and of the efforts being made to solve it.

Mr. Chairman, I particularly want to welcome Norman Dulaney and Bob Parker. I appreciate the substantial effort they are making in trying to solve this problem. It is one which confronts all of us. It is a serious cancer in American society.

Thank you very much, Mr. Chairman.

Mr. ENGLISH. Do you have any questions, Mr. Chairman?

Mr. BROOKS. Yes; I would ask a couple of questions.

Have you any indications on how the techniques of the professional car thief, using the salvage mode for disposing of stolen automobiles, have evolved over the last 10 years?

Mr. THORNBURGH. I think one qualitative change on which we could make some observation, and one that is of concern to us, is the increased sophistication being utilized by those who are taking advantage of the opportunity to deal with the inadequacies in the current salvage laws.

There is no question that the rising prices and costs in the industry have prompted a much greater sophistication on the part of those who are engaged in illicit enterprises. This has called forth, we hope, a much more sophisticated response on the basic of law enforcement activity.

Mr. BROOKS. In the past, has the professional car thief been capable of adjusting his techniques to neutralize your investigative techniques?

Mr. THORNBURGH. I think we have to say there is a constant battle, an escalation, of expertise on both sides of the law.

The difficulty is that we have to constantly keep ourselves apprised of what techniques are being used by the lawbreaker so that we can accommodate our investigative and prosecutive activities to the escalation in their expertise.

So I think that is a fair appraisal of the situation.

Mr. BROOKS. I have no further questions.

Mr. ENGLISH. Thank you very much, Mr. Chairman.

Again, we must break. Duty calls on the floor.

When we resume, Mr. Donald Rouse will be our next witness.

Thank you very much, Mr. Thornburgh. And we also thank you gentlemen from the Justice Department for your participation in this hearing.

Mr. THORNBURGH. Thank you.

[A short recess was taken.]

Mr. ENGLISH. The hearing will reconvene. Before we recessed, we indicated that our next witness would be Mr. Donald Rouse. Mr. Rouse, you have some gentlemen with you. Would you please identify them for the record?

STATEMENT OF DONALD J. ROUSE, DIRECTOR OF FIELD SERVICES,
AUTOMOTIVE DISMANTLERS AND RECYCLERS OF AMERICA; AC-
COMPANIED BY NORMAN DULANEY, PARTS DEALER, AMARILLO
AND PLAINVIEW, TEX.; BOB PARKER, PARTS DEALER, VIDOR,
TEX.; AND HENRY HUBSCHMAN, COUNSEL, AUTOMOTIVE DIS-
MANTLERS AND RECYCLERS OF AMERICA

Mr. ROUSE. Thank you, Mr. Chairman.

My name is Donald Rouse. I am the director of field services of the Automotive Dismantlers and Recyclers of America.

Sitting on my right is Norman Dulaney, of Dulaney Auto and Truck Parts, Amarillo and Plainview, Tex.

Sitting beyond him is our legal counsel, Henry Hubschman.

On my left is Bob Parker of Freeway Auto Parts, Vidor, Tex.

Mr. ENGLISH. We welcome you, gentlemen.

You may proceed with your statement, Mr. Rouse.

Mr. ROUSE. We greatly appreciate the opportunity to discuss with you what the Automotive Dismantlers and Recyclers view as the critical problem of auto theft. Ninety days ago the board of directors of the Automotive Dismantlers and Recyclers of America passed a resolution directing the leadership of the industry to work with State and Federal agencies, and other interested parties, in an effort to reach a solution on the problem of auto theft. My remarks are a composite of the opinions of our industry representatives.

Auto theft, the dismantling of stolen automobiles for component parts, and the distribution and sale of stolen parts for repair purposes, has reached the financial proportions of a national disaster. Some of our industry members estimate that 50 percent of the crash damage repair parts sold in many large metropolitan areas are stolen parts from unrecovered stolen automobiles.

According to Department of Justice figures, released in May 1975, there were 900,000 stolen cars in 1974. And 40 percent of these stolen cars were dismantled for parts. It is possible the figures will be higher for 1975 and 1976. Anyway you look at it, that is a substantial problem. Indeed, this figure of 360,000 cars represents more cars than Chrysler, Dodge, Lincoln, Mercury, and Cadillac divisions sold individually last year, and is more than the total production of American Motors Corp. for the same year.

Imagine, if you will, the impact if American Motors Corp. drove each vehicle they built, in a 12-month period, right off the assembly line and into Lake Michigan and the vehicles were never seen again.

What would happen financially to AMC? Assume each vehicle had an average value to the factory of \$2,500. The disappearance of those cars would mean a \$900 million loss.

Who would pay that bill? Well, last year our insurance companies and the motoring public picked up the tab for those stolen unrecovered vehicles. This may have been one reason why more than 30 insurance companies have recently encountered financial distress. In our opinion, an estimated loss of \$900 million is a disaster.

In the essence of time, I am skipping a portion of the prepared testimony.

It has been discovered by a few salvage dealers that a vehicle can be stolen from the street, parking lot, or new car dealership and dismantled quickly in an out-of-the-way place. Thereafter, those parts which do not carry true identification are placed in stock or distributed to a broker, and the portion of the vehicle with true identity is run through a shredder, resulting in complete obliteration of any remaining evidence. The end product, Mr. Chairman, is the proliferation of hot parts.

This practice has proliferated to the point where "hot parts" may be ordered with the specific options and color. The parts are choice and undamaged. Prices, obviously, are very attractive to the consumer.

Perhaps we should take a moment to tell you there are 5 major part components on an automobile. Three of these do not carry true identity from the factory. These include front-end assembly, which is comprised of fenders, hood, grill, and bumper; doors, as complete assemblies; and, rear body sections, which are comprised of quarter panels, deck lids, and floors.

Two major components, the engine and transmission, sometimes carry identification numbers. If so, a thief will generally scrap them rather than risk selling them. There is a great demand for the first 3 components. The estimated average value to the thief on these items alone is \$1,500 per automobile.

Many dealers have refused to handle "hot parts." They avoid buying any parts from dealers who may be suspected brokers. This decision, however, poses a real dilemma for the dealer who chooses to sell only legitimate salvage. If he does not broker "hot parts," he can be reasonably sure that a competitor will.

Mr. Chairman, it is impossible for a legitimate salvage dealer to compete with a "hot parts" broker. The broker can supply choice parts at very attractive prices, well below those prices the legitimate dealer must charge to maintain overhead and his operation.

The problem has become so severe that several well established salvage dealers are reportedly ready to abandon their businesses if the spread of "hot parts" is not halted. Not only are these salvage dealers unable to meet the competition, they are not willing to risk the stigma of guilt by association should the problem ever be unmasked to the public.

Mr. Chairman, what are some of the possible ways to help control the movement of stolen parts? One solution is to mandate the vehicle manufacturer to place the VIN on those component parts which are subject to traffic in the "hot parts" market, and to mandate major penalties for defacement or removal of the VIN's to conceal true identity.

Presently, the action today is in those parts without identification. The thief will not sell a stolen component part or a vehicle with the true identity showing. Most items which have true identity are placed into shredders and the evidence is destroyed.

The vehicle manufacturers have steadfastly resisted this solution. The automotive manufacturers contend that there would be added expense to the manufacturer and the motoring public to place identity on major part components not presently identified.

Nevertheless, we believe that this added expense, even if passed on to the motoring public, is insignificant when compared to the costs presently being incurred by the motoring public as a result of auto theft.

We must also recognize that when a current year vehicle is stolen and unrecovered, the owner is often provided a new vehicle as a replacement. The manufacturer, therefore, sells not only the vehicle which was stolen, but also the one purchased as the replacement. Mr. Chairman, we believe that requiring the VIN number could easily reduce traffic in "hot parts" by 50 percent.

Another problem in the industry is the transfer of legitimate salvage vehicle titles and vehicle identification number, VIN plates, to stolen vehicles. It is common practice for titles and plates from legitimately purchased salvage vehicles to be removed and placed on identical vehicles stolen from the streets—thereby insuring the possessor of a salable stolen vehicle. Indeed, it is a well-known fact that a clean title and VIN plate is worth from \$500 to \$2,000, depending on the year, make, and model of the vehicle.

Another solution to reduce the traffic in stolen vehicles and parts would require the extension of Government regulation to all segments of the automotive recycling industry. This regulation would include salvage dealers, dismantlers, scrap processors, and shredder operators. This program would provide for the following: Uniform Government licensing of all automotive recyclers; establishment of a salvage certificate in lieu of a regular title, and creation of an audit trail on all salvage vehicles and major part components; effective enforcement procedure; and establishment of maximum penalties for offenders.

The first aspect of the solution, the requiring of manufacturers to identify major part components, would be the easiest portion of this proposal to effectuate. If the manufacturers choose to cooperate, this could be accomplished on a relatively short-term basis.

The second item, extending Government regulation, would require new legislation in some States, modified regulation in others, funding to support the program, and dedication and persistence by Government administrators. All parts of the proposal, including regulation, audit trail, and enforcement, would be necessary to make it effective.

Let us examine the major parts of the first proposed solution—that of uniform Government licensing of all automotive recyclers, including salvage dealers and scrap processors, across State lines. Under our proposal, uniform rules must be applied in each State. Otherwise, the offenders will simply move to the State with the most liberal controls. Licensing establishes the authority to apply rules, regulations, and perform inspections. At present, some States do not license automotive recyclers.

The next item is a salvage certificate in lieu of a regular title and an audit trail on salvage vehicles and major part components. Salvage vehicles are those vehicles which have become damaged, wrecked, or otherwise rendered unfit for transportation. Generally, a decision is made to replace the vehicle rather than to repair it. Our interest is focused here on the late-model group of salvaged vehicles. This includes the current model year, plus 4 immediate preceding model years. Today that would mean 1972 through 1976 vehicles.

This is where the action centers on stolen vehicles for parts. There is a major demand for repair parts in this age group. The regular title should be surrendered and a salvage certificate issued to serve as proof of ownership. While both documents serve as proof of ownership, there is a difference between the two. The regular title permits registration of the vehicle for use on State roads; whereas, the salvage certificate disallows registration.

The regular title should be surrendered as soon as the vehicle is declared salvage. Since most late-model salvage vehicles involve an insurance company, the insurance company could be required to obtain the title from the owner, apply for the salvage certificate, and thereby remove a good title from circulation and make that title unavailable for use for a stolen vehicle.

An audit trail will allow enforcement personnel to trace the movement of a vehicle and major part components from the time it leaves the original owner until it is run through a shredder. There are very few States today that have adequate audit trails on salvage vehicles. Some have a partial trail, but an investigator is stymied when he arrives at a gap in the trail; and a thief is allowed to operate easily with complete disregard.

If an insurance company obtains a salvage certificate and transfers it to the salvage dealer, we have proof of ownership and a record of the transaction. The certificate can be transferred to subsequent owners in the same manner as a regular title. Under these circumstances, it would be logical and reasonable to make it illegal for anyone to possess a salvage vehicle without the accompanying salvage certificate.

In general, a complete audit trail would require that certain internal records be maintained by the licensee. They could include a police book, sales records, and a scrap vehicle manifest.

In order to make the audit trail complete, it will be necessary to include identification of major part components. If the manufacturers are not willing to accept immediate responsibility for the identification of components, then the licensed recycler could be required in the immediate future—say, 12 to 18 months—to inscribe the VIN on the component in a semipermanent manner when he removes it from a salvage vehicle.

If he purchases a major component from another recycler, he must receive a sales receipt bearing the VIN of the vehicle from which it was removed, and the VIN must be inscribed on the parts. The requirement would allow an enforcement officer to easily spot check legality of major part components carried in stock or in transit by a licensed salvage dealer. The ultimate responsibility, however, must rest with the auto manufacturers to replace VIN numbers on major component parts.

First, with enforcement procedure, let us recognize that effective enforcement is the key to success. If effective enforcement cannot be applied to the situation, let us not waste time designing new controls and regulations. Without effective enforcement, regulations become mere harassment, and additional bureaucratic harassment is something we do not need.

If recyclers and processors are going to be brought under Government regulation and asked to comply with the rules, somebody needs

to stop by their operations periodically to determine if the rules of the game are being observed. If not, the appropriate punitive action needs to be taken.

Major penalties should be prescribed for removal or defacing of VIN's with intent to conceal true identity.

There is one additional situation which needs some consideration. There are vehicles which often are declared as salvage; and for which a salvage certificate may be issued, but which are repairable as complete vehicles. As we have already discussed, the issuance of a salvage certificate would prevent the vehicle from being registered for use on the highway. We, therefore, would recommend that a carefully controlled procedure be provided which would allow reissuance of the regular title for a salvage vehicle which is restored to operating condition.

Care must be taken in this procedure to avoid fraud and deception. The vehicle should first be restored to a fully operational condition. The owner must possess proof of ownership—a salvage certificate—for the vehicle. He must also have proof of purchase for any parts that were purchased for the purposes of repair.

If used major components are installed, he must have receipts showing the VIN of the vehicle from which they were removed. The vehicle then must be submitted to qualified officers for inspection to determine the authenticity of the vehicle. This ability to restore a salvage vehicle and recover a surrendered title would allow insurance companies a settlement option on vehicles with a high resale value.

This procedure is illustrated in the accompanying chart, chart B. [See p. 33.]

Mr. ROUSE. Maximum penalties administered through strong courts must also be considered. We believe it should be a Federal crime to steal a late-model motor vehicle. Appropriate penalties should be prescribed. Prosecution of offenders should be pursued. Today, penalties are much too lenient. Major offenders are excused with a slap on the wrist, or released on a technicality.

Mr. Chairman, I would like to review our solution to the major problem of auto theft. Dismantling stolen vehicles for parts has become a profession. Moreover, the application of salvage vehicle VIN plates on stolen vehicles has become common.

We, therefore, recommend as follows:

One, that vehicle manufacturers be required to place identity, VIN's, on three additional major components: front-end assemblies, doors, and rear body sections.

Two, that a major penalty be prescribed for removal or defacement of VIN's with the intent to conceal identity.

Three, that each State be required to institute a program of title surrender and issuance of a salvage certificate on all late-model salvage motor vehicles. Uniformity between States is important.

Four, that each State be required to license automotive recyclers and institute the necessary regulations which will allow a complete audit trail. Again, uniformity is important.

Five, that each State be required to provide an effective enforcement procedure. We recommend that a program of Federal funding be allowed to encourage the States to implement this mandate.

Six, that it be made a Federal crime to steal a late-model motor vehicle and appropriate penalties be prescribed.

We thank you for this opportunity to review the problems related to auto theft. In closing, I would like to say that we greatly appreciate the hard work of the Interagency Committee, the Justice and Transportation Departments, the Federal Bureau of Investigation, and the National Highway Traffic and Safety Administration.

Nevertheless, it should be obvious from my statement today that the members of our industry seriously believe that the NHTSA proposal is inadequate, even as a first step. We, therefore, request you take the positive, affirmative action I have outlined today to create a program that will drastically reduce the impact of this national financial and social disaster.

Thank you.

Mr. ENGLISH. Thank you very much.

Mr. Dulaney and Mr. Parker, do you gentlemen have a statement you would like to present; or would you prefer to submit your testimony for the record and move on to the questioning?

You may do that which you find the most comfortable and the most appropriate.

Mr. DULANEY. Mr. Chairman, I believe we submitted written statements. I would like to make some comment on how these parts are hurting us and what this is doing to the businessman.

Mr. ENGLISH. You may do so. And your statement will be recorded in the record as is.

Mr. DULANEY. Over a period of the last 2 years, there has been a steady increase in the movement of stolen components—the sheet metal components. We are talking about front ends, doors, and rear sections.

We believe the reason for this is that the labor rate has gone up to \$12 to \$15 per hour, and possibly higher in some areas.

In order to move that repair work through the shops and minimize the labor, and improve the quality of reconstruction, auto body rebuilders place a high priority on repairing vehicles involved in front-end collisions and rear end collisions by replacing the whole assembly.

Now the value of these assemblies, as Mr. Rouse has stated, is from \$500 to \$1,500. It can go as high as \$3,000, depending on the make and model of the car.

I would like to point out that these assemblies we have been talking about, the front-end assembly and the rear end assembly, leave no audit trail at all of where they originated or where they came from. With a motor, you have numbers; with a transmission, you have numbers. With these parts, you have nothing.

If you would, Mr. Chairman, that is something like a body on the street with no fingerprints and no dental work. You cannot identify it. There is no way to trace it back.

And we have gone to our law enforcement people. But they need some kind of tool for this.

When we speak of those parts, Mr. Chairman, we are not speaking of parts coming in on one truckload. We are talking about a bunch—a whole lot of trucks and a whole lot of parts coming into the areas. These people have no expenses and they can really move this merchandise.

Is it any wonder that we are concerned? Our very business lives are at stake here. But more than that is at stake if you get down to it. The energy consumed to build these 1975-76 model cars is lost when the engines, the transmissions, the cowls, the frames are run into shredders.

The reason for doing this is to get completely rid of any evidence of a stolen car. They take the parts with no numbers and sell those; the parts with numbers are run into a shredder and back into scrap metal. All of the energy for producing that good merchandise is lost right there.

The casualty insurance companies are paying those people for stolen cars. And it has already been stated here today that they lose \$1.5 billion per year in paying for the stolen cars.

The motoring public is paying more and more for its insurance, but the insurance companies must offset this loss.

But perhaps more importantly, the difference between right and wrong is at stake here. We are to the point now that the thief is driving the honest businessman out of business.

I would say to you today that there must be an audit trail. There must be numbers on these parts so that our law enforcement agencies may be able to obtain evidence to make strong cases in the courts. By FBI figures released last May in Kansas City, 16 percent of the car thieves are indicted; and only 1 percent is convicted.

We asked why. They said it is because they have no identification. They have no numbers.

The International Association of Auto Theft Investigators tells us that 73 percent of car thieves are rearrested after they serve their sentences.

We appreciate very much the interest and the work of the Inter-agency Committee on Auto Theft. We feel the National Highway Traffic and Safety Administration's draft on motor vehicles titling and theft is a start. But it simply is not enough. We must have some sort of ID or VIN number or identification for these major components on these cars. Then, when they are put on another car, we will know where they came from. And the law enforcement people would have a trail; they could prove it; it would stand up in court.

The interstate movement of component parts from stolen vehicles is so far out of control that an increasing number of operators in our industry are being forced to make the decision to handle the hot merchandise or to go out of business. And, gentlemen, that is the way it is today.

Finally, we need punishment to fit the crime. We need stronger laws and penalties for car theft. It is a \$1,000 to \$100,000 fine to tamper with an odometer in an automobile. But if you steal a car, you get your wrist slapped.

We need some help, gentlemen.

Thank you.

Mr. ENGLISH. Thank you very much.

Mr. Parker, do you have a statement which you would like to submit for the record, and summarize your statement?

Mr. PARKER. Mr. Chairman, my statement is very brief. I would summarize it and have it placed in the record.

Mr. ENGLISH. Without objection, it is so ordered.

Mr. PARKER. Mr. Chairman, my statement deals with what we call the hot lines that crisscross this land of ours. There are probably 100 of them, with about 50 or so salvage dealers on each one of them.

If you are not familiar with this, it is like the old party line telephone that we used to have. Everybody is hooked together and everybody communicates.

Most of these lines are run as they are supposed to be. But the "hot parts" dealers have infiltrated these lines and are using them now as a tool to sell these parts.

You can see what is happening as far as our business is concerned. If you get one of these guys on there who sells illegal parts, then it disrupts everything. He is cutting prices. And it is a known fact that this is happening.

I do appreciate appearing here before you. The whole automobile industry does need help, as the gentlemen here have stated. We must have it or we are going to be out of business.

Mr. ENGLISH. Thank you very much, Mr. Parker.

I do have some questions for you gentlemen. I would ask that any one of you who feels he can contribute some knowledge in response to these questions speak up.

Could you gentlemen give us some idea of what percentage of the salvage dealers are really "hot parts" brokers?

Mr. DULANEY. I believe, sir, that that would depend on the locale. In the Texas area, they are becoming stronger and stronger. More and more parts are coming into that area.

We understand that they are strong in the Midwest as well.

But with this means of communication which Mr. Parker spoke of, this long line where 60 to 100 dealers are connected, it can go across several States. In fact, I am on one which reaches from Texas to California.

With one such dealer on any one of those lines, you can see how he can move that merchandise pretty fast.

Mr. ENGLISH. Can you give me any kind of percentage figure? Would you estimate 50 percent or 10 percent? What are we generally talking about?

Mr. DULANEY. I would say it is less than 10 percent, sir, at this point.

Mr. ROUSE. I think we need to make a distinction between the broker who is actively involved in the distribution of "hot parts" knowingly as opposed to the dealer, who is a legitimate-type dealer, who gets involved in the buying and selling of these parts without knowledge of their source.

This is a common practice because even the extremely straight dealer may, from time to time, purchase from another dealer because this may be his only source. If he does not have a warehouse to run to, he goes to other dealers. This is why they have hot lines.

And when a customer comes in and asks for something he does not have in his stock, he throws out an open request. If there is just 1 broker on the line of 50, it is conceivable that within a short period of time every one of the 50 has purchased something from him. And it isn't until they have had some repeated exposure to what is coming from him that they begin to get the drift of the idea that maybe his source is something other than salvage vehicles.

Mr. ENGLISH. Would you agree that you are talking about something in the neighborhood of 10 percent?

Mr. ROUSE. As a shot in the dark, that may be a reasonable assumption on the part of active brokers; yes.

Mr. ENGLISH. Mr. Rouse, you testified that such dealers were able to drive legitimate brokers either out of business or to the point that they would have to start dealing in "hot parts" in order to be able to compete.

How much below that which the legitimate dealer would sell his parts for would that run?

Mr. ROUSE. First of all, their cost of acquisition is relatively low compared to the cost of acquisition on the part of the salvage dealers who go on the open market and bid competitively to buy parts. Therefore, they can adjust the price to whatever they want—usually just under the normal value. And obviously, the added incentive that it is like new, unmarked, and undamaged allows them the advantage they need. And they can literally infiltrate a whole portion of a State with just one person.

Mr. ENGLISH. Would they sell 10 percent below what a legitimate dealer does, or would it be 5 percent?

I realize that we are shooting for ballpark figures.

Mr. DULANEY. If you are on this communications system which we have and you price one of these front ends at \$1,000, immediately your man will come back and price it at \$900. If you price yours at \$900, he will swing with you at \$800.

He is going to move that merchandise. It is coming in and he has got to move it. And his cost is not fixed as ours is.

Mr. ENGLISH. I realize that. But can you give me some kind of figure?

Mr. DULANEY. I would say that he could stand up to 25 percent cheaper than what we sell for, sir.

Mr. ENGLISH. That brings up the question of whether or not you recognize these individuals. As you point out, you have communication among the dealers and you are aware of each other and of each other's prices. It would appear to me that it would be pretty obvious to you when an individual was selling "hot parts." Is that correct?

Mr. DULANEY. Yes, sir.

Mr. ENGLISH. So I think you probably have a pretty good feel when you give us that 10-percent estimate.

I notice also in the testimony that you seem to center on two things which you think would help solve the problem. You mention a salvage certificate as well as identification numbers on each of the main component parts.

Would you say that any legislation we proceed with should focus on those two items—some system of issuing a salvage certificate and identification numbers?

Mr. DULANEY. Mr. Chairman, Texas has that system now. It has done wonders for deterring thieves from stealing cars for resale as whole units.

Now, the thief who steals the car for components could not care less about a title. But our system down there with the salvage certificate of title, which we have had now for a couple of years, has worked very well.

Mr. ENGLISH. How much more of a loss would you find in the States that do not have a salvage certificate of title than you would have in Texas?

I realize that when you put in a salvage certificate you are cutting out a portion of the market as far as the sale goes. In other words, they pretty well have to go for component parts since they cannot be taking titles from salvaged automobiles and transferring them to stolen automobiles. Is that correct?

Mr. DULANEY. Yes, sir; that is right. I could not tell you what percentage that dropped because I am not familiar with those figures.

Our motor vehicle director down there, Mr. Townsley, has told us that our theft problem has dropped in whole cars. Now we are covered up with the component parts.

Mr. ROUSE. Mr. Chairman, if I may add a little to that. Michigan, the State I come from, has no provision of salvage certificates. It does not have a complete audit trail. It is lacking in several of these areas and we are in the process of trying to get this corrected.

But salvaged vehicles in Michigan are relatively hot items in the late-model, heavy car area by out-of-State dealers. For example, when you come into Michigan as an out-of-State dealer and bid on legitimate pieces of salvage that are offered by the insurance companies, you get a straight Michigan title with the car. We have no other provision to issue anything else.

This adds a tremendous amount of value to that salvage—over and above the value of the salvaged parts—simply because the identification and that straight title can be applied to an identical piece that is stolen off the streets.

Mr. ENGLISH. With the experience that you have had in Texas in the 2 or 3 years that you have had this in effect, has there been a reduction in the rate of stolen automobiles since that went into effect?

Mr. DULANEY. Mr. Chairman, the only way I would know about that is from what Mr. Townsley, our motor vehicle director down there, told us. He said that it did drop the stolen car ratio. He believes it is helping tremendously on the theft situation where you do get a salvage certificate or title and it does have procedures that you have to go through before you reinstate it.

Mr. ENGLISH. So there has been a definite reduction in the number of stolen cars?

Mr. DULANEY. The last time I met with him, sir, was 3 or 4 months ago. And that was his report; yes, sir.

Mr. ENGLISH. Has there been a decrease in Michigan over the last couple of years?

Mr. ROUSE. We have not yet arrived at the situation where we have a salvage certificate.

Mr. ENGLISH. I realize that. I am trying to compare. Have you had an increase, a reduction, or is it about the same?

Mr. ROUSE. There is an influx of buyers. And the prices of salvage have gone out of sight. They have gone to the point where a legitimate salvage dealer cannot buy a late-model, heavy piece anymore. They are going for \$500 to \$2,000 over value simply because of the straight title.

By contrast, Illinois recently adopted a salvage certificate situation where insurance companies are supposed to surrender the title and issue a salvage certificate. Obviously, it is not good for registration.

Some time after that happened, a title administrator for the State of Minnesota called and said:

Say, you have some knowledge about the salvage certificates. I am getting a flood of Illinois titles which they are trying to convert to Minnesota titles which they want sent back. What am I going to do?

He said he was getting between 50 and 300 a week.

I said:

Issue an equivalent document—one that has no more value than that Illinois piece.

And he said, "But I don't have any provision for that."

I said, "Then you have to do whatever you can do."

On his own initiative, he went downtown and bought a stamp with inch-high letters. He issued the straight title; but then in red ink, stamped across the face of it was: "This is a salvage vehicle."

He then sent it back to the Illinois person.

His activity fell something like 90 percent in a matter of 30 days. Now that is what he told me personally of his means of helping. But now I understand those titles are being channeled into Wisconsin.

Mr. ENGLISH. Have any of you gentlemen encountered any insurance companies or insurance adjusters who assist in the sale of "hot parts" or in matching clean titles with hot cars?

Mr. ROUSE. I guess I would have to say that we haven't had any experience in that area.

Mr. ENGLISH. Do you have any knowledge of it, or have you heard of such dealings taking place?

Mr. ROUSE. I couldn't give you any firsthand information on that.

Mr. ENGLISH. Mr. Dulaney, I believe you made the statement that there was a \$1.5 billion loss each year through stolen cars and "hot parts." Is that correct?

Mr. DULANEY. I believe you had that statement this morning from the Justice Department. They figured that it was \$1.5 billion that was lost by insurance companies in paying for those cars; yes.

Mr. ENGLISH. Then that would figure as the insurance companies' loss. Do you have any feeling as far as what the actual loss would be—the loss of the insurance companies plus that which, for whatever reason, is not insured?

Mr. DULANEY. No, sir; I wouldn't have any actual knowledge of how much that would be.

Mr. ENGLISH. I want to thank you gentlemen for appearing before us this morning. We deeply appreciate the testimony which you have given here today. You have had some very constructive suggestions on the direction in which this subcommittee should move in trying to deal with this problem.

I certainly think that the salvage certificates and identification numbers are good ideas. The experiences which Texas has had, as well as the experiences of those States not having it, certainly point out that there is value in evaluating that. And I am sure the subcommittee is going to take that into consideration.

Thank you very much, gentlemen.

[The prepared statements of Messrs. Rouse, Dulaney, and Parker follow:]

PREPARED STATEMENT OF DONALD J. ROUSE, DIRECTOR OF FIELD SERVICES,
AUTOMOTIVE DISMANTLERS AND RECYCLERS OF AMERICA

My name is Donald Rouse. I am the Director of Field Services of the Automotive Dismantlers and Recyclers of America. I am also the Executive Director of the Automotive Recyclers of Michigan.

I greatly appreciate the opportunity to discuss with you what the Automotive Dismantlers and Recyclers view as the critical problem of auto theft. Ninety days ago, the Board of Directors of the Automotive Dismantlers and Recyclers of America passed a resolution directing the leadership of the industry to work with state and federal agencies, and other interested parties, in an effort to reach a solution on the problem of auto theft. My remarks are a composite of the opinions of our industry representatives.

Auto theft, the dismantling of stolen automobiles for component parts and the distribution and sale of stolen parts for repair purposes have reached the financial proportions of a national disaster. Some of our industry members estimate that 50 per cent of the crash damage repair parts sold in many large metropolitan areas are stolen parts from unrecovered stolen automobiles.

According to Department of Justice figures 900,000 vehicles were stolen in 1974 and 40 percent of these stolen cars were dismantled for parts. It is possible the figures will be higher for 1975 and 1976. Any way you look at it, that is a substantial problem. Indeed, this figure of 360,000 cars represents more cars than Chrysler, Dodge, Lincoln, Mercury, and Cadillac Divisions sold individually last year and is more than the total production of American Motors Corporation for the same year.

Imagine, if you will, the impact if AMC drove each vehicle they built, in a twelve month period, right off the assembly line and into Lake Michigan, and the vehicles were never seen again. What would happen financially to AMC? Assume each vehicle had an average value to the factory of \$2,500. The disappearance of those cars would mean a \$900 million loss. Who would pay that bill? Well, last year our insurance companies and the motoring public picked up the tab for those stolen vehicles. This may have been one reason why more than 30 insurance companies have recently encountered financial distress. In our opinion, an estimated loss of \$900 million qualifies as a disaster. Before I can explain how such a problem can occur, let me give you a little background on how the automotive recycling and dismantling industry functions.

According to figures assembled by the federal government, our industry, which is composed of approximately 15,000 dismantlers and recyclers, is the sixteenth largest industry in this country, with annual gross sales of \$4.5 billion. The members of our industry are engaged in the business of buying vehicles that are no longer fit for transportation, dismantling these vehicles and making their component parts available for repair of other vehicles. Most of these vehicles are wrecked or damaged or otherwise rendered inoperative, and are purchased from insurance companies or private owners, as salvage vehicles. Many of these vehicles, while damaged, do contain undamaged, choice, useable parts. These parts are sold and applied to other vehicles in need of repair. Those portions of salvage vehicles not suitable for parts are consigned to shredders and scrap processors for recycling into new materials for the manufacture of other new vehicles.

The age of the vehicles we dismantle ranges from those just off the showroom floor to those that are several years old. The primary activity is in vehicles that are less than six years of age, although this does vary depending on the geographic area of the country.

We sell all types of used parts for the repair of vehicles damaged in accidents: complete front end assemblies, fenders, bumpers, doors, quarter panels, rear body sections, seats, trim parts, dash parts and glass. Moreover, vehicles in need of mechanical parts can be repaired with complete used engines, transmissions, driveshafts, rear axle assemblies, springs, carburetors, cylinder heads and many items too numerous to mention.

As far as prices are concerned, salvage dealers offer discounts that range from 10 to 90 percent below the price of similar new parts. An average median or late model used part is approximately 50 percent of the price of a new part.

Delivery of parts ranges from immediate to a few days. Indeed, we have the distinction of being able to supply parts not stocked by the new parts dealer and sometime, not stocked by the manufacturer.

Our industry is proud of the fact that we are able to supply parts to consumers without the consumption of significant, additional energy. Our process of manufacture is to remove a part, test it or clean it as necessary, and supply it to the user. Certainly, the energy consumed in that process is infinitesimal when compared with the energy consumed in the manufacture of new parts. Estimates have been made that enough energy is saved by this industry to manufacture 4 million automobiles annually.

Now, it has been discovered by a few salvage dealers that a vehicle can be stolen from the street, parking lot, or new car dealership, and dismantled quickly in an out-of-the-way place. Thereafter, those parts which do not carry true identification are placed in stock or distributed to a broker, and the portion of the vehicle with true identity is run through a shredder, resulting in complete obliteration of any remaining evidence. The end product, Mr. Chairman, are "hot parts."

This practice has proliferated to the point where "hot parts" may be ordered with the specific options and color. The parts are choice and undamaged. Prices, obviously, are very attractive to the consumer.

Perhaps, we should take a moment to tell you there are five major part components on an automobile. Three of these do not carry true identity from the factory. These include: (1) front end assembly (fenders, hood, grill, bumpers); (2) doors (as complete assemblies); and (3) rear body sections (quarter panels, deck lid and floor). Two major components, the engine and transmission, sometimes carry identification numbers. If so, a thief will generally scrap them rather than risk selling them. There is a great demand for the first three components; in fact, the estimated average value to the thief on these items alone is \$1,500 per automobile.

Most dealers have refused to handle "hot parts." They avoid buying any parts from dealers who may be suspected brokers. This decision, however, poses a real dilemma for the dealer who chooses to sell only legitimate salvage. If he does not broker "hot parts," he can be reasonably sure that a competitor will. Mr. Chairman, it is impossible for a legitimate salvage dealer to compete with a "hot parts" broker. The broker can supply choice parts at very attractive prices, well below those prices the legitimate dealer must charge to maintain overhead and his operation. The problem has become so severe that several well-established salvage dealers are reportedly ready to abandon their businesses if the spread of "hot parts" is not halted. Not only are these salvage dealers unable to meet the competition, they are not willing to risk the stigma of guilt by association should the problem ever be unmasked to the public.

Mr. Chairman, what are some of the possible ways to help control the movement of stolen parts? One solution is to mandate the vehicle manufacturer to place the VIN on those component parts which are subject to traffic in the "hot parts" market and to mandate major penalties for defacement or removal of the VIN to conceal true identity. Presently, the "action" today is in those parts without identification. The thief will not sell a stolen component part or a vehicle with the true identity showing. Most items which have true identity are placed into shredders and the evidence is destroyed.

The automotive manufacturers have steadfastly resisted this solution. The automotive manufacturers contend that there would be added expense to the manufacturer and the motoring public to place identity on major part components not presently identified. Nevertheless, we believe that this added expense, even if passed onto the motoring public, is insignificant when compared to the costs presently being incurred by the motoring public as a result of auto theft. We must also recognize that when a current year vehicle is stolen and unrecovered, the owner is often provided a new vehicle as a replacement. The manufacturer, therefore, sells not only the vehicle which was stolen but also the one purchased as the replacement. Mr. Chairman, we believe that requiring the VIN number could easily reduce traffic in "hot parts" by 50 per cent.

Another problem in the industry is the transfer of legitimate salvage vehicle titles and vehicle identification number (VIN) plates to stolen vehicles. It is common practice for titles and plates from legitimately-purchased salvage vehicles to be removed and placed on identical vehicles stolen from the streets, thereby insuring the possessor of a "merchantable" stolen vehicle. Indeed, it is

a well known fact that a clean title and VIN plate is worth from \$500 to \$2,000, depending on the year, make and model of the vehicle.

Another solution to reduce the traffic in stolen vehicles and parts would require the extension of government regulation to all segments of the automotive recycling industry. This regulation would include salvage dealers, dismantlers, scrap processors and shredder operators. This program would provide for the following: (a) Uniform government licensing of all automotive recyclers; (b) establishment of a salvage certificate in lieu of a regular title and creation of an audit trail on all salvage vehicles and major part components; (c) effective enforcement procedure; and (d) establishment of maximum penalties for offenders.

The first aspect of the solution, requiring manufacturers to identify major part components, would be the easiest portion of this proposal to effectuate. If the manufacturers choose to cooperate, this could be accomplished on a relatively short term basis. The second item, extending government regulation, would require (1) new legislation in some states; (2) modified regulation in others; (3) funding to support the program; and (4) dedication and persistence by government administrators. All parts of the proposal, including regulation, audit trail and enforcement, would be necessary to make it effective.

Let us examine the major parts of this proposed solution.

a. *Uniform Government Licensing of All Automotive Recyclers, Including Salvage Dealers and Scrap Processors, Across State Lines.* Under our proposal, uniform rules must be applied in each state; otherwise, the offenders will simply move to the state with the most liberal controls. Licensing establishes the authority to apply rules, regulations and perform inspections. At present, some states do not license automotive recyclers. (See Chart A, page 32, for an explanation of the role of the automotive recycler).

b. *Salvage Certificates in Lieu of a Regular Title and Creation of an Audit Trail on Salvage Vehicles and Major Part Components.*—Salvage vehicles are those vehicles which have become damaged, wrecked or otherwise rendered unfit for transportation. Generally, a decision is made to replace the vehicle rather than to repair it. Our interest is focused on the late model group of salvaged vehicles. This includes the current model year plus four immediate preceding model years. Today that would mean 1972 through 1976 vehicles. This is where the action centers on stolen vehicles for parts. There is a major demand for repair parts in this age group. The regular title should be surrendered and a salvage certificate issued to serve as proof of ownership. While both documents serve as proof of ownership, there is a difference between the two. The regular title permits registration of the vehicle for use on state roads, whereas the salvage certificate disallows registration. The regular title should be surrendered as soon as the vehicle is declared salvage. Since most late model salvage vehicles involve an insurance company, the insurance company could be required to obtain the title from the owner, apply for the salvage certificate and, thereby, remove a good title from circulation and make that title unavailable for use for a stolen vehicle.

An audit trail will allow enforcement personnel to trace the movement of a vehicle (and major part components) from the time it leaves the original owner until it is run through a shredder. There are very few states today that have adequate audit trails on salvage vehicles. Some have a partial trail, but an investigator is stymied when he arrives at a gap in the trail, and a thief is allowed to operate easily with complete disregard.

If an insurance company obtains a salvage certificate and transfers it to the salvage dealer, we have proof of ownership and a record of the transaction. The certificate can be transferred to subsequent owners in the same manner as a regular title. Under these circumstances, it would be logical and reasonable to make it illegal for anyone to possess a salvage vehicle without the accompanying salvage certificate.

In general, a complete audit trail would require that certain internal records be maintained by the licensee. They could include:

1. *A police book.*—This book would be a permanent record showing a history of source, identification and disposition of all vehicles purchased, and all major components purchased separately from other sources.

2. *Sales records.*—These records would show identification of the customer and identification of major components sold.

3. *Scrap vehicle manifest.*—This manifest would verify consignment of a vehicle to a scrap processor or shredder. A copy would be sent to the state jurisdiction for updating of their records. It must contain the identity of the vehicle.

In order to make the audit trail complete, it will be necessary to include identification of major part components. If the manufacturers are not willing to accept immediate responsibility for the identification of components, the licensed recycler could be required for the immediate future (12-18 months) to inscribe the VIN on the component in a semipermanent manner when he removes it from a salvage vehicle. If he purchases a major component from another recycler, he must receive a sales receipt bearing the VIN of the vehicle from which it was removed and the VIN must be inscribed on the parts. The requirement would allow an enforcement officer easily to spot-check legality of major part components carried in stock or in transit by a licensed salvage dealer. The ultimate responsibility, however, must rest with the auto manufacturers to place VIN numbers on major component parts.

c. *Enforcement procedure.* First, let us recognize that effective enforcement is the key to success. If effective enforcement cannot be applied to the situation, let us not waste time designing new controls and regulations. Without effective enforcement, regulations become mere harassment and additional bureaucratic harassment is something we do not need. If recyclers and processors are going to be brought under government regulation and asked to comply with rules, somebody needs to stop by their operations periodically to determine if the rules of the game are being observed. If not, the appropriate punitive action needs to be taken.

A few of the items an enforcement inspector might check in a licensed salvage dealer's establishment could include:

1. A dealer should have proof of ownership of all vehicles in possession and should have salvage certificates on all late model salvage. He should not have any regular clean titles on late model salvage. A random spot check by the inspecting authority would be sufficient.

2. All salvage vehicles and major components (removed from a vehicle) must be identified with the VIN. Removal or defacing of VIN's or failure to have VIN's inscribed as required, would be a penalty situation.

3. All internal dealer records must be up-to-date. VIN's must be properly recorded on prescribed records.

4. Records on vehicles consigned to shredders must be properly maintained.

5. A sampling of VIN's on major components should be checked with the jurisdiction records to ascertain if salvage certificates have been issued. If not, the situation must be thoroughly investigated.

Major penalties should be prescribed for removal or defacing of VIN's with intent to conceal true identity.

There is one additional situation which merits some consideration. There are vehicles which often are described as salvage and for which a salvage certificate may be issued but which are repairable as a complete vehicle. As we have already discussed, the issuance of a salvage certificate would prevent the vehicle from being registered for use on the highway. We, therefore, would recommend that a carefully controlled procedure be provided which would allow re-issuance of the regular title for a salvage vehicle which is restored to operating condition.

Care must be taken in this procedure to avoid fraud and deception. The vehicle should first be restored to a fully operational condition. The owner must possess proof of ownership (salvage certificate) for the vehicle. He must also have proof of purchase for any parts that were purchased for purposes of repair. If used major components are installed he must have receipts showing the VIN of the vehicle from which they were removed. The vehicle then must be submitted to qualified officers for inspection to determine the authenticity of the vehicle. This ability to restore a salvage vehicle and recover a surrendered title would allow insurance companies a settlement option on vehicles with a high resale value.

d. *Maximum Penalties Administered Through Strong Courts.* We believe it should be a federal crime to steal a late model motor vehicle. Appropriate penalties should be prescribed. Prosecution of offenders should be pursued. Today, penalties are much too lenient. Major offenders are excused with a slap on the wrist.

Mr. Chairman, I would like to review our solution to the major problem of auto theft. Dismantling stolen vehicles for parts has become a profession. Moreover, the application of salvage vehicle VIN plates on stolen vehicles has become common.

We, therefore, recommend as follows:

1. That vehicle manufacturers be required to place identity (VIN's) on three additional major components: front end assemblies, doors, and rear body sections.

2. That a major penalty be prescribed for removal or defacement of VIN's with intent to conceal identity.

3. That each state be required to institute a program of title surrender and issuance of a salvage certificate on all late model salvage motor vehicles. Uniformity between states is important.

4. That each state be required to license automotive recyclers and institute the necessary regulations which will allow a complete audit trail. Again uniformity is important.

5. That each state be required to provide an effective enforcement procedure. We recommend that a program of federal funding be enacted to encourage the states to implement this mandate.

6. That it be made a federal crime to steal a late model motor vehicle and appropriate penalties be prescribed.

We thank you for this opportunity to review the problems related to auto theft. In closing, I would like to say that we greatly appreciate the hard work of the Inter-Agency Committee, the Justice and Transportation Departments, the Federal Bureau of Investigation and the National Highway Traffic Safety Administration. Nevertheless, it should be obvious from my statement today that the members of our industry seriously believe that the NHTSA proposal is incomplete, even as a first step. We, therefore, request you take the positive, affirmative action I have outlined today to create a program that will drastically reduce the impact of this national financial and social disaster.

Thank you.

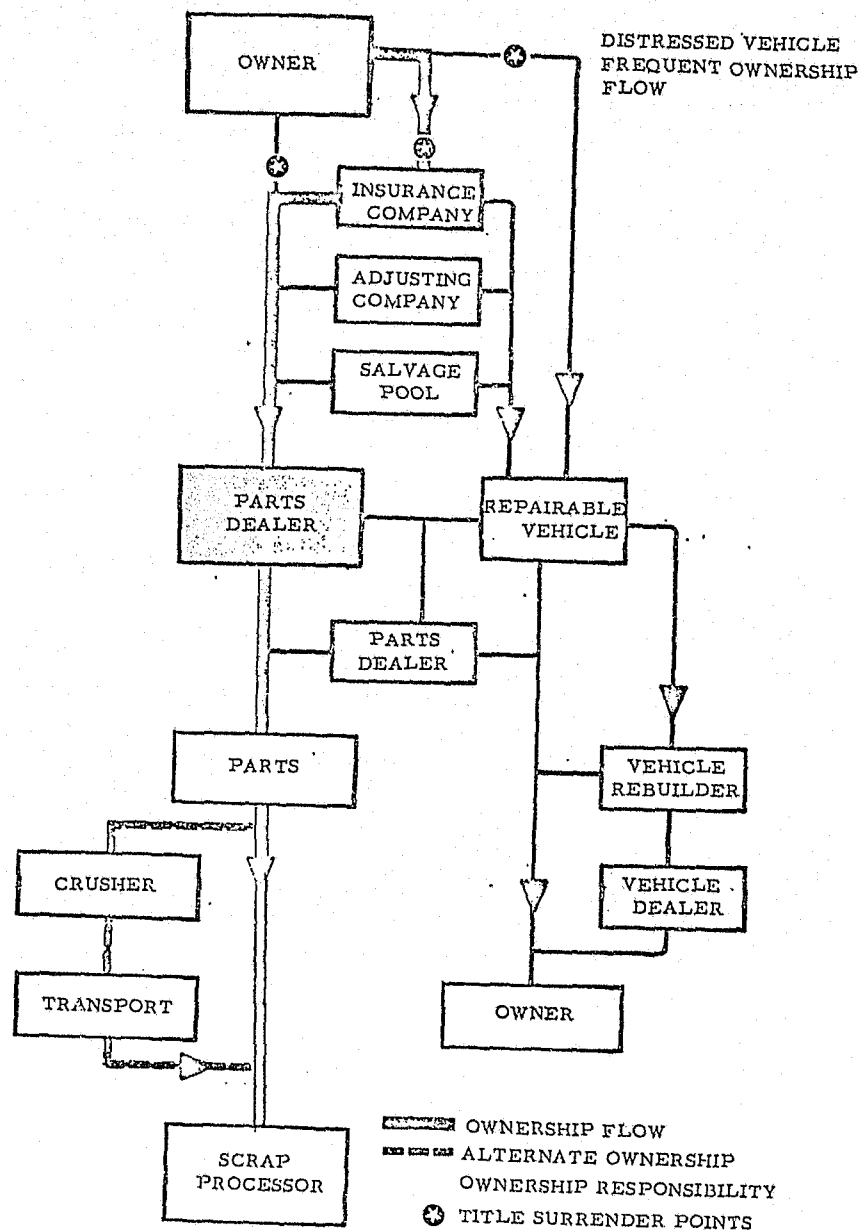


CHART A

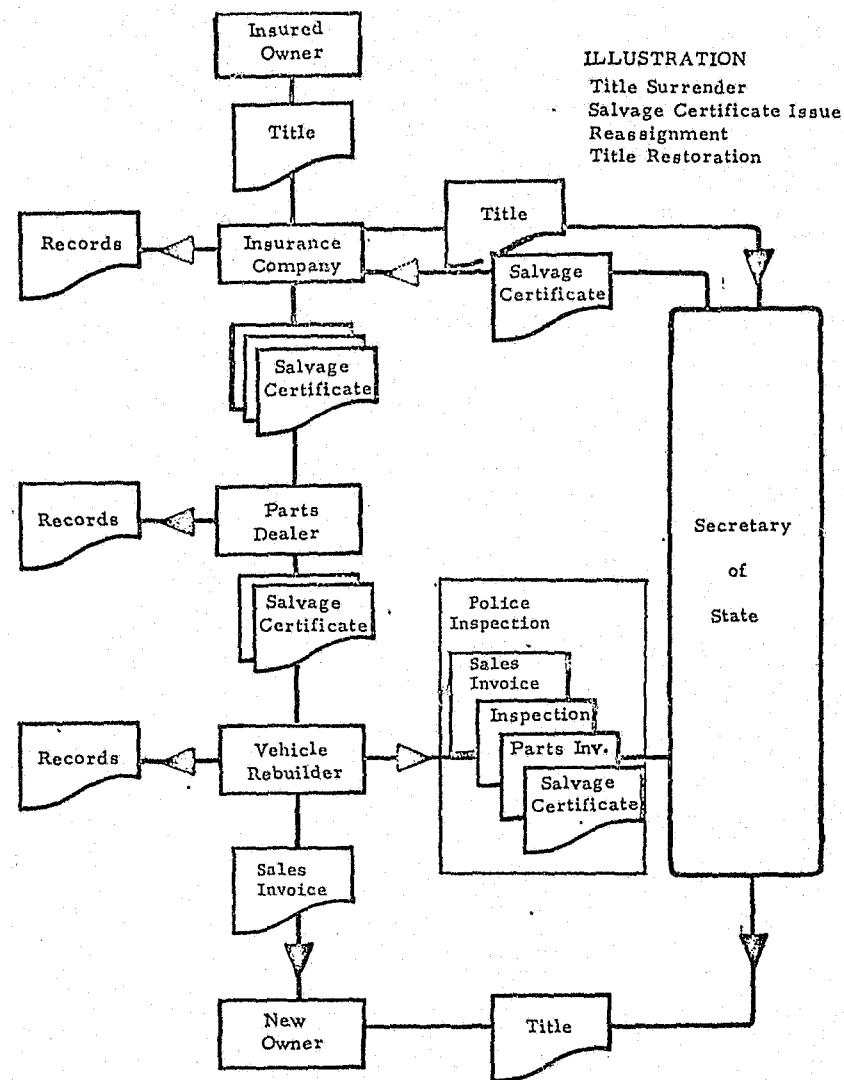


CHART B

PREPARED STATEMENT OF NORMAN DULANEY, PARTS DEALER, AMARILLO AND PLAINVIEW, TEX.

Thank you, Mr. Chairman and Members of the Subcommittee for allowing me the opportunity to convey to you my impressions of the problem of auto theft in the United States.

My name is Norman Dulaney, I have been in the auto and truck salvage business almost 30 years and own and operate three dismantling and used parts dealerships, two in Amarillo, Texas and one in Plainview, Texas. I have served as president of both the Texas Auto and Truck Parts Association and the Automotive Dismantlers and Recyclers of America. I am presently serving on the Department of Commerce Industry Advisory Committee on Scrap Metal Problems.

When I started in this business in 1947, we were called junk yards. We weren't dealers in junk then and we aren't now. We have also been called "auto wreckers" but that is also a misnomer. The members of our industry purchase wrecked autos and trucks from insurance companies and individuals, dismantle them, salvage the serviceable parts, and, where necessary, clean, test and restore these parts. We then market these parts to the automotive repair industry at a substantial saving to the motoring public.

Our industry is made up of thousands of small businesses. In 1970 a Department of Commerce survey showed that the auto and truck dismantling industry did \$4.5 billion worth of business a year, making it the 16th largest industry in the nation, employing over 117,000 people and accounting for about a third of all dollars spent for repair parts in the automotive aftermarket. The value of these parts, if new, would exceed \$15 billion. I might add that responsible members of our industry believe we have increased these figures by 25% since 1970. Mr. Chairman, I surely believe that our industry is a national resource.

Mr. Rouse has already touched on the general aspects of titling problems, cars stolen for resale as whole units, cars stolen to be dismantled for components and cars stolen for their scrap value. I would like to direct my remarks to the issue of how the theft of auto parts or components affect the auto and truck salvage industry and the American public.

A Department of Justice news release, dated May 25, 1975, stated that over 900,000 cars were stolen and not recovered in 1974. I checked last week with the National Automobile Theft Bureau and was told that they have between 900,000 and one million unrecovered units on their records from month to month. Moreover, 40% of these were believed to have been stripped for parts. Imagine that, 360,000 cars were stripped for their major components and these components subsequently were shipped throughout the country in truck load lots.

Where do these parts go? After stripping, it becomes a warehouse/distributor operation. The distributor sells the components to auto dealerships, body shops and repair garages. The system does not stand on formality. Sometimes the parts are shipped directly to repair operations and are installed on automobiles which have been involved in collisions and which are owned by unsuspecting members of the public.

Over a period of the last two years there has been a steady increase in the movement of stolen automobile sheet metal components, front end assemblies, rear body sections and doors. We believe that this increase is due to the fact that the price of new replacement sheet metal parts has greatly increased and the hourly labor rate of auto body rebuilders has reached \$12.00 to \$15.00 per hour. In order to move the repair work through their shops faster, minimize labor and improve the quality of reconstruction, auto body rebuilders place high priority on repairing vehicles involved in front end collisions with complete front end assemblies and on repairing vehicles involved in the rear end collisions with rear body sections cut through the windshield posts and across the floor in front of the seat. The value of either of these assemblies will run from \$500.00 to \$1500.00 depending on make and model. Let me point out that these two assemblies we have been talking about, the front end assemblies and the rear body sections, *have no numbers or identity* that can be traced back to the original automobile or truck they were taken from. Mr. Chairman, there is simply *no audit trail at all for these major parts*. Now at \$1500.00 worth of salvageable parts each, and 360,000 unrecovered cars last year, simple arithmetic puts the potential volume of parts from these stolen vehicles at \$540 million. This does not include the value of virtually new engines, transmissions, frames, and cowlings which are run into scrap shredders to dispose of evidence of a stolen car because these parts have numbers which would otherwise leave an audit trail.

Is it any wonder why we are concerned?

Our very business lives are at stake here. But more than that is at stake. First the energy consumed to build those 1975-76 model cars is lost when these new engines, transmissions, rear axle assemblies and frames are ground into scrap to dispose of the evidence of a crime. Casualty insurance companies are paying out millions of dollars to the legal owners of these stolen cars with the result that the members of casualty insurance industry are in dire straits. Third, the motoring public is paying higher and higher premiums for insurance on their vehicles. But, more importantly, the difference between right and wrong is at stake.

I say to you today there *must* be an *audit trail*—numbers—on all the major components of all cars and trucks from birth at the factory to death at the

shredder so that our law enforcement agencies may be able to obtain evidence to make strong cases in the courts. By FBI figures, released in Kansas City last May, only 16% of the car thieves are indicted, and only 1% of these are convicted. The International Association of Auto Theft Investigators tells us that 73% of car thieves are re-arrested after serving sentence.

We very much appreciate the interest and work of the Interagency Committee on Auto Theft. We feel the National Highway Safety & Traffic Administration's draft on Motor Vehicles Titling and Theft is a start but it is simply not enough because it simply does not provide for identification numbers of major parts.

The interstate movement of component parts from stolen vehicles is so far out of control that an increasing number of operators in our industry are being forced to make the decision to handle hot merchandise or go out of business. We cannot compete with stolen parts' prices.

Finally, we need punishment to fit the crime. We need stronger laws and penalties for car theft. It is a \$1,000 to \$100,000 fine to tamper with odometers in automobiles but only a slap on the wrist for stealing a complete car. Mr. Chairman, we need your help, please.

Thank you.

PREPARED STATEMENT OF BOB PARKER, PARTS DEALER, VIDOR, TEX.

Thank you, Mr. Chairman and members of the Subcommittee. For this opportunity to discuss with you one of the most serious crime problems facing the people of this country today—auto theft.

My name is Bob Parker. I am the owner of Freeway Auto Parts, in Vidor, Texas, and I have been in business as an automotive dismantler and used parts dealer at the same location in Vidor since 1959. I have also been a member of the Automotive Dismantlers and Recyclers of America for 11 years and am a past president of the Texas Auto and Truck Parts Association, although I have come here today as a private citizen and dismantler to express my concern over this growing national problem.

I organized the first automotive dismantlers "long line" in Texas in 1960, and I would like to address some brief comments this morning to the subject of "long lines"—an important factor in the growth of industry and, sadly enough, in the movement of stolen auto components.

First of all, let me explain that a "long line" is a means of communication derived from the old teletype message sending. With some improved technology, we are able to talk by voice to 50 or 60 salvage yards at the same time with each yard being able to receive the message and respond immediately. These communications circuits or "long lines" are open and each yard on the line hears the conversation; thus, the long lines are a buying and selling tool—a tool considerably cheaper than a salesman on the road. The long lines, therefore, give us access to a larger and more diversified inventory from Model T to 1976 model parts. Pricing and description is immediate and we buy or sell in seconds. The percentage of sales made on long lines varies from 15% to 35% of total sales depending on locale and inventory of the auto dismantler.

There are about 100 "long lines" serving our industry in the United States and Canada. Some of these long lines cover relatively small areas geographically. Other long lines link together automotive dismantling operations throughout the whole state or even several states. For example one long line extends from Dallas, Texas to Los Angeles, California, a distance of approximately 1,200 miles.

The average "long line" probably has about 50 dismantling operations as members. Indeed, although there are some dismantling operations that are members of more than one long line, at least several thousand companies use "long lines" to locate specific used auto and truck parts.

Unfortunately, while these telephone circuits were organized for legitimate purposes, they are being subverted by a small group to advance the disposal of stolen auto parts. Thus, while continuing to serve their original purpose as a vehicle for locating used parts, the long lines are also becoming channels for the movement of stolen parts.

The operators of these circuits are doing their best to control this situation, and the misuse of "long lines" to distribute hot parts represents only a tiny fraction of the total number of transactions for which these circuits account. On the other hand, while there may be only one or two illicit operations on an occasional line here or there, those few rotten apples are threatening to spoil the entire barrel.

This threat to the public interest, to our own industry and to associated industries, must be eliminated. The steps we propose, which have been outlined today in greater detail by Mr. Donald Rouse, are the means to that end. I personally have contacted local, state, and FBI authorities and I am sorry to report that I have not seen any results. The reason most often given for this failure is that suspicious parts have no identifying numbers; thus, the origin of these hot parts cannot be determined. Mr. Rouse's testimony has presented our proposal for dealing with the inability of law enforcement officials to identify stolen parts.

My comments have dealt with only one aspect of the auto theft problem as that problem pertains to our industry. We recognize that this is not a simple problem. Our purpose in appearing here is to assure the members of the Subcommittee that we are willing to assist the Congress and local, state and federal officials in finding a solution.

Mr. Chairman, I cannot emphasize too strongly that if the Congress, together with the Justice and Transportation Departments, cannot or will not take this opportunity to resolve the problems of auto theft, legitimate used parts dealers will be forced out of business and the American public will suffer the attendant consequences of high insurance rates. As a member of the dismantling industry and as an ordinary citizen, I sincerely hope that this will not happen.

Mr. ENGLISH. Next the subcommittee will hear from Mr. Herbert Kaiser, Jr., the Deputy Assistant Secretary for Environment, Safety, and Consumer Affairs in the Department of Transportation.

Mr. Kaiser, if you would, please identify any people from the Department who are accompanying you.

STATEMENT OF HERBERT H. KAISER, JR., DEPUTY ASSISTANT SECRETARY FOR ENVIRONMENT, SAFETY, AND CONSUMER AFFAIRS, DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY JOHN WOMACK, ASSISTANT CHIEF COUNSEL FOR GENERAL LAW, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION; AND JOHN W. CARSON, CHIEF OF CONTROLS AND DISPLAYS BRANCH OF MOTOR VEHICLE PROGRAMS, NHTSA

Mr. KAISER. Mr. Chairman, I would be most happy to do so.

Mr. ENGLISH. Before doing that, Mr. Kaiser, if you would like to submit a copy of your testimony for the record and summarize it, that would certainly be in order as far as the subcommittee is concerned. Or, if you feel we should hear the entire testimony, we would be happy to hear that.

Mr. KAISER. Mr. Chairman, I appreciate your concern. I know that the hour is late.

If the Chair would permit, I should like, after introducing my colleagues, to summarize my prepared statement. But there are some points I would like to read into the record, and I will skip appropriately.

Mr. Chairman, it is my pleasure to present my colleagues from the Department of Transportation, all of whom are with the National Highway Traffic Safety Administration, which we call the NHTSA.

First, on my right, is Mr. John Womack, who is the NHTSA's Assistant Chief Counsel for General Law. Next to him is Mr. James E. Forrester, who is the Director of the Office of State Vehicle Programs. And at the end is Mr. John W. Carson, who is Chief of the Controls and Displays Branch of Motor Vehicle Programs.

Mr. ENGLISH. You may proceed. Your entire statement will be made a part of the record.

Mr. KAISER. My name is Herbert H. Kaiser, Jr. As has been indicated previously, I am the cochairman of the Interagency Committee on Auto Theft Prevention together with Assistant Attorney General Thornburgh.

I do want to say briefly how much I appreciate the interest of this subcommittee in this problem. The subcommittee has helped us and has been of great value to us. And I join most enthusiastically with Mr. Thornburgh in expressing my thanks.

I would also like to read into the record that I also extend thanks to Messrs. Dulaney, Parker, and Rouse for the type of testimony which they have given. Obviously, their testimony is essential and extremely important in understanding the method by which business is conducted by the many thousands of legitimate dealers in auto salvage parts.

It is very appropriate here too, in the context of this overview briefing which you have arranged, to give you a special perspective on the work of our Interagency Committee, which Mr. Thornburgh has described in part.

I would like to mention that the Department of Justice took the lead, in March of 1975, in establishing this Interagency Committee—an action which I think is to their very great credit. Among the other agencies represented are State, Commerce, and Treasury.

One of the reasons that this committee is especially effective is, I think, because it is a voluntary and a common effort of the agencies involved with respect to a problem that has perhaps more impact on all of us, as far as scope is concerned, than almost any other form of criminal activity. Nearly all of us have experienced the theft of a car or know someone who has. And perhaps the greatest single reason for the effectiveness of this committee stems from the fact that this problem is so widespread that it hits everyone.

I would like to emphasize that we are greatly interested in protecting the thousands of legitimate businessmen and women who are engaged in the distribution of auto parts and salvaged vehicles. Their interests are extremely important.

I was very much struck by the comment in Mr. Rouse's testimony when he expressed his concern about the stigma of guilt that attached to some of the dealers. That is, frankly, something of which I was not aware. It is, of course, a serious matter and goes right along with the matter of economic survival of the people who deal in automotive spare parts.

The interagency committee represents a unique group of highly qualified persons who have combined their joint experience into a voluntary effort to reduce auto theft. There has been exceptional cooperation and contribution by all concerned. I refer not only to NHTSA, but also to the Department of Justice and the FBI.

A number of years before the interagency committee was established, NHTSA had addressed the problem of auto theft because of the related safety implications. In 1968, the Theft Protection Standard, FMVSS 114, was issued. This standard applies only to passenger cars and which prescribes certain requirements for a vehicle's ignition-locking system to make unauthorized use more difficult. This safety standard was issued under the authority of the National Traffic and

Motor Vehicle Safety Act of 1966. It was supported by data from the Department of Justice which indicated that stolen vehicles had an accident rate almost 200 times greater than that for vehicles that were not stolen.

This accident data also served to support the Federal Motor Vehicle Safety Standard 115, the Vehicle Identification Number Standard, which was issued in 1968. This standard requires that vehicle manufacturers provide a unique identifier for each passenger car. The VIN number has to be permanently attached to the vehicle and readable from the outside. And, of course, it is extremely useful in identifying a vehicle in the event it is stolen.

Last year NHTSA initiated a review of both of these safety standards to determine how they might be improved. On March 4 of this year, an Advance Notice of Proposed Rulemaking on Standard No. 114, Theft Protection, was issued. Public comments were solicited with respect to vehicle security systems such as ignition, steering, and transmission locking systems, and hood and trunk locking release mechanisms operable from outside the vehicle. Comments were also requested regarding the extension of the standard to all motor vehicles. These comments are presently being evaluated.

The VIN number concept embodied in Standard No. 115 has proven especially helpful in many areas and has motivated a number of organizations to propose its standardization in many ways. The International Standards Organization (ISO), the Vehicle Equipment Safety Committee, which is an organization established by compact of 41 States, and even the European Economic Community have proposed differing versions of a VIN system.

In view of the proliferation of different VIN systems, the NHTSA is planning to issue an Advance Notice of Proposed Rulemaking seeking comments on the advantages and disadvantages of each one. The goal of such a notice would be the development of a proposed amendment to the NHTSA standard.

As I have mentioned before, the two standards, 114 and 115, were issued under the authority of the National Traffic and Motor Vehicle Safety Act of 1966. There was a statistically significant correlation between vehicle theft and stolen vehicle accidents which supported the issuance of both standards. And of course any revision of these standards must have comparable justification on the grounds of vehicle safety under the Vehicle Safety Act. An expansion of NHTSA's legislative authority would be required before the agency could issue vehicle standards directed solely at reducing vehicle theft.

The problem of vehicle theft is also approachable under the Highway Safety Act of 1966 which is administered by NHTSA. Under that act, NHTSA has authority to propose uniform State Highway Safety Program Standards to be implemented by the States, and for coordinating the uniform State programs. Pursuant to this authority, NHTSA issued, in June 1967, Highway Safety Standard No. 2, Motor Vehicle Registration. One element of the standard provides that each State must have a registration program which provides for rapid identification of each vehicle and its owner.

To complement this registration standard, NHTSA is planning in the near future a notice of proposed rulemaking for a State highway

safety program standard which would have the States adopt certain uniform elements in their vehicle titling systems. This uniformity is essential, in our view, to strengthen the owner identification and facilitate the recovery of stolen vehicles. Since this proposal would be a key element in DOT's efforts to reduce the vehicle theft problem, I would now like to discuss, if the Chair would please, the draft version of its contents point by point.

Perhaps at this point, if you have read the testimony, Mr. Chairman, I would be glad to summarize it. Or if you would like to initiate some questions, that would be agreeable.

But I would like to make one comment here. There is only one State in the Union which does not have a law requiring titling for automobiles. That is the State of Kentucky. Until recently, Alabama also did not require the issuance of a motor vehicle title.

The Chair has made the point in previous questions, I note, that those States which do not have a salvage certificate titling law also have a gap in the chain of title which allows auto theft to flourish. In defense of Kentucky, I suppose, I would point out that there is still a gap in those States which require issuance of a title, but do not also provide for issuance of a salvage title.

In view of the hour, I would be amenable to whatever the Chair would prefer.

Mr. ENGLISH. At this time, we are going to have to take a break for a few minutes for another vote on the floor.

Mr. KAISER. If it is all right with the Chair, we will submit the rest of the statement and the matters to be introduced into the record.

[Mr. Kaiser's prepared statement and other material follow:]

PREPARED STATEMENT OF HERBERT H. KAISER, JR., DEPUTY ASSISTANT SECRETARY FOR ENVIRONMENT, SAFETY, AND CONSUMER AFFAIRS, DEPARTMENT OF TRANSPORTATION

Mr. Chairman and Members of the Subcommittee: My name is Herbert H. Kaiser, Jr. I serve in the Department of Transportation as Deputy Assistant Secretary for Environment, Safety, and Consumer Affairs. I also serve as Co-Chairman of the Interagency Committee on Auto Theft Prevention.

At the outset, I would like to express my thanks to you and your staff for the interest and time you have taken to arrange for this overview briefing concerning the problem of auto theft prevention. I wish to state also that I fully support the testimony given by my counterpart in the Department of Justice, Assistant Attorney General Richard Thornburgh. We welcome with enthusiasm the support you have given to the Interagency Committee on Auto Theft Prevention. We look forward also to working in the future with you, your staff and counsel for the Committee.

It is altogether appropriate, given the context of this overview briefing and the initiative you have taken, to provide to you a special perspective on the work of this Interagency Committee. Although Mr. Thornburgh has already presented much information about the Committee, I would like to mention that the Department of Justice, to its great credit, took the lead in establishing the Interagency Committee in March of 1975. The Department of Transportation likewise has responded with effectiveness and enthusiasm in undertaking its portion of these joint responsibilities. The other agencies represented on this interagency committee have responded in similar fashion and the committee as a whole, I believe it is fair to say, has worked together with singular effectiveness and in an outstanding spirit of cooperation.

The primary reason for this undertaking, I respectfully submit, is that the impact upon all citizens of this country of the effects of auto theft and the criminal activity it supports is perhaps greater and more immediate than many other forms of criminal activity. The volume of auto theft, as Mr. Thornburgh

has discussed in detail, is great and has increased in recent years. The scope of the impact of auto theft is very broad, and reaches the entire population. Similarly, there is a common desire to devise suitable means to eliminate the problem of auto theft. Finally, the traffic in stolen automobiles and automobile parts constitutes an unacceptable threat to the solvency and enterprise of the many legitimate businessmen and businesswomen who have chosen as their livelihood the distribution and sale of used or salvaged vehicles and used automobile parts.

The members of the Interagency Committee and their supporting staffs represent a unique group of highly qualified persons who have combined their joint experience in a common voluntary effort to reduce auto theft. I would like to call to your attention the dedication and special attention which has been devoted to the problem of auto theft by our CoChairman, Mr. Thornburgh; by Mr. Ralph Gulver and his assistants in the Department of Justice including the FBI, and also by the Department of Transportation's Office of Safety Affairs and more recently, our Office of Facilitation. I also would like to mention the efforts and dedication of DOT's National Highway Traffic Safety Administration (NHTSA), the details of which will be discussed later in my testimony.

A number of years before the Interagency Committee was established, NHTSA had addressed the problem of auto theft because of related vehicle safety implications. In 1968, the National Highway Safety Bureau, NHTSA's predecessor agency, issued Federal Motor Vehicle Safety Standard No. 114, Theft Protection, which applies only to passenger cars and which prescribes certain requirements for a vehicle's ignition-locking system to make unauthorized use considerably more difficult. This safety standard on theft protection, issued under the authority of the National Traffic and Motor Vehicle Safety Act of 1966, was supported by data from the Department of Justice indicating that stolen vehicles had an accident rate about 200 times greater than that for vehicles which were not stolen. This accident data also served to support Federal Motor Vehicle Safety Standard No. 115, Vehicle Identification Number, issued in 1968. This standard requires motor vehicle manufacturers to provide a unique identifier, called a VIN number, for each passenger car. This VIN number must be permanently attached to the vehicle and readable from outside the vehicle, which can be useful for identification in case the vehicle is stolen.

Last year NHTSA initiated a review of these two vehicle safety standards to determine how they might be improved. On March 4 of this year, an Advance Notice of Proposed Rulemaking on Standard No. 114, Theft Protection, was issued. Public comments were solicited with respect to vehicle security systems such as the ignition, steering, and transmission locking systems, and hood and trunk locking mechanisms operable from outside the vehicle. Comments were also requested regarding the extension of the standard to all motor vehicles. These comments are presently being evaluated.

The VIN number concept embodied in Standard No. 115 has proven very helpful in many areas and has motivated a number of organizations to propose its standardization in various ways. The International Standards Organization, a multi-national group, has adopted a standard to provide for a unique, worldwide vehicle identification number. The Vehicle Equipment Safety Commission, a United States organization established by compact of 41 States and the District of Columbia, has also established a similar vehicle identification numbering system for all vehicles operated in their respective jurisdictions. The European Economic Community and the U.S. Society of Automotive Engineers have likewise considered VIN proposals.

In view of this proliferation of VIN systems, NHTSA is planning to issue an Advance Notice of Proposed Rulemaking seeking comments on the advantages and disadvantages of each of these VIN systems and for suggestions for resolving their differences. The goal of such a notice would be the development of a proposed amendment to the NHTSA standard.

As I have stated, Standard Nos. 114 and 115 were issued under the vehicle safety standards setting authority of the National Traffic and Motor Vehicle Safety Act of 1966. A statistically significant correlation between vehicle theft and stolen vehicle accidents supported the issuance of both standards and any revision of the standards must have comparable justification on the grounds of vehicle safety under the Vehicle Safety Act. An expansion of NHTSA's legislative authority would be required before the agency could issue vehicle standards directed solely at reducing vehicle theft.

The problem of vehicle theft is also approachable under the Highway Safety Act of 1966 which is administered by NHTSA. Under the Highway Safety Act, NHTSA has authority to propose uniform State Highway Safety Program Standards to be implemented by the States, and for coordinating the uniform State programs. Pursuant to its authority under this Act, NHTSA issued, in June 1967, Highway Safety Program Standard No. 2, Motor Vehicle Registration. One element of this standard provides that each State shall have a registration program, providing for rapid identification of each vehicle and its owner. The recovery of many stolen vehicles is often accomplished by State authorities within 48 hours, thereby avoiding many accidents.

To complement this registration standard, NHTSA is planning to issue in the near future a Notice of Proposed Rulemaking for a State Highway Safety Program Standard which would have the States adopt certain uniform elements in their vehicle titling systems. Such uniformity is essential, in our view, to strengthen owner identification and facilitate the recovery of stolen vehicles. Since this proposal would be a key element in DOT's effort to reduce the vehicle theft problem, I would now like to discuss the draft version of its contents point by point.

The draft proposal would require each State to adopt a motor vehicle titling law requiring each motor vehicle to have a certificate of title before it can be registered for operation in the State. Since all States but Kentucky now have titling laws, this requirement would not be controversial or difficult to implement. This uniform program, moreover, would be required to include seven specific elements.

The first element in the proposal would require the issuance of a certificate of title to each owner of a motor vehicle upon proof of purchase. The certificate of title would provide for recording the vehicle's VIN number and for an affidavit or other declaration by the seller as to whether the vehicle is being sold as a salvage vehicle. A salvage vehicle would be defined as a vehicle which is sold to be scrapped, dismantled, destroyed, or salvaged for parts.

The second program element would require each owner of a motor vehicle to present the certificate of title to the appropriate State agency for cancellation when the vehicle is sold for salvage. This requirement should be especially helpful in reducing one of the major methods of vehicle theft, previously described in the Department of Justice's statement, whereby car thieves substitute the title and VIN of a salvage vehicle for the title and VIN of a stolen vehicle.

The third element of the proposal requires the issuance by the States of a special certificate of title for each reconstructed vehicle. A reconstructed vehicle would be defined as a salvage vehicle presented for retitling. This procedure would provide an opportunity to examine the safety of reconstructed vehicles before allowing them to be registered for operation on public roads.

The fourth program element would provide that no reconstructed vehicle may be registered for highway use unless it passed a safety inspection in accordance with criteria of Highway Safety Program Standard No. 1, Periodic Motor Vehicle Inspection, which is presently in effect.

The fifth element would require each State to keep a record of the VIN number for each vehicle for which the State has issued a title, and for each vehicle for which a title is submitted for cancellation. Recording the VIN number of salvaged vehicles could be useful in preventing fraudulent titling and in identifying counterfeit or fraudulent titles.

The sixth element would require each State to carry out an annual evaluation of its titling program to determine the success of its program in dealing with vehicle theft and the relationship between such theft and vehicle and highway safety.

The seventh and last required program element would provide that each State return any certificates of title obtained in its retitling process which have been issued by other States to the issuing State.

In addition to these seven required elements, the standard would also contain five supplementary provisions or program countermeasures designed to support a State's titling and theft program. The optional provisions would be negotiated between the State and NHTSA based upon the State's program needs. The first supplementary provision concerns the transmission by the States of VIN numbers of stolen vehicles to the National Crime Information Center (NCIC), a computer-generated data base operated by the FBI, which maintains records of stolen vehicles.

The second supplementary provision, which is directly related to the first, would provide a State program for querying the NCIC to determine if an out-of-State vehicle has been stolen or has had its title cancelled.

A third provision would propose that a State consider requiring that its vehicle license plates be retained by the former vehicle owner and not be transferred along with the transfer of the ownership of the vehicle. Such a State requirement would help to prevent individuals from obtaining a valid license from a junked vehicle and then using it for a stolen vehicle.

The fourth optional provision addresses the problem of control of salvage vehicle transactions. In this regard, the issuance of salvage certificates or other documents evidencing ownership of salvage vehicles could allow the development of an audit trail where such an examination may be justified.

Finally, the optional provisions would also address the need for safeguarding the issuance of replacement or special VIN number plates. Many States supply replacement VIN number plates when the original is damaged or removed, and supply special plates when a new vehicle is constructed by an individual. Steps should be taken to ensure that the plates so issued actually meet legitimate requests.

I would now like to explain briefly the rulemaking stages NHTSA will be going through before the vehicle safety and the highway safety proposals I have discussed can be promulgated.

The comment closing date for amendments to Federal Motor Vehicle Safety Standard No. 114 Advance Notice of Proposed Rulemaking was June 2, 1976. We are currently reviewing the comments received and, if appropriate, we will be issuing a Notice of Proposed Rulemaking in response. The public will then be given a second opportunity to comment before the final rule is issued. Standard No. 115, Vehicle Identification Number, will also go through an Advance Notice and Notice stage with public comment at each step prior to the issuance of the final rule.

The Highway Safety Program Standard promulgation procedures are somewhat more complicated. Under an amendment to the Highway Safety Act in 1973, any draft final rule must be submitted to the Congress for its enactment. Hence, after the proposed standard is issued and after an analysis of the comment is completed, if NHTSA decides to continue the rulemaking procedure, a draft final rule will be prepared for congressional review.

At this point, I would like to introduce in the record the standards I have discussed and the proposed amendments thereto.

In conclusion, Mr. Chairman, although we all realize that there is no final solution to the problem of theft of any kind, it is clear that successful countermeasures with respect to vehicle theft will require a combined Federal, State and local effort to a much greater extent than we have previously experienced. If we can make such an effort and thereby make vehicle theft much more difficult than it has been, we may have a good chance to reduce it to manageable proportions.

Mr. Chairman, this concludes my prepared testimony. My colleagues and I will be happy to respond to any questions that you or the members of the Subcommittee may have.

(Intermediate draft to be published in the Federal Register during mid-November)

DEPARTMENT OF TRANSPORTATION

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

[23 CFR Part 1204]

[Docket No. 76- ; Notice 1]

HIGHWAY SAFETY PROGRAM STANDARDS

Notice of Proposed Rulemaking—Motor Vehicle Titling and Theft

The purpose of this notice is to propose a highway safety program standard to deal with motor vehicle theft.

The economic consequences of vehicle theft are well known. The safety consequences, while less widely known, are significant and have been of concern to highway safety professionals for a number of years. Studies conducted by the FBI and the Law Enforcement Assistance Administration have shown that stolen

vehicles are involved in accidents at a disproportionate rate. The common practices of stripping stolen vehicles and of modifying stolen cars for resale have safety consequences in that the resulting vehicles may conceal serious safety problems which can endanger the unsuspecting buyer. Also, the utilization of stolen Vehicle Identification Numbers makes defect notification impossible thereby limiting the effect of defect recall campaigns. The lack of strengthened ownership documentation also detracts from the ability to identify stolen vehicles quickly and accurately.

The problem of theft is approachable in different ways under two Acts administered by this agency. Under the National Traffic and Motor Vehicle Safety Act, Pub. L. 89-563, as amended, 15 U.S.C. 1381-1431, the agency has issued a safety standard requiring passenger cars to have a key-locking system with a warning buzzer (Motor Vehicle Safety Standard No. 114, 49 CFR 571.114). The agency has recently acted to revise this standard by publishing an advance notice of proposed rulemaking, Docket No. 1-21; Notice 3 (41 F.R. 9374). If, as a result of this rulemaking action, the agency concludes that theft prevention features can be improved, it will amend Standard No. 114 accordingly. Federal Motor Vehicle Safety Standard No. 115, Vehicle Identification Number (49 CFR 571.15) is directed toward the theft problem by providing each passenger car with a unique and readily reservable identifier.

Under the Highway Safety Act, Pub. L. 89-564, as amended, 23 U.S.C. 401-406, the agency can develop uniform standards to be implemented by the States. This notice accordingly proposes to have the States adopt certain uniform elements in their vehicle registration and titling systems. Uniformity is essential in this area due to the well-known tendency of stolen vehicles to migrate from strict jurisdictions to the more lenient.

The initial proposal is therefore to have each State adopt a title law to require each vehicle to have a certificate of title before it can be registered for operation in the State. Almost all States have adopted satisfactory title laws, so that this requirement would serve to close the few remaining gaps. Currently, an effort is underway to standardize the format of title certificates. Likewise, special tamper-proof paper, similar to that used for checks, has been developed which should be effective in limiting the counterfeiting of the titling document itself.

The second proposal is designed to change the current titling procedures to make it more difficult to secure clean titles for stolen vehicles and to provide an opportunity to examine the safety of reconstructed vehicles before allowing them to be registered for use on the public highways. To this end, the proposed standard would require the owner of a vehicle sold for salvage to submit the title to the State for cancellation. This requirement would apply to all owners, including insurance companies whose ownership occupies only a brief time before the sale for salvage. It is anticipated the State would forward the cancelled title to the buyer after noting the VIN. The proposal would require further that the Vehicle Identification Number for each vehicle titled in the State be recorded and that a cancelled title or equivalent document be presented before a reconstructed vehicle could be titled or registered.

In addition to the elements of the standard proposed as uniform requirements, the standard would contain supplementary requirements relating to visual inspection of the vehicle identification number upon titling and to cooperation with the National Crime Information Center. The particular items from the supplementary list to be adopted by each State would be negotiated between the State and NHTSA based upon the State's program needs.

Comments are requested concerning the cost and practicability of the proposed requirements. Commenters should indicate cost estimates (including any costs related to enforcement, adjudication, and evaluation) for implementing the various measures that States might employ to deal with the problem of theft.

Because of the technical nature of this standard, a draft standard was furnished to the American Association of Motor Vehicle Administrators and other organizations intimately involved in this area. Forty-three comments from 33 States and two associations were received. A number of suggestions have been incorporated into the current version of the draft standard. All comments received by the agency have been placed in docket number 76- . It is hoped that those who have already commented will resubmit a second set of comments concerning the revised proposal.

The draft standard also requested that those commenting provide data concerning the cost of implementing the proposal. This data has been used to prepare an analysis as required by the Secretary of Transportation's Policies to Improve Analysis and Review of Regulations (41 F.R. 16200).

All States except one currently maintain a titling system and a number of States meet the requirements of the proposed regulation to a great degree. Among the proposed requirements, however, there are three which carry with them financial consequences. Section 4(d) would require a safety inspection for reconstructed vehicles. States which are not in compliance with Highway Safety Program Standard No. 1, Periodic Motor Vehicle Inspection, would have to develop a means of inspecting these vehicles. Currently, every State has some form of inspection for certain types of vehicles, although not all are in compliance with Standard No. 1. It is difficult to predict the economic consequences of this requirement, as it is likely that a State which is not complying with Standard No. 1 would also not comply with this provision.

Section 4(f) would require an evaluation of the effectiveness of the program initiated by the standard. It is anticipated that the evaluation will be structured to allow it to be carried out at a reasonable cost. Finally, it is anticipated that the requirements of the standard would result in the need for increased enforcement personnel, although this cost will be moderate. In terms of the supplementary components which are not required of the States but agreed to between the parties, the only element requiring a significant financial outlay is the computer interface with the National Crime Information Center. This cost would be largely dependent on the number of terminals a State Department of Public Safety or Motor Vehicles has and the amount of equipment currently in place. Minnesota, for example, has estimated that the development cost for their 140 branch offices would be \$700,000 and the annual expense \$100,000. New Jersey estimated that the initial cost of bringing their 54 field offices on line would be \$4.5 million with an annual operating cost of \$150,000. It is the intent of the NHTSA to consider carefully the cost to a State in negotiating this supplementary component. Statistics provided by the Federal Bureau of Investigation indicate that 973,800 vehicles were stolen during 1974 with a loss of approximately \$1.5 billion.

States generally pass on the costs of titling to the consumer. Based on the comments received from the States, it is the view of the NHTSA that the cost of the proposal to the consumer would be less than \$1 per title transfer.

If the NHTSA decides to continue rulemaking after reviewing the comments, it will submit a final draft standard to the Congress pursuant to 23 U.S.C. 402(h) (Section 229, Pub. L. 93-87, 87 Stat. 293). Section 402(h) restricts NHTSA from issuing new standards except as provided by law. If the agency obtains a favorable response to the proposed standard, it will submit the standard to Congress to have it added to the existing program standards.

A titling and theft file has been established in the NHTSA technical reference library to serve as a collection point for relevant material. The library is located in Room 5108, 400 Seventh Street, S.W., Washington, D.C. 20590, telephone: 202-426-2768, and is open weekdays from 8:00 a.m. to 4:30 p.m.

Written comments on this notice should refer to the docket number 76- and should be submitted to: Docket Section, National Highway Traffic Safety Administration, Room 5108, 400 Seventh Street, S.W., Washington, D.C. 20590, telephone: 202-426-2768. To speed the distribution of comments, 5 copies are requested, but are not required.

Persons desiring to discuss this notice or arrange a meeting regarding it should contact Mr. Fred W. Vetter, Jr., Associate Administrator for Traffic Safety Programs, National Highway Traffic Safety Administration, Room 5208, 400 Seventh Street, S.W., Washington, D.C. 20590, telephone: 202-426-0837.

All comments received before the close of business on the comment closing date indicated below will be considered in the development of the standard and will be available for examination in the docket both before and after the comment closing date. To the extent possible, comments filed after the closing date will also be considered. The NHTSA will continue to file relevant material in both the docket and reference file after the closing date, and recommends that interested persons continue to examine the docket and file for new material.

COMMENT CLOSING DATE

(Sec. 101, Pub. L. 89-564, 80 Stat. 731; 23 U.S.C. 402; delegations at 49 CFR 1.50(b) and 49 CFR 501.8(d)).

Issued on

FRED W. VETTER, JR.,
Associate Administrator for
Traffic Safety Programs.

HIGHWAY SAFETY PROGRAM STANDARD NO. —

MOTOR VEHICLE TITLING AND THEFT

S1. Scope.—This standard specifies uniform procedures to be adopted by the States for the titling of motor vehicles and for the disposition of titles after vehicles are sold for salvage.

S2. Purpose.—The purpose of this standard is to increase highway safety by specifying motor vehicle titling procedures that will reduce the incidence of motor vehicle theft and the resulting operation of unsafe vehicles.

S3. Definitions.—"Certificate of title" means a document issued by a jurisdiction as proof of a vehicle's ownership for purposes of registration or assignment.

"Reconstructed motor vehicle" means any motor vehicle which has at any time been a salvage vehicle and for which application is made to a State for retitling.

"Salvage vehicle" means a motor vehicle which is sold to a salvage dealer to be scrapped, dismantled, destroyed, or salvaged for parts.

S4. Requirements.—Each State shall have a motor vehicle titling program which meets the following requirements:

(a) The program shall require the issuance of a certificate of title to each owner of a motor vehicle upon proof of purchase, other than an owner who has purchased a vehicle for purposes of resale, and shall provide space on the certificate of title for an affidavit or other declaration authorized by law by the seller that the vehicle is or is not being sold as a salvage vehicle.

(b) The program shall require each owner of a motor vehicle for which a certificate of title has been issued to send the certificate of title to the appropriate agency of the issuing State for cancellation upon any sale of the motor vehicle as a salvage vehicle.

(c) The program shall require the issuance of a specially designated certificate of title for each reconstructed vehicle and shall require that the request for such certificate be accompanied by a cancelled certificate of title or by such other evidence of ownership as the State shall require.

(d) The program shall provide that no reconstructed vehicle may be permanently registered for highway use unless it has been inspected for safety in accordance with criteria of Highway Safety Program Standard No. 1, 23 CFR 1204.4 and by an inspector authorized by the State to determine that the vehicle is in fact the vehicle which had been sold for salvage pursuant to paragraph (b).

(e) The program shall require a record of the vehicle identification number of each vehicle for which a title is issued and of each vehicle for which a title is submitted for cancellation pursuant to subsection (b) of this section.

(f) The program shall require an annual evaluation of the State's motor vehicle titling program utilizing a methodology to be determined cooperatively by the State and the National Highway Traffic Safety Administration. The evaluation may consider such audit indicators as the number of stolen vehicles involved in accidents, the effectiveness of the vehicle ownership system in identifying stolen vehicles prior to registration, and the safety of reconstructed vehicles.

(g) The program shall require each State to return to the State of origin a title document obtained in the retitling process.

S5. Supplementary components.—Each State shall agree with the Administrator of the National Highway Traffic Safety Administration to supplement the State's motor vehicle titling program with such of the following countermeasures as they determine to be necessary to meet the State's needs:

1. Transmission of the VIN of each vehicle which is stolen to the National Crime Information Center.

2. Querying State records and, in the case of out-of-State vehicles, the National Crime Information Center to determine if the VIN of a vehicle whose owner seeks titling corresponds to a vehicle which has either been stolen or whose title has been cancelled.

3. Assignment of license plates to owners and not to vehicles.

4. Enactment of provisions for the control of salvage vehicle transactions by the issuance of salvage certificates of title or other documents evidencing the ownership of salvage vehicles prior to its being retitled as a motor vehicle.

5. Ensuring that sufficient safeguards are attached to the issuance of special and/or replacement vehicle identification plates to eliminate their misuse.

[From the Federal Register, p. 9374, Vol. 41, No. 44, Mar. 4, 1976]

[Docket No. 1-21: Notice 3]

THEFT PROTECTION

ADVANCE NOTICE OF PROPOSED RULEMAKING

This is an advance notice of proposed rulemaking to advise the public that the National Highway Traffic Safety Administration (NHTSA) is considering upgrading the requirements of Federal Motor Vehicle Safety Standard No. 114, 49 CFR 571.114, to provide greater vehicle security. No rule will be issued without further notice and opportunity for comment.

Paragraph S4.1 of Standard No. 114 requires each passenger car manufactured on or after January 1, 1970, to have a key locking system that, whenever the key is removed, will prevent either steering or forward self mobility of the car or both. While some studies indicate that currently-used key locking systems are a deterrent to auto theft, the NHTSA believes that the standard can be made more effective and consequently reduce the number of deaths and injuries related to auto theft. This effectiveness can be increased by upgrading the requirements of the physical security systems and extending the applicability of the standard to all motor vehicles except trailers. The NHTSA is also considering requiring more effective hood and trunk locks to make vehicle penetration more difficult, and thereby reduce vehicle theft. The proposed effective date for the amendment will be September 1979.

To reduce auto theft, the NHTSA is considering various approaches to improve the security of motor vehicles. The goal of the NHTSA is to preclude the unauthorized activation of the vehicle within a short period of time.

The NHTSA is currently considering establishing one or more of the following requirements. Comments are requested concerning the cost and reliability of proposed equipment and devices, as well as objective requirements to carry out the upgrading of the standard.

1. An ignition, steering, transmission or other locking system so designed, constructed, and fitted that it cannot be defeated by ordinary means within a short time duration.

2. Door and trunk locks so designed, constructed and fitted that they cannot be made inoperative or deactivated by ordinary means within a short time duration.

3. Hood locking and trunk locking release mechanisms that shall be operable from inside the vehicle.

4. A locking system that requires that the key or device that activates the steering lock shall be different from the key or device required to operate the door and trunk locks.

5. A steering lock system which will prevent accidental activation of the steering lock while the vehicle is in motion for those vehicles in which the requirements are met by provision of a steering lock.

6. A physical security system that will discourage or prevent the operator from leaving the keys or activating device in the vehicle ignition.

This advance notice is part of an interagency approach to achieve a reduction in auto theft throughout the United States. The Interagency Committee on Auto-Theft Prevention is jointly headed by the Secretary of Transportation and the Attorney General, and includes representatives of the Departments of State, Commerce, and Treasury and the Office of Management and Budget. This coordinated approach involves the Federal Government, the States and the private sector. All the aspects of a vehicle's life from its initial production to its final disposition will be studied to develop means of reducing the growing national theft problem.

In the interest of developing wider dialogue and international cooperation in attacking the vehicle theft problem, the NHTSA is also requesting comments on a regulation on unauthorized vehicle use developed by the Economic Commission for Europe. It is Regulation Number 18: "Uniform Provisions Concerning the Approval of Power-Driven Vehicles with Regard to the Protection Against Unauthorized Use." The revised draft of Regulation Number 18 dated April 7, 1976, has been amended to reflect NHTSA requirements. (The paragraph numbers as reproduced herein are unchanged from the original draft, so that they are not all in sequence.) Amended Regulation Number 18 follows as Appendix A.

The views of all interested parties, particularly, component suppliers, vehicle manufacturers, and specialists in physical security system and devices are solicited. Comments relative to costs and manufacturing lead times are particularly desirable. It is anticipated that a public meeting to consider the issues raised by this notice will take place shortly after the comment closing date.

Interested persons are invited to submit comments on this advance notice. Comments should refer to the docket number and be submitted to: Docket Section, National Highway Traffic Safety Administration, Room 5108, 400 Seventh Street, SW., Washington, D.C. 20590. It is requested but not required that 10 copies be submitted.

All comments received before the close of business on the comment closing date indicated below will be considered, and will be available for examination in the docket at the above address both before and after that date. The NHTSA will continue to file relevant material as it becomes available in the docket after the closing date, and it is recommended that persons continue to examine the docket for new material.

Comment closing date: June 2, 1976.

(Secs. 103, 119, Pub. L. 89-563; 80 Stat. 718 (15 U.S.C. 1392, 1407); delegations of authority at 49 CFR 1.51 and 501.8.)

Issued on February 27, 1976.

ROBERT L. CARTER,
Associate Administrator, Motor Vehicle Programs.

REGULATION No. 18

UNIFORM PROVISIONS CONCERNING THE APPROVAL OF POWER-DRIVEN VEHICLES WITH REGARD TO THEIR PROTECTION AGAINST UNAUTHORIZED USE

1. Scope.

1.1 This Regulation applies to protective devices designed to prevent the unauthorized use of power-driven vehicles having at least three wheels.

2. Definitions.

2.3 "Protective device" means a system designed to prevent unauthorized normal activation of the engine or other source of main engine power of the vehicle in combination with at least one system which: locks the steering; or locks the transmission; or locks the gear-shift control; or any system within the art which effectively prevents the unauthorized movement of the vehicle;

2.4 "Steering" means the steering control, the steering column and its accessory cladding, the steering shaft, the steering gearbox and all other components which directly affect the effectiveness of the protective device;

2.5 "Combination" means one of the specifically planned and constructed variations of a locking system which, when properly activated, permits operation of the locking system;

2.6 "Key" means any device designed and constructed to provide a method of operating a locking system which is designed and constructed to be operated by that device.

3. General Specifications.

3.1 The protective device shall be so designed that it is necessary to put it out of action in order to enable:

3.1.1 The engine to be started by means of the normal control; and

3.1.2 The vehicle to be steered, driven or moved forward under its own power.

3.2 The requirements of paragraph 3.1 shall be met by the single application of one key.

3.2.1 The optional fitting of supplementary devices to prevent unauthorized use of the vehicle shall be permitted, even if they require a separate means of activation.

3.3 A system operated with a key inserted in a lock shall not permit removal of the key before the protective device referred to in paragraph 3.1 has come into action or has been set to act.

3.4 The protective device referred to in paragraph 3.1 above, and the vehicle components on which it operates, shall be so designed, that it cannot, rapidly and without attracting attention, be opened, rendered ineffective, or destroyed by the use of low cost easily concealed tools, equipment or fabrications readily available to the public at large.

3.5 The protective device shall be mounted on the vehicle as an item of original equipment, (i.e. equipment installed by the vehicle manufacturer prior to first retail sale). It shall be fitted in such a way that even after removal of its housing

it cannot, when in the blocked condition, be dismantled otherwise than with special tools. If it would be possible to render the protective device ineffective by the removal of screws, the screws shall, unless they are non-removable screws, be covered by parts of the blocked protective device.

5.6 The key locking system shall provide at least 1,000 different key combinations or a number equal to the total number of vehicles manufactured annually if less than 1,000. In vehicles of one type the frequency of occurrence of each combination shall be roughly 1 per 1,000.

5.7 The key and lock shall not be visibly coded.

5.8 The lock shall be so designed, constructed and fitted that turning of the lock cylinder, when in the locked position, with a torque of less than 0.25 m.kg is not possible with anything other than the mating key, and

5.8.1 For lock cylinders with pin tumblers no more than 2 identical tumblers operating in the same direction shall be positioned adjacent to each other, and in a lock there shall not be more than 60 percent identical tumblers.

5.8.2 For lock cylinders with disc tumblers no more than 2 identical tumblers operating in the same direction shall be positioned adjacent to each other, in a lock there shall not be more than 50 percent identical tumblers.

5.9 Protective devices shall be such as to exclude any risk, while the vehicle is in motion, of accidental blockage likely to compromise safety in particular.

5.9.1 It shall not be possible to activate protective devices acting on the steering, transmission or gearshift control without first stopping the engine and then performing an action which is not an uninterrupted continuation of stopping the engine.

5.9.2 In the case of devices acting on the steering, transmission or gearshift control the action of key withdrawal shall either necessitate a minimum movement of 5 mm before activation of the device or incorporate an override facility to prevent accidental removal or partial withdrawal of the key.

5.10 Power assistance may be used only to activate the locking and/or unlocking action of the protective device. The device shall be kept in its operating position by mechanical means only.

5.11 It shall not be possible to activate the motive power of the vehicle by normal means until the protective device has been deactivated.

6. *Particular Specifications.* In addition to the general specifications prescribed in paragraph 5., the protective device shall comply with the particular conditions prescribed below:

6.1 *Protective Devices Acting on the Steering*

6.1.1 A protective device acting on the steering shall block the steering.

6.1.2 When the protective device is set to act, it shall not be possible to prevent the device from functioning.

6.1.3 The protective device must continue to meet paragraphs 5.9, 6.1.1, 6.1.2 and 6.1.4 after it has undergone 5,000 locking cycles of the wear producing test specified in annex 3 (attached).

6.1.4 The protective device shall, in its activated position, be strong enough to withstand, without damage to the steering mechanism likely to compromise safety, the application of a torque of 19.6 mdaN (20 mkgf) about the axis of the steering shaft in both directions under static conditions.

6.2 *Protective Devices Acting on the Transmission.* A protective device acting on the transmission shall prevent the rotation of the vehicle's driving wheels.

6.3 *Protective Devices Acting on the Gearshift Control.*

6.3.1 A protective device acting on the gearshift control shall be capable of preventing any change of gear.

6.3.2 In the case of manual gearboxes it must be possible to lock the gearshift lever in reverse only; in addition, locking in neutral shall be permitted.

6.3.3 In the case of automatic gearboxes provided with a "parking" position it must be possible to lock the mechanism in the parking position only; in addition, locking in neutral and/or reverse shall be permitted.

6.3.4 In the case of automatic gearboxes not provided with a "parking" position it must be possible to lock the mechanism in neutral and/or reverse.

10. *Acoustic or Visual Warning Devices Provided Additionally.*

10.1 A protective device may be additionally equipped with an acoustic or visual warning device.

10.2 If the protective device is additionally equipped with an external acoustic and/or visual warning device, the signals emitted by the warning device shall be brief and shall end automatically after not more than 30 seconds; they shall recommence only if the device is actuated again. In addition,

10.2.1 If the signal is acoustic, it may be emitted by the audible warning device normally fitted to the vehicle;

10.2.2 If the signal is visual, it shall be produced solely by flashing of the vehicle's passing lights.

10.3 If the protective system is equipped with a driver warning feature it shall be activated, unless the protective device has been activated and any key removed by the operator, when the operator opens the driver's side door.

ANNEX 3

(TO THE REGULATION)

WEAR PRODUCING TEST PROCEDURE FOR PROTECTIVE DEVICES ACTING ON THE STEERING

1. *Test Sample and Test Equipment.*

1.1 Shall consist of a fixture suitable for mounting the sample steering complete with the protective device attached;

1.2 A means for activating and deactivating the protective device;

1.3 A means for rotating the steering shaft relative to the protective device.

2. *Test Method.* One cycle of the test procedure shall consist of the following operations during which the torque on the steering shaft shall not exceed 0.575 m.kg.

2.1 *Start Position*—The protective device shall be deactivated and the steering shaft shall be rotated to a position which prevents engagement of the protective device, unless it is of the type which permits locking in any position of the steering.

2.2 *Set to Activate*—The protective device shall be moved from the deactivated to the activated position, using the normal means of activation, for example by turning or withdrawing the key.

2.3¹ *Activated*—The steering shaft shall be rotated at a speed not exceeding the equivalent of 1 r.p.s. until the protective device locks the shaft.

2.4 *Deactivated*—The protective device shall be deactivated by the normal means, where necessary the shaft shall be rotated to facilitate disengagement.

2.5² *Return*—The steering shaft shall be rotated at a speed not exceeding the equivalent of 1 r.p.s. to a position which prevents engagement of the protective device.

2.6 *Opposite Rotation*—Repeat 2.2, 2.3, 2.4, and 2.5, but in the opposite direction of rotation of the steering shaft.

* * * * *

[From the Federal Register, Vol. 33, No. 83, Apr. 27, 1968]

MOTOR VEHICLE SAFETY STANDARD No. 114

THEFT PROTECTION—PASSENGER CARS

S1. *Purpose and scope.* This standard specifies requirements for theft protection to reduce the incidence of accidents resulting from unauthorized use.

S2. *Application.* This standard applies to passenger cars.

S3. *Definitions.* "Combination" means one of the specifically planned and constructed variations of a locking system which, when properly actuated, permits operation of the locking system.

"Key" includes any other device designed and constructed to provide a method for operating a locking system which is designed and constructed to be operated by that device.

S4. *Requirements.*

S4.1 Each passenger car shall have a key-locking system, that, whenever the key is removed, will prevent—

(a) Normal activations of the car's engine or other main source of motive power; and

(b) Either steering or forward self-mobility of the car, or both.

S4.2 The prime means for deactivating the car's engine or other main source of motive power shall not activate the deterrent required by S4.1(b).

S4.3 The number of different combinations of the key locking systems required by S4.1 of each manufacturer shall be at least 1,000, or a number equal to the number of passenger cars manufactured by such manufacturer, whichever is less.

S4.4 A warning to the driver shall be activated whenever the key required by S4.1 has been left in the locking system and the driver's door is opened. The warning to the driver need not operate—

- (a) after the key has been manually withdrawn to a position from which it may not be turned;
- (b) when the key-locking system is in the "on" or "start" position; or
- (c) after the key has been inserted in the locking system and before it has been turned.

[From the Federal Register, Vol. 33, No. 83, Apr. 27, 1968]

[Docket No. 1-21]

PART 255—INITIAL FEDERAL MOTOR VEHICLE SAFETY STANDARDS

MOTOR VEHICLE SAFETY STANDARD NO. 114; THEFT PROTECTION; PASSENGER CARS

A proposal to amend § 255.21 of Part 255, Federal Motor Vehicle Safety Standards, by adding a new standard, Theft Protection—Passenger Cars, was published in the FEDERAL REGISTER on December 28, 1967 (32 F.R. 20866).

Interested persons have been afforded an opportunity to participate in the making of the standard. Their comments and other available information have been carefully considered.

Responses to the notice and other information have demonstrated that stolen cars constitute a major hazard to life and limb on the highways. The evidence shows that cars operated by unauthorized persons are far more likely to cause unreasonable risk of accident, personal injury, and death than those which are driven by authorized individuals. Further, the incidence of theft, and hence the risk of accidents attributable thereto, is increasing. According to a recent study by the Department of Justice there were an estimated 94,000 stolen cars involved in accidents in 1968, and more than 18,000 of these accidents resulted in injury to one or more people. On a proportionate basis, 18.2 percent of the stolen cars became involved in accidents, and 19.6 percent of the stolen-car accidents resulted in personal injury. The same study predicted that automobile thefts in 1967 total about 650,000; about 100,000 of these stolen cars could be expected to become involved in highway accidents. Comparing these figures with statistics for vehicles which are not stolen, the approximate rate for stolen cars would be some 200 times the normal accident rate for other vehicles. Thus, a reduction in the incidence of auto theft would make a substantial contribution to motor vehicle safety. It would not only reduce the number of injuries, and deaths among those who steal cars, it would also protect the many innocent members of the public who are killed and injured by stolen cars each year.

The President's Commission on Law Enforcement and Administration of Justice, in its report "The Challenge of Crime in a Free Society", noted the rising cost in lives and dollars as a result of auto theft, highlighted the need for measures to reduce auto thefts and suggested that "The responsibility could well be assigned to the National Highway Safety Agency as part of its program to establish safety standards for automobiles." (pp. 260-261).

The Administrator has concluded that a standard that would reduce the incidence of unauthorized use of cars meets the need for motor vehicle safety. Consequently, he rejects those comments on the proposed standard which questioned its validity on the ground that it is not related to improving motor vehicle safety. As indicated below, amateur car thieves make up the majority of those unauthorized drivers who become involved in motor vehicle accidents. Many of these thieves make use of keys left in the ignition locks to start the cars they steal. Hence, the standard requires each car to be equipped with a device to remind drivers to remove the key when leaving the car. The number of car thieves who start cars with so-called "master keys" and devices which bypass the lock is also large enough to produce a significant safety hazard. Therefore, the standard also requires devices which tend to defeat this category of thief: A large number of locking-system combinations and a steering or self-mobility lock.

Several comments urged that the warning-device requirement be eliminated from the standard upon the ground that the removal of the key is the driver's responsibility. It was also said that, since any locking system, no matter how it is constructed, can be defeated by persons possessing sufficient skill, equipment, and tenacity, provisions for ensuring removal of ignition keys would be futile because a thief need not make use of a key.

As the Department of Justice survey mentioned above demonstrates, however, the large majority of car thieves are amateurs, almost half of whom are engaged in so-called "joy-riding". The evidence shows that a high proportion of these

thieves, most of whom are juveniles, start the cars' engines simply by using the key which has been left in the ignition lock. It is, of course, the operator's responsibility to remove the key when the car is left unattended, and drivers should continue to be exhorted or required to take this elementary precaution. Nevertheless, many do not, and the interest of safety would be promoted by the existence of a visible or audible warning device on the car, reminding the driver when he has neglected his responsibility. This is an instance in which engineering of vehicles is more likely to have an immediate beneficial impact than a long-range process of mass education.

The requirement of a warning when the key is left in the lock was also the subject of several comments which asked that the warning be required when the front-seat passenger's door, as well as the driver's door, is opened. There is considerable validity in the contention that the device should operate upon the opening of either door, particularly because, in some jurisdictions, exiting from a car on the left side is prohibited in certain circumstances. However, the notice of proposed rule making stated that the standard under consideration made the warning-device requirement applicable only when the driver's door is opened. Information available to the Administrator shows that development of such warning devices has concentrated on warnings that are activated only in the event the driver's door is opened while the key remains in the lock. To extend this requirement to the opening of either door might necessitate both the initiation of new rule making procedures and an extension of the standard's effective date. For these reasons, the requirement is, with minor exceptions discussed below, in substance unchanged from the one which appeared in the notice of proposed rule making. Extension of the requirement to passenger-door warning devices will be kept under consideration.

The January 1, 1970, effective date also remains unchanged. Most of the comments which focused on the proposed effective date stated that the standard could be complied with by that date. One manufacturer sought a 1-year extension on the ground that it could not produce a steering or mobility lock in sufficient time to equip its automobiles with such a device by January 1, 1970. Although this comment alleged that data in the possession of its author showed that the cost of purchasing and installing a device to comply with the standard would impose an unreasonable economic burden, neither those data nor the basis for the company's conclusion have been supplied to the Administration. In short, nothing supported the request except the broad generalization that the proposed effective date would cause some undefined hardship. Balancing this unsubstantiated generalization against the increase in deaths and injuries that postponing the effective date for a year would probably cause, the Administrator has concluded that a change in the effective date to January 1, 1971, would not be in the interest of safety, that the January 1, 1970, effective date is a practicable one, and that the request to extend it for 1 year is denied.

Many persons who responded to the notice asked that specific theft protection devices be prescribed. These specific devices included brake locks and so-called "pop-out" keys which automatically eject from the locking system, to devices which purportedly make by-passing the ignition switch impossible. The Administrator concludes that it would be unwise to establish a standard in terms so restrictive as to discourage technological innovation in the field of theft inhibition. Consequently, the standard has been framed to permit as many specific devices as possible to meet its requirements. In addition, the standard does not preclude the use of supplementary theft protection measures, such as the "pop-out" key, so long as automobiles comply with the standard's minimum requirement.

In drafting the standard, a number of revisions were made in the language employed in the notice of proposed rule making. Many of these revisions clarify definitional problems that were raised in responses to the notice. The term "key" is defined so as to include methods of activating the locking system other than the commonly accepted concept of a key. The term "combination" was defined to clarify its meaning, and the 1,000-combinations requirement has been changed to make it clear that, after the standard's effective date, each manufacturer must produce at least 1,000 different locking system combinations, unless he manufactures less than 1,000 passenger cars. In response to comments which pointed out the impossibility of constructing a system which, upon removal of the key, would prevent operation of the powerplant absolutely and in all events, the provisions of paragraph S3(a) of the notice were revised to require only that removal of the key must prevent normal activation of the powerplant. Paragraph S4.2 represents a clarification of the requirement contained in paragraph S3.3 of the

notice. It is intended to permit the driver of a car to turn off the engine in emergency situations while the car is in motion without also activating the steering or self-mobility lock. Other minor changes were made for amplification or clarification.

Shortly after the issuance of this standard, the Administrator will issue a notice of proposed rule making to determine the practicability of improving the standard by adding a requirement that key locking systems be designed and constructed to preclude accidental or inadvertent activation of the deterrent required by S4.1(b) while the car is in motion. The notice will propose an effective date for the additional requirement identical to that of the present standard: January 1, 1970.

In consideration of the foregoing, § 255.21 of Part 255, Federal Motor Vehicle Safety Standards, is amended by adding Standard No. 114, as set forth below, effective January 1, 1970.

In accordance with section 103(c) of the National Traffic and Motor Vehicle Safety Act of 1966, I find that it would be impractical to require compliance with this standard within 1 year and therefore it is in the public interest to adopt a later effective date.

This amendment is made under the authority of sections 103 and 119 of the National Traffic and Motor Vehicle Act of 1966 (15 U.S.C. 1392, 1407) and the delegation of authority of April 24, 1968.

Issued in Washington, D.C., on April 24, 1968.

LOWELL K. BRIDWELL,
Federal Highway Administrator.

[From the Federal Register, Vol. 33, No. 138, July 17, 1968]

MOTOR VEHICLE SAFETY STANDARD No. 115

VEHICLE IDENTIFICATION NUMBER—PASSENGER CARS

S1. Purpose and scope. This standard specifies requirements for vehicle identification numbers to reduce the incidence of accidents resulting from unauthorized use.

S2. Application. This standard applies to passenger cars.

S3. Definition.

"Vehicle identification number" means a number consisting of arabic numerals, roman letters, or both, which the manufacturer assigns to the vehicle for identification purposes.

S4. Requirements.

S4.1 Each passenger car shall have a vehicle identification number.

S4.2 The vehicle identification numbers of two vehicles manufactured by a manufacturer within a ten-year period shall not be identical.

S4.3 The vehicle identification number of each passenger car shall be sunk into or embossed upon either a part of the vehicle (other than the glazing) that is not designed to be removed except for repair or a separate plate which is permanently affixed to such a part.

S4.4 The vehicle identification number shall be located inside the passenger compartment and shall be readable, without moving any part of the vehicle, through the vehicle glazing under daylight lighting conditions by an observer having 20/20 vision (Snellen) whose eye-point is located outside the vehicle adjacent to the left windshield pillar.

Effective Date: January 1, 1969.

TITLE 23—HIGHWAYS AND VEHICLES

CHAPTER II—VEHICLE AND HIGHWAY SAFETY

[Docket No. 1-22; Motor Vehicle Safety Standard No. 115]

PART 255—INITIAL FEDERAL MOTOR VEHICLE SAFETY STANDARDS

Vehicle Identification Number; Passenger Cars

A proposal to amend § 255.21 of Part 255, Federal Motor Vehicle Safety Standards, by adding a new standard, Vehicle Identification Number—Passenger Cars, was published in the FEDERAL REGISTER on December 28, 1967 (32 F.R. 20866).

Interested persons have been afforded an opportunity to participate in the making of the standard. Their comments and other available information have been carefully considered.

The Administrator has concluded that prevention and deterrence of passenger car thefts would substantially reduce the number and seriousness of motor vehicle accidents. Available evidence shows that cars operated by unauthorized persons are far more likely to cause unreasonable risk of accidents, personal injuries and deaths than those which are driven by, or with the permission of, their owners. The incidence of theft and the risk of accidents attributable thereto is increasing. According to a recent study by the Department of Justice, an estimated 94,000 stolen cars were involved in accidents in 1966, and more than 18,000 of these accidents resulted in injury to one or more people. 18.2 percent of the stolen cars became involved in accidents, and 19.6 percent of the stolen-car accidents caused personal injury. The same study predicted that automobile thefts in 1967 would total about 650,000; about 100,000 of these stolen cars would be expected to become involved in accidents. Comparing these figures with statistics for cars which are not stolen, the approximate accident rate for stolen cars would be some 200 times the rate for other cars. Thus, a reduction in the incidence of auto theft would meet the need for motor vehicle safety. It would not only reduce the number of injuries and deaths among those who steal cars, it would also protect the many innocent members of the public who are killed and injured by stolen cars each year.

In its report, "The Challenge of Crime in a Free Society," the President's Commission on Law Enforcement and Administration of Justice noted the rising cost of auto thefts in lives and dollars, highlighted the need for measures to reduce auto thefts and suggested that "The responsibility could well be assigned to the National Highway Safety Agency as part of its program to establish safety standards for automobiles." (pp. 260-261).

The Administrator has decided that the problem of reducing the incidence of automobile thefts should be attacked on a two-pronged basis. On one hand, physical impediments should be placed in the path of potential thieves; to accomplish this, a Motor Vehicle Safety Standard on Theft Protection—Passenger Cars has been promulgated. That standard prescribes automobile equipment which tends physically to defeat an attempted theft. It is equally important to interpose psychological deterrents to automobile theft. A unique identification number affixed to each car in a uniform location and readable from outside the car would serve as such a deterrent. The present standard requires manufacturers to install such a number in each passenger car. When so installed, it will enable law enforcement agencies to find stolen cars and apprehend car thieves with much greater facility than now exists. By confronting a potential thief with the premise of swift and sure apprehension, compliance with the standard will deter him from making off with someone else's automobile. All law enforcement agencies, as well as many other organizations concerned with the rising incidence of car thefts, that responded to the notice of proposed rule making endorsed the concept of a visible identification number embodied in the standard. Many of these groups said that the standard would promote efforts to curb unauthorized use of passenger cars. The Administrator has therefore concluded that issuance of the standard will protect the public against the unreasonable risk of accidents stemming from widespread automobile theft.

The Administrator has carefully considered the contention, which some manufacturers advanced, that the standard might actually increase the risk of automobile theft because a thief, armed with ready access to the car's identification number, might thereby obtain a key for its ignition lock. The acquisition of master or identical keys procured through knowledge of a vehicle's identification number is a lengthy and arduous process. Hence, it is a technique that is rarely, if ever, used by amateur thieves whose activities create the greatest risk of stolen-car accidents. Furthermore, as a practical matter, it is possible to utilize this technique only with respect to a relatively small number of cars. The Theft Protection standard, effective January 1, 1970, will result in a larger number of combinations for ignition locks, and this should substantially reduce the effectiveness of master keys. In addition, improved key-control measures can prevent thieves from acquiring duplicate keys simply by knowing the vehicle identification number. On balance, therefore, the Administrator does not agree with those who argue that the standard will not result in an overall reduction in the number of automobile thefts.

The Administrator also rejects the contention that the standard is unnecessary because of the almost universal requirement that all automobiles must bear at least one license plate. Experience has shown that ordinary license plates, located on the outside of a car and installed with screws, are often removed and replaced

with other plates. Knowing only the number of the license plates sold to the owner of the stolen car, the police have no sure way of identifying the car when other plates have been attached to it. The standard attempts to overcome this problem by requiring that the car's identification number be affixed with relative permanency.

In addition to license-plate requirements, the laws of many States contain provisions relating to identifying numbers on motor vehicles. The primary purpose of these State-law requirements is to facilitate the issuance and transfer of titles to motor vehicles. So far as the Administrator is aware, no State provides for a number which is readable from outside a vehicle without opening a door, hood or other part of the vehicle. These State requirements are neither safety standards, nor do they relate directly to the prevention of motor vehicle thefts or the apprehension of thieves. Consequently, the Administrator has concluded that the standard will have no preemptive effect upon such State laws.

Several changes have been made in the form of the standard as it appeared in the notice of proposed rule making. A number of comments objected to the requirement, as stated in the notice, that the vehicle identification number must "provide permanent legibility" on the ground that it was unrealistic and unattainable. In response to these comments, the requirement was deleted. The term "permanent structure" was defined to clarify its meaning, in the light of a number of submissions which indicated that some manufacturers were confused about the parts of the automobile that were included within the meaning of the term.

Some comments questioned the requirement that the number must be affixed in such a manner that "removal, replacement, or alteration of the number will show evidence of tampering." The requirement has been deleted. The standard now provides that the number must either be sunk into or embossed upon each car's permanent structure or upon a separate plate that is permanently affixed to the permanent structure. The term "permanently affixed" is used in section 114 of the National Traffic and Motor Vehicle Safety Act, and it was retained in the standard notwithstanding contentions that it was not sufficiently definitive.

The portion of the notice pertaining to readability of the number (paragraph S4.4) was amended to include the conditions under which the number must be readable. This provision was also redrafted to make it clear that the number must be readable from a position outside the vehicle without moving any part of the vehicle. This precludes placing the number in a location such that, in order to read it, a door, trunk lid or other portion of the car's body must be opened.

In consideration of the foregoing, § 255.21 of Part 255, Federal Motor Vehicle Safety Standards, is amended by adding Standard No. 115, as set forth below, effective January 1, 1969. (Secs. 103, 119, National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1392, 1407); delegation of authority of April 24, 1968.)

Issued in Washington, D.C., on July 3, 1968.

LOWELL K. BRIDWELL,
Federal Highway Administrator.

Mr. ENGLISH. Thank you very much.

You indicated in your testimony that the Department of Transportation has already received from the States a number of written comments on your proposed titling and registration standard.

What is the general tenor and tone of the responses which you have received from these various States; and, what kinds of objections have you faced so far?

Mr. KAISER. If the Chair please, I would like to ask Mr. John Womack to answer that.

Mr. WOMACK. Mr. Chairman, we have received a number of comments from the States. The general tenor, I think, has been favorable. A number of States have systems already in place—as you have heard described today—which resemble closely the proposed system in the draft standard. We do not yet have a complete survey. I think that will be part of the next stage in rulemaking.

Mr. ENGLISH. I would assume that the primary objection to be received from most of the States would be the cost of implementing such a program.

Mr. WOMACK. Right. That is true in specific areas. In other words, there has not been general objection from the States on the point of cost. Two or three of the supplementary proposals we have in the draft, such as the requirement to check with the National Crime Information Center (NCIC), on the identity of stolen vehicles, have raised questions from some States because of the cost of computer installations. Some States say they will be faced with costs of some of the information for which we are asking to be included in their title documents. Other States have pointed to costs associated with the need for inspectors to be present to inspect reconstructed vehicles.

There are a few exceptions. There are a couple of States which feel that the cost, in view of the benefits, would be excessive. But the main thrust from the comments from the States has been that they do not feel the costs are out of line.

Mr. ENGLISH. Do you anticipate strong opposition from the various States or any section of the country to the provisions or to the proposals that you have made?

Mr. WOMACK. Not to the substance of them. We have already had several criticisms of various aspects of the draft proposed standard. We have tried, at this point, to incorporate those criticisms into the revised draft of the standard which we will be publishing. In other words, the proposed standard, as published, will be different in certain details from that which we circulated in draft because we have included references to the comments from the States.

We have had a couple of States who say, "We like what you are proposing to do; we do not like the fact that you are proposing it." And I think there are some jurisdictional complaints which have surfaced.

Mr. ENGLISH. Do you have any plans to request from Congress an expansion of the NHTSA's legislative authority under the Motor Vehicle Safety Act?

Mr. WOMACK. We are at this point considering proposals for submission to the 95th Congress. We have really not gotten those in line yet, and I cannot say that we have a definite proposal. But there are questions which are being discussed within the Department.

Mr. ENGLISH. Of course the question arises of why should they be involved in a nonsafety related theft?

Mr. WOMACK. I think that is one of the questions. There is a question of jurisdiction. Clearly, with joyriding, there is a relationship to safety; but, as you get further and further out into the area of the vehicles that are stolen for resale, or for parts, or for export to foreign markets, the relationship to safety diminishes.

Mr. ENGLISH. As you know, we have heard testimony that the cost of these thefts to the American public is at least \$1.5 billion per year.

Through this procedure, can you give us any kind of estimate as to what we could expect in the way of savings by the reduction of thefts in this country?

Mr. WOMACK. I think we are a long way from being able to get figures on that. As has been stated in the ADRA testimony, we have examples of States in which the installation of a titling system, such as the one we are considering, has had noticeable effect on certain

types of vehicle theft. But we do not have any aggregate figures or predictions at this point.

Mr. ENGLISH. That concludes the questions I have to ask. Are there any questions at this point from members of the staff?

I would again like to thank you for appearing here today; and to thank all of the witnesses we have had before us.

I apologize again for the difficulties we have had and would hope that it has not been too much of an inconvenience for any of you.

We have had some very worthwhile testimony which has certainly been helpful to us.

Mr. KAISER. Mr. Chairman, I want to thank you and the staff of your subcommittee and the Members for your interest in this problem. We are very appreciative of your interest and support.

Mr. ENGLISH. Thank you.

If there is nothing further, this meeting of the Subcommittee on Government Activities and Transportation is adjourned, subject to the call of the Chair.

[Whereupon, at 1:27 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

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